

**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**

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

We have audited the 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 (the City) as of and for the year ended June 30, 2010, which collectively comprise the City of West Des Moines, Iowa's basic financial statements and have issued our report thereon dated November 10, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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*. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the 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 in Part IV of the Schedule of Findings are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Des Moines and other parties to whom the City of West Des Moines may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 10, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the City of West Des Moines' (the City) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on to its major federal program for the year ended June 30, 2010. The City's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of West Des Moines complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

**Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
November 10, 2010

**City of West Des Moines, Iowa**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 2010**

<u>Summary</u>	<u>Status</u>
<u>Other Findings Related to Required Statutory Reporting:</u>	
09-IV-A Expenditures during the year ended June 30, 2009 exceeded the amount budgeted in the public works function.	Corrected
09-IV-F Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	Not corrected; see finding 10-IV-F
09-IV-M Community Development Block Grant Special Revenue Fund balance as of June 30, 2009.	Not corrected; see finding 10-IV-M
09-IV-M Economic Development Special Revenue Fund balance as of June 30, 2009.	Corrected

**City of West Des Moines  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010**

**Part I. Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal controls over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The audit did not disclose audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - \*CFDA Number 20.205 - Highway Planning and Construction
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The City of West Des Moines qualifies as a low-risk auditee.

**Part II—Findings Relating to the Financial Statements Reported in  
Accordance with *Government Auditing Standards***

Instances of Non-compliance  
No matters were noted.

Internal Control Deficiencies  
No matters were noted.

**Part III—Findings and Questioned Costs for Federal Awards**

Instances of Non-compliance  
No matters were noted.

Internal Control Deficiencies  
No material weaknesses in internal control over the major program was noted.

**City of West Des Moines, Iowa  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010**

**Part IV—Other Findings Related to Required Statutory Reporting**

**10-IV-A CERTIFIED BUDGET**

Expenditures during the year ended June 30, 2010 didn't exceed the amount budgeted.

**10-IV-B 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.

**10-IV-C TRAVEL EXPENSE**

No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**10-IV-D BUSINESS TRANSACTIONS**

We noted no business transactions between the City and City officials or employees in excess of \$1,500.

**10-IV-E 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.

**City of West Des Moines, Iowa**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2010**

**10-IV-F 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.

**10-IV-G DEPOSITS AND INVESTMENTS**

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**10-IV-H REVENUE NOTES**

No instances of non-compliance with their revenue note provisions were noted.

**10-IV-I PAYMENT OF GENERAL OBLIGATION BONDS**

The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.

**10-IV-J ECONOMIC DEVELOPMENT**

We noted no instance of noncompliance with Chapter 15A of the Code of Iowa.

**10-IV-K 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.

**10-IV-L 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.



**City of West Des Moines, Iowa**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2010**

**10-IV-M FINANCIAL CONDITION**

**Finding**

Community Development Block Grant Fund had a deficit fund balance of \$13,904 as of June 30, 2010.

**Recommendation**

The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position.

**Response and Corrective Action Plan**

Transfers will be made from the General Fund to fund the Special Revenue Fund deficit.

**Conclusion**

Response Accepted.

**10-IV-N EXPENDITURES**

**Finding**

The City employee handbook states that travel reimbursement for department directors must be approved by the City Manager. An expenditure was noted that lacked proper approval by the City Manager.

**Recommendation**

Department directors should attain proper approval from the City Manager for all travel reimbursements.

**Response and Corrective Action Plan**

The City will require that all travel reimbursements receive proper approval.

**Conclusion**

Response accepted.

**City of West Des Moines, Iowa  
CORRECTIVE ACTION PLAN  
Year ended June 30, 2010**

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date of Completion</u>	<u>Contact Person</u>
10-IV-F	Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	See response and corrective action plan at 10-IV-F	June 30, 2010	Jody Smith
10-IV-M	Community Development Block Grant Fund balance as of June 30, 2010.	See response and corrective action plan at 10-IV-M	June 30, 2010	Jody Smith
10-IV-N	Travel reimbursement approval	See response and corrective action plan at 10-IV-N	June 30, 2010	Jody Smith