

INTRODUCTORY SECTION

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THE CITY OF
West Des Moines®
www.wdm.iowa.gov

Finance Department

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West Des Moines, IA 50265-0320

515-222-3600
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'Aaa'
Credit Rating
Moody's

'AAA'
Credit Rating
Standard & Poor's

January 24, 2013

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, 2012.

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.

Eide Bailly, 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. Annexations of 4,600 acres in 2010 and 451 acres in 2011 resulted in the City currently spanning portions of Polk, Dallas, Warren, and Madison counties.

In 2010 the U.S. Census Bureau reported that the City was home to 56,609 residents which represented a 22% increase since the 2000 census. The City's current population as estimated by the American Community Survey is approximately 57,909 residents.

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 Iowa by population, it currently ranks 3rd in terms of taxable retail sales, 3rd in terms of property valuations, and 2nd in the collection of hotel/motel tax revenues. The median household income in the City continues to exceed both the national and state averages. Per 2011 U.S. Census Bureau data, the median household income in the City was \$69,051, compared to the State of Iowa median of \$50,028.

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 Mercy West Lakes Hospital and Iowa Methodist West Hospital was completed late in 2009 and since that time several medical-related facilities have been built or expanded in this corridor.

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

Due to an overall sluggish regional economy, the City continues to be cautious when estimating property tax revenue, ancillary revenue, and investment returns, as well as use conservative expense figures to establish rates and balance the budget into upcoming fiscal years. These tactics ensure that adequate funding for services will be available in future budget cycles.

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.

During the annual budgeting 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 a street management system which assesses and prioritizes street maintenance needs over a multi-year cycle.

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 March 12, 2012, Moody's Investor Services reaffirmed the City's Aaa bond rating. This rating, plus an AAA rating last confirmed by Standard and Poor's Rating Services on July 8, 2011, represent the highest ratings available from each agency 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." As of June 30, 2012, the City was one of only 93 in the United States to have the distinction of carrying the highest rating from both Moody's and Standard & Poor's.

The City's financial position remained strong and for the fiscal year ended June 30, 2012, the City reported a general fund surplus of just over \$5.7 million, which brought the general fund reserves to \$22.4 million, or 44.8% 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 bond issuances and as a result has netted over \$6.6 million of net present value interest savings.

During the most recent fiscal year, building permit activity in the City rallied to achieve levels not seen since 2005, which provided strong indication of a recovering economy. A major residential development which had been stalled by developer problems for several years was revitalized through a cooperative effort between the City and a new developer, which triggered over 100 residential lot sales and construction of a new elementary school by year's end.

The City completed grading and construction for expanded section of the City's newest community park, Valley View Park, enabling residents in one of the City's other recently-developed areas an open place to recreate. Also completed during 2012 were numerous smaller parks improvements as well as the widening of South 60th Street from two to five lanes in order to accommodate increased traffic and future growth along a major corridor.

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, 2011. This was the 19th 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 13th consecutive year, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 31, 2012. 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, including our audit firm Eide Bailly LLP. 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 L. Sparks
City Manager



Tim Stiles
Finance Director

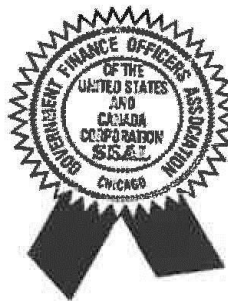
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Des Moines
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Christopher P. Morille

President

Jeffrey R. Enen

Executive Director

City of West Des Moines, Iowa

**List of Principal Officials
As of June 30, 2012**

Elected Officials

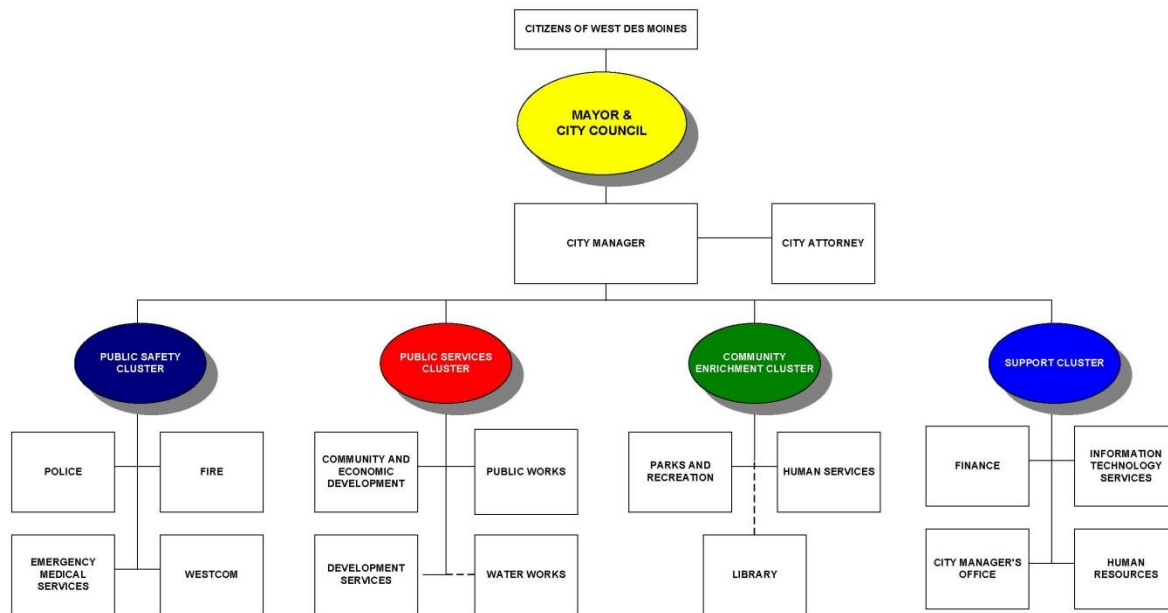
Steven K. Gaer	Mayor	Term Expires January 2014
Ted Ohmart	Councilmember, At Large	Term Expires January 2014
James Sandager	Councilmember, At Large	Term Expires January 2016
Charles Schneider	Councilmember, Ward 2	Term Expires January 2016
Kevin Trevillyan	Councilmember, Ward 1	Term Expires January 2014
Russ Trimble	Councilmember, Ward 3	Term Expires January 2014

Appointed Officials

Greg L. 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, 2012



Last Revised: 10/22/08

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