

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the governmental activities, business-type activities, each major fund and the aggregate remaining fund information as of and for the year ended June 30, 2004, which collectively comprise the City of West Des Moines, Iowa's basic financial statements and have issued our report thereon dated October 28, 2004. 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 and Chapter 11 of the Code of Iowa.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Des Moines, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of West Des Moines, Iowa in a separate letter dated October 28, 2004.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
October 28, 2004

Schedule of Required Statutory Reporting
Year Ended June 30, 2004

Other Findings Related to Required Statutory Reporting

- 04-IV-A Official Depositories - A resolution naming official depositories has been adopted by City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- 04-IV-B Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- 04-IV-C Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 04-IV-D Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 04-IV-E Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, transactions with City employees and City officials do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.
- 04-IV-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 04-IV-G Council Minutes - We noted no transactions requiring council approval which had not been approved in the Council minutes.

Finding: Although minutes of Council meetings were published, they were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation: The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response and Corrective Action Plan: The City publishes the minutes as soon as possible after the Council meetings. The 15-day requirement is not met due to the timing of meeting dates and publication dates.

Conclusion: Response accepted.

- 04-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 04-IV-I Revenue Notes - The City has complied with the revenue bond provisions.
- 04-IV-J Payment of General Obligation Bonds - The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.
- 04-IV-K Economic Development - We noted no instance of noncompliance with Chapter 15A of the Code of Iowa.
- 04-IV-L Notice of Public Hearing for Public Improvements - We noted no instance of noncompliance with Chapters 384.102 and 362.3 of the Code of Iowa.
- 04-IV-M Sales Tax - We noted no instance of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- 04-IV-N Financial Condition - Finding: The Economic Development Special Revenue Fund and the Vehicle Maintenance Internal Service Fund had deficit fund balances of \$227,642 and \$43,008, respectively, as of June 30, 2004.

Recommendation: The City should investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial position.

Response and Corrective Action Plan: The City will fund the deficits through future transfers from the General Fund.

Conclusion: Response accepted.