

**CITY OF
WEST DES MOINES,
IOWA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2006

Prepared by:
Department of Administrative Services



MISSION

Our mission is to serve the people of West Des Moines honestly and effectively. Through a variety of services, we strive to provide the quality of life desired by the community.

COMMITMENT

The members of our City organization insist that services are provided with the highest level of respect, responsiveness and honesty to the people of West Des Moines.

VALUE

We, the employees of the City of West Des Moines, through TEAMWORK and COOPERATION, are COMMITTED to provide the highest QUALITY OF SERVICE with HONESTY and INTEGRITY to the community we serve.

We take pride in providing EFFECTIVE, DEPENDABLE services while striving to achieve EXCELLENCE through VISION and INNOVATION.

Contents

Introductory Section

Table of contents	i - ii
Transmittal letter	iii – vii
GFOA Certificate	viii
Elected and appointed officials	ix
Organizational chart	x

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	14 – 15
Statement of activities	16 – 17
Fund financial statements:	
Balance sheet – governmental funds	18 – 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 – 22
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	23
Statement of net assets – proprietary funds	24 – 25
Statement of revenues, expenses and changes in fund net assets – proprietary funds	26
Reconciliation of the change in net assets of enterprise funds to the statement of activities	27
Statement of cash flows – proprietary funds	28 – 29
Statement of assets and liabilities – agency funds	30
Notes to basic financial statements	31 – 55
Required Supplementary Information:	
Budgetary comparison schedule – budget and actual – all governmental funds and proprietary funds – budgetary basis	56 – 57
Budgetary comparison schedule – budget to GAAP reconciliation	58
Note to required supplementary information – budgetary reporting	59
Required supplementary information – modified approach	60 – 63
Supplementary information:	
Nonmajor governmental funds:	
Combining balance sheet	64 – 65
Combining statement of revenues, expenditures and changes in fund balances (deficits)	66 – 67

Contents

Financial Section (continued)

Supplementary information (continued):

Internal service funds:

Combining statement of net assets (deficit)	68
Combining statement of revenues, expenses and changes in net assets	69
Combining statement of cash flows	70 – 71

Agency funds:

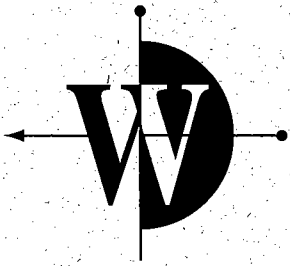
Combining statement of assets and liabilities	72
Combining statement of changes in assets and liabilities	73
Summary of key data for each TIF district (unaudited)	74
Summary of key data for sewer revenue bonds (unaudited)	75

Statistical Section (Unaudited)

Statistical section contents	76
Net assets by component	77
Changes in net assets	78 – 79
Program revenues by function/program	80
Fund balances, governmental funds	81 – 82
Changes in fund balances, governmental funds	83 – 84
General government tax revenues by source	85
Assessed value and estimated actual value of taxable property	86 – 87
Direct and overlapping property tax rates - per \$1,000 of assessed valuation	88
Principal property taxpayers	89
Property tax levies and collections	90 – 91
Outstanding debt, by type	92 – 93
Ratios of general obligation bonded debt	94
Direct and overlapping governmental activities debt	95
Legal debt margin information	96 – 97
Pledged-revenue coverage	98
Demographic and economic statistics	99
Principal employers	100
Full-time equivalent city government employees, by function/program	101 – 102
Operating indicators by department	103 – 104
Capital asset statistics by department	105 - 106

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 government auditing standards	107 – 108
Summary schedule of prior audit findings	109
Schedule of required statutory reporting	110
Corrective action plan	111



THE CITY OF
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'AAA'
Credit Rating from
Standard & Poor's

May 18, 2007

To the 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, unless granted an extension, 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, 2006.

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 of the information presented in the report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, 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, 2006. 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. MD&A complement this letter of transmittal and should be read in conjunction with it.

City of West Des Moines Profile

West Des Moines, incorporated as Valley Junction in 1893, is a suburb of the state's capital. Centrally located in the state, West Des Moines currently is comprised of approximately 38 square miles and is empowered by state statute to extend its corporate limits by 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 with a 63 percent increase since 1990. The U.S. Census Bureau reported 31,702 residents in 1990 with a special census, taken in 2005, reflecting a population of 51,744 residents.

Policy-making and legislative authority in the City of West Des Moines are vested in a governing council (i.e. City Council) consisting of a Mayor and five Councilmembers, all elected on a non-partisan basis with three Council members being elected by ward with two Councilmembers and the Mayor being elected at large. For continuity purposes the Mayor and Councilmembers 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 chief administrative officer for the City, 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: Administrative Services, Community Development, Emergency Medical Services, 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.

The West Des Moines, Waukee, and Des Moines Independent Community School Districts provide public elementary and secondary education services within the City. 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 Administrative Services Department, the City Manager prepares a proposed budget. This proposed budget is presented to the Mayor and 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

West Des Moines is the 9th largest city in the state but ranks 4th in terms of retail sales, 4th in terms of property valuations, and 4th in the collection of Hotel/Motel taxes. The median household income in West Des Moines exceeds both the national and state average. In 2000, the most recent year for which the data is available, the U.S. Census Bureau reported the median household income in the City of West Des Moines as \$54,139, in comparison to state and national figures of \$39,469 and \$41,994 respectively.

The City of West Des Moines is one of the fastest growing cities in the State of Iowa. Infrastructure development and well-planned growth have increased the community's tax base by more than 60 percent in the last 10 years with pending development plans and issued building permits indicating this growth will continue for at least the next several years. Recent construction includes the Jordan Creek Town Center, an upscale entertainment complex, which opened in August of 2004. This 200-acre development was the largest commercial development in Iowa's history and has spurred additional commercial and residential growth in the area. To the south of that site, in a previously undeveloped area of the City, construction was completed on a corporate campus for Wells Fargo Home Mortgage. Analysts for the State of Iowa have projected that the more than 3,500 projected employees located at this facility will have a \$627 million economic impact in the surrounding area. Finally, significant commercial and multi-use growth has occurred in the West Glen development to be complemented by future residential construction in the Michaels Landing and Ponderosa developments.

The City expects this growth trend to continue as a result of a desirable central Iowa location, attractive high-end residential and commercial developments, and the City of West Des Moines' commitment to providing the infrastructure necessary to promote development. In addition, the City offers many quality of life amenities including a comprehensive parks system with over 1,200 acres of park land and open space, approximately 34.8 miles of recreational trails, and two new aquatic facilities.

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 needed 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.

An appointed Citizens Advisory Committee on Capital Planning meets with staff each fall to update the City's multi-year plan for capital improvements within the community. Projects are prioritized by the committee 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 three 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's would like bonded debt per capita not to exceed \$1,000. Finally, a debt issuance that is not voted on by the taxpayers should not necessitate an increase in the property tax rate.

Major Initiatives and Accomplishments

The City of West Des Moines is now the fifth city in the United States to have all three public safety departments accredited. In February 2006 the City of West Des Moines Fire Department received Accredited Agency status with the Commission on Fire Accreditation International, Inc. (CFAI) for meeting the criteria established through the CFAI's voluntary self-assessment and rigorous on-site inspection, which took place the previous October. West Des Moines is one of 114 agencies to achieve Internally Accredited Agency status from CFAI and the first in the State of Iowa. The police department continues to maintain accreditation through the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA) and the emergency medical services department is accredited through the Commission on Accreditation of Ambulance Services (CAAS).

The Insurance Services Organization, which rates fire protection services on a scale of 1 to 10 with 10 equating to a region essentially without fire protection, has upgraded fire protection in West Des Moines to a "3" rating. Only 3.4% of the rated fire departments in the United States have received a rating of "3" or better.

The Youth Justice Initiative (YJI) program, which is operated with support from the West Des Moines Community School District, received numerous awards. This program provides services for juveniles who are entering the criminal justice system for the first time or who have committed more novice offenses and show promise, with appropriate intervention, of leaving the pathway into delinquency. In recognition of the program for its innovative and successful contribution to the quality of life in the community, the West Des Moines Police Department received the 2005 Webber Seavey Award for Quality in Law Enforcement from the International Association of Chiefs of Police (IACP). Other awards included the "Community Involvement in Education" award from the Iowa Community Education Association (ICEA) and, in June of 2005, the YJI program was recognized as a Commission on Accreditation for Law Enforcement Agencies (CALEA) Exemplary Program.

At the City's request, the U.S. Census Bureau completed a special census in 2005 that reported the City of West Des Moines' official population as 51,744, an increase of 5,095 residents since the previous census in 2000. As a result of this official increase in population the City will receive more than \$2,000,000 in additional revenue through 2010 when the next regular census is taken.

In anticipation of service related issues resulting from rapid growth in the western portion of the community the City initiated the design and construction of a new public safety facility to serve that area.

In the summer of 2005 the City officially kicked off a new Infill Housing program with a ground breaking ceremony on a vacant lot the City sold to Rottlund Homes. Over 50 suppliers, vendors, and contractors donated their time and materials to construct a single-family home on the lot. Proceeds from the sale of the home will be used to support the Home Improvement Loan Program and the Purchase / Rehab Loan Program.

The City's bond rating, which was upgraded in March 2005 by Standard and Poor's to AAA, was re-affirmed in April of 2006. West Des Moines is one of only approximately 70 cities in the nation to receive this rating from Standard and Poor's and the only city in Iowa to receive this high rating from the agency.

The City of West Des Moines and the Historic Valley Junction Foundation received a 2006 Main Street Iowa award for Best Partnership Effort Between Organizations. The award is a result of the cooperation between the City, the Foundation, Communication Designs Inc., and other donors to bring wireless Internet (Wi-Fi) to the historic business district and the surrounding neighborhood.

Throughout the year the City made numerous improvements to our website. In addition to Park and Recreation on-line program registrations and facility rental, the City added an on-line service desk for residents of the community. Citizens can use this on-line tool to input questions, comments, complaints, or problems with the Service Desk providing a direct link to the appropriate department. To assist contractors and the various utilities West Des Moines also added a Utility Atlas to our site which contains a map with quadrant and grid details identifying where the City's fiber optics, sanitary sewer and storm sewers are located.

Awards

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, 2005. This was the thirteenth 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 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.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 21, 2006. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document must be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

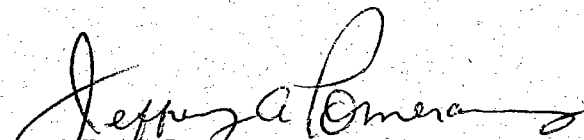
In May 2002, the City of West Des Moines revised its investment policy and submitted it to the Association of Public Treasurers of the United States and Canada (APT US & C) for consideration in their Investment Policy Certification Program. Upon review of that submission, the City was presented with the Association's Written Investment Policy Certification.

Acknowledgements

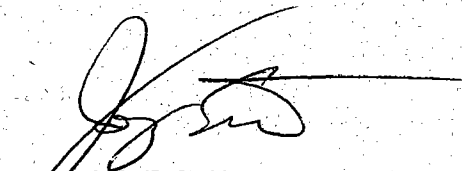
The preparation of this report could not have been accomplished without the dedicated services of the staff of the Administrative Services Department. We would like to express our appreciation to all members of the department who assisted with the audit and preparation of this report.

We would like to extend our sincere appreciation to the Mayor and Members of the City Council for their interest and support of our efforts conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jeffrey A. Pomeranz
City Manager



Jody E. Smith
Director of Administrative Service

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, 2005

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.



Carla E. Perry

President

Jeffrey R. Egan

Executive Director

City of West Des Moines, Iowa

**Elected and Appointed Officials
June 30, 2006**

Elected Officials:

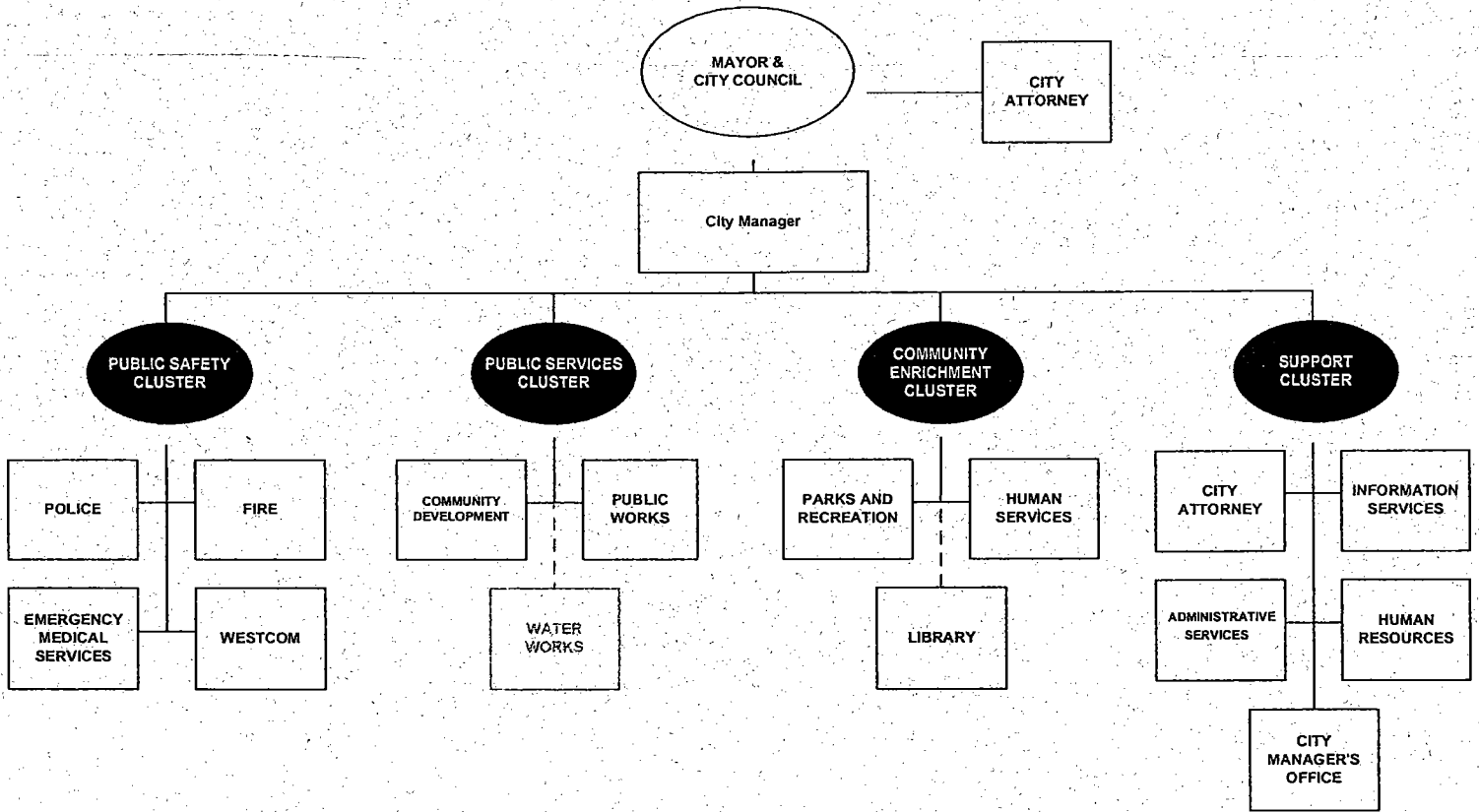
Term Expires

Eugene T. Meyer	Mayor	January, 2010
Ted Ohmart	Council Member	January, 2010
Brad Olson	Council Member	January, 2008
Robert Parks	Council Member	January, 2010
Jim Sandager	Council Member	January, 2008
Loretta J. Sieman	Council Member	January, 2010

Appointed Officials:

Jeffrey A. Pomeranz	City Manager
Jody E. Smith	Director of Administrative Services / City Clerk
Richard J. Scieszinski	City Attorney

CITY OF WEST DES MOINES ORGANIZATIONAL CHART



Last Revised:
12/14/04

----- Indicates
Reports to Board

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying 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 as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison information and modified approach information on pages 56 through 63 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's basic financial statements. The combining nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
October 6, 2006

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

As management of the City of West Des Moines, Iowa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of West Des Moines for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is located in the Introductory Section at the front of this report.

Financial Highlights

- The assets of the City of West Des Moines exceeded liabilities at the close of the fiscal year ending June 30, 2006 by \$338,193,649 (net assets). Of this amount, \$30,914,192 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2005, assets exceeded liabilities by \$311,922,982. Of this amount, \$46,970,877 was unrestricted.
- The City's total net assets increased by \$26,270,667 during the fiscal year ended June 30, 2006. Governmental activities increased \$23,660,829 and business-type activities increased \$2,609,838. For fiscal year ended June 30, 2005, total net assets decreased \$3,621,981. Governmental activities increased \$15,053,394 and business-type activities decreased \$18,675,375.
- As of the close of the current fiscal year, the City of West Des Moines' governmental funds reported combined ending fund balances of \$44,269,857, a decrease of \$6,706,110 in comparison with the prior year. Approximately 61.1 percent of this total amount, \$27,055,431, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2005, governmental funds reported combined ending fund balances of \$50,975,967, of which \$31,230,567 or 61 percent was unreserved.
- At the end of the current fiscal year, the City's unreserved fund balance for the General Fund was \$7,929,180 or 22 percent of total General Fund expenditures. These funds will be needed to meet expenditures during the next four months, at which time the City will receive the next semi-annual property tax revenue. The unreserved fund balance for the General Fund as of June 30, 2005 was \$8,745,770 or 26 percent of total General Fund expenditures.
- The City of West Des Moines' total debt decreased by \$8,992,282 (5.5 percent) during the current fiscal year. Total debt for the fiscal year June 30, 2005, decreased by \$13,894,412 (8 percent).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of West Des Moines' basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business.

The statement of net assets presents information on all of the City of West Des Moines' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

