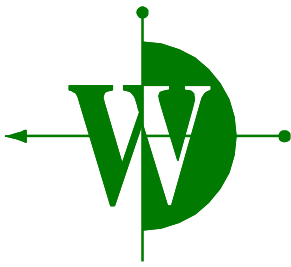


# **INTRODUCTORY SECTION**

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THE CITY OF  
**West Des Moines®**  
www.wdm.iowa.gov

**Finance Department**

**4200 Mills Civic Parkway  
P.O. Box 65320  
West Des Moines, IA 50265-0320**

**515-222-3600  
FAX 515-222-3640**

**'Aaa'  
Credit Rating  
Moody's**

**'AAA'  
Credit Rating  
Standard & Poor's**

**December 11, 2014**

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

Chapter 11 of the *Code of Iowa* requires the City of West Des Moines (the "City") to publish a complete set of audited financial statements within nine months of the close of each fiscal year. This comprehensive annual financial report has been published to fulfill this requirement for the fiscal year ended June 30, 2014.

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

Eide Bailly LLP, a firm of licensed certified public accountants, has issued an unqualified opinion on the statements which has been published herein, immediately preceding the financial section of the report.

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

**Profile of the City**

The City was incorporated as Valley Junction in 1893, changed its name to West Des Moines in 1938, and is now the largest suburb of Iowa's capital city of Des Moines. Centrally located in Iowa, the City is currently comprised of approximately 47.3 square miles spanning portions of Polk, Dallas, Warren, and Madison counties.

In 2010 the U.S. Census Bureau reported that the City was home to 56,609 residents which represented a 22% increase since the 2000 census. The City's current population as estimated by the United States Census Bureau is approximately 61,255 residents, which represents an additional increase of 8.3% since 2010.

Policy-making and legislative authority in the City of West Des Moines are vested in a governing council. The City Council consists of a mayor and five council members; all are elected on a non-partisan basis. Three of the council members are elected by ward and two, as well as the mayor, elected at large. For continuity purposes, the mayor and council members serve four-year staggered terms with elections held every two years. The City Council makes policy decisions for the City through the enactment of ordinances, resolutions and motions. The Council is also responsible for adopting operating and capital budgets, appointing committees, hiring a city manager and city attorney, and appointing a city clerk.

The City Manager, as the City's chief administrative officer, is responsible for implementing policy decisions of the City Council, overseeing day-to-day operations, and hiring department directors. Departments of the City include Community & Economic Development, Development Services, Emergency Medical Services, Finance, Fire, Human Services, Parks & Recreation, Police, and Public Works. The City also maintains a public library which, through state statute, is governed by a separate Board of Trustees. However, the library and its employees are also considered a city department as they are budgeted funds by the City Council and routinely follow the general operating policies and procedures implemented by the City.

Public elementary and secondary education services for City of West Des Moines residents are provided by six separate school districts – Des Moines, Norwalk, Van Meter, Waukee, West Des Moines, and Winterset – while public water services are provided either by the West Des Moines Water Works or the Des Moines Water Works. Each of these school districts or water works entities have the ability to issue separate debt which is not an obligation of the City; therefore the financial statements of these entities have not been included in this report.

The annual budget serves as the foundation for the City's financial planning and control. Each fall, staff from each of the City's departments will submit requests and discuss needs for budgetary appropriation related to the upcoming fiscal year. Using these requests, as well as personnel expense, benefit expense, and revenue projections produced by the finance department, the city manager prepares a preliminary budget. This is presented to the Mayor and City Council for discussion during workshops and public hearings, before ultimately approving a budget. By state statute, this budget must be adopted and filed with the State prior to March 15<sup>th</sup> of each year. The state mandates legal spending control at the function level, which consists of Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Capital Projects, Debt Service, and Business-type.

## Local Economy

While West Des Moines is the 9<sup>th</sup> largest city in Iowa by population, it currently ranks 2<sup>nd</sup> overall in terms of taxable retail sales, 3<sup>rd</sup> in terms of property valuations, and 2<sup>nd</sup> in the collection of hotel/motel tax revenues. The median household income in the City continues to exceed both the national and state averages. According to the US Census Bureau, at the end of 2013 median household income in the City was \$68,283, which compares to the State of Iowa median of \$51,129 and the national median of \$53,046.

West Des Moines continued to grow high quality jobs and the housing market in the city and metro area rebounded during the fiscal year ended June 30, 2014. The City issued building permits for construction valued in excess of \$404 million, which represented the second highest year in its history.

During the fiscal year ended June 30, 2014, Microsoft announced construction of the Alluvion Data Center, a project that, when constructed, will represent a total investment of approximately \$1.2 billion by the company at the site. Included in the project are construction costs of approximately \$240 million. This will be the second major data center constructed by Microsoft in West Des Moines, as its Mountain Data Center was nearing completion of its third phase of construction in 2014. All told, the investment by Microsoft in the City will total \$2 billion, which represents the largest investment by a company in one municipality in the State's history.

Another major development highlight during the fiscal year included construction of a \$100 million expansion by Wells Fargo at its Home Mortgage Headquarters Campus.

The areas around the Jordan Creek Town Center continue to develop at a rapid pace, with additional retail, office, and multi-family residential projects all being constructed during the past year. A major announcement was construction of three new hotels in the area.

The City places an emphasis on a creative but sound economic development strategy which offers plans to businesses seeking to grow within or relocate to the City. In this regard, the City Council continued its policy of providing partial tax rebate and job creation incentives to industrial businesses that expand or improve their facilities, however residential tax abatement or complete tax rebates are not measures that the City has felt forced to implement.

## **Relevant Financial Policies and Long-term Financial Planning**

The City continues to be cautious when estimating property tax revenue, ancillary revenue, and investment returns, as well as use conservative expense figures to establish rates and balance the budget into upcoming fiscal years. These tactics ensure that adequate funding for services will be available in future budget cycles.

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

During the annual budgeting process, the City evaluates the property tax rate for comparison to other cities of similar size and to determine that there will be sufficient revenue to provide the services deemed necessary by the City Council. Fees and charges for services are also evaluated annually to ensure they keep pace with the cost of providing these specific services. The City strives to maintain or increase its diversified revenue sources, to provide for greater financial stability.

Included in the operating budget are costs associated with the City's capital equipment replacement schedule. This money is set-aside annually to ensure funding is available for the timely replacement of vehicles and heavy equipment that are no longer cost effective to maintain. In addition, during each budget cycle the City Council and staff update the City's multi-year capital improvement plan, including funding of priority projects, based on community input and other data. Among the data available is information from a street management system which assesses and prioritizes street maintenance needs over a multi-year cycle.

The City has established four measures in regard to the issuance of debt. First, the City prefers to limit the amount of general obligation debt issued to one-half of the constitutionally allowed debt limit. Second, the City strives to maintain bonded debt below \$1,000 per capita. Third, a debt issuance that is not voted on by the taxpayers should not necessitate an increase in the property tax rate. Finally, the debt service property tax rate will be maintained at or near \$2.00 per \$1,000 of valuation.

## **Major Initiatives and Accomplishments**

On July 22, 2014, Moody's Investor Services reaffirmed the City's Aaa bond rating. The City continues to hold the highest available rating from both Moody's Investor Services and Standard and Poor's rating. Standard and Poor's Rating Services was last reaffirmed in July 18, 2013. Each of the agencies cites the City's financial positions and conservative fiscal management as strengths.

As of June 30, 2014, the City was one of less than 100 in the United States to have the distinction of carrying the highest rating from both Moody's and Standard & Poor's. The City's financial positions remained strong and for the fiscal year ended June 30, 2014, the City reported a general fund surplus of approximately \$0.5 million, which brought the general fund reserves to \$25.3 million, or 51.6% of annual general fund operating expenditures. Since 2008, the City has successfully refinanced several of its general obligation bond issuances and as a result has netted over \$6.7 million of net present value interest savings.

## **Financial Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West Des Moines for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the 21<sup>st</sup> consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and again this year will be submitting it to the GFOA to determine eligibility for another certificate.

Additionally, for the 16<sup>th</sup> consecutive year the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document related to the fiscal year beginning July 1, 2014. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged and deemed proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

## Acknowledgements

Elected officials and staff take great pride in providing high quality municipal services, including transparent and clear financial reporting and budgeting. The City's continued recognition of reporting excellence by the GFOA, the City's continuing AAA bond rating, and a #1 ranking by the Des Moines Business Record as the most conducive city for business in Central Iowa for sixteen consecutive years, are all reflective of competitiveness, efficiency, and attention to detail.

Preparation of this report was accomplished through the dedicated services provided by the Finance Department staff. We would like to express our appreciation to all members of the department who assisted with the audit and contributed to the preparation of this report, including our audit firm Eide Bailly LLP. Likewise, we wish to extend our sincere appreciation to the Mayor and members of the City Council for their interest in and support of our efforts to conduct the City's financial operations in the most responsible and progressive manner.

Respectfully submitted,



Tom Hadden  
City Manager



Tim Stiles  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of West Des Moines  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of West Des Moines, Iowa

List of Principal Officials  
As of June 30, 2014

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Elected Officials

Steven K. Gaer	Mayor	Term Expires December 31, 2017
Rick Messerschmidt	Councilmember, At Large	Term Expires December 31, 2017
James Sandager	Councilmember, At Large	Term Expires December 31, 2015
Kevin Trevillyan	Councilmember, Ward 1	Term Expires December 31, 2017
John Mickelson	Councilmember, Ward 2	Term Expires December 31, 2015
Russ Trimble	Councilmember, Ward 3	Term Expires December 31, 2017

Appointed Officials

Tom Hadden, City Manager  
Ryan Jacobson, City Clerk  
Richard J. Scieszinski, City Attorney

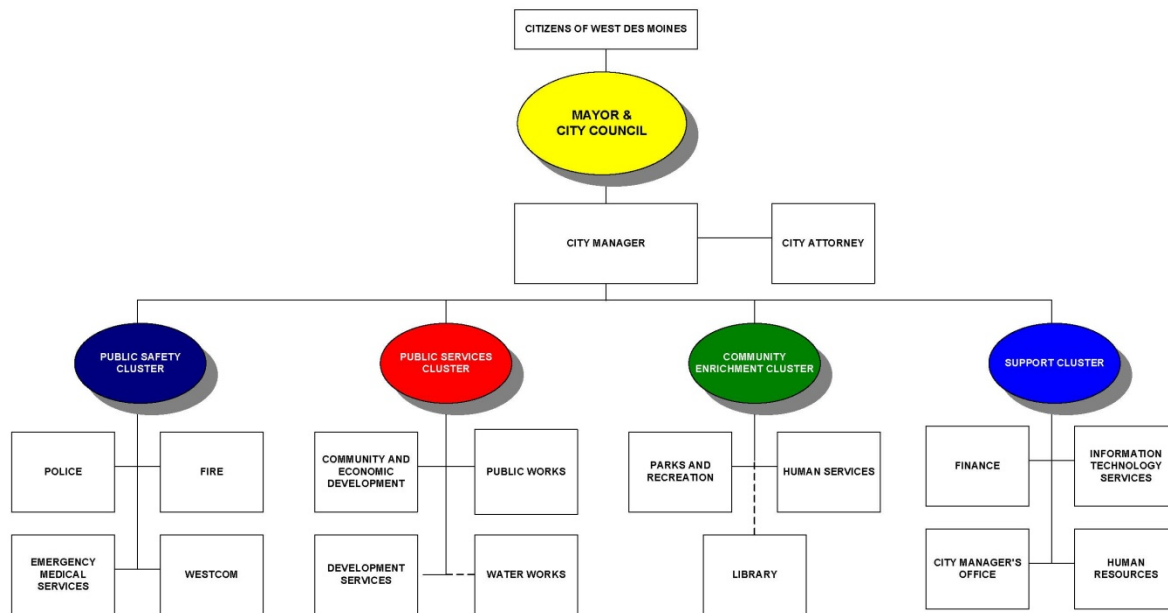
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City of West Des Moines, Iowa

Organizational Chart  
As of June 30, 2014

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Last Revised: 10/22/08

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