

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WEST DES MOINES, IOWA

Year ended June 30, 2009

Prepared by the Department of Administrative Services

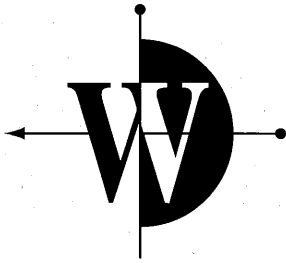


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February 25, 2010

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

Chapter 11 of the *Code of Iowa* requires that the City of West Des Moines publish within nine months of the close of each fiscal year, a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of West Des Moines. Management assumes full responsibility for the completeness and reliability of all the information presented in the report, based upon a comprehensive framework of internal control that it has 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.

Denman and Company, LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of West Des Moines' financial statements for the fiscal year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the City of West Des Moines

West Des Moines, incorporated as Valley Junction in 1893, is a suburb of the state's capital. Centrally located in Iowa, West Des Moines is currently comprised of approximately 38 square miles and is empowered by state statute to extend its corporate limits via annexation, which occurs periodically when deemed appropriate by the City Council. As one of the top growth areas in the state, the City has experienced significant increases in population, an increase of approximately 70 percent since 1990. The U.S. Census Bureau reported 46,403 residents in 2000 and estimated the population to be 53,945 in 2006.

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 with three council members being elected by ward, two council members and the mayor being 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 the budget, appointing committees, and hiring the city manager, city attorney and appointing the city clerk.

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

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

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

Local Economy

The City of West Des Moines is one of the fastest growing cities in the state of Iowa. West Des Moines is the 9th largest city in the state but ranks 4th in terms of retail sales, 4th in terms of property valuations, and 4th in the collection of Hotel/Motel taxes. The median household income in West Des Moines continues to exceed both the national and state averages. In 2000, the U.S. Census Bureau reported the median household income in the City of West Des Moines as \$54,139, in comparison to state and national figures of \$39,469 and \$41,994 respectively.

West Des Moines has sustained commercial growth that spans across many industry lines, providing some economic stability at a time when the nation's overall economy is experiencing a down-turn. Jordan Creek Town Center, a 200-acre upscale entertainment complex located in West Des Moines, has continued to stimulate area growth since opening in 2004. In 2006, Wells Fargo Home Mortgage completed construction of its 1 million square foot home office. Over 3,000 employees work at this location alone and contribute to the economic impact on the surrounding area, projected by the State of Iowa to be \$627 million. In late 2007, Aviva U.S.A. broke ground on their 1.3 million square foot North American headquarters. The insurance group plans to employ over 1,000 at the West Des Moines location, which is on schedule to open in 2010.

The construction of two West Des Moines hospitals was completed late in 2009 with Mercy West Lakes opening in September 2009 and Methodist West opening in October 2009. Quality of life will be enhanced by the scope of medical services that will be offered by the over 175 beds at each facility.

Given the slowdown in the overall economy, the City has spent considerable time projecting revenues and expenditures to ensure adequate funding for services will be available in future budget cycles. The starting point for all projections has been to use very conservative revenue assumptions, to be on the "high side" on potential expenditures, and no change in current property tax rates. Variables the City is closely monitoring include the slowdown of private sector taxable development, the anemic sub-1% earnings rate on our investments, and substantial increases of mandatory pension contributions.

To augment the City's desirable central Iowa location, highly educated workforce, attractive high-end residential and commercial developments, and the City's on-going commitment to provide crucial infrastructure to support quality development, the City is working with an economic development strategy company to create a new plan to bring growth

to West Des Moines and identify business sectors that are best suited to our community. The City also continues to work with independent small businesses already located in the community to get input regarding their specific situation and needs for City services. In this regard, the City Council recently adopted a policy to provide incentives to industrial businesses that expand or improve their facilities as a way to both increase business productivity and promote businesses to stay in West Des Moines to receive the full tax abatement benefits.

Relevant Financial Policies and Long-term Financial Planning

For budgetary and planning purposes, management strives to maintain an unreserved, undesignated general fund balance equal to or slightly exceeding 25 percent of total general fund expenditures. These funds are 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.

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

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

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

West Des Moines has established 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 would like bonded debt per capita not to exceed \$1,000. 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 at the \$2.00 per \$1,000 of valuation level.

Major Initiatives and Accomplishments

The City of West Des Moines is the fifth city in the United States to have all three public safety departments accredited. In 2006, the City of West Des Moines' Fire department was the first in Iowa awarded Internationally Accredited Agency status with the Commission on Fire Accreditation International, Inc. (CFAI). The Police department, accredited through the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA), was selected as a Flagship Agency in 2008 for providing an "...extraordinary example of excellence in an accredited law enforcement agency". The Emergency Medical Services department is accredited through the Commission on Accreditation of Ambulance Services (CAAS) and is one of only three Iowa agencies with this honor.

The City of West Des Moines Emergency Medical Services, through a public-private partnership, joined with Iowa Health – Des Moines to form the Iowa EMS Alliance. Through the Alliance, the City provides staffing and administration for ambulances based out of the Iowa Health facilities. This partnership provides for the sharing of administrative costs between the agencies and allows for further operational efficiencies and economies of scale.

In the spring of 2009 the WestCom Dispatch Center moved to a new state-of-the-art dispatch center constructed in the basement of Public Safety Station #19. The move expanded the space for current staff as well as providing space for future growth and technological advances. WestCom is a collaborative effort between the cities of West Des Moines, Clive, and Urbandale to share costs associated with operating an emergency dispatch center.

The city took delivery of two new fire pumper trucks in July of 2008. Both vehicles are designed for full service fire suppression and rescue capabilities. One vehicle replaced an aging unit and the other expands the City's fleet and will be stationed at the new public safety station that opened in early 2008. The Fire department also began the process of upgrading its large diameter fire hose for a larger capacity to more effectively meet the water flow demands of the large commercial structures that have recently been built in the city.

The Public Works department continued to enhance their system for snow removal with the internal development of a GPS system which identifies, for equipment operators, fire hydrants and other utilities hidden by snow.

In an effort to become more environmentally responsible single stream recycling was introduced to West Des Moines residents. The single stream recycling carts are now available to small businesses wishing to recycle. The City also began a sustainability initiative in 2009, beginning with the creation of a Striving After Sustainable Solutions (SASS) team to coordinate sustainable efforts throughout the city organization.

The Insurance Services Organization (ISO) which rates building inspection services on a scale of 1 – 10, with 10 equating to no inspection enforcement, has upgraded building inspection for commercial and multi-family projects in West Des Moines to a "2" rating. Less than 5% of the building inspection departments nation-wide receive a "2" rating.

The Police department successfully increased the usage of the department's surveillance cameras and other technology tools for more efficient and effective outcomes. The department also continued its partnership with the West Des Moines Community School District and Dowling Catholic High School to increase security in our schools and provide technology that allows for greater coordination between schools and law enforcement. This program was funded by a US Department of Justice Secure Our Schools grant.

After much planning and negotiating with land owners construction has been completed on the final section of the Jordan Creek Trail. This trail section, into West Des Moines' Raccoon River Park, connects all of West Des Moines' trails to that park and provides a link to the City of Des Moines trail system as well.

To improve internal efficiency and communication the City undertook a multi-year project to implement a comprehensive human resources and payroll software system (HRIS) to replace two existing systems. Phase 1, which involved converting and merging all personnel, payroll, and benefit records into one database and processing payroll on the new system, has been completed. Phase 2 began in the fall of 2009. This phase includes manager and employee self-service features, automated workflows, and on-line employment applications. Both phases significantly reduced duplicate data entry and recordkeeping.

Business Week named West Des Moines one of the "Best Places to Raise Your Kids in 2009" for being kid-friendly and cost-friendly. They also named West Des Moines to their "Top Ten Most Affordable Suburbs in 2009" listing, which factored livability (short commutes, low pollution, green space), education, crime, the economy, and affordability into its ranking. Relocate America, a website that provides relocating consumers and area residents with access to local community resources, named West Des Moines as one of "America's Top 100 Places to Live for 2009". That award is based on outlook for future growth, visionary leadership, improving or thriving economies, and realization of "green" initiatives. The Des Moines Business Record named West Des Moines "The Best City Government Conducive to Business" each year from 1998 – 2009. The City's quarterly publication, WDM Magazine, won a bronze award for

"Best Government Publication" in the 2009 Magnum Opus Awards for Outstanding Achievement in Custom Media. The Magnum Opus Awards are given by ContentWise in conjunction with the Missouri School of Journalism.

Awards

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

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 (CAFR) for the fiscal year ended June 30, 2008. This was the sixteenth 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.

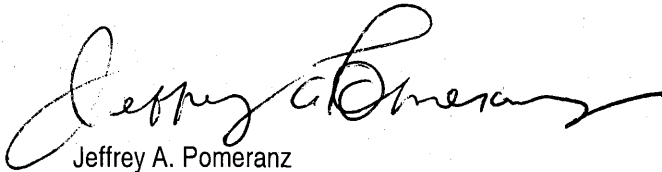
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, for the eleventh consecutive year, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 31, 2009. 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.

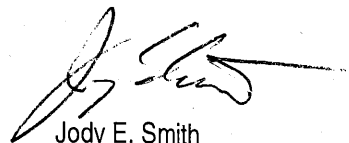
Acknowledgements

Preparation of this report was accomplished through the dedicated services provided by the Administrative Services 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. 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,



Jeffrey A. Pomeranz
City Manager



Jody E. Smith
Director of Administrative Services

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, 2008

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



A handwritten signature in black ink, appearing to read "J.R. Egan".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan".

Executive Director

City of West Des Moines, Iowa

List of Principal Officials
June 30, 2009

Elected Officials

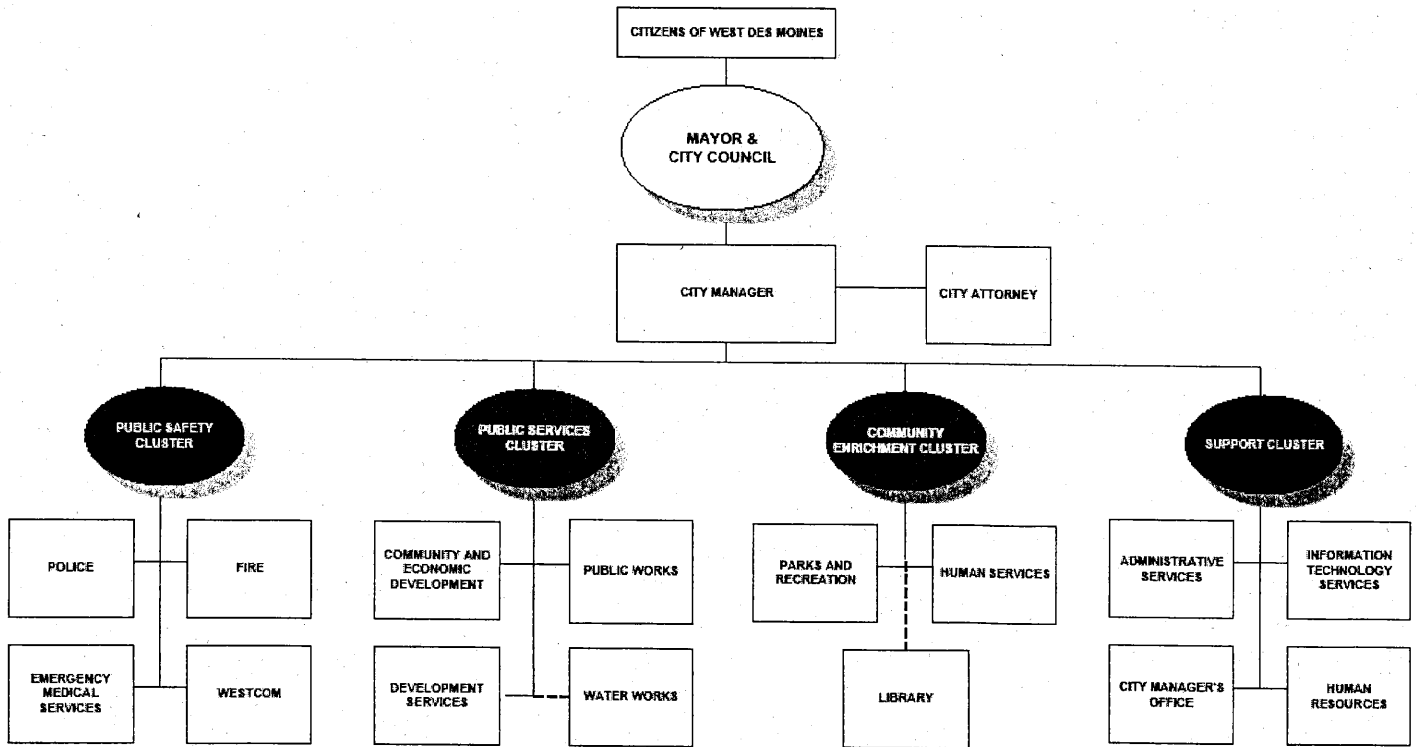
Steven K. Gaer	Mayor	Term Expires January, 2010
Ted Ohmart	Councilmember, At Large	Term Expires January, 2010
Robert Parks	Councilmember, Ward 1	Term Expires January, 2010
Jim Sandager	Councilmember, At Large	Term Expires January, 2012
Charles Schneider	Councilmember, Ward 2	Term Expires January, 2012
Loretta Sieman	Councilmember, Ward 3	Term Expires January, 2010

Appointed Officials

Jeffrey A. Pomeranz, City Manager
Jody E. Smith, City Clerk
Richard J. Scieszinski, City Attorney

City of West Des Moines, Iowa

Organizational Chart
June 30, 2009



---- Indicates Reports to Board