

# INTRODUCTORY SECTION

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November 14, 2008



The Honorable Mayor  
Members of the City Council  
Citizens of Des Moines, Iowa

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control 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, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Des Moines's financial statements for the year ended June 30, 2008. 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.

### **Profile of the Government**

The City of Des Moines, Iowa was incorporated as a town in 1851 and as a city in 1857 under the laws of the State of Iowa, later amended in 1975 under the Home Rule Act. Extending over 80 square miles, it is home to approximately 200,000 people and the central city of a metropolitan area of 456,000. It is a river city, intersected by the Des Moines and Raccoon Rivers.

Des Moines is the capital of Iowa, and operates under the council-manager-ward form of government. The Mayor and two Council Members are elected at-large, while another four Council Members each represent one of the four wards into which the City is divided.

The City of Des Moines provides a full range of services, including police and fire protection, sanitation services, park and recreational programs and facilities; construction and maintenance of infrastructure, including streets, roads, bridges, and a storm water utility; enforcement of building code regulations; traffic control and parking; operation and maintenance of an international airport; housing and other community improvements and social services; economic development and six public libraries. The Des Moines Independent Community School District, the Des Moines Water Works, Des Moines Area Regional Transit, the Wastewater Reclamation Authority and Metro Waste Authority – while providing other services to the citizens of Des Moines—do not meet the established criteria for component entities of the City, and thus, are excluded from this report. The City benefits from strong and diverse neighborhoods and a citizenry deeply involved in its government. The development of 50 recognized neighborhood associations and the participation of more than 300 residents who voluntarily serve on boards and commissions strengthen the basic framework of the City's governmental structure.

The City Council is required by Chapter 384 of the Code of Iowa to adopt an annual budget on or before March 15 of each year. This annual budget serves as the foundation for the City of Des Moines's financial planning and control. The adopted budget provides appropriations (authority to spend) for program operations for the fiscal year that begins on July 1 and ends on June 30 of the following year. Budget amendments (revisions to the adopted budget) must be prepared and adopted in the same manner as the original budget. State law requires that expenditures be controlled at the program level. The budget is also prepared by department, fund and sub activity levels.

### Local Economy

Des Moines is the industrial, commercial, financial, trade, transportation, and governmental center of Iowa. The City's insurance industry is the third largest in the world – after London and Hartford – and growing. There are over 200 insurance offices and headquarters located in Des Moines employing more than 20,000 people. Insurance activities are part of a strong local economy that is also based in agriculture, manufacturing, technology, education, health care, and other services. Forbes Magazine ranked Des Moines as the 4<sup>th</sup> "Best Place for Business", Kiplinger's Personal Finance News ranked Des Moines as one of the "Best Cities for Every Stage of Your Life", and an annual poll by Penton's Expansion Management named Des Moines as one of "America's 50 Hottest Cities" in 2007.

While Iowa is an agricultural state, the City's economic diversification insulates it from the farm economy. Further, as many of the state's rural communities experience population decreases, the Des Moines metropolitan area continues to grow, with much of the expansion resulting from the relocation of residents to Des Moines from rural areas. The variety of components contributing to the City's economy creates a stability that is apparent from unemployment figures. The City has historically enjoyed a very low unemployment rate for each of the last five calendar years: 3.7 percent through June 30, 2008, 3.4 percent in 2007, 3.6 percent in 2006, 4.1 percent in 2005, and 3.6 percent in 2004. Additional background data are included in the statistical section of this report. The outlook for the local economy is a continuing low unemployment rate and steady increases in total assessed property valuation, both inside the City and in adjacent communities.

### **Long-term Financial Planning**

The City Council and administration routinely consider the long-term view regarding financial matters. Operating budget decisions are based on the long-term impact of appropriations and funding. The city has a sophisticated and detailed Capital Improvement Plan that considers the impact of the investment in infrastructure, the associated debt burden, and any changes in operating costs.

### **Relevant Financial Policies**

The city regards General Fund unreserved, undesignated fund balance as a critical component of fiscal health and criteria for an above average bond rating. General Fund unreserved, undesignated fund balance is targeted at 10% of expenditures. The June 30, 2008 balance is 8.3% of expenditures, down from 8.9% as of June 30, 2007. Enterprise funds are monitored regularly and user fees adjusted to maintain required revenue bond coverage and sufficient working capital balances.

### **Major Initiatives**

Several major projects designed to enhance the city's quality of life and add to its tax base have been completed. Those projects include the renovation of the North Branch library, the South Branch library, renovation and expansion of the Forest Avenue library and the renovation of Principal Park Stadium. Downtown Riverwalk improvements continue to be unveiled in phases and will continue forward for the next few years. Additional improvements in the early stages of development include the Riverpoint West area, the \$20+ million Pappajohn Sculpture Garden, and Wellmark's construction of a new office building and parking garage. The extension of the Martin Luther King East/West Parkway eastward across the Des Moines River is underway and should open up additional economic development opportunities. The downtown housing stock has softened some from all of the new construction of condominiums and

apartments coupled with the economic downturn. Nonetheless, downtown residential living continues to increase which is beginning to turn the downtown into a "24/7" location. This work as well as the East Village revitalization and the Gateway West development have contributed to Des Moines being one of the "Top Ten Downtown Turnarounds" as named by the Urban Land Institute Magazine.

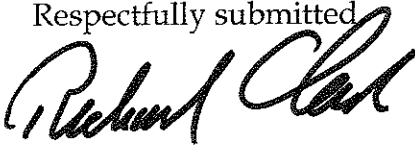
### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Des Moines for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the 31<sup>st</sup> consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfied 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 CAFR 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.

Preparation and publication of the *Comprehensive Annual Financial Report* were the responsibility of a team led by Deputy Finance Director/Controller Sherri M. Saul and Deputy Controller Tim McCarthy. This team consisted of all of their colleagues in the Finance Department, the audit team from McGladrey and Pullen, LLP, and many others in the City's operating departments, particularly the Housing, Aviation, and Community Development Departments. All members of the team have our deep appreciation and respect for their outstanding contributions to this report—both individually and collectively.

Respectfully submitted



Richard Clark  
City Manager



Allen McKinley  
Finance Director/Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Des Moines  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director



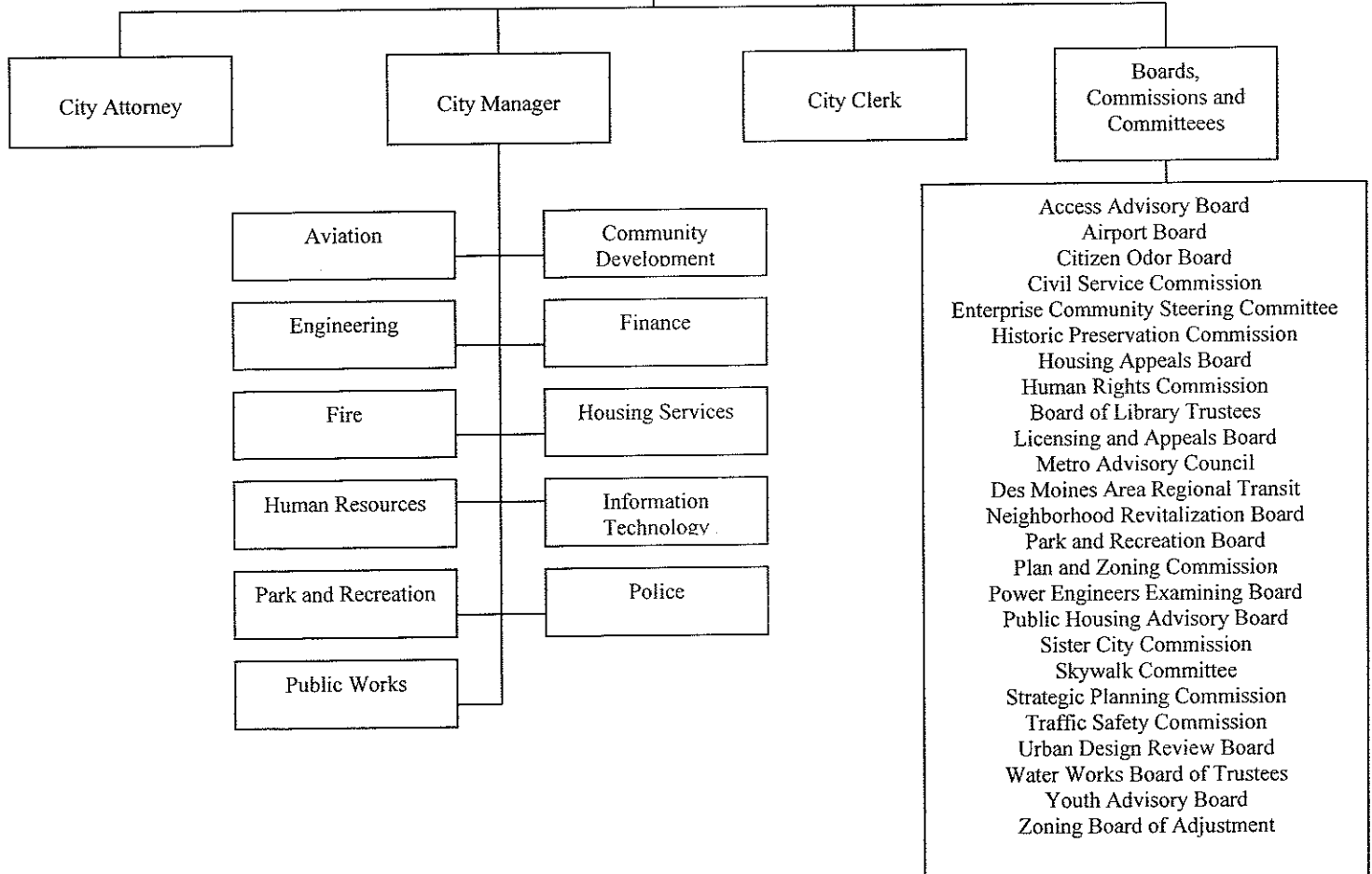
# City of Des Moines, Iowa Table of Organization

**Citizens of Des Moines**

ELECT

**Des Moines City Council**  
 Frank Cownie, Mayor  
 Chris Coleman, At-Large  
 Michael Kiernan, At-Large  
 Thomas Vlassis, Ward I  
 Bob Mahaffey, Ward II  
 Christine Hensley, Ward III  
 Brian Meyer, Ward IV

APPOINTS





**CITY OF DES MOINES, IOWA  
ELECTED AND APPOINTED OFFICIALS  
For the Fiscal Year Ended June 30, 2008**

Elected Officials:

Term Expires

Frank Cownie	Mayor	1/1/2012
Chris Coleman	Council Member, At-Large	1/1/2012
Michael Kiernan	Council Member, At-Large	1/1/2010
Thomas Vlassis	Council Member, Ward I	1/1/2010
Bob Mahaffey	Council Member, Ward II	1/1/2012
Christine Hensley	Council Member, Ward III	1/1/2010
Brian Meyer	Council Member, Ward IV	1/1/2012

Council-Appointed Officials:

Richard Clark	City Manager
Bruce Bergman	City Attorney
Diane Rauh	City Clerk

