

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WEST DES MOINES, IOWA

Year Ended June 30, 2011

Prepared by the Finance Department

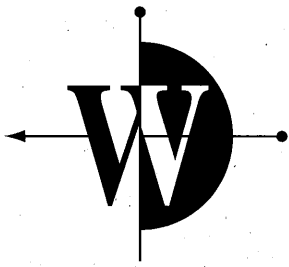
Introductory section

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Table of contents	i-ii
Transmittal letter	iii-vi
GFOA Certificate	vii
Elected and appointed officials	viii
Organizational chart	ix
 FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements	
Government-wide financial statements	
Statement of net assets	15-16
Statement of activities	17-18
Fund financial statements	
Balance sheet – governmental funds	19
Reconciliation of the governmental funds balance sheet to the statement of net assets	20
Statement of revenues, expenditures and changes in fund balances – governmental funds	21
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	22
Statement of net assets – proprietary funds	23-24
Statement of revenues, expenses and changes in fund net assets – proprietary funds	25
Reconciliation of the change in net assets – proprietary funds to the statement of activities	26
Statement of cash flows – proprietary funds	27-28
Statement of assets and liabilities – agency funds	29
Notes to basic financial statements	30-54
 Required Supplementary Information	
Schedule of funding progress for the retiree health plan	55
Budgetary comparison schedule – budget to actual – all governmental funds and proprietary funds	56
Note to required supplementary information – budgetary reporting	57
Required supplementary information – modified approach	58-60
 Supplementary Information	
Nonmajor governmental funds	
Combining balance sheet	61-62
Combining statement of revenues, expenditures and changes in fund balances (deficit)	63-64
Internal service funds	
Combining statement of net assets	65
Combining statement of revenues, expenses and changes in net assets	66
Combining statement of cash flows	67-68
Agency funds	
Combining statement of assets and liabilities	69
Combining statement of changes in assets and liabilities	70
Schedule of expenditures of federal awards	71-72
Summary of key data for sewer revenue bonds (unaudited)	73

TABLE OF CONTENTS (continued)

	<u>Page</u>
STATISTICAL SECTION (UNAUDITED)	
Statistical section contents	74
Net assets by component	75-76
Changes in net assets	77-80
Program revenues by function/program	81-82
Fund balances, governmental funds	83-84
Changes in fund balances, governmental funds	85-86
General government tax revenues by source	87
Assessed value and estimated actual value of taxable property	88-89
Direct and overlapping property tax rates - per \$1,000 of assessed valuation	90
Principal property taxpayers	91
Property tax levies and collections	92-93
Outstanding debt, by type	94-95
Ratios of general obligation bonded debt	96
Direct and overlapping governmental activities debt	97
Legal debt margin information	98-99
Pledged-revenue coverage	100
Demographic and economic statistics	101
Principal employers	102
Full-time equivalent city government employees, by function/program	103-104
Operating indicators by department	105-106
Capital asset statistics by department	107-108
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	109-110
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	111-112
Summary schedule of prior audit findings	113
Schedule of findings	114-118
Corrective action plan	119



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 [city info@wdm-ia.com](mailto:cityinfo@wdm-ia.com)

'Aaa'
Credit Rating
Moody's

'AAA'
Credit Rating
Standard & Poor's

December 15, 2011

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 the City of West Des Moines (the "City") to publish a complete set of audited financial statements within nine months of the close of each fiscal year. This comprehensive annual financial report has been published to fulfill this requirement for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information, based upon a comprehensive framework of internal control 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 opinion on the statements which has been published herein, immediately preceding the financial section of the 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 they should be read in conjunction.

Profile of the City

The City was incorporated as Valley Junction in 1893, changed its name to West Des Moines in 1938, and is now the largest suburb of Iowa's capital city of Des Moines. Centrally located in Iowa, the City is currently comprised of approximately 47.3 square miles; recent annexations of 4,600 acres along the Raccoon River in 2010 and another 451 acres at western edge of the City in 2011 now cause the City to span parts of Polk, Dallas, Warren, and Madison Counties.

In 2010 the U.S. Census Bureau reported that the City was home to 56,609 residents; representing a 22% increase since the 2000 census. Of our total residents, 44,999 reside in Polk County, 11,569 in Dallas County, 41 in Warren County, and none in Madison County.

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. Three of the council members are elected by ward and two, as well as the mayor, 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 operating and capital budgets, appointing committees, hiring a city manager and city attorney, and appointing a city clerk.

The City Manager, as the City's chief administrative officer, is responsible for implementing policy decisions of the City Council, overseeing day-to-day operations, and hiring department directors. Departments of the City include Community & Economic Development, Development Services, Emergency Medical Services, Finance, Fire, Human Services, Parks & Recreation, Police, and Public Works. The City also maintains a public library which, through state statute, is governed by a separate Board of Trustees. However, the library and its employees are also considered a city department as they are budgeted funds by the City Council and routinely follow the general operating policies and procedures implemented by the City.

Public elementary and secondary education services for West Des Moines residents are provided by the Des Moines, Norwalk, Van Meter, Waukee, West Des Moines, and Winterset school districts, while public water services are provided by the West Des Moines Water Works. These entities have the ability to issue separate debt which is not an obligation of the City; 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. Each fall, all departments are required to submit requests for budgetary appropriation related to the upcoming fiscal year. Using these requests, as well as revenue projections provided by the finance department, the city manager prepares a preliminary budget which is presented to the Mayor and City Council for discussion. The Council conducts workshops and a public hearing before ultimately voting on the budget. By state statute, the budget must be adopted and filed with the State of Iowa prior to March 15th of each year. The state mandates legal spending control at the function level, which consists of Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Capital Projects, Debt Service, and Business-type.

Local Economy

While West Des Moines is the 10th largest city in the state by population, it currently ranks 4th in terms of taxable retail sales, 3rd in terms of property valuations, and 2nd in the collection of hotel/motel taxes. The median household income in the City continues to exceed both the national and state averages. Per 2010 U.S. Census figures, the median household income in the City was estimated to be \$61,462 in comparison to state and national figures of \$48,052 and \$50,221, respectively.

Over the past decade or more, the City has seen sustained commercial growth spanning across industry lines. This has provided relative economic stability during recent years as the nation's overall economy has been in flux. Major developments completed include Jordan Creek Town Center, a 200-acre upscale retail and entertainment complex, which opened in 2004. Adjacent to the Town Center is a new West Des Moines campus for Wells Fargo Home Mortgage, completed in 2006 and currently serving over 3,200 employees, as well as the newly-constructed North American Headquarters of Aviva USA and its over 1,500 employees, completed in September 2010. Since the completion of the Town Center and corporate campuses, many other retail establishments, restaurants, hotels, and single and multi-family residences have been constructed in the Jordan Creek and nearby West Glen areas of the City.

The construction of two hospitals in West Des Moines was completed late in 2009 with Mercy West Lakes Hospital opening in September and Iowa Methodist West Hospital opening in October. Quality of life has been enhanced by the scope of medical services offered and the availability of over 240 hospital beds. Since the opening of the hospitals, other nearby medical-related facilities have been built or expanded as this area of our community continues to draw a larger number of individuals seeking quality health care.

Despite its recent growth, the City continues to heavily consider the effects of a sluggish economy when projecting revenues and expenditures. Cautious property tax and ancillary revenue estimates, assumptions of nominal investment returns, and conservative expense figures are used to establish rates and balance the budget into the upcoming fiscal years. These tactics ensure that adequate funding for services will be available in future budget cycles.

The City places an emphasis on a creative but sound economic development strategy which offers plans to businesses seeking to grow within or relocate to the City. 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 full tax abatement benefits.

Relevant Financial Policies and Long-term Financial Planning

For budgetary and planning purposes, management strives to maintain an unassigned, 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.

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. In addition, during each budget cycle the City Council and staff update the City's multi-year capital improvement plan, including funding of priority projects, based on community input and other data. Among the data available is information from the Street Management System (SMS), which assesses and prioritizes street maintenance needs.

The City 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 strives to maintain bonded debt below \$1,000 per capita. 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

On July 8, 2011, Standard & Poor's Rating Services reaffirmed the City's AAA/Stable bond rating. This rating, plus a similar Moody's Aaa rating last confirmed on July 14, 2010, represent the highest ratings available and, according to Standard & Poor's, reflects "the City's status as an employment and residential center for the entire Des Moines metropolitan area; the City's access to the large and diverse Des Moines area economy; the City's economic indicators that compare favorably with state and national averages; and the City's historically strong financial position with conservative management."

The City's financial position remained strong despite a use of general fund reserves in fiscal 2010 (the city's first usage since fiscal 2006). At June 30, 2011, the City reported a general fund surplus of just over \$2.5 million, which brought the general fund reserves to \$17.4 million, or 38% of expenditures. The city has eliminated or adjusted numerous staff positions over the last few years which resulted in significant savings to the general fund. Since 2008, the City has successfully refinanced several of its general obligation bonds and as a result has netted over \$5.3 million of net present value interest savings.

During the year extensive renovation was completed on the City's Historic City Hall (originally constructed in 1906) in the Valley Junction business district. The project was wholly financed by a large variety of federal, state and privately raised funds and was one of the tour highlights of the National Main Street Conference held in central Iowa in May 2011. We plan to apply in the fall of 2012 for Leadership in Energy and Environmental Design (LEED) status, and expect to receive minimally a Gold LEED Certification or perhaps a Platinum Certification.

Final master planning of the City's newest community park, Valley View Park, was completed during the year. This was followed, during the summer and fall of 2011, by underground utility work, site grading, and construction of a first phase of vehicle parking which should allow use of the grassy areas of the park by sports enthusiasts and park lovers of all types by the spring of 2012.

Following more than 10 years of off/on work on updating the City's Comprehensive Plan, the final document was approved in September 2010. While the plan is designed to be flexible, we expect it to serve as a guide to plan for growth in our community for years to come.

Finally, during the year the City recruited and hired a new City Manager, Finance Director, Accounting Manager, and Budget Analyst. After more than a decade of no staff changes in these key positions, due to varying circumstances the prior incumbents all moved on, necessitating searches to find the best individuals to serve West Des Moines.

Financial 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 for the fiscal year ended June 30, 2010. This was the eighteenth 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 thirteenth consecutive year, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 31, 2011. 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,



Greg Sparks
City Manager



Tim Stiles
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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

City of West Des Moines, Iowa

**List of Principal Officials
As of June 30, 2011**

Elected Officials

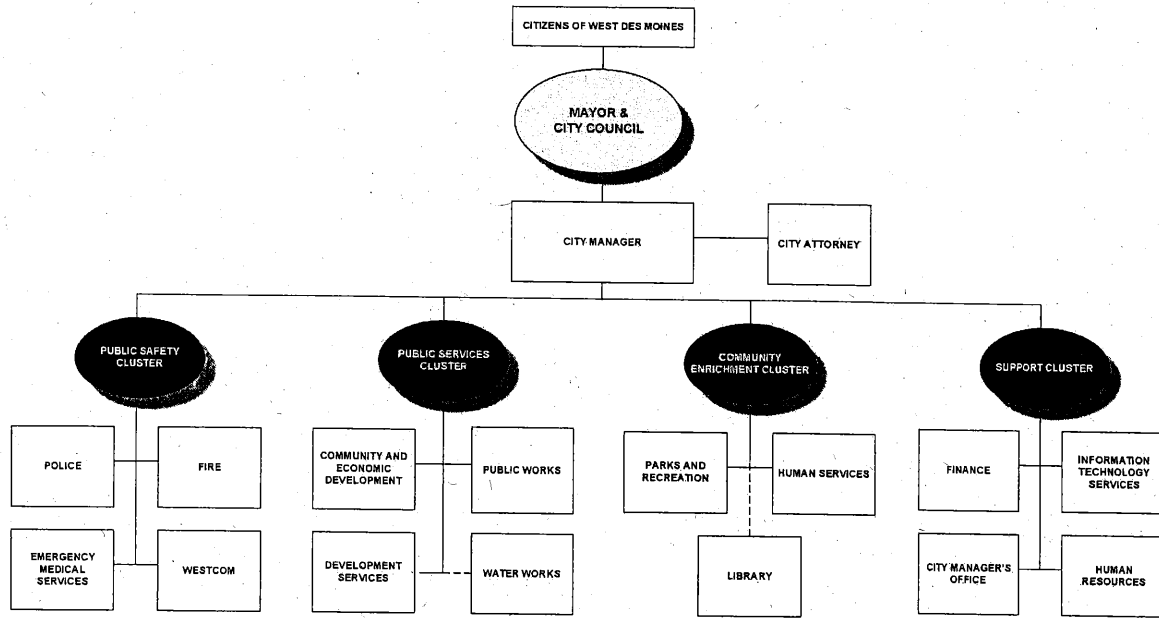
Steven K. Gaer	Mayor	Term Expires January, 2014
Ted Ohmart	Councilmember, At Large	Term Expires January, 2014
Jim Sandager	Councilmember, At Large	Term Expires January, 2012
Charles Schneider	Councilmember, Ward 2	Term Expires January, 2012
Kevin Trevillyan	Councilmember, Ward 1	Term Expires January,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

Appointed Officials

Greg Sparks, City Manager
Jody E. Smith, Deputy City Manager and City Clerk
Richard J. Scieszinski, City Attorney

City of West Des Moines, Iowa

Organizational Chart
As of June 30, 2011



Last Revised: 10/22/09

---- Indicates Reports to Board