

**CITY OF
WEST DES MOINES,
IOWA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2005

Prepared by:
Department of Administrative Services

MISSION

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

COMMITMENT

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

VALUE

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

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

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November 17, 2005

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

Chapter 11 of the *Code of Iowa* requires that the City of West Des Moines publish within nine months of the close of each fiscal year 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, 2005.

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

McGladrey & Pullen, LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of West Des Moines' financial statements for the fiscal year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

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

City of West Des Moines Profile

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

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

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

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

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

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

Local Economy

West Des Moines is the 9th largest city in the state but ranks 6th in terms of retail sales, and 4th in terms of property valuations. The median household income in West Des Moines exceeds both the national and state average. In 2000, the most recent year for which the data is available, the U.S. Census Bureau reported the median household income in the City of West Des Moines as \$54,139, in comparison to state and national figures of \$39,469 and \$41,994 respectively.

The City of West Des Moines is one of the fastest growing cities in the State of Iowa. Infrastructure development and well planned growth have increased the community's tax base by more than 60 percent in the last 10 years with pending development plans and issued building permits indicating this growth will continue for at least the next several years. Recent construction includes the Jordan Creek Town Center, an upscale entertainment complex, which opened in August of 2004. This 200-acre development was the largest commercial development in Iowa's history and has spurred additional commercial and residential growth in the area. To the south of that site, in a previously undeveloped area of the City, construction began this past spring on a corporate campus with a guaranteed minimum assessed valuation of \$118,000,000. Analysts for the State of Iowa have projected that this residential mortgage corporate campus will have a \$627 million economic impact in the surrounding area.

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

Relevant Financial Policies and Long-term Financial Planning

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

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

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

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

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

Major Initiatives and Accomplishments

The City continues to be proactive in collaborating with other local jurisdictions, one of the strategic goals of the City. During this past year the City entered into a new agreement to provide Human Resource services to the City of Urbandale in the areas of recruitment, employee relations and retention, and the development of employment related policies. The revenue generated by this agreement will enable both cities to have access to highly skilled human resource professionals.

West Des Moines continues to work with numerous other public safety agencies on expanding joint training opportunities. This allows the agencies to capitalize on existing instructors, facilities, and develop common practices that facilitate working together in the event of a large scale emergency.

The West Des Moines Police Department received the 2005 Webber Seavey Award for Quality in Law Enforcement from the International Association of Chiefs of Police (IACP). The award was in recognition of the Youth Justice Initiative (YJI) program for its innovative and successful contribution to the quality of life in the community. This program, which is operated with support from the West Des Moines Community School District, provides services for

juveniles who are entering the criminal justice system for the first time or who have committed more novice offenses and show promise, with appropriate intervention, of leaving the pathway into delinquency.

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

Once again West Des Moines set a new record for the level of building permits issued. During FY 2004-2005 the City issued building permits for new construction valued at \$335,040,493.

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

The West Des Moines Human Services Department has seen an incredible increase in the amount of community support for those less fortunate. In 2004 area residents donated more than 5,000 volunteer hours to help others; donated goods and services valued at \$397,000 and cash contributions in excess of \$200,000 were received from residents, area businesses, and other organizations.

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

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

In July of 2004 the City hired an independent firm to conduct its second citizen survey. The purpose of this survey was to assess citizen satisfaction with the delivery of city services and to help determine priorities for the community as part of the City's ongoing planning process. Survey results revealed that overall satisfaction with city services improved in 8 of the 10 categories that were rated in both 2002 and 2004. 93% of the residents surveyed who had an opinion were satisfied with the quality of police, fire and ambulance services; 92% were satisfied with the public library services; and 90% were satisfied with the City's parks and recreation services. Overall, 93% of the respondents indicated they were satisfied with the quality of life in West Des Moines.

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, 2004. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated February 17, 2004. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document must be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

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

Acknowledgements

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

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

Respectfully submitted,

Jeffrey A. Pomeranz
City Manager

Jody E. Smith
Director of Administrative Service

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Des Moines,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



Nancy L. Zeller

President

Jeffrey R. Enow

Executive Director

City of West Des Moines, Iowa

**Elected and Appointed Officials
June 30, 2005**

Elected Officials

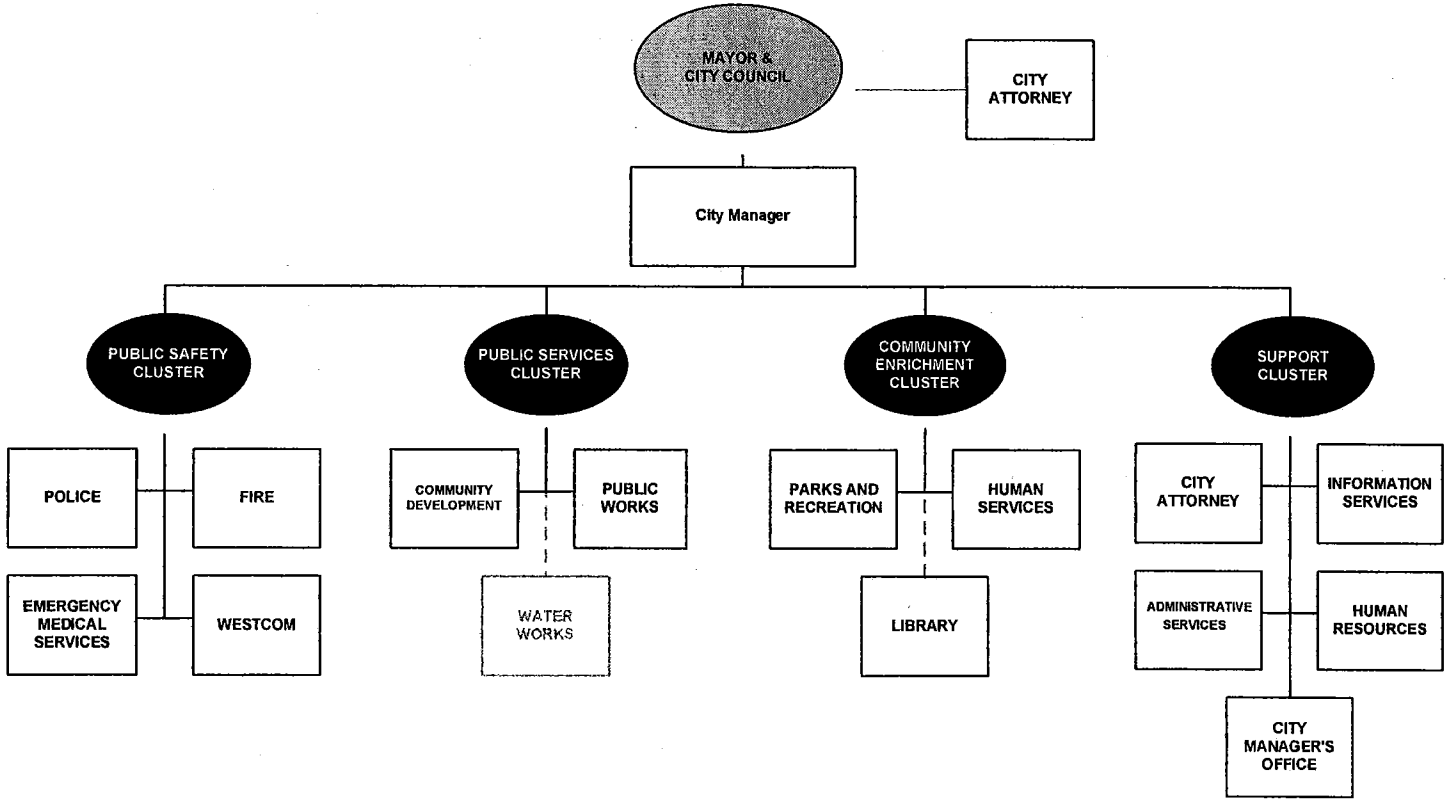
Term Expires

Eugene T. Meyer	Mayor	January 2006
Robert Parks	Council Member	January 2006
Brad Olson	Council Member	January 2008
Loretta J. Sieman	Council Member	January 2006
Jim Sandager	Council Member	January 2008
Ted Ohmart	Council Member	January 2006

Appointed Officials

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

CITY OF WEST DES MOINES ORGANIZATIONAL CHART



Last Revised:
12/14/04

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Reports to Board