

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WEST DES MOINES, IOWA

Year ended June 30, 2010

Prepared by the Finance Department

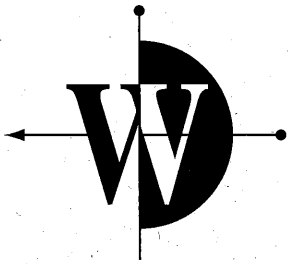


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THE CITY OF
West Des Moines®
www.wdm-ia.com

Finance Department

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

515-222-3600
FAX 515-222-3640
TDD/TTY 515-222-3334

E-mail cityinfo@wdm-ia.com

'Aaa'
Credit Rating
Moody's

'AAA'
Credit Rating
Standard & Poor's

December 15, 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, 2010.

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, 2010. 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 46.6 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 the estimated population as of December of 2010 is 58,665.

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: Community & Economic Development, Development Services, Emergency Medical Services, Finance, 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 Finance 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 populated city in the state but ranks 4th in terms of retail sales, 3rd 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 2009, the median household income in the City of West Des Moines was estimated to be \$71,501, in comparison to state and national figures of \$48,585 and \$52,175 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 retail and 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 \$627 million to the local economy as projected by the State of Iowa. In September of 2010, Aviva U.S.A. occupied their 396,000 square foot North American headquarters. The insurance group currently has over 1,500 employees working at the West Des Moines location. Their campus is designed to accommodate 1.3 million square feet of building space.

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 and the availability of over 240 hospital beds.

Given the slowdown in the overall economy, the City has spent considerable time projecting revenues and expenditures to ensure that 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.

The City Council meets with staff each fall to update the City's multi-year plan for capital improvements within the community. Projects are prioritized 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 maintained at \$2.00 per \$1,000 of valuation.

Major Initiatives and Accomplishments

The City of West Des Moines is now rated Aaa by Moody's Investor Services, the highest rating available from Moody's. The change came about in the spring of 2010 when Moody's recalibrated its long-term U.S. municipal ratings to move them from a separate municipal rating scale to its global rating scale. Basically, they started evaluating cities the same way they evaluate other entities, including the private sector. West Des Moines was the only City in Iowa to move to an Aaa, rating, joining Cedar Rapids, Iowa City, and Ames as the only Iowa municipalities with this rating.

During the past fiscal year the City of West Des Moines took advantage of low interest rates and a favorable bond market to refund approximately \$42,000,000 in outstanding general obligation bonds at a savings of almost \$2,000,000 (net present value).

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.

The City began offering prescription drug cards to residents who are without health insurance or have prescriptions that are not covered by insurance. The card is free to all West Des Moines residents and is estimated to save an average of 20% off the regular retail price of prescription drugs at participating pharmacies. This program is offered by the City in collaboration with the National League of Cities. Residents are responsible for paying for their entire prescription cost, less the discount offered by participating pharmacies.

Over the past year the City certified two more apartment complexes for the Crime-Free Multi-Housing program. Through this unique, three-phase program for rental properties, officers from the Police Department's Special Operations Unit train staff at multi-family complexes to solve problems and make upgrades and improvements that will deter crime. The three phases include an eight-hour training session for property managers, leasing staff, and maintenance personnel taught by management professionals, attorneys, and police personnel; an inspection of the rental property related to security and appearance, and an informational safety session for residents of the property.

The City of West Des Moines Emergency Medical Services was recognized for our collaboration with Iowa Health – Des Moines in the publication *Best Practices in Emergency Services*. Through a public-private partnership, known as the Iowa EMS 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 was recognized for both saving taxpayer money and elevating service levels. The Alliance has completed its second year in operation.

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 2, which includes manager and employee self-service features, automated workflows, and on-line employment applications, was completed in the spring of 2010. The City is now in the process of implementing Phase 3, automated time and attendance, with an anticipated implementation date of April 2011. The previously completed Phase 1 which involved converting and merging all personnel, payroll, and benefit records into one database and processing payroll on the new system. The first two phases have significantly reduced duplicate data entry and recordkeeping.

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 the City began a sustainability initiative in 2009 with the creation of a Striving After Sustainable Solutions (SASS) team to coordinate sustainable efforts throughout the City organization. The SASS team has acquired single stream recycling containers for all City facilities, had energy audits completed for the City's 13 largest facilities, and began implementing projects that will be funded through an Energy Efficiency and Conservation Grant (EECBG). The City received this grant as part of the American Recovery and Reinvestment Act.

Effective May 20, 2010 the City of West Des Moines completed a voluntary annexation which added approximately 7 square miles to the City's corporate limits. With this annexation the City now spans into Madison County, in addition to Polk, Dallas, and Warren counties.

In July of 2010 the 105th Street/Alice Road Bridge over I-80 was completed and opened for traffic. The project cost approximately \$4,400,000 and was funded jointly by the City of West Des Moines, City of Waukee and Federal Grants. The estimated traffic that will utilize the bridge is 34,800 trips per day.

The City is currently undergoing an analysis of employee compensation and benefits. This review is being completed by a private consulting firm, with an anticipated completion date of January 2011.

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, 2009. This was the seventeenth 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.

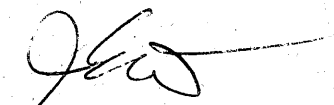
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

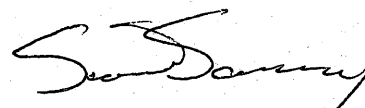
Additionally, for the twelfth consecutive year, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 31, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged and deemed proficient 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 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. 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,


Jody E. Smith
Interim City Manager


Scott Sanders
Finance Director

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, 2009

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.



President

Executive Director

City of West Des Moines, Iowa

List of Principal Officials
June 30, 2010

Elected Officials

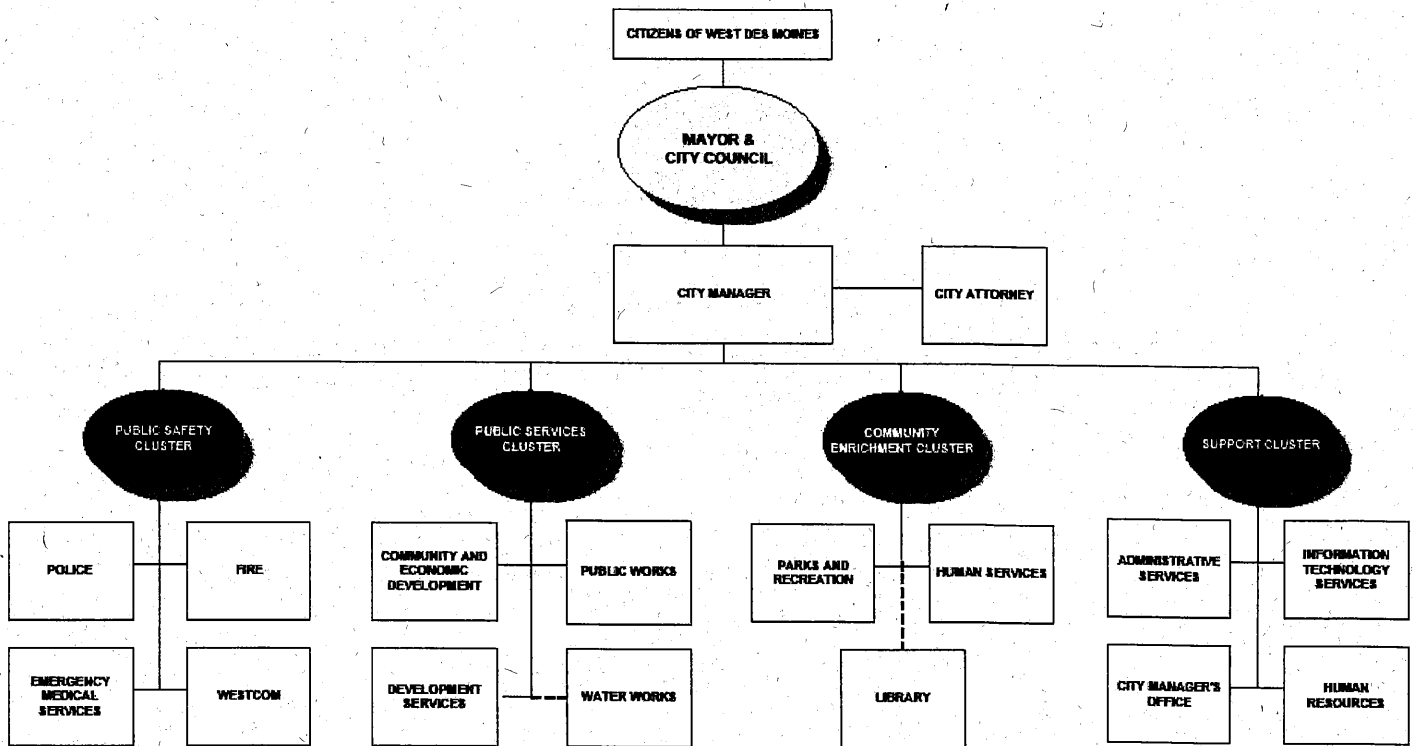
Steven K. Gaer	Mayor	Term Expires January, 2014
Ted Ohmart	Councilmember, At Large	Term Expires January, 2014
Jim Sandager	Councilmember, At Large	Term Expires January, 2012
Charles Schneider	Councilmember, Ward 2	Term Expires January, 2012
Kevin Trevillyan	Councilmember, Ward 1	Term Expires January, 2014
Russ Trimble	Councilmember, Ward 3	Term Expires January, 2014

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, 2010



---- Indicates Reports to Board