DENMAN
& Company, LLP
Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of June 30, 2007, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 through 14 and budgetary comparison information and modified approach information on pages 53 through 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's basic financial statements. The basic financial statements for the three years ended June 30, 2006 (none of which are presented herein) were audited by other auditors whose report dated October 6, 2006 stated that they expressed unqualified opinions on those financial statements. The combining nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 18, 2008

As management of the City of West Des Moines, Iowa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of West Des Moines for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is located in the Introductory Section at the front of this report.

Financial Highlights

- The assets of the City of West Des Moines exceeded liabilities at the close of the fiscal year ending June 30, 2007 by $372,672,248 (net assets). Of this amount, $40,376,159 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2006, assets exceeded liabilities by $338,193,649. Of this amount, $30,914,192 was unrestricted.
- The City's total net assets increased by $34,478,599 during the fiscal year ended June 30, 2007. Governmental activities increased $21,468,340 and business-type activities increased $13,010,259. For fiscal year ended June 30, 2006, total net assets increased $26,270,667. Governmental activities increased $23,660,829 and business-type activities increased $2,609,838.
- As of the close of the current fiscal year, the City of West Des Moines' governmental funds reported combined ending fund balances of $45,649,834, an increase of $1,379,977 in comparison with the prior year. Approximately 63.8 percent of this total amount, $29,123,378 is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2006, governmental funds reported combined ending fund balances of $44,269,857, of which $27,055,431 or 61.1 percent was unreserved.
- At the end of the current fiscal year, the City's unreserved fund balance for the General Fund was $10,234,813 or 27 percent of total General Fund expenditures. These funds will be needed to meet expenditures during the next four months, at which time the City will receive the next semi-annual property tax revenue. The unreserved fund balance for the General Fund as of June 30, 2006 was $7,929,180 or 22 percent of total General Fund expenditures.
- The City of West Des Moines' total debt decreased by $12,871,229 (8.4 percent) during the current fiscal year. Total debt for the fiscal year June 30, 2006, decreased by $8,992,282 (5.5 percent).

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 financing requirements, and is typically the basis used in developing the next annual budget.

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

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

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

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

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

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

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

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

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

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 31 through 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information* concerning the City of West Des Moines' infrastructure condition and maintenance records as the City has used the modified approach for reporting much of its infrastructure. This approach to recording infrastructure is explained on page 10 of this Management's Discussion and Analysis (MD&A). Required supplementary information can be found on pages 53 through 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on infrastructure. Combining and individual fund statements and schedules can be found on pages 58 through 67 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City of West Des Moines, assets exceeded liabilities by $372,672,248 at the close of the most recent fiscal year.

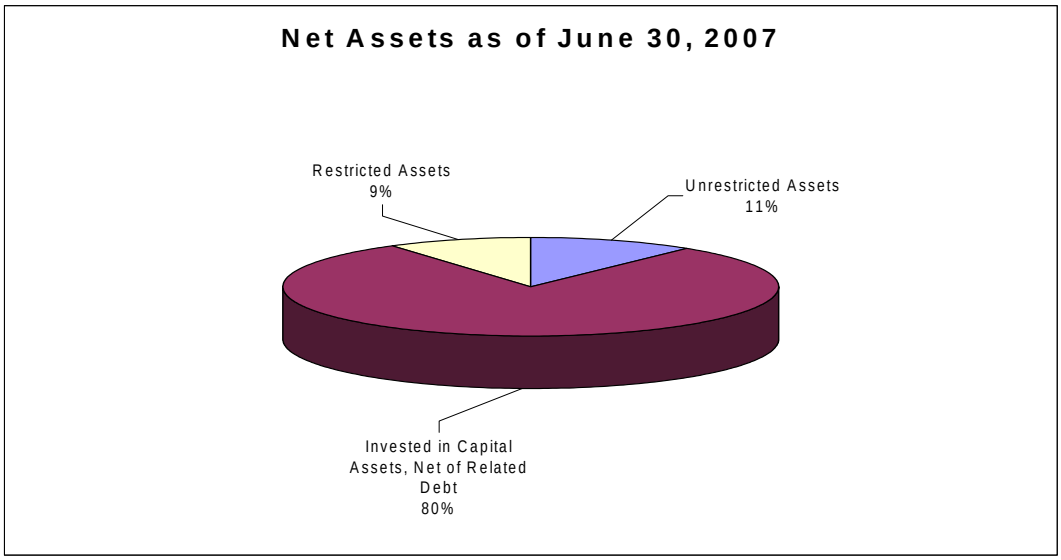
By far the largest portion of the City's net assets (80 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements other than buildings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	$ 112,448	$ 108,090	$ 25,528	$ 21,086	$ 137,976	$ 129,176
Capital assets net of depreciation	379,330	372,415	56,324	48,440	435,654	420,855
Total assets	491,778	480,505	81,852	69,526	573,630	550,031
Liabilities						
Current liabilities	75,599	71,931	870	887	76,469	72,818
Long-term liabilities outstanding	121,574	135,437	2,915	3,582	124,489	139,019
Total liabilities	197,173	207,368	3,785	4,469	200,958	211,837
Net Assets						
Invested in capital assets, net of related debt	244,929	244,127	52,757	44,241	297,686	288,368
Restricted assets	33,537	17,839	1,073	1,073	34,610	18,912
Unrestricted assets	16,139	11,171	24,237	19,743	40,376	30,914
Total net assets	$ 294,605	$ 273,137	$ 78,067	$ 65,057	$ 372,672	$ 338,194

An additional portion of the City's net assets (9.3 percent or $34,610,498) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (10.8 percent or $40,376,159) may be used to meet the City's ongoing obligations to citizens and creditors.

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



Governmental activities: Governmental activities increased the City's net assets by $21,468,340. This can largely be attributed to the City's commitment, in the previous two years, to construct infrastructure within the rapidly expanding community. The new infrastructure has resulted in significant development in the area which has increased the City's charges for services revenue, specifically development and building construction inspection fees. The new development has also increased the City's tax base and property tax collections, including revenue from tax increment financing districts. It should, however, be noted that the City will primarily be using the additional property tax revenue generated by the tax increment districts to repay the general obligation bonds that were issued to finance the infrastructure.

Business-type activities: As shown on the chart that follows, business-type activities increased the City's net assets by $13,010,259. A large portion of this increase came from capital contributions by developers who constructed infrastructure within their developments and then turned the infrastructure assets over to the City, for future maintenance. The City also created a new storm water enterprise that began collecting fees as of July 1, 2006. These fees will be used to meet new, more stringent, regulatory requirements for storm water runoff, which municipal governments must now implement and monitor.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 6,029	$ 4,719	$ 8,850	$ 7,627	$ 14,879	$ 12,346
Operating grants and contributions	7,452	7,161	4,540	-	11,992	7,161
Capital grants and contributions	8,220	12,222	7,009	1,475	15,229	13,697
General revenues:						
Property taxes	49,765	40,725		-	49,765	40,725
Other taxes	2,703	2,790		-	2,703	2,790
Earnings on investments	2,575	2,485	905	657	3,480	3,142
Other	1,020	1,965		1	1,020	1,966
Total revenues	77,764	72,067	21,304	9,760	99,068	81,827
Expenses:						
General government	5,017	6,400		-	5,017	6,400
Public safety	19,750	17,814		-	19,750	17,814
Public works	8,964	6,902		-	8,964	6,902
Health and social services	985	930		-	985	930
Culture and recreation	8,562	8,487		-	8,562	8,487
Community and economic development	3,886	3,618		-	3,886	3,618
Interest on long-term debt	5,884	6,042		-	5,884	6,042
Sanitary sewer		-	9,346	3,940	9,346	3,940
Solid waste		-	1,453	1,423	1,453	1,423
Storm water		-	743	-	743	-
Total expenses	53,048	50,193	11,542	5,363	64,590	55,556
Excess before transfers and special item	24,716	21,874	9,762	4,397	34,478	26,271
Transfers	(3,248)	1,787	3,248	(1,787)	-	-
Change in net assets	21,468	23,661	13,010	2,610	34,478	26,271
Net assets, beginning of year	273,137	249,476	65,057	62,447	338,194	311,923
Net assets, end of year	$ 294,605	$ 273,137	$ 78,067	$ 65,057	$ 372,672	$ 338,194

Financial Analysis of the Government's Fund Financial Statements

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

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

The City's governmental funds reported combined fund balances of $45,649,834 as of June 30, 2007. This was an increase of $1,379,977, or 3 percent, over the prior year. Of this total amount, $29,123,378 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate prior period contracts and purchase orders of $11,033,351, and 2) to fund various debt service payments totaling $5,493,105.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $10,234,813, while total fund balance was $10,242,513. As a measure of the General Fund's liquidity, it is generally useful to compare both unreserved fund balance and total fund balance to total fund expenditures. In this instance, unreserved fund balance and total fund balance both represent approximately 27 percent of total General Fund expenditures. These funds will be needed as working capital during the initial months of the new fiscal year as property tax revenue is only collected semi-annually, in September and March, with the majority of the revenue remitted to the City by the respective county treasurers in the months of October and April. Thus, the City has been on target for achieving its goal of an average fund balance of approximately 25% of General Fund expenditures, with that fund balance percentage having been 22% in fiscal year 2006 and 27% in fiscal year 2007.

The Tax Increment Financing (TIF) Fund had a total fund balance of $9,581,450, all of which is unreserved. These funds will be transferred from the Tax Increment Financing Fund to cover bonded debt, other loans, advances and contracts to finance infrastructure improvements in the TIF districts.

The Debt Service Fund had a fund balance of $5,493,105, all of which is reserved for the payment of debt (i.e. payment of general obligation principal and interest).

The Capital Projects Fund had a total fund balance of $13,167,749, of which $11,025,651 is reserved for the liquidation of construction contracts that were entered into during the prior period. The decrease in fund balance during the current fiscal year of $5,237,185, or 28 percent, reflects the completion of construction contracts for which the bond proceeds (i.e. proceeds from long-term debt) were received in a prior fiscal year.

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

Total net assets of the Sanitary Sewer Fund at the end of the year amounted to $70,718,058. This is comprised of: $46,039,283 invested in capital assets, net of related debt; $1,072,785 restricted for debt service; and $23,605,990 in unrestricted net assets. Total net assets of the Storm Water Fund at the end of the current year were $7,069,433, with $6,717,615 invested in capital assets net of related debt and $351,818 in unrestricted net assets. The Storm Water enterprise fund did not begin collecting fees until July 1, 2006. Total net assets of the Solid Waste Fund at the end of the current year were $275,897 all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as this service was out-sourced to a private contractor in November of 2000.

Budgetary Highlights

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

During the year, amendments to budgeted expenditures were primarily due to changes in the timing of capital improvement projects both in governmental and business-type activities. The revenue budget was also amended to reflect increased interest income as a result of improved market rates, an increase in hotel / motel tax collections as the number of hotel rooms in the City increased, and a significant increase in E911 surcharge collections from telephone service providers. The budgetary comparison schedules on pages 52 and 53 provide more information.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to $435,653,473 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings (e.g. recreation trails, athletic fields, parking lots), vehicles and equipment, and infrastructure (e.g. roads, bridges, sanitary and storm sewer lines). The total increase in the City of West Des Moines' capital assets for the current fiscal year was 3.5 percent.

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

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

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

The *required supplementary information* that must be presented by governments electing this approach appears on pages 55 through 57 of this report. From this supplementary information you can see that the City has been able to consistently meet or exceed its condition level goals. For a full explanation as to how the following condition levels were determined, please see page 55 of this report.

Condition Level for Street Network
(prior 3 years)

Street subsystem:	2005	2006	2007
Goal	78-80	78-80	78-80
Actual	80.21	80.91	80.90
Bridge and culvert:			
Goal	81 or greater	81 or greater	81 or greater
Actual	90.6	91	93.8
Levee subsystem:			
Goal	Acceptable	Acceptable	Acceptable
Actual	Acceptable	Acceptable	Acceptable

The *required supplementary information* also reveals that estimated maintenance costs and actual maintenance costs are fairly consistent considering that the fiscal year falls in the middle of the construction season which will result in some fluctuation from year to year depending on the exact date that the construction contract is let.

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

	2003	2004	2005	2006	2007	2008
Estimated costs	$3,167	$2,996	$3,323	$4,077	$4,480	$4,915
Actual costs	$3,349	$3,052	$3,517	$3,516	$4,751	N/A

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

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 23,970	$ 23,161	$ 328	$ 328	$ 24,298	$ 23,489
Buildings	38,532	33,755	-	-	38,532	33,755
Improvements other than buildings	31,798	30,488	-	-	31,798	30,488
Equipment and vehicles	18,313	17,508	7	7	18,320	17,515
Construction-in-progress	18,221	38,891	459	357	18,680	39,248
Share of undivided equity interest assets	1,111	984	-	-	1,111	984
Infrastructure, depreciable	-	-	78,143	68,806	78,143	68,806
Infrastructure, nondepreciable	284,010	260,276	-	-	284,010	260,276
Accumulated depreciation	(36,625)	(32,648)	(22,613)	(21,058)	(59,238)	(53,706)
Total capital assets	$ 379,330	$ 372,415	$ 56,324	$ 48,440	$ 435,654	$ 420,855

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

- Construction began or continued on the following street projects with construction-in-progress totals as shown:
  - Railroad Avenue widening and reconstruction $9,771,001
  - 60th Street between EP True Parkway and Mills Civic Parkway $807,137
  - Grand Avenue and Vine Avenue intersection improvements $107,640
  - Mills Civic Parkway between South Jordan Creek Parkway and South 105th Street $216,096
  - Additional lane and left turn on Mills Civic Parkway $712,064
  - University Avenue bridge widening over Interstates 80 and 35 $351,775

- Construction continued on the following sanitary sewer project with construction-in-progress as shown:
  - Western Outfall, including service to Michael's Landing $433,832
- Construction continued on the fiber communications project. Construction-in-progress now totals $2,973,270.

Additional information concerning the City's capital assets can be found in Note 1 and Note 3 of the *Notes to Basic Financial Statements* on pages 31 through 37 and 40 and 41, respectively.

Long-term debt. At the close of the fiscal year ended June 30, 2007, the City had total bonded debt outstanding of $129,407,000. Of this amount, $125,840,000 comprises debt backed by the full faith and credit of the government and the remaining $3,567,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Table of Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	$ 125,840,000	$ 136,625,000	$ -	$ -	$ 125,840,000	$ 136,625,000
Revenue bonds	-	-	3,567,000	4,199,000	3,567,000	4,199,000
Total	$ 125,840,000	$ 136,625,000	$ 3,567,000	$ 4,199,000	$ 129,407,000	$ 140,824,000

The City's total bonded debt decreased by $11,417,000, or 8.1 percent, during the current fiscal year. There was not any new debt issued during the year. The decrease in outstanding debt results from regularly scheduled payments to retire existing debt and a return to a generally lower level of debt issuance, following a significant increase in prior years to expand infrastructure to accommodate rapid growth and development taking place in underdeveloped and newly annexed areas of the City.

State constitution limits the amount of general obligation debt an Iowa city may issue to 5 percent of the actual assessed value of all taxable property in the City of West Des Moines. The current debt limitation for the City is $248,177,690. With outstanding general obligation debt of $125,840,000 and other debt subject to the limitation of $8,413,083, the City had utilized 54 percent of the debit limit as of June 30, 2007.

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

Additional information on the City's long-term debt can be found in Note 4 on pages 41 through 45 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of West Des Moines expects growth in taxable property valuations to continue over the next several years as West Des Moines is one of the fastest growing cities in the state of Iowa. However, through approximately 2014, a significant portion of the incremental property value gained in the rapidly developing western and southern portions of the City is committed to the repayment of general obligation bonds. This debt was issued to provide municipal services, including construction of infrastructure, in the area. As a result, the City of West Des Moines has continued to budget conservatively for the fiscal year ending June 30, 2007 and increased property tax rates from $11.72 / $1,000 of taxable valuation to $11.95 in order to provide additional public safety services to the expanding community.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Current assets			
Cash and investments	$ 53,430,461	$19,974,876	$ 73,405,337
Receivables			
Property taxes	55,010,220	–	55,010,220
Accounts and unbilled usage	660,149	2,039,471	2,699,620
Loans	331,805	–	331,805
Interest	319,805	727,016	1,046,821
Special assessments	654,020	27,549	681,569
Internal balances	(531,737)	531,737	–
Due from other governments	1,749,642	1,154,509	2,904,151
Inventories	69,355	–	69,355
Total current assets	111,693,720	24,455,158	136,148,878
Noncurrent assets			
Restricted cash and investments	–	1,072,785	1,072,785
Bond issuance costs	650,750	–	650,750
Bond discounts	103,709	–	103,709
	754,459	1,072,785	1,827,244
Capital assets			
Nondepreciable			
Land	23,969,942	327,809	24,297,751
Infrastructure	284,010,071	–	284,010,071
Construction-in-progress	18,220,869	458,625	18,679,494
Depreciable			
Buildings	38,532,494	–	38,532,494
Equipment and vehicles	18,313,026	6,977	18,320,003
Improvements other than buildings	31,797,726	–	31,797,726
Share of undivided equity interest assets	1,110,967	–	1,110,967
Infrastructure	–	78,142,762	78,142,762
Accumulated depreciation	(36,625,521)	(22,612,275)	(59,237,796)
Net capital assets	379,329,574	56,323,898	435,653,472
Total noncurrent assets	380,084,033	57,396,683	437,480,716
Total assets	$491,777,753	$81,851,841	$573,629,594

See Notes to Basic Financial Statements.

	Primary Government		
LIABILITIES	**Governmental Activities**	**Business-type Activities**	**Total**
Current liabilities			
Accounts payable	$ 1,220,517	$ 117,759	$ 1,338,276
Claims payable	457,310	–	457,310
Accrued wages payable	867,024	19,001	886,025
Interest payable	448,925	9,105	458,030
Unearned revenue	56,197,189	–	56,197,189
Compensated absences	2,346,877	69,112	2,415,989
General obligation bonds	11,955,000	–	11,955,000
Tax increment financing bonds	1,815,000	–	1,815,000
Capital lease payable	283,860	–	283,860
Loans payable	6,797	–	6,797
Installment contracts	426	–	426
Revenue bonds payable	–	655,000	655,000
Total current liabilities	75,598,925	869,977	76,468,902
Noncurrent liabilities			
Compensated absences	1,028,342	2,770	1,031,112
General obligation bonds	113,885,000	–	113,885,000
Tax increment financing bonds	5,890,000	–	5,890,000
Capital lease payable	148,484	–	148,484
Loans payable	6,934	–	6,934
Installment contracts	261,582	–	261,582
Revenue bonds payable	–	2,912,000	2,912,000
Bond premiums	353,332	–	353,332
Total noncurrent liabilities	121,573,674	2,914,770	124,488,444
Total liabilities	197,172,599	3,784,747	200,957,346
Net Assets			
Invested in capital assets, net of related debt	244,928,693	52,756,898	297,685,591
Restricted for			
Debt service	5,493,105	1,072,785	6,565,890
Purpose restricted by legislation	28,044,608	–	28,044,608
Unrestricted	16,138,748	24,237,411	40,376,159
Total net assets	294,605,154	78,067,094	372,672,248
Total liabilities and net assets	$491,777,753	$81,851,841	$573,629,594

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

Programs/Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
Public safety	$19,749,856	$ 3,444,099	$ 1,912,045	$ 191,869
Public works	8,963,727	495,334	4,359,424	7,833,313
Health and social services	985,322	–	269,484	–
Culture and recreation	8,562,340	1,321,027	177,696	137,147
Community and economic development	3,885,459	599,482	533,662	–
General government	5,016,718	169,240	199,834	57,568
Interest on long-term debt	5,884,073	–	–	–
Total governmental activities	53,047,495	6,029,182	7,452,145	8,219,897
Business-type activities				
Sewer system	9,346,307	6,182,572	4,540,127	3,653,009
Solid waste system	1,452,719	1,419,761	–	–
Storm water system	743,399	1,247,882	–	3,356,295
Total business-type activities	11,542,425	8,850,215	4,540,127	7,009,304
Total primary government	$64,589,920	$14,879,397	$11,992,272	$15,229,201

General revenues
Taxes
Property taxes
Franchise tax
Other City taxes
Hotel/Motel tax
Grants not restricted to specific programs
Investment earnings
Miscellaneous
Transfers
Total general revenues, special item and transfers
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**	**Totals**
$ (14,201,843)	$ –	$ (14,201,843)
3,724,344	–	3,724,344
(715,838)	–	(715,838)
(6,926,470)	–	(6,926,470)
(2,752,315)	–	(2,752,315)
(4,590,076)	–	(4,590,076)
(5,884,073)	–	(5,884,073)
(31,346,271)	–	(31,346,271)
–	5,029,401	5,029,401
–	(32,958)	(32,958)
–	3,860,778	3,860,778
–	8,857,221	8,857,221
(31,346,271)	8,857,221	(22,489,050)
49,764,858	–	49,764,858
281,826	–	281,826
289,719	–	289,719
2,131,977	–	2,131,977
611,282	–	611,282
2,574,840	904,698	3,479,538
408,449	–	408,449
(3,248,340)	3,248,340	–
52,814,611	4,153,038	56,967,649
21,468,340	13,010,259	34,478,599
273,136,814	65,056,835	338,193,649
$294,605,154	$78,067,094	$372,672,248

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2007

	General	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$10,602,166	$ 9,507,383	$ 5,419,406	$13,860,493	$ 6,342,520	$ 45,731,968
Receivables						
Property taxes	25,860,908	16,242,451	7,203,147	–	5,703,714	55,010,220
Accounts	261,869	–	–	–	393,089	654,958
Special assessments	10,392	–	–	643,628	–	654,020
Loans	–	–	–	–	331,805	331,805
Interest	189,183	–	50,143	–	–	239,326
Due from other funds	136,325	–	–	–	–	136,325
Due from other governments	960,556	–	–	–	764,860	1,725,416
Total assets	$38,021,399	$25,749,834	$12,672,696	$14,504,121	$13,535,988	$104,484,038
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	$ 508,183	$ –	$ –	$ 386,914	$ 245,585	$ 1,140,682
Accrued wages payable	863,571	–	–	–	3,453	867,024
Due to other funds	–	–	–	528,031	101,278	629,309
Deferred revenue	26,407,132	16,168,384	7,179,591	421,427	6,020,655	56,197,189
Total liabilities	27,778,886	16,168,384	7,179,591	1,336,372	6,370,971	58,834,204
Fund Equity						
Fund balances						
Reserved from debt service	–	–	5,493,105	–	–	5,493,105
Reserved for encumbrances	7,700	–	–	11,025,651	–	11,033,351
Unreserved, undesignated, reported in						
General Fund	10,234,813	–	–	–	–	10,234,813
Special revenue funds	–	9,581,450	–	–	7,165,017	16,746,467
Capital Projects Fund	–	–	–	2,142,098	–	2,142,098
Total fund equity	10,242,513	9,581,450	5,493,105	13,167,749	7,165,017	45,649,834
Total liabilities and fund equity	$38,021,399	$25,749,834	$12,672,696	$14,504,121	$13,535,988	$104,484,038

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total governmental funds balances		$ 45,649,834
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Land	$ 23,969,942	
Construction-in-progress	18,220,869	
Buildings	38,532,494	
Equipment and vehicles	7,793,926	
Improvements other than buildings	31,797,726	
Share of undivided equity interest assets	1,110,967	
Infrastructure	284,010,071	
Accumulated depreciation	(30,842,767)	374,593,228
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		
Capital assets	10,519,100	
Accumulated depreciation	(5,782,754)	
Other current assets	7,877,744	
Other current liabilities	(572,192)	12,041,898
Internal service funds allocated to business-type activities		(3,706)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	(3,375,219)	
Accrued interest payable	(448,925)	
General obligation bonds payable	(125,840,000)	
Tax increment financing (TIF) bonds	(7,705,000)	
Capital lease obligations	(432,344)	
Loan payable	(13,731)	
Installment contracts	(262,008)	
Bond issuance costs	650,750	
Bond discounts	103,709	
Bond premiums	(353,332)	(137,676,100)
Net assets of governmental activities		$294,605,154

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year ended June 30, 2007

	General	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$23,031,190	$14,857,246	$ 6,745,357	$ –	$ 4,566,542	$49,200,335
Other City taxes	2,803,369	–	97,659	–	77,298	2,978,326
Special assessments	–	–	–	289,719	–	289,719
Licenses and permits	975,003	–	–	–	–	975,003
Intergovernmental	3,020,371	–	–	1,447,924	4,938,195	9,406,490
Charges for services	2,785,782	–	–	–	1,084,909	3,870,691
Use of money and property	1,689,717	82,393	780,993	–	21,737	2,574,840
Miscellaneous	844,787	–	–	128,714	465,946	1,439,447
Total revenues	35,150,219	14,939,639	7,624,009	1,866,357	11,154,627	70,734,851
EXPENDITURES						
Current operating						
Public safety	15,824,908	–	–	334,584	1,906,206	18,065,698
Public works	6,111,058	–	–	–	624,547	6,735,605
Health and social services	780,628	–	–	–	166,860	947,488
Culture and recreation	5,852,907	–	–	–	71,630	5,924,537
Community and economic development	3,339,418	–	–	–	488,139	3,827,557
General government	4,469,709	75,000	–	–	–	4,544,709
Debt service						
Principal	78,900	1,745,000	10,785,000	–	176,648	12,785,548
Interest and other charges	8,634	381,405	5,413,106	–	11,386	5,814,531
Bond issuance costs	–	–	–	–	–	–
Capital outlay	708,147	–	–	14,479,886	898,126	16,086,159
Total expenditures	37,174,309	2,201,405	16,198,106	14,814,470	4,343,542	74,731,832
Excess (deficiency) of revenues over expenditures	(2,024,090)	12,738,234	(8,574,097)	(12,948,113)	6,811,085	(3,996,981)
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt	–	–	–	–	420,000	420,000
Transfers in	8,441,310	4,872	9,354,140	17,400,748	170,815	35,371,885
Transfers out	(4,161,750)	(10,734,270)	(370)	(9,689,820)	(5,843,832)	(30,430,042)
Proceeds from sale of capital assets	10,630	–	–	–	4,485	15,115
Total other financing sources (uses)	4,290,190	(10,729,398)	9,353,770	7,710,928	(5,248,532)	5,376,958
NET CHANGE IN FUND BALANCES	2,266,100	2,008,836	779,673	(5,237,185)	1,562,553	1,379,977
FUND BALANCES, beginning of year	7,976,413	7,572,614	4,713,432	18,404,934	5,602,464	44,269,857
FUND BALANCES, end of year	$10,242,513	$ 9,581,450	$ 5,493,105	$13,167,749	$ 7,165,017	$45,649,834

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2007

Net change in fund balances—governmental funds	$1,379,977
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:	
Capital outlay	5,909,874
Depreciation	(4,815,006)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase (decrease) net assets:	
Capital contributions	6,590,690
Proceeds from sale of capital assets	(15,115)
Loss on the sale of capital assets	(489,876)
Prior long-term assets available to pay for current period expenditures and, therefore no longer deferred in the funds	(857,405)
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	(94,892)
The issuance of long-term debt (e.g. bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:	
Repayment of long-term debt	12,785,548
Write up of installment contract	(3,256)
Interest	(69,542)
Issuance of long-term debt	(420,000)
Amortization of bond issuance costs, discounts and premiums	(7,634)
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	1,574,977
Change in net assets of governmental activities	$21,468,340

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS—PROPRIETARY FUND
June 30, 2007

	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
ASSETS					
Current assets					
Cash and investments	$19,885,000	$ 73,168	$ 16,708	$19,974,876	$ 7,698,493
Receivables					
Accounts and unbilled usage	1,340,161	324,205	375,105	2,039,471	5,191
Special assessments	27,549	–	–	27,549	–
Interest	727,016	–	–	727,016	80,479
Due from other funds	528,031	–	–	528,031	–
Due from other governments	1,154,509	–	–	1,154,509	24,226
Inventories	–	–	–	–	69,355
Total current assets	23,662,266	397,373	391,813	24,451,452	7,877,744
Noncurrent assets					
Restricted cash and investments	1,072,785	–	–	1,072,785	–
Capital assets					
Nondepreciable					
Land	327,809	–	–	327,809	–
Construction-in-progress	458,625	–	–	458,625	–
Depreciable					
Equipment and vehicles	6,977	–	–	6,977	10,519,100
Infrastructure	71,288,053	6,854,709	–	78,142,762	–
Accumulated depreciation	(22,475,181)	(137,094)	–	(22,612,275)	(5,782,754)
Net capital assets	49,606,283	6,717,615	–	56,323,898	4,736,846
Total noncurrent assets	50,679,068	6,717,615	–	57,396,683	4,736,346
Total assets	$74,341,334	$7,114,988	$ 391,813	$81,848,135	$12,614,090

See Notes to Basic Financial Statements.

	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
LIABILITIES AND NET ASSETS					
Liabilities					
Current					
Accounts payable	$ 217	$ 1,626	$ 115,916	$ 117,759	$ 79,835
Claims payable	–	–	–	–	457,310
Compensated absences	35,390	33,722	–	69,112	–
Accrued wages payable	11,564	7,437	–	19,001	–
Due to other funds	–	–	–	–	35,047
Interest payable	9,105	–	–	9,105	–
Revenue bonds payable	655,000	–	–	655,000	–
Total current liabilities	711,276	42,785	115,916	869,977	572,192
Noncurrent					
Compensated absences	–	2,770	–	2,770	–
Revenue Bonds, net of current maturities	2,912,000	–	–	2,912,000	–
Total noncurrent liabilities	2,912,000	2,770	–	2,914,770	–
Total liabilities	3,623,276	45,555	115,916	3,784,747	572,192
Net assets					
Invested in capital assets, net of related debt	46,039,283	6,717,615	–	52,756,898	4,736,346
Restricted for debt service	1,072,785	–	–	1,072,785	–
Unrestricted	23,605,990	351,818	275,897	24,233,705	7,305,552
Total net assets	70,718,058	7,069,433	275,897	78,063,388	12,041,858
Total liabilities and net assets	$74,341,334	$7,114,988	$ 391,813	$81,848,135	$12,614,090
Total enterprise funds net assets				$78,063,388	
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 cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in business-type activities in the statement of net assets.				3,706	
Net assets of business-type activities				$78,067,094	

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS—PROPRIETARY FUND
Year ended June 30, 2007

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 7,397,154	$1,247,882	$1,419,761	$10,064,797	$ 5,620,027
Lease revenue	–	–	–	–	1,194,366
Total operating revenue	7,397,154	1,247,882	1,419,761	10,064,797	6,814,393
Operating expenses					
Cost of sales and services	2,206,394	606,305	1,452,719	4,265,418	4,180,124
Administration	47,588	–	–	47,588	514,790
Depreciation	1,416,736	137,094	–	1,553,830	980,400
Amortization	1,805	–	–	1,805	–
Total operating expenses	3,672,523	743,399	1,452,719	5,868,641	5,675,314
Operating income (loss)	3,724,631	504,483	(32,958)	4,196,156	1,139,079
Nonoperating revenues (expenses)					
Investment earnings	900,775	3,923	–	904,698	339,093
Interest expense and fiscal charges	(120,362)	–	–	(120,362)	–
Payments to WRA	(989,641)	–	–	(989,641)	–
Miscellaneous	4,540,127	–	–	4,540,127	80,221
Total nonoperating revenues (expenses)	4,330,899	3,923	–	4,334,822	419,314
Income (loss) before capital contributions and transfers	8,055,530	508,406	(32,958)	8,530,978	1,558,393
Capital contributions	2,582,999	6,854,709	–	9,437,708	–
Transfers in	3,985,488	–	–	3,985,488	327,867
Transfers out	(8,653,090)	(293,682)	–	(8,946,772)	(308,416)
Change in net assets	5,970,927	7,069,433	(32,958)	13,007,402	1,577,834
Total net assets, beginning of year	64,747,131	–	308,855	65,055,986	10,464,064
Total net assets, end of year	$70,718,058	$7,069,433	$ 275,897	$78,063,388	$12,041,898

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE CHANGE IN NET ASSETS
OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2007

Net change in net assets in enterprise funds	$13,007,402
Amounts reported for proprietary activities in the statement of activities are different because internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities.	2,857
Change in net assets of business-type activities	$13,010,259

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUND
Year ended June 30, 2007

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$12,181,225	$ 923,677	$1,375,793	$14,480,695	$6,809,367
Payments to suppliers	(2,134,607)	(464,198)	(1,452,843)	(4,051,648)	(1,588,112)
Payments to claimants	–	–	–	–	(3,259,370)
Payments to employees	(178,240)	(96,552)	(14,167)	(288,959)	–
Net cash provided by (used in) operating activities	9,868,378	362,927	(91,217)	10,140,088	1,961,885
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from other funds	–	–	–	–	35,047
Transfers in	3,985,488	–	–	3,985,488	327,867
Transfers out	(8,653,090)	(34,185)	–	(8,687,275)	(308,426)
Net cash provided by (used in) noncapital financing activities	(4,667,602)	(34,185)	–	(4,701,787)	54,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	–	(259,497)	–	(259,497)	(848,364)
Payment on debt	(632,000)	–	–	(632,000)	–
Payments to WRA	(989,641)	–	–	(989,641)	–
Interest paid on debt	(120,362)	–	–	(120,362)	–
Proceeds from disposal of capital assets	–	–	–	–	91,682
Net cash (used in) capital and related financing activities	(1,742,003)	(259,497)	–	(2,001,500)	(756,682)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	622,833	3,923	–	626,756	321,669
Purchase of investment securities	(5,500,000)	–	–	(5,500,000)	(5,000,000)
Proceeds from maturity of investment securities	6,750,000	–	–	6,750,000	5,454,903
Net cash provided by investing activities	1,872,833	3,923	–	1,876,756	776,572
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,331,606	73,168	(91,217)	5,313,557	2,036,263
CASH AND CASH EQUIVALENTS, beginning of year	2,626,179	–	107,925	2,734,104	662,230
CASH AND CASH EQUIVALENTS, end of year	$ 7,957,785	$ 73,168	$ 16,708	$ 8,047,661	$2,698,493

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUND (continued)
Year ended June 30, 2007

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 8,264,758	$ 504,483	$ (32,958)	$ 8,736,283	$1,139,079
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,418,541	137,094	–	1,555,635	980,400
Change in assets and liabilities					
Receivables	243,944	(324,205)	(43,968)	(124,229)	(5,026)
Inventories	–	–	–	–	(35,765)
Accounts payable	(53,089)	1,626	3,064	(48,399)	(52,460)
Claims payable	–	–	–	–	(64,343)
Compensated absences and accrued wages payable	10,772	43,929	(17,355)	37,346	–
Interest payable	(16,548)	–	–	(16,548)	–
Net cash provided by (used in) operating activities	$ 9,868,378	$ 362,927	$ (91,217)	$10,140,088	$1,961,885
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET ASSETS					
Cash and investments	$20,957,785	$ 73,168	$ 16,708	$21,047,661	$7,698,493
Less items not meeting the definition of cash equivalents	(13,000,000)	–	–	(13,000,000)	(5,000,000)
Cash and cash equivalents at end of year	$ 7,957,785	$ 73,168	$ 16,708	$ 8,047,661	$2,698,493
SCHEDULE OF NONCASH ITEMS					
Capital and related financing activities					
Donated construction by developers	$ 2,582,999	$6,854,709	$ –	$ 9,437,708	$ –
Capital assets acquired through transfers from other funds	–	259,497	–	259,497	–

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

ASSETS	
Cash and investments	$ 230,514
Restricted assets, contractors' bonds	7,759
Total assets	$ 238,273
LIABILITIES	
Deposits and remittances due	$ 238,273

See Notes to Basic Financial Statements.

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Presentation

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

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

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.

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

***Governmental Fund Types (continued)*:**

***Special Revenue Funds (continued)*:**

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

***Proprietary Fund Types (continued)*:**

***Internal Service Funds (continued)*:**

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

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

***Fiduciary Fund Types*:** Fiduciary fund types are used to account for net assets and changes in net assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has the following fiduciary fund type:

***Agency Funds*:** are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The City has the following agency funds:

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the 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.

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2007, the date at which a lien attaches, based on the 2006 assessed valuations. These taxes are due in two installments, on September 30 and the following March 31, with a 1½ percent per month penalty for delinquent payment. Since the 2007 tax levy is budgeted and levied for the fiscal year 2008, the revenue from this tax levy has been deferred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Summary of Significant Accounting Policies:

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

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

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

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

Accounts Receivable: results primarily from services provided to citizens and are accounted for in the governmental funds. Sanitary sewer, storm water sewer and solid waste services are accounted for in the enterprise funds. All are net of an allowance for uncollectibles.

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF 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 using the effective interest method.

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

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

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

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

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

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

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

Buildings	30 years
Improvements other than buildings	15 years
Equipment and vehicles	5 - 18 years
Sanitary and storm water sewer systems	50 years
Share of undivided equity interest assets	5 - 15 years

The City's collection of works of art, library books and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to City policy that requires proceeds from the sale of these items to be used to acquire other collection items.

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Net Assets: represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. As of June 30, 2007, the City had $3,087,075 in unspent debt proceeds in the Capital Projects Fund. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation consists of $6,150,395 for road construction projects, $132,169 for parks, $156,750 for retirement benefits, $11,846,253 for capital projects, $177,591 for library projects, $9,581,450 for tax increment projects and $6,565,890 for debt service.

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

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

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

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2007, the City's cash and investments were as follows:

Cash investments, statement of net assets	$73,405,337
Cash and cash equivalents, fiduciary funds	230,514
	$73,635,851
Deposits including certificates of deposit	$36,189,462
Investments	37,446,389
	$73,635,851

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

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

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

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

Investment Type	Maturities	Fair Value
FNMA Discount Note	09/25/2007	$ 1,975,799
FNMA Discount Note	10/09/2007	1,971,945
FDMC Discount Note	12/03/2007	1,956,046
FNMA Discount Note	09/25/2007	987,820
FNMA Discount Note	09/25/2007	987,675
G.E. Commercial paper	11/06/2007	1,963,257
Citigroup Commercial paper	11/20/2007	1,959,011
Iowa Public Agency Investment Trust	32.86 days average	25,644,836
		$37,446,389

NOTE 2 CASH AND INVESTMENTS (continued)

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

As of June 30, 2007, the City's investments were rated as follows:

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

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

Issuer	Investment Type	Reported Amount
FNMA	U.S. government agency obligations	$5,923,239
FDMC	U.S. government agency obligations	1,956,046
G.E. Commercial Paper	U.S. corporation obligations	1,963,257
Citigroup Commercial Paper	U.S. corporation obligations	1,959,011

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2007, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds. The City's investments were covered by investments purchased and held by an independent third party.

NOTE 3 CAPITAL ASSETS

The City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the modified approach as defined by GASB Statement No. 34 for governmental activities infrastructure reporting. As a result, no accumulated depreciation or depreciation expense has been recorded for these assets. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded.

The following is a summary of changes in capital assets for the year ended June 30, 2007:

	Balance beginning of year	Additions	Deletions	Balance end of year
Governmental activities				
Capital assets, not being depreciated				
Land	$ 23,160,944	$ 808,998	$ –	$ 23,969,942
Infrastructure	260,276,758	24,544,663	811,350	284,010,071
Construction-in-progress	38,890,836	2,104,631	22,774,598	18,220,869
Total capital assets, not being depreciated	322,328,538	27,458,292	23,585,948	326,200,882
Capital assets, being depreciated				
Buildings	33,754,952	4,777,542	–	38,532,494
Equipment and vehicles	17,508,328	1,602,018	797,320	18,313,026
Improvements other than buildings	30,487,923	1,309,803	–	31,797,726
Share of undivided equity interest assets	983,460	127,507	–	1,110,967
Total capital assets, being depreciated	82,734,663	7,816,870	797,320	89,754,213
Less accumulated depreciation for				
Buildings	12,254,332	1,261,936	–	13,516,268
Equipment and vehicles	8,689,613	1,402,981	837,312	9,255,282
Improvements other than buildings	11,019,778	2,075,065	–	13,094,843
Share of undivided equity interest assets	684,104	75,024	–	759,128
Total accumulated depreciation	32,647,827	4,815,006	837,312	36,625,521
Total capital assets, being depreciated, net	50,086,836	3,001,864	(39,992)	53,128,692
Governmental activities, capital assets, net	$372,415,374	$30,460,156	$23,545,956	$379,329,574

NOTE 3 CAPITAL ASSETS (continued)

	Balance beginning of year	Additions	Deletions	Balance end of year
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 327,809	$ –	$ –	$ 327,809
Construction-in-progress	357,282	410,760	309,417	458,625
Total capital assets, not being depreciated	685,091	410,760	309,417	786,434
Capital assets, being depreciated				
Equipment	6,977	–	–	6,977
Sanitary and storm sewer system	68,806,398	9,336,364	–	78,142,762
Total capital assets, being depreciated	68,813,375	9,336,364	–	78,149,739
Less accumulated depreciation for				
Equipment	2,791	1,395	–	4,186
Sanitary and storm sewer system	21,055,654	1,552,435	–	22,608,089
Total accumulated depreciation	21,058,445	1,553,830	–	22,612,275
Total capital assets, being depreciated, net	47,754,930	7,782,534	–	55,537,464
Business-type activities, capital assets, net	$48,440,021	$8,193,294	$ 309,417	$56,323,898

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

Governmental Activities	
Public safety	$1,266,343
Health and social services	31,264
Culture and recreation	2,419,262
Public works	651,520
General government	446,617
	$4,815,006

NOTE 4 BONDED AND OTHER DEBT

The following is a summary of changes in bonded and other long-term debt for the year ended June 30, 2007:

	Balance July 1, 2006	Increases and Issues	Decreases and Retirements	Balance June 30, 2007	Due within one year
Governmental activities					
General obligation bonds	$136,625,000	$ –	$10,785,000	$125,840,000	$11,955,000
Tax increment financing (TIF) bonds	9,450,000		1,745,000	7,705,000	1,815,000
Capital lease obligations	207,993	420,000	195,649	432,344	283,860
Loans payable	73,629	–	59,898	13,731	6,797
Installment contracts	258,752	3,256	–	262,008	426
Compensated absences	3,280,327	94,892	–	3,375,219	2,346,877
	149,895,701	518,148	12,785,547	137,628,302	16,407,960
Business-type activities					
Revenue bonds	4,199,000	–	632,000	3,567,000	655,000
Compensated absences	43,712	28,170	–	71,882	69,112
	4,242,712	28,170	632,000	3,638,882	724,112
Total long-term debt	$154,138,413	$ 546,318	$13,417,547	$141,267,184	$17,132,072

NOTE 4 BONDED AND OTHER DEBT (continued)

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

Summary of Bond Issues: General obligation bonds outstanding as of June 30, 2007 consist of the following individual issues:

Date of Issue	Interest Rates	Final Due Date	Annual Principal Payments	Amount Originally Issued	Amount Outstanding June 30, 2007
06/01/1999	4.15 - 4.35	June 2011	$ 275,000 - $ 300,000	$ 3,000,000	$ 1,150,000
12/01/2000	4.70 - 5.00	June 2012	450,000 - 550,000	5,000,000	2,450,000
11/01/2001	3.75 - 5.00	June 2020	410,000 - 1,170,000	13,000,000	10,460,000
11/12/2001	3.80 - 4.40	June 2014	210,000 - 265,000	3,575,000	1,655,000
05/29/2002	4.00 - 4.40	June 2014	1,440,000 - 1,850,000	18,000,000	11,440,000
06/24/2002	3.50 - 5.00	June 2020	485,000 - 830,000	9,750,000	8,265,000
05/01/2003	3.00 - 4.40	June 2019	2,490,000 - 3,765,000	40,000,000	36,565,000
05/01/2003	3.00 - 3.13	June 2010	1,765,000 - 1,885,000	10,500,000	5,470,000
05/01/2003	3.00 - 3.75	June 2014	335,000 - 410,000	3,845,000	2,575,000
09/01/2003	3.75 - 4.70	June 2019	600,000 - 2,200,000	12,000,000	12,000,000
09/01/2003	3.00 - 3.25	June 2009	630,000 - 660,000	5,445,000	1,290,000
12/01/2003	2.50 - 4.35	June 2023	800,000 - 1,700,000	19,250,000	18,850,000
06/01/2004	3.00 - 5.00	June 2021	100,000 - 1,250,000	6,000,000	5,800,000
04/01/2005	3.50 - 3.70	June 2015	185,000 - 575,000	3,055,000	2,500,000
06/01/2006	4.00 - 4.25	June 2020	310,000 - 700,000	6,000,000	5,370,000
				$158,420,000	$125,840,000

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

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

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

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

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

The TIF bonds also have a stated reserve requirement that is calculated as the lesser of (a) the maximum annual amount of the principal and interest coming due on the bonds and parity obligations or (b) 10 percent of the stated principal amount on the bonds and parity obligations. The City has established a reserve amount of $1,520,000.

Other than Bonded Debt

Loan payable: The City, along with two other area cities, entered into a Local Government Innovation Fund Loan (LGIF) loan agreement during the year ended June 30, 2005 to fund the development and implementation of an emergency services training program. The agreement requires annual payments of $7,072 of the City, including interest at 2.00 percent through June 1, 2009. As of June 30, 2007, $13,731 was outstanding under the agreement.

NOTE 4 BONDED AND OTHER DEBT (continued)

Other than Bonded Debt

Capital lease obligation: The City has entered into a lease purchase agreement for the acquisition and installation of a new telephone system at a cost of $250,000. The agreement requires annual payments of $56,590, including interest at 4.95 percent through June 1, 2008. The balance due as of June 30, 2007 was $55,102, and had a net book value of $-0-.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of six cardiac monitors at a cost of $106,869. The agreement requires annual payments of $7,969, including interest at 4.5 percent through February 1, 2011. The balance due as of June 30, 2007 was $80,656, and had a net book value of $59,303.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of 35 mobile data computers and related equipment at a cost of $200,000. The agreement requires monthly payments of $8,730 including interest at 4.50 percent through October 1, 2008. The balance as of June 30, 2007 was $135,311, and had a net book value of $159,982.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of an E911 Telephone System at a cost of $220,000. The agreement requires monthly payments of $6,496 including interest at 4.00 percent through August 1, 2009. The balance as of June 30, 2007 was $161,275, and had a net book value of $160,924.

Installment contracts: The City has entered into two installment contracts for the construction of pedestrian bridges. The $3,256 shown as an increase/issue was due to a change in estimate of the amount due to the state due to imputed interest at 3.51%. The agreements are noninterest bearing and are payable in annual installments totaling $71,329 through January 2012. The balance due as of June 30, 2007 was $262,008.

Revenue capital loan notes: During the year ended June 30, 1995, the City authorized the issuance of $2,600,000 Sewer Revenue Capital Loan Notes, Series 1994 and $2,158,000 Sewer Revenue Capital Loan Notes, Series 1995. The notes were issued to evidence the City's obligations under a separate loan and disbursement agreement with the Iowa Department of Natural Resources and the Iowa Finance Authority under the state's SRF loan program. The projects were completed during the year ended June 30, 1996.

During the year ended June 30, 1997, the City authorized the issuance of $1,800,000 Sewer Revenue Capital Loan Notes, Series 1996. The notes were also issued to evidence the City's obligations under an agreement with the Iowa Department of Natural Resources and the Iowa Finance Authority. As of June 30, 1999, the City had drawn all of the funds available under the Series 1996 note.

The resolutions providing for the issuance of the revenue notes include the following provisions:

a) The notes will only be redeemed from the future earnings of the Municipal Sewer Utility, and the note holders hold a lien on the future earnings of the fund.

b) Sufficient monthly transfers shall be made to an operation and maintenance account to meet the current expenses of the month plus an amount equal to 1/12 of expenses payable on an annual basis.

c) Sufficient monthly transfers shall be made to a separate sewer revenue sinking account for the purpose of making the notes' principal and interest payments when due.

d) A reserve fund must be maintained in an amount equal to the lesser of the maximum principal and interest due in any succeeding year or 10 percent of the proceeds of the sale of the notes. Monies deposited in the reserve fund shall be used solely to pay principal and interest on notes, or parity bonds or notes should funds not be adequate in the sinking fund.

NOTE 4 BONDED AND OTHER DEBT (continued)

e) All funds remaining in the sewer revenue account may be deposited in any of the funds created by the resolution to pay for extraordinary repairs or replacements to the system or to pay or redeem the notes.

The total of the restricted cash and investments under these agreements are $1,072,785.

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2007 are as follows:

	General Obligation Bonds		Tax Increment Notes Payable	
	Principal	Interest	Principal	Interest
Year ending June 30				
2008	$ 11,955,000	$ 5,069,981	$1,815,000	$ 317,130
2009	11,765,000	4,674,601	1,895,000	246,348
2010	11,925,000	4,248,737	970,000	169,958
2011	10,220,000	3,804,040	710,000	128,720
2012	10,395,000	3,400,180	740,000	99,610
2013 - 2017	44,175,000	11,093,950	1,575,000	103,950
2018 - 2022	24,145,000	2,630,835	–	–
2023	1,260,000	54,810	–	–
	$125,840,000	$34,977,134	$7,705,000	$1,065,716

	Capital Lease Obligations		Loans Payable	
	Principal	Interest	Principal	Interest
Year ending June 30				
2008	$ 283,860	$ 14,213	$ 6,797	$ 275
2009	97,442	4,419	6,934	138
2010	35,314	1,326	–	–
2011	15,728	268	–	–
	$ 432,344	$ 20,226	$ 13,731	$ 413

	Installment Contracts		Enterprise Revenue Bonds	
	Principal	Interest	Principal	Interest
Year ending June 30				
2008	$ 426	$ 70,903	$ 655,000	$ 109,260
2009	61,999	9,330	367,000	87,360
2010	64,210	7,119	381,000	76,350
2011	66,500	4,829	393,000	64,920
2012	68,873	2,456	407,000	48,249
2013 - 2017	–	–	1,364,000	83,361
	$ 262,008	$ 94,637	$3,567,000	$ 469,500

NOTE 4 BONDED AND OTHER DEBT (continued)

Legal debt margin: As of June 30, 2007, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

January 2005 100% assessed valuation *	$4,476,454,682
Plus captured tax increment value	491,421,990
Less military exemption	(4,322,864)
Total assessed valuation of the property of the City of West Des Moines	$4,963,553,808
Debt limit, 5% of total actual valuation	$248,177,690
Debt applicable to debt limit	
General obligation bonds	125,840,000
TIF revenue bonds	7,705,000
Loans payable	13,731
Capital lease obligations	432,344
Installment contracts	262,008
Legal debt margin	$113,924,607

* 100% of assessed valuation including TIF increment.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances as of June 30, 2007 were:

	Interfund	
	Receivables	Payables
Major governmental funds		
General	$ 136,325	$ –
Capital projects	–	528,031
Nonmajor governmental funds	–	101,278
Proprietary funds, sewer system	528,031	–
Internal service funds, vehicle maintenance	–	35,047
Total	$ 664,356	$ 664,356

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

NOTE 6 INTERFUND TRANSFERS

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

	Transfers in	Transfers out
Major governmental funds		
General	$ 8,441,310	$ 4,161,750
Special revenue fund, Tax Increment Financing	4,872	10,734,270
Debt Service	9,354,140	370
Capital Projects	17,400,748	9,689,820
Major enterprise fund		
Sewer System	3,985,488	8,653,090
Storm Water System	–	293,682
Nonmajor governmental funds	170,815	5,843,832
Internal Service Funds		
Vehicle Maintenance	–	308,426
Workers compensation insurance	327,867	–
Total	$39,685,240	$39,685,240

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2007, the Capital Projects transferred $259,497 in capital assets to the Storm Sewer System.

NOTE 7 PENSION AND RETIREMENT SYSTEMS

Iowa Public Retirement System: The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were $819,773, $744,909 and $729,919, respectively, equal to the required contributions for each year.

Municipal Fire and Police System of Iowa: The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50263.

Plan members are required to contribute 9.35 percent of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, can not be less than 17 percent of earnable compensation. Contribution rates are established by state statute. The City's contributions to the Plan for the years ended June 30, 2007, 2006 and 2005 were $1,608,837, $1,535,497 and $1,321,629, respectively, which met the required minimum contribution for each year.

NOTE 8 DEFERRED COMPENSATION PLAN

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

NOTE 9 INDIVIDUAL FUND EQUITY DEFICIT

The following fund has a deficit fund balances as of June 30, 2007:

Internal Service Fund, Vehicle Maintenance	$ 13,424

The City intends to fund this deficit through transfers from the General Fund.

NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City provides post-employment health insurance benefits. These benefits are provided to police officers and firefighters on medical disability and are financed and accounted for on a pay-as-you-go basis. The City pays 50 percent of the premium for single coverage for medically disabled police officers and firefighters to comply with Code of Iowa Section 411.15. The amount of post-employment health insurance benefits provided by the City and the number of eligible participants for the year ended June 30, 2007 were $5,616 and two, respectively.

NOTE 11 JOINT VENTURE

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

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

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

NOTE 11 JOINT VENTURE (continued)

The WRA Sewer Revenue Bonds Series 2004A bonds were issued for the advance refunding of the City's sewer revenue bonds. The WRA Agreement requires the debt service on these bonds to be allocated through the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of $16,685,000 as of June 30, 2007. The City of West Des Moines has a commitment for approximately $13,308,000 for future principal payment requirements. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2007, the Series 2004B bonds had a balance of $65,780,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently $23,977,515. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2007, the WRA had $11,824,000 in State Revolving Loans of which $7,614,650 future principal debt service is a commitment to the City of West Des Moines.

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

The WRA issues separate financial statements that may be obtained at 401 Robert D. Ray Drive, Des Moines, Iowa 50309.

Condensed financial information of the joint venture as of June 30, 2007 is as follows:

Statement of net assets	
Current assets	$ 76,541,800
Noncurrent assets	319,609,135
Total assets	$396,150,935
Current liabilities	$ 11,001,404
Noncurrent liabilities	134,948,770
Total liabilities	$145,950,174
Net assets	
Invested in capital assets, net of related debt	$210,065,510
Restricted	28,943,267
Unrestricted	11,191,984
Statement of revenues, expenses and changes in net assets	
Operating revenues	$ 26,460,421
Operating expenses	21,989,695
Operating income	4,470,726
Nonoperating, net	1,278,966
Change in net assets	5,749,692
Statement of cash flows	
Cash provided by operating activities	$ 11,627,469
Cash used in investing activities	(9,558,188)
Cash provided by capital and related financing activities	4,343,618
Increase in cash and pooled cash investments	6,412,899

NOTE 12 RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

Related organization: The City of West Des Moines Water Works Utility is governed by a five-member board which is appointed by the Mayor and approved by the City Council. The West Des Moines Water Works Utility is legally a separate entity and is not financially accountable to the City. The City provides various services to the Water Works, including office facilities, reimbursable expenses, and the availability to participate in the City's health insurance plan. The Water Works provides billing and collection services to the City in connection with the City's Sewer and Solid Waste Enterprise Funds. The following is a summary of the related party transactions for the year ended June 30, 2007:

Received from West Des Moines Water Works	
Occupancy reimbursements	$ 17,358
Health insurance premiums	399,511
Gasoline reimbursements	34,002
Telephone reimbursements	11,637
Share of general insurance	117,313
Delinquent reimbursements	1,466
Miscellaneous reimbursements	110,535
Payments to West Des Moines Water Works	
Collection fees for sewer and solid waste	$ 148,481
Miscellaneous fees	26,369

Amounts receivable from West Des Moines Water Works as of June 30, 2007 for sewer and solid waste charges totaled $1,182,503 and $256,844, respectively.

Jointly governed organizations: The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Polk, Dallas and Warren County Assessor's Conference Boards; Metropolitan Transportation Planning Committee; DART; Metropolitan Waste Authority; Convention and Visitors Bureau; Joint County/Municipal Disaster Services; Emergency Planning Administrations.

In August 2000, the City entered into a jointly governed organization with two other Des Moines suburbs for the creation of WestCom. WestCom was established as an undivided interest ownership arrangement, whereby title to assets in WestCom are held individually by the City and two other Des Moines suburbs. The City's portion of current year costs of operations and capital for the dispatch center were $845,018 and $351,838, respectively.

NOTE 13 COMMITMENTS

The City has entered into contracts totaling approximately $11,033,351 for various projects that were not complete at year-end. As of June 30, 2007, $10,648,754 has been encumbered for completion of these contracts.

NOTE 14 RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose over 550 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

NOTE 14 RISK MANAGEMENT (continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' base rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2007 were approximately $435,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $5,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $10,000,000, such excess coverage is also reinsured. The City of West Des Moines has elected $8,000,000 in coverage. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, as of June 30, 2007, no liability has been recorded in the City's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with the WestCom Dispatch Center's workers compensation and employee blanket bonds. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 RISK MANAGEMENT (continued)

Self-insurance: The City has a self-insured medical expense reimbursement plan which provides medical benefits to its employees and to the employees of affiliates. The plan provides each covered person with a lifetime maximum of $1,000,000 coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with Principal Life Insurance Company. The uninsured risk retention per person is $75,000 (not to exceed 125 percent of the aggregate expected claims of $2,656,746 for the year ended June 30, 2007). The City purchased commercial stop-loss insurance to provide for claims in excess of the $75,000 to reduce its exposure to large losses. There has been no significant reduction in insurance coverage under the plan from prior years.

The City has established the Health and Dental Insurance Fund (an internal service fund) to account for and finance the uninsured risk of loss. The City's contribution to the fund for the year ended June 30, 2007 was $3,441,108.

Effective July 1, 2005, the City established a self-insured plan for its worker's compensation plan. An internal service fund was created to account for premiums and claims paid. The uninsured risk retention is $350,000 per occurrence. The aggregate retention is 90 percent of the manual premium amount or approximately $771,000.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2007 totaled $457,310 and include incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for other loss. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Settlements have exceeded the stop-loss coverage in the years ended June 30, 2007, 2006 and 2005 of $181,895, $101,711 and $273,511, respectively. Information on changes in the aggregate liabilities for claims is as follows:

	2007	2006
Claims payable, beginning of year	$ 521,653	$ 257,301
Claims recognized	3,129,110	4,116,797
Claim payments	(3,193,453)	(3,852,445)
Claims payable, end of year	$ 457,310	$ 521,653

NOTE 15 CONDUIT DEBT OBLIGATIONS

From time-to-time, the City has issued Industrial Development Revenue Bonds, under the provisions of Chapter 419 of the Code of Iowa, to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, there were two series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of $3,385,532.

NOTE 16 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

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

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

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

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

GASB Statement No. 50, *Pension Disclosures* - an amendment of GASB Statements No. 25 and No. 27, will be effective for the City beginning with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB).

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, will be effective for the City beginning with its year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

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

NOTE 17 LITIGATION

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

NOTE 18 SUBSEQUENT EVENTS

The City issued general obligation bonds totaling $3,210,000 on December 17, 2007.

City of West Des Moines, Iowa
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL—ALL GOVERNMENTAL FUNDS AND PROPRIERTARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
REVENUES						
Property tax	$34,343,089	$ –	$ 34,343,089	$34,606,504	$ 34,606,504	$ (263,415)
Tax increment financing taxes	14,857,246	–	14,857,246	14,165,000	14,165,000	692,246
Other City taxes	2,978,326	–	2,978,326	2,530,336	2,930,336	47,990
Special assessments	289,719	–	289,719	100,000	100,000	189,719
Licenses and permits	975,003	–	975,003	981,700	981,700	(6,697)
Intergovernmental	9,406,490	–	9,406,490	12,238,410	12,643,625	(3,237,135)
Charges for services	3,870,691	10,064,797	13,935,488	10,709,000	10,021,300	3,914,188
Use of money and property	2,574,840	904,698	3,479,538	2,348,500	3,350,900	128,638
Miscellaneous	1,439,447	4,540,127	5,979,574	4,941,800	6,744,050	(764,476)
Total revenues	70,734,851	15,509,622	86,244,473	82,621,250	85,543,415	701,058
EXPENDITURES/EXPENSES						
Public safety	18,065,698	–	18,065,698	18,724,523	19,908,473	1,842,775
Public works	6,735,605	–	6,735,605	7,407,864	7,682,969	947,364
Health and social services	947,488	–	947,488	902,846	1,065,630	118,142
Culture and recreation	5,924,537	–	5,924,537	5,724,888	5,979,548	55,011
Community and economic development	3,827,557	–	3,827,557	3,257,632	4,243,073	415,516
General government	4,544,709	–	4,544,709	4,977,415	6,064,980	1,520,271
Debt service	18,600,079	–	18,600,079	20,138,009	20,236,984	1,636,905
Capital outlay	16,086,159	–	16,086,159	13,261,000	26,842,030	10,755,871
Business-type	–	6,978,644	6,978,644	13,698,749	19,985,427	13,006,783
Total expenditures/expenses	74,731,832	6,978,644	81,710,476	88,092,926	112,009,114	30,298,638
Excess (deficiency) of revenues over (under) expenditures/expenses	(3,996,981)	8,530,978	4,533,997	(5,471,676)	(26,465,699)	30,999,696
OTHER FINANCING SOURCES, NET	5,376,958	4,476,424	9,853,382	6,005,000	6,425,000	3,428,382
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,379,977	13,007,402	14,387,379	533,324	(20,040,699)	$34,428,078
BALANCES, beginning of year	44,269,857	65,055,986	109,325,843	66,000,999	68,905,524	
BALANCES, end of year	$45,649,834	$78,063,388	$123,713,222	$66,534,323	$ 48,864,825	

See Note to Required Supplementary Information.

City of West Des Moines, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING
Year ended June 30, 2007

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which include all funds, except agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, budget amendments increased budgeted expenditures by $23,916,188. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH
Year ended June 30, 2007

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

The City of West Des Moines maintains a computerized Street Management System (SMS) to keep an up-to-date inventory of the street network and to record condition assessments. In performing these condition assessments, each City street is evaluated and rated according to an Overall Condition Index (OCI). This index represents a composite rating including the evaluation of pavement defects/deterioration, ride quality, drainage, weathering and surface condition. The OCI of each street is calculated and rates on a scale from 100 to 0, with an OCI rating of 100 being the best and 0 the worst. This condition assessment will be performed at least once every three years. The following table defines the Overall Condition Index (OCI) rating scale for streets:

Pavement Condition	OCI Range
Very good	100 - 90
Good	90 - 80
Average	80 - 60
Below Average	60 - 50
Poor	50 - 25
Failed	25 - 0

The City's goal is to maintain an OCI rating of 78 - 80 for the street network. The following are descriptions for Portland cement concrete and asphalt surfaced streets in the City with an OCI rating of 78 - 80.

Portland cement concrete streets (OCI 78 - 80): Low and moderate severity settlement, bumps, cracking or joint deterioration may exist up to 15 percent of the street area. The majority of the cracking is between 3/8 inch and 3 inches wide. Cracks typically may need to be sealed. More than 50 percent of the joints have sealant damage. Patches may exist up to 20 percent of the street area and are typically moderate in quality. Discernible bumps may be noticeable during vehicle travel. Vehicle speed is generally not affected by the pavement condition, except possibly at isolated locations. Water ponding may exist in isolated locations. Surface pop-outs may exist throughout the pavement.

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

Levees and Associated Flood Control Elements (Army Corp. Rating - Acceptable): No immediate work required other than routine maintenance. The flood control elements will function as designed and intended, with a high degree of reliability, and necessary cyclic maintenance is being adequately performed.

Bridge and Large Street Culverts (FHWA & Iowa DOT Sufficiency Rating - 81 or Greater): The item is structurally sound and there appears to be no immediate safety hazards. Minor cracking, scaling, leaching, chanel silting and vegetation, or other minor problems may exist in isolated locations. Minor problems, if any exist, do not appear to have an immediate impact on structural integrity or safety.

See accompanying independent auditor's report.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2007

Condition rating of the City's street subsystem:

		2001		2005		2006		2007	
Category	OCI Range	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network
Very good	100-90	200	40.7%	191	32.9%	192	31.3%	243	35.3%
Good	90-80	111	22.5	184	31.6	200	32.6	208	30.2
Average	80-60	123	25.0	132	22.8	149	24.3	156	22.7
Below average	60-50	47	9.6	59	10.1	55	8.9	64	9.3
Poor	50-25	11	2.2	15	2.6	18	2.9	17	2.5
Failed	25-0	–	–	–	–	–	–	–	–
		492	100.0%	581	100.0%	614	100.0%	688	100.0%

Overall condition index (OCI)

	2001	2005	2006	2007
Goal	78-80	78-80	78-80	78-80
Actual	81.20	80.21	80.91	80.90

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

Condition Categories Based on FHWA Criteria

		2003		2005		2007	
Category	OCI Range	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected
Excellent condition	100-90	10	62.4%	10	62.4%	18	75.0%
Very good condition	90-80	3	18.8	4	25.0	4	16.6
Good condition	80-70	3	18.8	1	6.3	1	4.2
Satisfactory condition	70-60	–	–	1	6.3	1	4.2
Fair condition	60-50	–	–	–	–	–	–
Poor condition	50-40	–	–	–	–	–	–
Serious condition	40-30	–	–	–	–	–	–
Critical condition	30-20	–	–	–	–	–	–
Imminent failure condition	20-10	–	–	–	–	–	–
Failed condition	25-0	–	–	–	–	–	–
Total		16	100.0%	16	100.0%	24	100.0%

	2005	2006	2007
Overall condition index (OCI):			
Goal	81 or greater	81 or greater	81 or greater
Actual	90.6	91.0	93.8

See accompanying independent auditor's report.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2007

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria

	2005		2006		2007	
OCI Range	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected
Acceptable	29	96.7%	28	93.3%	23	100.0%
Minimally acceptable	1	3.3	2	6.7	–	–
Unacceptable	–	–	–	–	–	–
Total	30	100.0%	30	100.0%	23	100.0%

	2005	2006	2007
Overall condition index (OCI):			
Goal	Acceptable	Acceptable	Acceptable
Actual	Acceptable	Acceptable	Acceptable

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

	2003	2004	2005	2006	2007	2008
Estimated costs	$3,167	$2,996	$3,323	$4,077	$4,480	$4,915
Actual cost	3,349	3,052	3,517	3,516	4,751	N/A

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	Road Use Tax	**Police and Fire Retirement**	**Employee Benefit**	**Economic Development**
ASSETS				
Cash and investments	$5,470,181	$ 151,099	$ –	$ 124,761
Receivables				
Property taxes	–	1,741,850	3,961,864	–
Accounts	–	–	–	598
Loans	–	–	–	331,805
Due from other governments	733,973	–	–	–
Total assets	$6,204,154	$1,892,949	$3,961,864	$ 457,164
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities				
Accounts payable	$ 53,759	$ –	$ –	$ –
Accrued wages payable	–	–	–	–
Due to other funds	–	–	9,213	–
Deferred revenue	–	1,736,199	3,952,651	331,805
Total liabilities	53,759	1,736,199	3,961,864	331,805
Fund balances, unreserved, undesignated	6,150,395	156,750	–	125,359
Total liabilities and fund balances	$6,204,154	$1,892,949	$3,961,864	$ 457,164

See accompanying independent auditor's report.

Housing Programs	Parks	Library	Public Safety	Community Development Block Grant	Totals
$ 145,058	$ 135,739	$ 174,422	$ 141,260	$ –	$ 6,324,520
–	–	–	–	–	5,703,714
464	30	8,210	286,390	97,397	393,089
–	–	–	–	–	331,805
8,288	–	–	22,599	–	764,860
$ 153,810	$ 135,769	$ 182,632	$ 450,249	$ 97,397	$13,535,988
$ 1,278	$ 3,600	$ 5,041	$ 181,778	$ 129	$ 245,585
1,977	–	–	–	1,476	3,453
–	–	–	–	92,065	101,278
–	–	–	–	–	6,020,655
3,255	3,600	5,041	181,778	93,670	6,370,971
150,555	132,169	177,591	268,471	3,727	7,165,017
$ 153,810	$ 135,769	$ 182,632	$ 450,249	$ 97,397	$13,535,988

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2007

	Special Revenue			
	Road Use Tax	**Police and Fire Retirement**	**Employee Benefit**	**Economic Development**
REVENUES				
Property taxes	$ –	$1,736,199	$2,830,343	$ –
Other City taxes	–	29,389	47,909	–
Intergovernmental	4,339,405	–	–	180,000
Charges for services	–	–	–	–
Use of money and property	–	–	–	–
Miscellaneous	–	–	–	82,168
Total revenues	4,339,405	1,765,588	2,878,252	262,168
EXPENDITURES				
Current operating				
Public safety	–	1,608,838	–	–
Public works	624,547	–	–	–
Health and social services	–	–	–	–
Culture and recreation	–	–	–	–
Community and economic development	–	–	–	216,689
Debt service, principal	53,234	–	–	–
Interest	–	–	–	–
Capital outlay	–	–	–	1,039
Total expenditures	677,781	1,608,838	–	217,728
Excess (deficiency) of revenues over expenditures	3,661,624	156,750	2,878,252	44,440
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	–	–	–	–
Transfers in	–	–	–	50,500
Transfers out	(2,672,960)	–	(2,878,252)	(500)
Proceeds from the sale of capital assets	–	–	–	–
Total other financing sources (uses)	(2,672,960)	–	(2,878,252)	50,000
Net change in fund balances	988,664	156,750	–	94,440
Fund balances (deficits), beginning of year	5,161,731	–	–	30,919
Fund balances, end of year	$6,150,395	$ 156,750	$ –	$ 125,359

See accompanying independent auditor's report.

Housing Programs	Parks	Library	Public Safety	Community Development Block Grant	Totals
$ –	$ –	$ –	$ –	$ –	$ 4,566,542
–	–	–	–	–	77,298
149,340	–	–	–	269,450	4,938,195
–	–	–	1,084,909	–	1,084,909
2,618	7,606	8,154	3,359	–	21,737
57,766	44,809	131,485	147,718	2,000	465,946
209,724	52,415	139,639	1,235,986	271,450	11,154,627
–	–	–	297,368	–	1,906,206
–	–	–	–	–	624,547
166,860	–	–	–	–	166,860
–	6,000	65,630	–	–	71,630
–	–	–	–	271,450	488,139
–	–	–	123,414	–	176,648
–	–	–	11,386	–	11,386
20,000	–	40,597	836,490	–	898,126
186,860	6,000	106,227	1,268,658	271,450	4,343,542
22,864	46,415	33,412	(32,672)	–	6,811,085
–	–	–	420,000	–	420,000
6,802	–	–	21,000	92,513	170,815
(13,126)	(161,333)	–	(117,661)	–	(5,843,832)
–	–	–	4,485	–	4,485
(6,324)	(161,333)	–	327,824	92,513	(5,248,532)
16,540	(114,918)	33,412	295,152	92,513	1,562,553
134,015	247,087	144,179	(26,681)	(88,786)	5,602,464
$ 150,555	$ 132,169	$ 177,591	$ 268,471	$ 3,727	$ 7,165,017

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF NET ASSETS (DEFICIT)
INTERNAL SERVICE FUNDS
June 30, 2007

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
ASSETS					
Current assets					
Cash and investments	$6,245,676	$ –	$1,036,361	$ 416,456	$ 7,698,493
Accounts receivable	–	100	5,091	–	5,191
Interest	78,823	–	1,656	–	80,479
Due from other governments	–	24,226	–	–	24,226
Inventories	–	69,355	–	–	69,355
Total current assets	6,324,499	93,681	1,043,108	416,456	7,877,744
Noncurrent assets, capital assets					
Equipment and vehicles	10,519,100	–	–	–	10,519,100
Accumulated depreciation	(5,782,754)	–	–	–	(5,782,754)
Total noncurrent assets	4,736,346	–	–	–	4,736,346
Total assets	$11,060,845	$ 93,681	$1,043,108	$ 416,456	$12,614,090
LIABILITIES AND NET ASSETS (DEFICIT)					
Liabilities					
Current					
Accounts payable	$ –	$ 72,058	$ 2,041	$ 5,736	$ 79,835
Claims payable	–	–	432,162	25,148	457,310
Due to other funds	–	35,047	–	–	35,047
Total current liabilities	–	107,105	434,203	30,884	572,192
Net assets (deficit)					
Invested in capital assets, net of related debt	4,736,346	–	–	–	4,736,346
Unrestricted (deficit)	6,324,499	(13,424)	608,905	385,572	7,305,552
Total net assets (deficit)	11,060,845	(13,424)	608,905	385,572	12,041,898
Total liabilities and net assets (deficit)	$11,060,845	$ 93,681	$1,043,108	$ 416,456	$12,614,090

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2007

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
OPERATING REVENUES					
Charges for services	$ –	$1,001,698	$4,536,731	$ 81,598	$ 5,620,027
Lease revenue	1,194,366	–	–	–	1,194,366
Total operating revenues	1,194,366	1,001,698	4,536,731	81,598	6,814,393
OPERATING EXPENSES					
Cost of sales and services	–	985,097	3,170,699	24,328	4,180,124
Adminstration	–	–	468,966	45,824	514,790
Depreciation	980,400	–	–	–	980,400
Total operating expenses	980,400	985,097	3,639,665	70,152	5,675,314
Operating income	213,966	16,601	897,066	11,446	1,139,079
Nonoperating revenues					
Investment earnings	308,426	–	30,667	–	339,093
Gain on disposal of capital assets	80,221	–	–	–	80,221
Total nonoperating revenues	388,647	–	30,667	–	419,314
Income before transfers	602,613	16,601	927,733	11,446	1,558,393
Transfers in	–	–	–	327,867	327,867
Transfers out	(308,426)	–	–	–	(308,426)
Change in net assets	294,187	16,601	927,733	339,313	1,577,834
Total net assets (deficit), beginning of year	10,766,658	(30,025)	(318,828)	46,259	10,464,064
Total net assets (deficit), end of year	$11,060,845	$ (13,424)	$ 608,905	$ 385,572	$12,041,898

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2007

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$1,194,366	$ 989,181	$4,544,222	$ 81,598	$6,809,367
Payments to suppliers	–	(1,030,869)	(505,307)	(51,936)	(1,588,112)
Payments to claimants	–	–	(3,169,351)	(90,019)	(3,259,370)
Net cash provided by (used in) operating activities	1,194,366	(41,688)	869,564	(60,357)	1,961,885
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from other funds	–	35,047	–	–	35,047
Transfers in	–	–	–	327,867	327,867
Transfers out	(308,426)	–	–	–	(308,426)
Net cash (used in) noncapital financing activities	(308,426)	35,047	–	327,867	54,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(848,364)	–	–	–	(848,364)
Proceeds from disposal of capital assets	91,682	–	–	–	91,682
Net cash (used in) capital and related financing activities	(756,682)	–	–	–	(756,682)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	292,658	–	29,011	–	321,669
Purchase of investment securities	(4,500,000)	–	(500,000)	–	(5,000,000)
Proceeds from maturity of investment securities	5,454,903	–	–	–	5,454,903
Net cash provided by (used in) investing activities	1,247,561	–	(470,989)	–	776,572
Net increase (decrease) in cash and cash equivalents	1,376,819	(6,641)	398,575	267,510	2,036,263
Cash and cash equivalents Beginning of year	368,857	6,641	137,786	148,946	662,230
End of year	$1,745,676	$ –	$ 536,361	$ 416,456	$2,698,493

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CASH FLOWS (continued)
INTERNAL SERVICE FUNDS
Year ended June 30, 2007

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income	$ 213,966	$ 16,601	$ 897,066	$ 11,446	$1,139,079
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation	980,400	–	–	–	980,400
Change in assets and liabilities					
Receivables	–	(12,517)	7,491	–	(5,026)
Inventories	–	(35,765)	–	–	(35,765)
Accounts payable	–	(10,007)	(36,341)	(6,112)	(52,460)
Claims payable	–	–	1,348	(65,691)	(64,343)
Net cash provided by (used in) operating activities	$1,194,366	$ (41,688)	$ 869,564	$ (60,357)	$1,961,885
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE COMBINING BALANCE SHEET					
Cash and investments	$6,245,676	$ –	$1,036,361	$ 416,456	$7,698,493
Less items not meeting the definition of cash equivalents	4,500,000	–	500,000	–	5,000,000
Cash and cash equivalents at end of year	$1,745,676	$ –	$ 536,361	$ 416,456	$2,698,493

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

	Collections and Deposits	Section 125 Plan	Total Agency Funds
ASSETS			
Cash and investments	$ 217,297	$ 13,217	$ 230,514
Restricted assets, contractors' bonds	7,759	–	7,759
Total assets	$ 225,056	$ 13,217	$ 238,273
LIABILITIES			
Deposits and remittances due	$ 225,056	$ 13,217	$ 238,273

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year ended June 30, 2007

Collections and Deposits	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
ASSETS				
Cash and investments	$ 211,006	$ 6,291	$ –	$ 217,297
Restricted assets, contractors' bonds	7,859	205,617	205,717	7,759
Total assets	$ 218,865	$ 211,908	$ 205,717	$ 225,056
LIABILITIES				
Accounts payable	$ 16,991	$ –	$ 16,991	$ –
Deposits and remittances due	201,874	211,908	188,726	225,056
Total liabilities	$ 218,865	$ 211,908	$ 205,717	$ 225,056
Section 125 Plan				
ASSETS, cash and investments	$ 5,515	$ 206,765	$ 199,063	$ 13,217
LIABILITIES, deposits and remittances due	$ 5,515	$ 206,765	$ 199,063	$ 13,217
Combined Funds				
ASSETS				
Cash and investments	$ 216,521	$ 213,056	$ 199,063	$ 230,514
Restricted assets, contractors' bonds	7,859	205,617	205,717	7,759
Total assets	$ 224,380	$ 418,673	$ 404,780	$ 238,273
LIABILITIES				
Accounts payable	$ 16,991	$ –	$ 16,991	$ –
Deposits and remittances due	207,389	418,673	387,789	238,273
Total liabilities	$ 224,380	$ 418,673	$ 404,780	$ 238,273

See accompanying independent auditor's report.

City of West Des Moines
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
US Department of Health and Human Services		
Low Income Energy Assistance	93.568	$ 6,000
Community Services Block Grant	93.569	6,000
		12,000
US Department of Justice		
Public Safety Partnership and Community Policing Grants	16.710	879
Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580	5,436
Bulletproof Vest Partnership Program	16.607	5,942
DEA Overtime Reimbursement	16.005	2,785
		15,042
US Department of Housing and Urban Development		
CDBG Entitlement and (HUD Administered) Small Cities Cluster		
Community Development Block Grants/Entitlement Grants	14.218	269,450
US Department of Housing and Urban Development		
Supportive Housing Program	14.235	86,397
US Department of Transportation		
Highway Safety Cluster		
State and Community Highway Safety	20.600	43,836
US Department of Homeland Security		
Public Assistance Grants	97.036	120,885
Total federal expenditures		$ 547,610

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of West Des Moines and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of West Des Moines, Iowa
SUMMARY OF KEY DATA FOR EACH TIF DISTRICT
(UNAUDITED)
Year ended June 30, 2007

	Valley Junction/RR	Westown III	Westown IV	Mills Parkway	Jordan Creek	Total
Beginning balance	$5,433,336	$ (64,751)	$ 172,097	$1,814,269	$ 217,662	$7,572,613
Deposits:						
Property tax	3,034,910	1,002,941	–	5,397,739	5,421,656	14,857,246
Interest in investments	–	34,584	–	47,809	–	82,393
Withdrawals:						
Debt service	1,924,331	1,289,175	–	4,300,935	3,966,104	11,480,545
Appraisal services	–	–	–	–	75,000	75,000
Transfer to capital projects						
Cash	–	–	–	3,740	–	3,740
WestNet	–	–	–	–	–	–
GMMCP Interchange	–	–	–	122	–	122
Fire/EMS station #4	–	–	–	406	–	406
MCP IMP - Addl lane/left turn	–	–	–	661,859	–	661,859
S 51st and MCP signals	–	–	–	18,791	–	18,791
MCP /S JCP to S 105th St	–	–	–	(4,872)	–	(4,872)
Railroad Ave. Improvements	130,442	–	–	–	–	130,442
Grand Ave / RR to Fuller	13,445	–	–	–	–	13,445
Grand Ave./ Fuller to west of RRP	18,941	–	–	–	–	18,941
Fuller / Grand Intersection	18,277	–	–	–	–	18,277
Grand / Vine Intersection	128,736	–	–	–	–	128,736
Lincoln St./S. 13th to Fuller	38,474	–	–	–	–	38,474
Valley Junction Streetscape Impr	202,758	–	–	–	–	202,758
Valley Junction Trash Enclosures	247	–	–	–	–	247
University Bridge 180/35	–	–	–	–	–	–
50th St & I-235 Improvements	–	–	16,534	–	–	16,534
Westown/35th to West Lakes	–	–	–	–	–	–
Westown/West Lakes to 74th	–	–	–	–	–	–
JC Pkwy & University Rt. Turn	–	127,356	–	–	–	127,358
74th Street Improvements	–	–	–	–	–	–
60th Street Interchange	–	–	–	–	–	–
74th/Ashworth - I-80	–	–	–	–	–	–
JCP Trail/Office Plz-Westown	–	–	–	–	–	–
Westown Parkway Trail	–	–	–	–	–	–
Valley Junction Buy Out Program	–	–	–	–	–	–
Ending balance	$5,992,595	$ (443,757)	$ 155,563	$2,278,836	$1,598,214	$9,581,451
Tax Rates (per $1,000 of taxable valuation):						
Within Polk County	36.78729	36.78729	–	36.78729	N/A	
Within Dallas County	N/A	37.55732	N/A	37.55732	37.55732	
January 1, 2005 Taxable Valuations:						
Polk County	95,589,010	4,535,000	–	89,370,000	N/A	
Dallas County	N/A	54,400,000	N/A	117,893,108	155,400,000	

City of West Des Moines, Iowa
SUMMARY OF KEY DATA FOR SEWER REVENUE BONDS
(UNAUDITED)
Year ended June 30, 2007

Sales History and Total Sewer Charges

Calendar Year	Gallons Sold	Sewer Charges
1997	1,722,193,000	$4,110,540
1998	1,702,262,650	4,231,943
1999	1,865,276,498	4,501,445
2000	1,982,156,844	4,779,893
2001	2,051,493,848	4,979,354
2002	2,119,054,696	4,930,065
2003	2,175,453,971	4,984,834
2004	2,068,454,938	5,023,024
2005	2,231,378,093	5,121,465
2006	2,237,565,759	5,214,740

Number of Sewer Customers

Calendar Year	Residential	Commercial	Total
1997	10,393	756	$ 11,149
1998	11,074	784	11,858
1999	11,958	829	12,787
2000	12,836	885	13,721
2001	14,023	924	14,947
2002	14,644	964	15,608
2003	15,011	933	15,944
2004	15,412	984	16,396
2005	15,863	1,015	16,878
2006	16,270	1,131	17,401

Larger Sewer Customers (Calendar year 2006)

Customer	Water Gallons	Sewer Charges
General Growth Properties	43,982,000	$ 138,543
Professional Property Mgmt.	35,018,000	110,307
WDM Community Schools	33,473,000	105,440
Belcher & Long Corporation	26,277,000	82,773
R&R Investors, Ltd	23,373,000	73,625
Knapp Properties, Inc	19,961,000	62,877
Executive Laser Wash	18,940,000	59,661
W.H., LLC	16,637,000	52,407
John Q. Hammons Industries	13,940,000	43,911
Valley West Mall	12,760,000	40,194

Rates and Charges

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

Sewer Availability Charge - Effective July 1, 2007
$1.50 per month

Revenue Debt Supported by Sewer Revenues

Date of Issue	Orignial Amount	Purpose	Final Maturity	Principal Outstanding as of 6/30/07
09/1994	$2,600,000	Sewer Improvements	06/2014	$1,133,000
06/1995	2,158,000	Sewer Improvements	06/2015	1,057,000
10/1996	1,800,000	Sewer Improvements	06/2017	1,077,000
03/2002	1,655,000	Refunding	06/2008	300,000
				$3,567,000