

**CITY OF URBANDALE, IOWA**  
Comprehensive Annual Financial Report  
Years Ended June 30, 2004 and June 30, 2003



## **INTRODUCTORY SECTION**

**CITY OF URBANDALE, IOWA**

**Table of Contents**

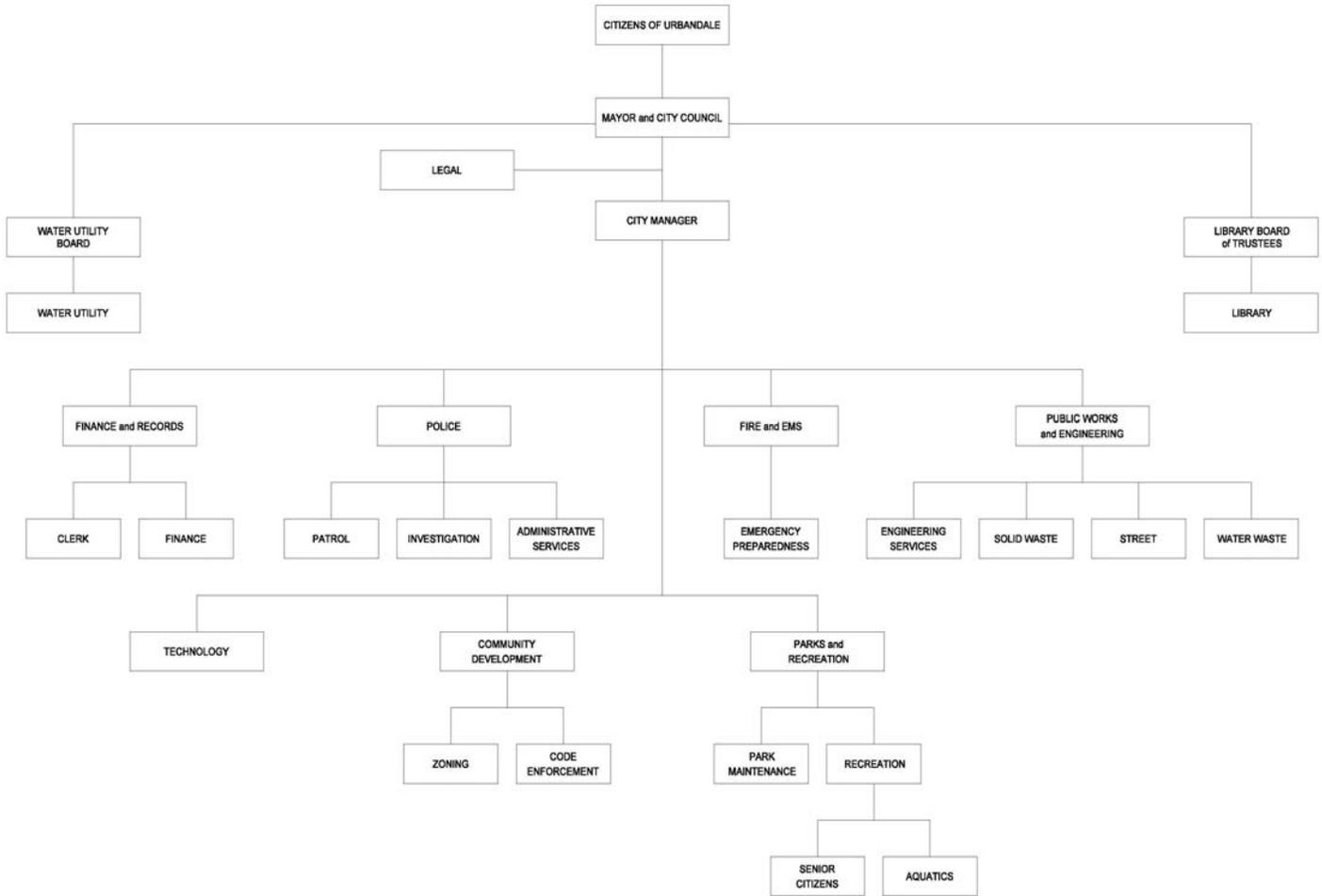
	<b>Page</b>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	I
Organizational Chart and Principal Officials	III
Certificate of Achievement	IV
Letter of Transmittal	VIII
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statements of Net Assets	16
Statements of Activities	20
Fund Financial Statements:	
Balance Sheets – Governmental Funds 2004	22
Reconciliation of the Balance Sheet to the Statements of Net Assets 2004	23
Balance Sheets – Governmental Funds 2003	24
Reconciliation of the Balance Sheet to the Statements of Net Assets 2003	25
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 2004	26
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Activities – Governmental Funds 2004	27
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 2003	28
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Activities – Governmental Funds 2003	29
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	30
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Road Use Tax Fund	32
Statements of Net Assets – Proprietary Funds	33
Statements of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	34
Statements of Cash Flows – Proprietary Funds	35
Statements of Fiduciary Net Assets	36
Statements of Changes in Net Assets and Liabilities – Fiduciary Funds	37
Notes to Financial Statements	39

**CITY OF URBANDALE, IOWA**

**Table of Contents, Continued**

	<b>Schedule</b>	<b>Page</b>
Supplementary Information:		
Combining Balance Sheet Information – Nonmajor Governmental Funds	1	66
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	2	70
<b>STATISTICAL SECTION (UNAUDITED)</b>	<b>Table</b>	
General Governmental Expenditures by Program:		
General, Special Revenue, and Debt Service Funds	I	76
General Governmental Revenues:		
General, Special Revenue, and Debt Service Funds	II	77
Tax Revenues by Source:		
General, Special Revenue, and Debt Service Funds	III	77
Property Tax Levies and Collections	IV	78
Assessed and Estimated Actual Value of Taxable Property	V	78
Property Tax Rates and Tax Levies:		
Direct and All Overlapping Governments	VI	79
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	VII	81
Computation of Direct and Overlapping Bonded Debt	VIII	82
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures of General, Special Revenue, and Debt Service Funds	IX	83
Salary and Surety Bond of Principal Officials	X	84
Miscellaneous Statistical Data	XI	85
Demographics Statistics	XII	87
Insurance in Force	XIII	88
Property Value, Construction, and Bank Deposits	XIV	89
Principal Taxpayers	XV	90
<b>REPORTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS</b>		
Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>		93
Independent Auditors’ Report on Compliance with State of Iowa Code		95

**CITY of URBANDALE  
Organizational Chart**



<u>Name</u>	<u>Title</u>
Brad Zaun	Mayor
Shannon Waddell	Mayor Pro Tem
Robert Andeweg	Council Member
Donald Brush	Council Member
John Forst	Council Member
Mary Polson	Council Member
Robert Layton	City Manager
Sandi Tompkins	Budget Assistant
Kim Keisler	Finance Assistant

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Urbandale,  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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.



*Nancy L. Zjelke*

President

*Jeffrey R. Emer*

Executive Director

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 Urbandale, Iowa, for its comprehensive annual financial report for the fiscal year ended June 30, 2003.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.



December 17, 2004

The Honorable Mayor and  
Members of the City Council  
City of Urbandale, Iowa:

We are pleased to submit the Comprehensive Annual Financial Report of the City of Urbandale, Iowa, (the City) for the fiscal years ending June 30, 2004 and 2003 (FY04 and FY03), in accordance with the provisions of Section 384.22 of the Code of Iowa and accounting principles generally accepted in the United States of America (GAAP).

The Comprehensive Annual Financial Report includes all governmental activities, organizations, and functions controlled by or dependent upon the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Urbandale Water Utility d/b/a Urbandale Water Department (Water Utility) is legally separate but the City is financially accountable for the Water Utility. A three-member board appointed by the City Council governs the Water Utility, and the Water Utility's operating budget is subject to the approval of the City Council. The Water Utility provides water service exclusively to the citizens of Urbandale on behalf of the City. The Water Utility is reported as a discrete component unit of the City.

The City is responsible for the accuracy of the data presented in the Comprehensive Annual Financial Report. To the best of our knowledge and belief, the government-wide financial statements, fund financial statements, budgetary comparison, management's discussion and analysis and statistical tables included in this report, present fairly the financial condition of the City. To provide a reasonable basis for making these representations, internal controls have been established within the Finance and Records Department. The internal control framework is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City's internal control system has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe that the City's internal accounting controls are adequate to ensure the continued integrity of the City's financial management practices.

The Code of Iowa requires an annual audit be made of the books of accounts, financial records, and transactions of all administrative departments of the City by the State Auditor or by a certified public accountant selected by the City Council. KPMG LLP, Certified Public Accountants, conducted the audits for FY04 and FY03. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for FY04 and FY03 are fairly presented in conformity with GAAP. The independent auditors' report has been included in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter

of transmittal was designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **PROFILE OF THE GOVERNMENT**

The City of Urbandale, incorporated in 1917, is located in central Iowa, adjacent to the City of Des Moines. The City also shares common borders with five other communities. The City occupies a land area of approximately 21 square miles, located both in Polk and Dallas counties. The City's estimated population is 36,500. Since 1980, Urbandale has been one of the fastest growing cities in Iowa, experiencing a population growth of approximately 104% during that period of time.

In 1965, the City Council adopted the Mayor-Council, with City Manager, form of government by ordinance. The policy making and legislative authority are vested in the City Council, which consists of five members. The City Council Members are elected on an at-large basis and serve four-year staggered terms. The Mayor serves as the chief executive officer for the City and presides over the City Council meetings. The City Council is responsible for adopting ordinances and resolutions, appointing board and commission members, adopting the annual operating budget and capital improvements program, authorizing contracts and hiring the City Manager, City Attorney and City Clerk. The City Manager serves as the chief administrative officer and is responsible for executing the policies of the City Council, supervising the day-to-day operations of the organization and hiring, firing and disciplining the organization's employees. However, the City Manager does not directly supervise the activities of the Water Department and Library. These operations are governed by separate boards, which are appointed by the Mayor and City Council. Each board appoints a director to oversee the administrative operations of the department.

The City provides a wide range of public services, including police, fire and emergency medical service, library, parks and recreation, animal control, street maintenance, solid waste collection, code enforcement, water and sanitary and storm sewer. Additionally, the organization is supported by several administrative operations, including technology, community development, city manager, finance and records and legal. The annual budget represents the operating plan for all of these functions. Additionally, this document serves as a financial planning and control mechanism for the City. All departments are required to submit budget requests to the City Manager's office by the end of November. These requests are reviewed by the City Manager and a recommended operating budget is formulated for the City Council's consideration. In January and February, the Mayor and City Council participate in a series of worksessions to review the budget recommendations and to formulate a final budget document. The Code of Iowa requires the City Council to conduct a public hearing on the proposed budget and to adopt the final document by March 15. The City's expenditures are grouped into activities. The expenditure levels approved in the budget may not be exceeded on an activity level unless a budget amendment is approved by the City Council. To assist the City Council in its monitoring of expenditures and revenues, quarterly budget summaries are prepared by the Finance and Records Department. Budget to actual comparisons are provided in this report for the General Fund and Road Use Tax Fund, on pages 31 through 33, respectively.

## FACTORS AFFECTING FINANCIAL CONDITION

To better understand the context of the City's financial statements, the following background information is provided for the reader.

### Local Economy

The level of residential construction increased in Urbandale for the seventh consecutive year in FY04. In fact, as mentioned in the MD&A, calendar year 2004 is expected to end with the issuance of a record number of single-family residential permits, estimated to be 645. Residential construction exceeded Urbandale's record growth rates of the late 1980's and early 1990's. Several other communities in the Des Moines metro area experienced similar residential growth, reflecting a strong local economy. It is anticipated that this residential growth will continue during the next year, as evidenced by an increase in the number of vacant lots available for residential construction in Urbandale. It is estimated that 1,025 lots are now ready for residential development in Urbandale.

Commercial and industrial development continued to occur at a slower pace in FY04, both in terms of the number of non-residential permits and in valuation. This trend generally reflected the experiences of other jurisdictions in the Des Moines metro area and nationally. Urbandale has approved plans for over 1.3 million square feet of commercial and industrial development and has a significant land supply for continued growth, so a return to the higher development levels of recent years appears likely.

Permit and valuation data for the previous two fiscal years are summarized in the following table:

	<b>Fiscal Year 2004</b>		<b>Fiscal Year 2003</b>	
	# of <b>Permits</b>	<b>Valuation</b>	# of <b>Permits</b>	<b>Valuation</b>
Residential	890	\$ 180,746,377	634	\$ 106,139,192
Nonresidential	117	22,502,185	123	24,682,152
Miscellaneous minor	451	958,924	444	639,692
Total	1,458	\$ 204,207,486	1,201	\$ 131,461,036

### Long Term Financial Planning

In 1981, the City Council approved fiscal performance goals for the City's operations. These goals concentrated on revenue, expenditure, reserve, investment, capital improvement, debt and financial reporting performance and were designed to maintain or improve the City's financial position. In approving the fiscal performance goals, the City Council emphasized the need for balancing current economic conditions in the community with the residents' demands for effective service delivery. The preparation of the City's annual operating budget and the five year capital improvements program are governed by the fiscal performance goals. As a result of these goals, the annual operating budget has been prepared on a two year basis, fund balances have been maintained at adequate levels and the property tax levy rate has remained relatively stable for the past eleven years. To further assist the planning process for the operating budget, the City Council has directed that long term staffing and financial plans be developed and has adopted a strategic plan for technology.

The long term improvement of the City's infrastructure is outlined in the five-year capital improvements program (CIP), which was last adopted in 2003. The recommended FY05 capital improvements program anticipates the expenditure of \$10,179,400 for various park, bridge, sidewalk, storm sewer, street, traffic signal and water system improvements. The CIP also provides for the construction of various public building improvement projects. Property tax supported general obligation bonds will provide

approximately \$1.4 million of the needed funding, with the remaining funds to come from local operating revenues, tax increment debt, and other public and private sources.

### **FY04 and FY05 Initiatives**

The Mayor and City Council in FY04 and FY05 initiated several programs and policies that will influence the City's financial operations. The key initiatives included the following:

- In FY04, Polk County and the cities of Johnston, Grimes and Urbandale completed a transportation study of the 100<sup>th</sup> Street interchange, Meredith Drive interchange and Highway 141 corridor. The study analyzed the potential impact of a variety of improvements, including the development of Highway 141 to freeway standards, the improvement of the existing interchanges on the Interstate system and the construction of a full interchange at 100<sup>th</sup> Street and a partial interchange at Meredith Drive. To determine the feasibility of these interchange improvements, an Interchange Justification Report has been commissioned. It is anticipated that the results will be available in FY05. Additionally, plans have been completed for the replacement of the Meredith Drive bridge. This bridge would serve as the City's second major arterial connection across I35/80 and would be built in a manner to accommodate turning movements for the partial interchange.
- Significant growth in the Interstate corridor was experienced during both years. In FY04, property tax rebates were provided to fifteen office and industrial developments located in the Northwest Market Center tax increment district. Additionally, tax increment funds were allocated for the design and paving of Plum Drive, between 86<sup>th</sup> Street and 100<sup>th</sup> Street.
- In the Fawn Creek tax increment district, 138<sup>th</sup> Street and Douglas Parkway were completed in FY05. These improvements provided access for the 177 acre City Center development. The first private development in this mixed use project will be completed in FY05.
- The City established the Westover urban renewal district and acquired property in the district during FY05. The land is located beneath the ice arena located on Hickman Road, which serves as the home for the Des Moines Buccaneers hockey team. The acquisition price for the land was \$1.3 million, with the City responsible for \$1 million of this price and the Des Moines Buccaneers providing the remaining \$300,000. The City and Buccaneers entered into a fifteen year lease agreement for this property, which requires the Buccaneers to play at the ice arena and to improve the facility during the life of the lease.
- In order to improve two major thoroughfares, the City received approximately \$700,000 from the Des Moines Area Metropolitan Planning Organization in FY05. These funds will be used for the rehabilitation of 86<sup>th</sup> Street and Douglas Avenue and for the widening of 86<sup>th</sup> Street to five lanes. The City's investment in these projects will total approximately \$1,075,000. Construction is scheduled to begin in FY05.
- In FY04, the City received a funding commitment from the Iowa Department of Transportation for the replacement of the Waterford Road bridge at Walnut Creek. This 80% grant will provide the City with approximately \$562,400 for the construction project. The design of the replacement bridge will begin in FY05 and construction is scheduled to begin in FY06.
- Bids were received for the expansion of the Community Development and Engineering office building in FY05. The project will add 12,500 square feet of space to the building to accommodate a City Council meeting room and administrative offices for the City Manager's Office, Finance and Records Department, the Technology Department and the Parks and Recreation Department.

The contract price for this construction is \$1,826,500. A portion of this cost will be offset by proceeds from the sale of City Hall. This building was purchased for reuse by an adjacent business, at a price of \$244,000.

- Two other public building expansion projects were approved in FY05. First, a contract was awarded in the amount of \$390,400 for the construction of a new building at the Public Works Complex. This building will accommodate a vehicle wash bay, a sign preparation area, storage for the solid waste vehicles and equipment storage. Second, a contract was approved, in the amount of \$428,000, for the expansion of the Police Station. This project will provide for the remodeling of the existing covered parking for use as a briefing room, the remodeling of the briefing room as administrative offices and the construction of new covered parking.
- The concept of a recreation facility partnership with the cities of Grimes and Johnston and the YMCA was approved by the City Council in FY04. Under this concept, Grimes and Johnston would construct an outdoor aquatic center and the YMCA and Urbandale would construct an indoor recreation/aquatic center. The residents of the three communities would be entitled to use the facilities on a daily fee basis or through the purchase of an annual all-facility pass. The indoor recreation/aquatic center would be connected to the Urbandale School District's new west side elementary school and would be operated by the YMCA. If approved by the governing bodies for each jurisdiction, public referendums will be scheduled for 2005.
- In response to a significant reduction in State assistance, a \$6 monthly solid waste collection fee was implemented in FY04. It is anticipated that the fee will generate \$660,000 in FY05.
- Voters approved a \$1 per month surcharge on each telephone access line within the E911 service area of Polk County during FY05. It is anticipated that this surcharge will generate approximately \$3.2 million annually to purchase communication equipment for WestCom and the other public safety answering points in Polk County.
- In order to address approximately \$60,000 in unpaid ambulance fees, the City Council approved a collection services agreement with an outside agency during FY05. Additionally, guidelines were established to define the circumstances under which an uncollected fee could be written off.
- In order to address a continuing problem with public safety false alarms, the False Alarm Ordinance was amended in FY05. The amended ordinance does not charge for the first false alarm, but charges \$100 for the second false alarm, \$200 for the third false alarm and \$400 for the fourth and subsequent false alarms in twelve months. The new fee structure will be implemented on January 1, 2005.
- With the receipt of a fifth REAP grant from the Iowa Department of Natural Resources, the City has now acquired 189.2 acres of the 210 acres needed to create the Walnut Creek Regional Park. This park will primarily consist of woodlands and protected open space, with limited improvements such as bike paths, gardens, picnic areas and a nature center.
- The City continued its contract with a private firm for turf mowing and trimming services for the City's public parklands, public building grounds, roadsides and public rights-of-way in FY04. This contract resulted in a cost savings of approximately \$21,000 for the year. It is anticipated that this contractual arrangement will be extended for an additional year.
- In FY04, the City continued to fund the WestHELP housing rehabilitation program with the cities of Clive, Johnston, West Des Moines and Windsor Heights. This program provided up to \$12,500

in forgivable loans to be used for basic structural repairs; weatherization; improvements to electrical, plumbing and heating systems; and improvements related to accessibility. Additional funding was received from the Polk County Housing Trust Fund and Federal Home Loan Bank for WestHELP during FY05. Additionally, the City participated in the organization of the Dallas County Housing Trust Fund for future financing of the WestHELP program. Since its inception, WestHELP has assisted eight Urbandale property owners with the rehabilitation of their homes.

- In 2004, State assistance was received for the expansion of three businesses in Urbandale. The total value of these projects was estimated at \$20.2 million, with an estimated job creation of 73 new employees.
- In conformance with the Iowa Code, the City Council adopted a Civil Rights Ordinance and created the Urbandale Civil Rights Commission in FY05. The ordinance prohibits discrimination based on age, race, creed, color, sex, national origin, religion, ancestry or disability in the areas of employment practices, accommodations, housing, education and credit practices. The Urbandale Civil Rights Commission will consist of five members and will be responsible for the enforcement of the new ordinance.
- In FY05, the City Council also adopted a workplace non-violence policy. This policy attempts to create a work environment that is free of threatening acts of violence committed by or against City employees or members of the public while on City property, or against City employees while performing City business at other locations. The policy also establishes procedures to be followed by an employee when he/she experiences a violation of the policy.
- The City's current cable television franchise agreement will expire on December 17, 2006. The negotiation process for the renewal of this franchise will begin in FY05. The City Council has approved the renewal process and employed a cable attorney to coordinate the negotiation process. It is anticipated that the negotiations will involve the use of the franchise holder's cable and fiber system to create a telecommunications platform for Urbandale's residents and businesses.
- In FY05, the City Council accepted the West Metro Regional Airport Master Plan and agreed to participate in the creation of an aviation authority for an airport project in Dallas County. However, this approval was conditioned on Dallas County agreeing to the concept of revenue sharing for the communities participating in the project. A final decision regarding the creation of the airport authority will be reached during the year.
- The City joined the Central Iowa Traffic Safety Task Force in FY05. The multi-jurisdictional task force provides public education and special enforcement of traffic laws. The task force is staffed by personnel from various member law enforcement agencies in Polk County. The City will participate in the task force through June 30, 2007.
- The cities of Urbandale, Clive and West Des Moines received a \$100,000 loan from the Local Government Innovation Fund in FY04. This loan will finance the first phase of a project to link the Fire and EMS stations in the three cities via videoconferencing equipment for training purposes. The loan will be repaid over a period of five years.
- During FY04 and FY05, the City replaced all red traffic signal and pedestrian traffic signal incandescent bulbs with LED signals. It is estimated that the new signals will result in annual energy savings of \$8,200 and annual maintenance savings of \$6,500.

- In FY05, a charter will be developed for the newly created Audit Committee. The committee will be responsible for a periodic review of the City's financial condition and a more detailed review of the Comprehensive Annual Financial Report with City staff and the independent auditor.

### **Cash Management Policies and Practices**

Cash temporarily idle for operations for more than thirty days was invested in time certificates of deposit at the minimum rate as prescribed monthly by the State Treasurer's office and in financial instruments of the federal government. The City Council's investment policy is to offer these investments to local banks. During FY04, all temporarily idle cash was accepted by local banks. If not accepted by local banks, the investments would have been offered to the banks in Des Moines, Iowa. Interest income from investments in FY04, exclusive of the Component Unit, was \$295,360, compared to income of \$277,184 in FY03.

### **Risk Management**

In 1983, the City converted to a self-funded group health insurance plan. This program was designed to reduce health insurance costs through the assumption of additional risk. During the past twenty-one years, the City has realized a significant savings from self-funding and has been able to establish an insurance reserve fund. Proceeds from this reserve were utilized to reduce the General Fund and Road Use Tax Fund contributions for health insurance in FY04. The City's health insurance program also includes a hospital utilization review component. This service calls for a comprehensive review of all planned surgeries and monitoring of all hospital stays.

FY89 marked the first year of the City's participation in the Iowa Communities Assurance Pool. This program combines traditional insurance coverage with a risk pooling arrangement. The City's comprehensive general liability, automobile, police, property and public officials liability coverage are provided directly by the pool. The remaining portion of the City's insurance program, workers compensation, was once again placed with the Iowa Municipalities Workers Compensation Association. This program also utilizes a pooling concept to provide cities and counties with workers compensation coverage. Both public sector pools are in sound financial condition and should present the City with long-term premium savings.

The City's risk management program also involves a loss control and accident review program. Through the property and casualty insurance pools, the City receives loss control services. The pools review City operations on a periodic basis and submit recommendations for safety improvements. All claims submitted against the City are also reviewed to determine if changes are needed in the safety program. A City-wide safety committee has been established to review all employee accidents and to establish a safety policy manual. The safety committee receives technical assistance from the Des Moines Water Works Safety Officer under a contractual arrangement. The safety committee also meets annually with the City's management staff to discuss possible improvements in the safety program. All of these actions should reduce the City's potential for personal injury, property damage and liability claims.

### **Pension Benefits**

The City contributes to the Municipal Fire and Police Retirement System of Iowa for its sworn officers in the Police Department and full time staff in the Fire Department. The City contributes to the Iowa Public Employees Retirement System for all other employees. Both of these State-wide systems provide retirement, disability and death benefits for its members and beneficiaries, which are established by State statute. The City is required to contribute a percentage of an employee's annual income, as established by the systems. Additional information regarding the two retirement systems is contained on page 42 of the notes to the financial statements.

## AWARDS AND ACKNOWLEDGEMENTS

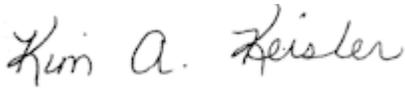
The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for FY03. This is the highest form of recognition in the area of governmental financial reporting. The Comprehensive Annual Financial Report for the year ended June 30, 2004 will be submitted to GFOA for review.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the staff of the Finance and Records Department. Special recognition is due to Ms. Sandi Tompkins, Budget Assistant, Ms. Su Zanna Prophet, Assistant City Manager, and Ms. Debra Mains, City Clerk. We also wish to thank the Mayor and members of the City Council for their interest and support of our efforts in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Robert L. Layton  
City Manager



Kim A. Keisler  
Finance Assistant

**FINANCIAL SECTION**

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements



**KPMG LLP**  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

## **Independent Auditors' Report**

The Honorable Mayor and Members of the City Council  
City of Urbandale, Iowa:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbandale, Iowa (the City), as of and for the years ended June 30, 2004 and 2003, 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 audits.

We conducted our audits 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 audits provide 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Road Use Tax Fund for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the basic financial statements, on July 1, 2002, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.



In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2004 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, 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, on pages 3 through 15, is not a required part of the basic financial statements, but is supplementary information required by 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 it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual fund schedules on pages 66 through 73, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules on pages 66 through 73 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

October 29, 2004

## CITY OF URBANDALE, IOWA

### Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

This section of the City of Urbandale's (the City) Comprehensive Annual Financial Report presents management's discussion and analysis of the City's fiscal performance during the fiscal years that ended on June 30, 2004 (FY04) and June 30, 2003 (FY03). It should be read in conjunction with the transmittal letter at the front of this report and the City's financial statements, which immediately follow this section.

#### **Financial Highlights**

- The assets of the City of Urbandale exceeded its liabilities at the close of FY04 and FY03 by \$77,934,941 and \$66,527,936 (net assets), respectively. Of these amounts, \$8,691,566 and \$9,053,607 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$11,407,005 and \$3,394,940 in FY04 and FY03, respectively. Most of these increases were attributable to donated infrastructure and increased property taxes for tax increment debt.
- For FY04 and FY03, the City's governmental funds reported combined ending fund balances of \$9,796,834 and \$8,176,441, respectively. The FY04 fund balance represented an increase of \$1,620,393 and was primarily attributed to a \$1.2 million rise in the general fund balance and a \$1.3 million rise in the capital projects fund balance, partially offset by a \$0.6 million drop in the debt service fund. The FY03 fund balance represented a decrease of \$1,588,297 and was primarily attributed to a \$1.8 million drop in the capital projects fund balance, partially offset by a \$0.5 million increase in the general fund balance.
- At the end of FY04, unreserved fund balance for the general fund was \$5,129,821 or 37.7% of total general fund expenditures. At the end of FY03, unreserved fund balance for the general fund was \$3,955,165 or 31.2% of total general fund expenditures.

#### **Overview of the Financial Statements**

The basic financial statements consist of four parts:

Management's Discussion and Analysis (this section),

Government Wide Financial Statements,

Fund Financial Statements, and

Notes to the Financial Statements.

## CITY OF URBANDALE, IOWA

### Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide financial statements**

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

The Statement of Net Assets presents information on the City of Urbandale's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the City's financial position is improving or deteriorating.

The Statement of Activities shows how the City's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements report on functions of the City of Urbandale that are principally supported by taxes and intergovernmental revenues, known as governmental activities. The governmental activities of the City include Public Safety, Public Works, Health and Social Services, Cultural and Recreation, Community and Economic Development and General Government and interest and fiscal charges. The government-wide financial statements may also report the functions that are intended to recover all or a significant portion of their costs through user fees and charges, known as business-type activities. However, the City of Urbandale has no business-type activities to report for fiscal years 2004 and 2003.

The government-wide financial statements include not only the City of Urbandale itself, known as the primary government, but also a legally separate Water Department for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government, see footnote 1(b) to the financial statements.

The government-wide financial statements can be found on pages 16 through 21 of this report.

#### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Urbandale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

#### ***Governmental funds***

Most of the City's basic services are included in governmental funds, which focus on:

1. The inflows and outflows of cash and other financial assets that can be readily converted to cash, and
2. The balances left at year-end that are available for spending.

The governmental funds statements provide a detailed short-term view of the City of Urbandale's finances, indicating whether more or fewer financial resources can be spent in the near future to finance the City's

## **CITY OF URBANDALE, IOWA**

### Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

programs. Since this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation following the governmental funds statements that explains the relationship (or differences) between them.

The City of Urbandale maintains 18 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the general fund, road use fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report.

The City of Urbandale adopts an annual appropriated budget, prepared on a cash basis. A budgetary comparison statement has been provided for its General Fund and its Road Use Fund to demonstrate compliance with these budgets. A reconciliation between the revenues and expenditures, prepared on the modified accrual basis, versus the budget, prepared on the cash basis, is also included.

The basic governmental fund financial statements can be found on pages 22 and 24 of this report.

#### ***Proprietary funds***

The City of Urbandale maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Urbandale uses internal service funds to account for equipment replacement, technology, risk management and the general liability insurance program. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The City maintains four internal service funds, which are presented individually in the proprietary fund statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 33 through 35 of this report.

#### ***Fiduciary funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Urbandale's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statement can be found on page 36 of this report.

#### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 63 of this report.

#### **Other information**

In addition to the financial statements and the accompanying notes, this report also presents certain supplementary information. The combining schedules referred to earlier in connection with non-major

## CITY OF URBANDALE, IOWA

### Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

governmental funds are presented immediately following the notes to the financial statements. Combining fund schedules can be found on pages 66 through 73 of this report. Additionally, statistical information related to the City's financial position can be found on pages 76 through 90 of this report.

#### **Government Wide Financial Analysis**

The following condensed financial information serves as the key financial data and indicators for management, monitoring, and planning. The City adopted Government Accounting Standards Board Statement No. 34 effective July 1, 2002. Therefore, financial data for FY04 and FY03 is presented for comparative purposes.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Urbandale, assets exceeded liabilities by \$77,934,941 and \$66,527,936 at the close of FY04 and FY03, respectively.

The largest portion of the City's net assets in FY04 (82.4%) reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents, therefore they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's investment in capital assets increased by \$9,811,950 from FY03 to FY04.

An additional portion of the City's net assets (1.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$8,691,566 may be used to meet the government's ongoing obligations to residents and creditors. In FY03, restricted assets represented (4.7%) of the City's net assets and unrestricted net assets totaled \$9,053,607.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, which comprises its governmental activities.

**CITY OF URBANDALE, IOWA**

Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

**City of Urbandale Net Assets**

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2004</u>	<u>2003</u>
Current assets	\$ 39,800,477	34,881,051
Capital assets	92,289,864	78,411,954
Total assets	<u>132,090,341</u>	<u>113,293,005</u>
Long-term liabilities	25,875,573	22,255,341
Other liabilities	28,279,827	24,509,728
Total liabilities	<u>54,155,400</u>	<u>46,765,069</u>
Net assets:		
Invested in capital assets, net of related debt	64,189,864	54,377,914
Restricted	5,053,511	3,096,415
Unrestricted	8,691,566	9,053,607
Total net assets	<u>\$ 77,934,941</u>	<u>66,527,936</u>

As noted above, the City's net assets increased by \$11,407,005 from FY03 to FY04. Much of this growth can be attributed to the increase in capital asset investment, net of debt, (18.0%) and an increase in cash and pooled cash investments (17.5%).

**CITY OF URBANDALE, IOWA**

Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

**Governmental activities**

Governmental activities increased the City's net assets by \$11,407,005 and \$3,394,940 for FY04 and FY03, respectively. The following table depicts that change in net assets.

**City of Urbandale's Changes in Net Assets**

	<u>Governmental</u> <u>Activities</u> <u>2004</u>	<u>Governmental</u> <u>Activities</u> <u>2003</u>
Revenues:		
Program revenues:		
Charge for services	\$ 3,574,657	2,424,362
Operating grants and contributions	3,078,828	2,830,362
Capital grants and contributions	10,329,873	2,125,148
General revenues:		
Taxes	15,814,435	15,220,265
Other	623,275	444,085
Total revenues	<u>33,421,068</u>	<u>23,044,222</u>
Expenses:		
Public safety	5,213,450	4,723,324
Public works	8,094,446	6,855,234
Health and social services	27,896	22,910
Culture and recreation	4,737,141	4,630,423
Community and economic development	1,024,584	892,675
General government	1,693,262	1,426,875
Interest and fiscal charges	1,223,284	1,097,841
Total expenses	<u>22,014,063</u>	<u>19,649,282</u>
Increase in net assets	11,407,005	3,394,940
Net assets – beginning	<u>66,527,936</u>	<u>63,132,996</u>
Net assets – ending	\$ <u>77,934,941</u>	<u>66,527,936</u>

Key elements of the increase in net assets are as follows:

- Charges for services increased by \$1,150,295 (47.4%) and \$355,307 (68.5%) during FY04 and FY03, respectively. The growth in FY04 revenue can be primarily attributed to the initiation of a solid waste collection fee and an increase in permit fee collections related to the new construction. The increase in FY03 revenue can be primarily attributed to the initiation of an ambulance fee.
- Property Taxes increased by \$895,662 (6.8%) and \$1,588,686 (12.0%) during FY04 and FY03, respectively. In FY03, \$899,048 of this increase was used to satisfy debt obligations in the City's tax increment districts. In FY04, the amount of property tax used to satisfy tax increment debt obligations dropped by \$122,127. This decrease in property tax collections resulted from a certification error by the Polk County Auditor's office.

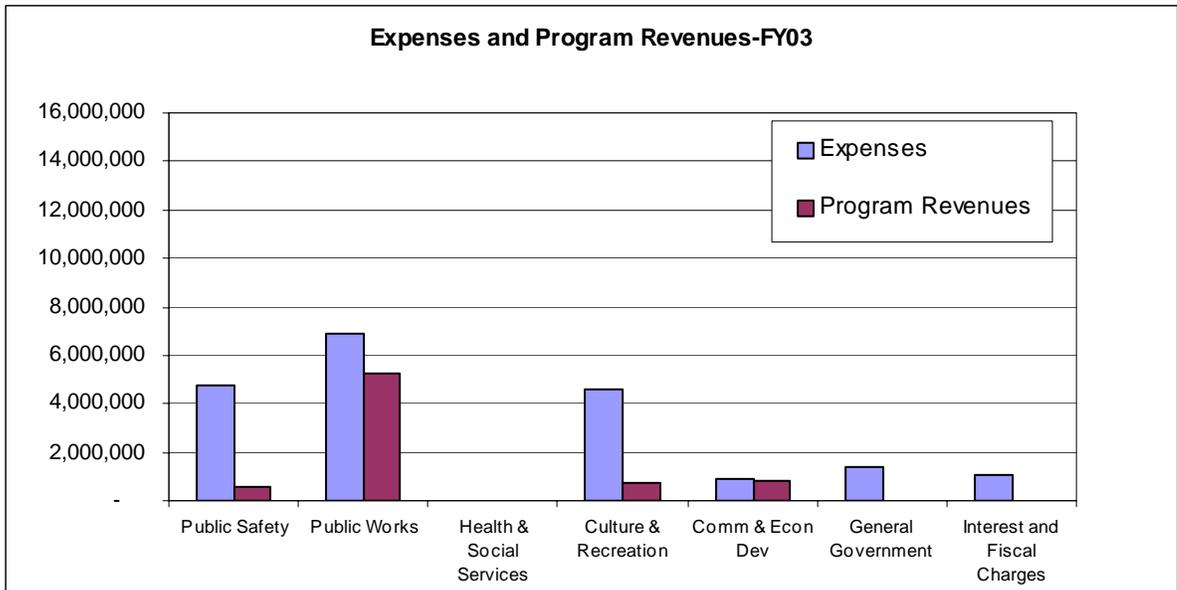
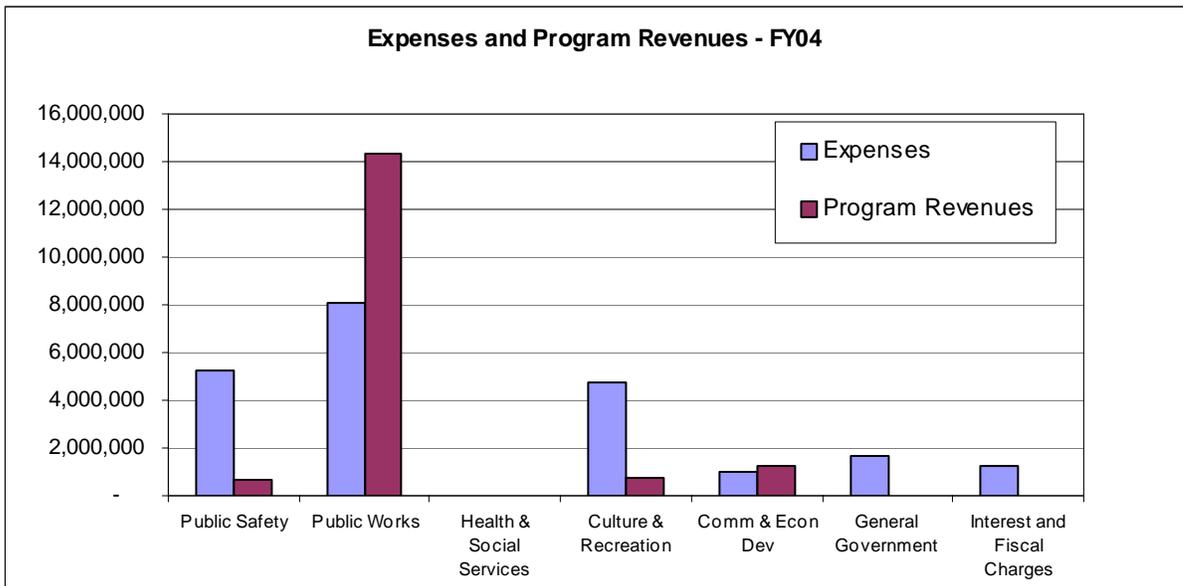
**CITY OF URBANDALE, IOWA**

Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

- Infrastructure constructed by private parties (e.g. developers) and donated to the City increased net assets by \$9,729,896 and \$2,017,823, respectively.

The following charts depict the expenses and program revenues attributed to each budgetary activity for fiscal years 2004 and 2003:



## CITY OF URBANDALE, IOWA

### Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

#### **Financial Analysis of the Government's Funds**

The City of Urbandale uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

In FY04 and FY03, the City's governmental funds reported combined fund balances of \$9,796,834 and \$8,176,441, respectively. The increase in fund balance can primarily be attributed to the delay in several capital improvement projects that were planned for FY04. In addition, the following changes in fund balances should be noted:

- The general fund balance increased by \$1,173,293 (29.6%) from the prior year ending balance. This positive change in the fund balance resulted primarily from significant increases in building related revenues, delayed expenditures for park improvements, the initiation of a solid waste collection fee, reduced expenditures for parks maintenance, delayed expenditures for an economic development assistance program and reduced public safety expenditures due to position vacancies and other salary and benefit savings.
- The fund balance for the road use tax fund decreased for the current fiscal year. The \$157,696 (13.5%) decrease can be primarily attributed to the planned use of fund balance for street improvement projects during the year.
- The \$556,923 drop in the debt service fund balance resulted from a tax increment certification error by the Polk County Auditor's office. This error reduced the City's property tax receipts, which were needed to meet current debt service requirements.
- As mentioned above, the \$1,341,492 rise in the capital improvements projects fund balance resulted from a delay in several capital improvement projects planned for the current fiscal year. The primary projects involved the paving of Douglas Parkway and the acquisition of a housing information system.

#### **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net assets of the proprietary funds were \$4,413,989 and \$4,436,263, in FY04 and FY03, respectively. An additional \$1,747,733 and \$1,529,203 in FY04 and FY03, respectively, of net assets was restricted for funds invested in capital assets of the equipment replacement fund. In FY04, the increase in net assets for the proprietary funds resulted from increased contributions to the equipment replacement fund. The FY03 decrease in net assets for the proprietary funds of \$154,526 was due to the planned use of available fund balances to fund ongoing risk management and general liability insurance costs.

#### **General Fund Budgetary Highlights (FY04)**

Differences between the original budget and the final amended budget amounted to a \$593,280 increase in appropriations and can be briefly summarized as follows:

- \$266,000 in economic development assistance for a business expansion project
- \$61,045 for grant related purchases of new communication and safety equipment in Fire
- \$20,000 for increased overtime in Engineering and Public Works

## CITY OF URBANDALE, IOWA

### Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

- \$110,000 for the transfer of recreation program expenditures from the trust and agency fund to the general fund
- \$74,235 for grant related computer and material purchases in Library
- \$10,000 for increased overtime in Code Enforcement
- \$52,000 for GASB34 conversion costs and performance measurement training

The revised expenditures were offset by \$23,000 in building permit fees, \$266,000 in State economic development assistance, \$9,235 in library grant funds, \$38,700 in bank franchise fees, \$61,045 in Federal grant funds, \$20,000 in construction inspection fees, \$8,400 in miscellaneous library receipts and \$96,600 in available general fund balance. These revenue sources were not anticipated in the adopted fiscal year operating budget.

Including these adjustments, actual disbursements were \$1,306,088 less than the final budget amounts. Some of the most significant factors contributing to this variance were:

- A delay in the issuance of economic development assistance for a business expansion project (\$266,000)
- Salary and benefit savings in public safety (\$176,500)
- Reduced park maintenance and delayed park improvement expenditures (\$262,000)
- Salary and benefit savings and street lighting savings in public works (\$90,000)

Actual revenues in the general fund were higher than anticipated in the final budget (\$503,032). This variance can be attributed to:

- Building related permits were higher than anticipated (\$594,885)
- A solid waste collection fee was not anticipated in the adopted budget (\$501,713)
- Recreation fees were higher than anticipated (\$90,000)
- Ambulance collection fees were higher than anticipated (\$100,000)
- Miscellaneous permits (other than building) were higher than anticipated (\$90,955)

These revenue increases were partially offset by an unanticipated drop in property tax receipts (\$249,872) the loss of state consolidated payments (\$324,000), and an unanticipated drop in earning from investments (\$53,744).

The City's general fund balance of \$5,137,885 differs from the general fund's budgetary balance of \$5,448,379 reported in the budgetary comparison schedule because of:

- Accrued revenues of \$154,970
- Accrued expenses of \$465,464

## CITY OF URBANDALE, IOWA

### Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

#### **General Fund Budgetary Highlights (FY03)**

Differences between the original budget and the final amended budget were relatively minor (\$283,865 increase in appropriations) and can be briefly summarized as follows:

- \$40,000 for greater than anticipated costs associated with the construction of the Public Works Facility
- \$213,665 for grant related library purchases and the transfer of recreation program expenditures from the trust and agency fund to the general fund
- \$21,200 for the administration of a housing rehabilitation program (WestHELP)
- \$9,000 for increased conversion costs related to GASB Statement No. 34 implementation

The revised expenditures were offset by \$10,000 in library contract revenue, \$22,000 in bank franchise fees, \$21,200 in building and electric permit fees, \$32,000 in miscellaneous receipts, \$40,000 in available road use tax fund balance and \$158,665 in recreation program income. These revenue sources were not anticipated in the adopted fiscal year operating budget.

Including these adjustments, actual disbursements were \$757,853 less than the final budget amounts. Some of the most significant factors contributing to this variance were:

- Reduced public safety salary, benefit and equipment costs (\$295,000)
- Salary and benefit savings in culture and recreation (\$65,600)
- Utility, equipment, supply and public improvement savings in culture and recreation (\$165,800)

Actual revenues in the general fund were lower than anticipated in the final budget (\$166,032). This variance can be attributed to:

- Property and other tax collections were less than anticipated (\$303,938)
- Earnings from investments were less than anticipated (\$133,423)

These shortfalls were partially offset by a rise in building permit fees.

The City's general fund balance of \$3,964,592 differs from the general fund's budgetary balance of \$4,115,993 reported in the budgetary comparison schedule because of:

- Accrued revenues of \$109,479
- Accrued expenses of \$260,880

#### **Capital Asset and Debt Administration**

##### *Capital assets*

In FY04 and FY03, the City had invested \$113,115,417 and \$96,845,505, respectively, in a broad range of capital assets, including land, public buildings and improvements, machinery and equipment, art work, and infrastructure (streets, parks, sidewalks, and public safety equipment). This amount represents a net

**CITY OF URBANDALE, IOWA**

Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

increase, including additions and deletions, of \$13,877,910 and \$7,988,845, respectively. The value of these capital assets, net of depreciation at June 30, 2004 and June 30, 2003, is depicted below.

**City of Urbandale's Capital Assets**

(net of depreciation)

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2004</b>	<b>2003</b>
Land	\$ 3,857,411	2,989,565
Buildings and improvements	15,869,699	15,804,815
Machinery and equipment	7,196,954	6,499,971
Artwork	243,150	243,150
Infrastructure	85,433,543	70,758,148
Share of undivided equity interest assets	440,701	441,616
Construction in progress	73,959	108,240
<b>Total</b>	<b>\$ 113,115,417</b>	<b>96,845,505</b>
Accumulated depreciation	(20,825,553)	(18,433,551)
	<b>\$ 92,289,864</b>	<b>78,411,954</b>

This year's major capital asset additions included:

- The paving of Douglas Parkway (\$880,000)
- The paving of Meredith Drive (\$2.3 million)
- The donation of construction improvements by private parties (\$9.7 million)

Additional information on the City's capital assets can be found in note 4 on pages 51 through 53 of this report.

***Long-term debt***

In FY04 and FY03, the City had total long-term debt of \$28,100,000 and \$24,034,040, respectively. Of these amounts, \$26,835,000 and \$22,700,000 represented general obligation bond debt. Another \$1,265,000 and \$1,310,000 represented outstanding certificates of participation debt. Finally, \$24,040 represented outstanding government loans payable for FY03. All of this debt was backed by the City's full faith and credit.

**CITY OF URBANDALE, IOWA**

Management's Discussion and Analysis

June 30, 2004 and June 30, 2003

	<u>Balance</u> <u>June 30, 2003</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2004</u>
General obligation bonds	\$ 22,700,000	7,155,000	3,020,000	\$ 26,835,000
General obligation certificates of participation	1,310,000	—	45,000	1,265,000
Government loans payable	24,040	—	24,040	—
	<u>\$ 24,034,040</u>	<u>7,155,000</u>	<u>3,089,040</u>	<u>\$ 28,100,000</u>

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
General obligation bonds	\$ 19,450,000	5,720,000	2,470,000	22,700,000
General obligation certificates of participation	1,350,000	—	40,000	1,310,000
Government loans payable	47,380	—	23,340	24,040
	<u>\$ 20,847,380</u>	<u>5,720,000</u>	<u>2,533,340</u>	<u>24,034,040</u>

During FY04 and FY03, the City's total debt increased by \$4,065,960 and \$3,186,660, respectively. The key factors in these increases were \$7,155,000 (FY04) and \$5,720,000 (FY03) general obligation bond issues for various improvement projects.

In FY04, these projects included:

- The construction of the 138<sup>th</sup>/142<sup>nd</sup> Street bridge (\$2,500,000)
- The paving of Plum Drive (\$1,307,800)
- The construction of an administrative office building (\$2,576,500)
- The acquisition of land in the Westover TIF district (\$1,000,000)
- The renovation of the Police and Public Works facilities (\$678,900)
- The construction of the Timberline bike path (\$110,400)
- The extension of 100<sup>th</sup> Street (\$330,000)
- The paving of 152<sup>nd</sup> Street (\$295,200)
- The paving of Aurora Avenue (\$46,800)
- The installation of traffic signals at 86<sup>th</sup> and Plum (\$50,000)

**CITY OF URBANDALE, IOWA**  
Management's Discussion and Analysis  
June 30, 2004 and June 30, 2003

In FY03, these projects included:

- The Douglas Avenue Interchange Reconstruction Project (\$1,646,500)
- The paving of Douglas Parkway, Meredith Drive and 138th/142nd Street (\$2,886,195)
- The construction of streetscape improvements on Douglas Avenue (\$111,000)
- The acquisition of right-of-way for 156th Street (\$175,000)
- The acquisition of public safety radios (\$225,000)

The City of Urbandale maintains an Aa2 rating from Moody's Investors Service for its general obligation debt. This rating was most recently affirmed on September 9, 2004.

State statutes limit the amount of debt that a governmental entity may issue to 5% of the actual value of property within the corporate limits. The current debt limitation for the City of Urbandale is \$126,553,653, which is in excess of the City's current outstanding debt.

**Economic Factors and Next Year's Budget and Rates**

- In 2004, the City will issue a record number of single-family residential permits, estimated to be 645. This new construction comes on the heels of a previous record setting year of 2003, when 637 single-family permits were issued.
- Residential construction since 2000 has increased the City's population to an estimated 36,500 residents. The City's 2000 population was 29,072 residents.
- Commercial and industrial construction has occurred at a slower pace, with an estimated 115 permits anticipated for 2004. These permits will have an estimated value of \$26,875,000.

All of these factors were considered in preparing the City of Urbandale's budget for fiscal year 2005. The fiscal year 2005 budget anticipated an increase of \$3,621,500 (15.5%) in expenditures over the fiscal year 2004 adopted budget. Of this total, operating expenses will be increased by \$1,007,008 (5.7%), debt service expenses will be increased by \$714,115 (17.1%) and TIF transfers will be increased by \$1,900,377 (122.5%). The adopted expenditures for fiscal year 2004 will require no increase in the general tax levy rate of \$7.02. The City's combined tax levy rate is \$9.07/\$1,000 valuation.

The FY05 budget did not anticipate the creation of any new full time positions or any significant changes in the City's part-time staffing. However, personnel costs will increase by approximately \$601,800 in FY05 due to increases in salary, pension and health insurance expenses. Other factors impacting the FY05 budget include the certification of additional tax increment debt, the financing of several infrastructure maintenance and improvement projects, the introduction of new technologies in a number of departments and the financing of various service sharing arrangements with other public jurisdictions.

**Contacting the City's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Manager's Office, 3315 70<sup>th</sup> Street, Urbandale, Iowa, 50322.

**CITY OF URBANDALE, IOWA**

Statement of Net Assets

June 30, 2004

<b>Assets</b>	<b><u>Primary government</u></b>	<b><u>Component</u></b>
	<b><u>Governmental</u></b>	<b><u>unit</u></b>
	<b><u>activities</u></b>	<b><u>unit</u></b>
Current assets:		
Cash and pooled cash investments	\$ 22,560,181	—
Cash equivalents	—	2,046,498
Accounts receivable	—	451,616
Taxes receivable:		
Current	251,313	—
Succeeding year	15,897,396	—
Special assessments receivable:		
Current	285,160	—
Succeeding year	209,817	—
Accrued interest	36,650	2,454
Due from other governments	447,664	—
Due from component unit	16,505	—
Due from primary government	—	29,953
Inventories	51,858	55,967
Prepaid expense and other assets	43,933	14,081
Total unrestricted current assets	<u>39,800,477</u>	<u>2,600,569</u>
Restricted assets:		
Restricted cash	—	84,580
Restricted assets – due from primary government	—	1,320
Total restricted current assets	<u>—</u>	<u>85,900</u>
Total current assets	<u>39,800,477</u>	<u>2,686,469</u>
Noncurrent assets:		
Capital assets:		
Equipment	7,196,954	610,939
Buildings	14,035,103	1,181,173
Distribution system	—	16,832,122
Improvements other than building	1,834,596	—
Land	3,857,411	—
Construction in progress	73,959	—
Artwork	243,150	—
Infrastructure	85,433,543	—
Share of undivided equity interest assets	440,701	—
Accumulated depreciation	(20,825,553)	(5,462,680)
Total capital assets	<u>92,289,864</u>	<u>13,161,554</u>
Total assets	<u>\$ 132,090,341</u>	<u>15,848,023</u>

**CITY OF URBANDALE, IOWA**

Statement of Net Assets

June 30, 2004

	<u>Primary government</u>	
<b>Liabilities</b>	<u>Governmental activities</u>	<u>Component unit</u>
Current liabilities:		
Cash overdraft	\$ —	24,920
Accounts payable	8,782,295	135,564
General obligation bonds payable	3,055,000	—
Certificate of participation payable	45,000	—
Government loan payable	—	24,335
Interest payable	95,236	202
Compensation and payroll taxes	216,040	16,316
Due to City of Urbandale	—	16,505
Due to other governments	—	405,591
Deferred revenue for succeeding year	16,086,256	—
Total	<u>28,279,827</u>	<u>623,433</u>
Current liabilities payable from restricted assets:		
Customer deposits – restricted	—	85,900
Total current liabilities	<u>28,279,827</u>	<u>709,333</u>
Noncurrent liabilities:		
General obligation bond payable	23,780,000	—
Certificate of participation payable	1,220,000	—
Government loan payable	—	39,187
Compensated absences	875,573	97,433
Total noncurrent liabilities	<u>25,875,573</u>	<u>136,620</u>
Total liabilities	<u>54,155,400</u>	<u>845,953</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	64,189,864	13,098,032
Restricted:		
For employees' retirement system	441,346	—
For capital projects	1,925,568	—
Purpose restricted by legislation	1,485,538	—
Donor restricted purposes	1,201,059	—
Unrestricted	8,691,566	1,904,038
Total net assets	<u>\$ 77,934,941</u>	<u>15,002,070</u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Net Assets

June 30, 2003

<b>Assets</b>	<b><u>Primary government</u></b>	<b><u>Component</u></b>
	<b><u>Governmental</u></b>	<b><u>unit</u></b>
	<b><u>activities</u></b>	
Current assets:		
Cash and pooled cash investments	\$ 19,207,701	522,364
Cash equivalents	—	899,240
Accounts receivable	—	506,768
Taxes receivable:		
Current	289,960	—
Succeeding year	14,686,527	—
Special assessments receivable:		
Current	196,885	—
Succeeding year	216,805	—
Accrued interest	35,122	1,130
Due from other governments	196,006	—
Due from primary government	—	17,709
Inventories	30,556	63,422
Prepaid expense and other assets	21,489	11,838
Total unrestricted current assets	<u>34,881,051</u>	<u>2,022,471</u>
Restricted assets:		
Restricted cash	—	74,250
Restricted assets – due from primary government	—	820
Total restricted current assets	<u>—</u>	<u>75,070</u>
Total current assets	<u>34,881,051</u>	<u>2,097,541</u>
Noncurrent assets:		
Capital assets:		
Equipment	6,499,971	574,496
Buildings	14,035,103	1,181,173
Distribution system	—	15,438,370
Improvements other than building	1,769,712	—
Land	2,989,565	—
Construction in progress	108,240	—
Artwork	243,150	—
Infrastructure	70,758,148	—
Share of undivided equity interest assets	441,616	—
Accumulated depreciation	(18,433,551)	(5,093,201)
Total capital assets	<u>78,411,954</u>	<u>12,100,838</u>
Total assets	<u>\$ 113,293,005</u>	<u>14,198,379</u>

**CITY OF URBANDALE, IOWA**

Statement of Net Assets

June 30, 2003

	<b>Primary government</b>	
<b>Liabilities</b>	<b>Governmental activities</b>	<b>Component unit</b>
	<hr/>	<hr/>
Current liabilities:		
Accounts payable	\$ 6,850,816	60,617
General obligation bonds payable	2,520,000	—
Certificate of participation payable	45,000	—
Government loan payable	24,040	23,990
Interest payable	87,408	262
Compensation and payroll taxes	79,132	7,165
Due to other governments	—	434,230
Deferred revenue for succeeding year	14,903,332	—
Total	<hr/> 24,509,728	<hr/> 526,264
Current liabilities payable from restricted assets:		
Customer deposits – restricted	—	75,070
Total current liabilities	<hr/> 24,509,728	<hr/> 601,334
Noncurrent liabilities:		
General obligation bond payable	20,180,000	—
Certificate of participation payable	1,265,000	—
Government loan payable	—	63,522
Compensated absences	810,341	100,680
Total noncurrent liabilities	<hr/> 22,255,341	<hr/> 164,202
Total liabilities	<hr/> 46,765,069	<hr/> 765,536
<b>Net Assets</b>		
Invested in capital assets, net of related debt	54,377,914	12,013,326
Restricted:		
For debt service	252,361	—
For employees' retirement system	716,021	—
For capital projects	584,076	—
Purpose restricted by legislation	959,773	—
Donor restricted purposes	584,184	—
Unrestricted	9,053,607	1,419,517
Total net assets	<hr/> <hr/> \$ 66,527,936	<hr/> <hr/> 13,432,843

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Activities

For the Year Ended June 30, 2004

	<b>Program revenues</b>				<b>Net (expense) revenue and changes in net assets</b>	
	<hr/>				<b>Primary government</b>	
	<b>Expenses</b>	<b>Charges for services</b>	<b>Operating grants and contributions</b>	<b>Capital grants and contributions</b>	<b>Governmental activities total</b>	<b>Component unit</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Primary Government</b>						
Governmental activities:						
Public safety	\$ 5,213,450	562,099	81,142	—	(4,570,209)	—
Public works	8,094,446	1,152,021	2,811,705	10,329,873	6,199,153	—
Health and social services	27,896	—	—	—	(27,896)	—
Culture and recreation	4,737,141	584,691	185,981	—	(3,966,469)	—
Community and economic development	1,024,584	1,275,846	—	—	251,262	—
General government	1,693,262	—	—	—	(1,693,262)	—
Interest and fiscal charges	1,223,284	—	—	—	(1,223,284)	—
Total governmental activities	<u>22,014,063</u>	<u>3,574,657</u>	<u>3,078,828</u>	<u>10,329,873</u>	<u>(5,030,705)</u>	<u>—</u>
<b>Component Unit</b>						
Urbandale Water Department	\$ <u>4,571,802</u>	<u>4,468,347</u>	<u>611,466</u>	<u>1,018,104</u>	—	<u>1,526,115</u>
<b>General revenues:</b>						
Taxes:						
Property tax				\$ 12,999,952		
Tax increment financing district tax				1,134,596		
Hotel Motel tax				797,323		
Franchise fees				291,212		
Utility excise tax				585,285		
Sales tax				<u>6,067</u>		
Total taxes					15,814,435	—
Interest					295,357	18,112
Miscellaneous					<u>327,918</u>	<u>25,000</u>
Total general revenues					<u>16,437,710</u>	<u>43,112</u>
Change in net assets					11,407,005	1,569,227
Net assets – beginning					<u>66,527,936</u>	<u>13,432,843</u>
Net assets – ending					<u>\$ 77,934,941</u>	<u>15,002,070</u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Activities

For the Year Ended June 30, 2003

	<u>Program revenues</u>				<u>Net (expense) revenue and changes in net assets</u>	
					<u>Primary government</u>	
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities total</u>	<u>Component unit</u>
<b>Primary Government</b>						
Governmental activities:						
Public safety	\$ 4,723,324	498,394	44,804	—	(4,180,126)	—
Public works	6,855,234	543,092	2,590,414	2,125,148	(1,596,580)	—
Health and social services	22,910	—	—	—	(22,910)	—
Culture and recreation	4,630,423	564,766	195,144	—	(3,870,513)	—
Community and economic development	892,675	818,110	—	—	(74,565)	—
General government	1,426,875	—	—	—	(1,426,875)	—
Interest and fiscal charges	1,097,841	—	—	—	(1,097,841)	—
Total governmental activities	<u>19,649,282</u>	<u>2,424,362</u>	<u>2,830,362</u>	<u>2,125,148</u>	<u>(12,269,410)</u>	<u>—</u>
<b>Component Unit</b>						
Urbandale Water Department	\$ <u>4,312,677</u>	<u>4,117,668</u>	<u>453,193</u>	<u>588,399</u>	—	<u>846,583</u>
<b>General revenues:</b>						
Taxes:						
Property tax				\$ 11,982,163		
Tax increment financing district tax				1,256,723		
Hotel Motel tax				808,198		
Property tax replacement/State consolidated				336,937		
Franchise fees				268,430		
Utility excise tax				542,847		
Sales tax				<u>24,967</u>		
Total taxes					15,220,265	—
Interest					277,184	13,888
Miscellaneous					<u>166,901</u>	<u>22,000</u>
Total general revenues					<u>15,664,350</u>	<u>35,888</u>
Change in net assets					3,394,940	882,471
Net assets - beginning					<u>63,132,996</u>	<u>12,550,372</u>
Net assets - ending					\$ <u>66,527,936</u>	<u>13,432,843</u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General Fund</u>	<u>Road Use Tax Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major governmental funds</u>	<u>Total governmental funds</u>
<b>Assets</b>						
Cash and pooled cash investments	\$ 5,448,374	904,144	3,378	9,945,773	2,018,368	18,320,037
Taxes receivable:						
Current	58,205	—	18,024	—	266,313	342,542
Succeeding year	10,777,942	—	3,387,015	—	1,641,209	15,806,166
Special assessments receivable						
Current	—	—	94,454	140,612	—	235,066
Succeeding years	—	—	31,882	228,029	—	259,911
Accrued interest	35,948	—	—	—	702	36,650
Due from component unit	16,505	—	—	—	—	16,505
Due from other governments	41,327	406,337	—	—	—	447,664
Inventories	4,410	47,448	—	—	—	51,858
<b>Total assets</b>	<b>\$ 16,382,711</b>	<b>1,357,929</b>	<b>3,534,753</b>	<b>10,314,414</b>	<b>3,926,592</b>	<b>35,516,399</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 265,318	330,652	—	8,025,277	8,928	8,630,175
Interfund payable	—	—	325,964	—	—	325,964
Compensation and payroll taxes	189,250	13,697	—	—	—	202,947
Employee benefits	12,316	777	—	—	—	13,093
Deferred revenue	—	—	126,336	363,569	251,313	741,218
Deferred revenue for succeeding years	10,777,942	—	3,387,015	—	1,641,211	15,806,168
<b>Total liabilities</b>	<b>11,244,826</b>	<b>345,126</b>	<b>3,839,315</b>	<b>8,388,846</b>	<b>1,901,452</b>	<b>25,719,565</b>
<b>Fund balances:</b>						
Reserved for encumbrances	3,654	554,400	—	1,925,568	—	2,483,622
Reserved for inventories	4,410	47,448	—	—	—	51,858
Reserved for employees' retirement system	—	—	—	—	441,346	441,346
Reserved for debt service	—	—	(304,562)	—	—	(304,562)
Unreserved, reported in:						
General fund	5,129,821	—	—	—	—	5,129,821
Special revenue funds	—	410,955	—	—	1,583,794	1,994,749
<b>Total fund balances</b>	<b>5,137,885</b>	<b>1,012,803</b>	<b>(304,562)</b>	<b>1,925,568</b>	<b>2,025,140</b>	<b>9,796,834</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,382,711</b>	<b>1,357,929</b>	<b>3,534,753</b>	<b>10,314,414</b>	<b>3,926,592</b>	<b>35,516,399</b>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Reconciliation of the Balance Sheet  
to the Statement of Net Assets

June 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances – governmental funds	\$	9,796,834
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in Governmental funds:		
Capital assets	\$ 108,677,895	
Less accumulated depreciation	<u>(18,135,764)</u>	90,542,131
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds		461,130
Debt issuance costs are reported as "other financing sources (uses)" in the governmental funds, but as unamortized assets or liabilities in the statement of net assets		
Unamortized general obligation bond issuance expense		43,933
Internal service funds are used by management to charge the costs of equipment replacement, technology, general liability insurance, and the risk management program to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
Cash	4,240,145	
Loans receivable	325,964	
Capital assets, net of accumulated depreciation	1,747,733	
Accounts payable	<u>(152,120)</u>	6,161,722
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds payable	26,835,000	
Certificate of participation payable	1,265,000	
Accrued interest on the bonds and certificates	95,236	
Compensated absences	<u>875,573</u>	<u>(29,070,809)</u>
Net assets of governmental activities	\$	<u><u>77,934,941</u></u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Balance Sheet

Governmental Funds

June 30, 2003

	<u>General Fund</u>	<u>Road Use Tax Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major governmental funds</u>	<u>Total governmental funds</u>
<b>Assets</b>						
Cash and pooled cash investments	\$ 4,115,989	1,031,898	234,742	7,064,370	2,204,304	14,651,303
Taxes receivable:						
Current	55,648	—	17,619	—	216,693	289,960
Succeeding year	10,453,400	—	3,130,115	—	1,103,012	14,686,527
Special assessments receivable:						
Current	—	—	90,226	106,659	—	196,885
Succeeding years	—	—	48,104	168,701	—	216,805
Accrued interest	32,846	—	—	—	2,276	35,122
Due from other governments	18,000	178,006	—	—	—	196,006
Inventories	2,985	27,571	—	—	—	30,556
Total assets	<u>\$ 14,678,868</u>	<u>1,237,475</u>	<u>3,520,806</u>	<u>7,339,730</u>	<u>3,526,285</u>	<u>30,303,164</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 185,084	63,636	—	6,480,294	1,667	6,730,681
Compensation and payroll taxes	71,171	3,271	—	—	—	74,442
Employee benefits	4,621	69	—	—	—	4,690
Deferred revenue	—	—	90,226	106,659	216,693	413,578
Deferred revenue for succeeding years	10,453,400	—	3,178,219	168,701	1,103,012	14,903,332
Total liabilities	<u>10,714,276</u>	<u>66,976</u>	<u>3,268,445</u>	<u>6,755,654</u>	<u>1,321,372</u>	<u>22,126,723</u>
Fund balances:						
Reserved for encumbrances	6,442	616,081	—	584,076	—	1,206,599
Reserved for inventories	2,985	27,571	—	—	—	30,556
Reserved for employees' retirement system	—	—	—	—	716,021	716,021
Reserved for debt service	—	—	252,361	—	—	252,361
Unreserved, reported in:						
General fund	3,955,165	—	—	—	—	3,955,165
Special revenue funds	—	526,847	—	—	1,488,892	2,015,739
Total fund balances	<u>3,964,592</u>	<u>1,170,499</u>	<u>252,361</u>	<u>584,076</u>	<u>2,204,913</u>	<u>8,176,441</u>
Total liabilities and fund balances	<u>\$ 14,678,868</u>	<u>1,237,475</u>	<u>3,520,806</u>	<u>7,339,730</u>	<u>3,526,285</u>	<u>30,303,164</u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Reconciliation of the Balance Sheet  
to the Statement of Net Assets

June 30, 2003

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances – governmental funds		\$ 8,176,441
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in Governmental funds:		
Capital assets	\$ 92,672,679	
Less accumulated depreciation	<u>(15,789,928)</u>	76,882,751
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds		413,578
Debt issuance costs are reported as "other financing sources (uses)" in the governmental funds, but as unamortized assets or liabilities in the statement of net assets		
Unamortized general obligation bond issuance expense	<u>21,489</u>	21,489
Internal service funds are used by management to charge the costs of equipment replacement, technology, general liability insurance, and the risk management program to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
Cash	4,556,398	
Capital assets, net of accumulated depreciation	1,529,203	
Accounts payable	<u>(120,135)</u>	5,965,466
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds payable	22,700,000	
Certificate of participation payable	1,310,000	
Government loan payable	24,040	
Accrued interest on the bonds and certificates	87,408	
Compensated absences	<u>810,341</u>	<u>(24,931,789)</u>
Net assets of governmental activities		\$ <u><u>66,527,936</u></u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Revenues, Expenditures, and  
Changes in Fund Balances (Deficit)

Governmental Funds

For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Use Tax Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major governmental funds</u>	<u>Total governmental funds</u>
Revenues:						
Taxes	\$ 10,989,380	—	3,128,296	—	1,607,299	15,724,975
Special assessments	—	—	28,523	100,803	—	129,326
Licenses and permits	1,484,081	—	—	—	—	1,484,081
Use of money and property	74,358	—	22,980	127,848	12,930	238,116
Intergovernmental	314,736	2,649,666	—	536,671	—	3,501,073
Charges for services	1,686,028	—	—	—	—	1,686,028
Miscellaneous	384,612	—	—	69,374	195,481	649,467
<b>Total revenues</b>	<u>14,933,195</u>	<u>2,649,666</u>	<u>3,179,799</u>	<u>834,696</u>	<u>1,815,710</u>	<u>23,413,066</u>
Expenditures:						
Current expenditures:						
Public safety	4,744,332	—	—	—	384,159	5,128,491
Public works	2,448,266	2,807,362	—	—	—	5,255,628
Health and social services	27,896	—	—	—	—	27,896
Culture and recreation	3,908,144	—	—	—	482,663	4,390,807
Community and economic development	985,833	—	—	—	23,025	1,008,858
General government	1,336,552	—	—	—	—	1,336,552
Capital outlay	—	—	—	7,372,501	—	7,372,501
Debt service:						
Principal	69,040	—	3,020,000	—	—	3,089,040
Interest	75,139	—	1,135,709	—	—	1,210,848
<b>Total expenditures</b>	<u>13,595,202</u>	<u>2,807,362</u>	<u>4,155,709</u>	<u>7,372,501</u>	<u>889,847</u>	<u>28,820,621</u>
Excess (deficiency) of revenues over expenditures	<u>1,337,993</u>	<u>(157,696)</u>	<u>(975,910)</u>	<u>(6,537,805)</u>	<u>925,863</u>	<u>(5,407,555)</u>
Other financing sources (uses):						
General obligation bond proceeds	—	—	—	7,127,948	—	7,127,948
Transfers in	—	—	418,987	989,836	64,700	1,473,523
Transfers out	(164,700)	—	—	(238,487)	(1,170,336)	(1,573,523)
<b>Total other financing sources (uses)</b>	<u>(164,700)</u>	<u>—</u>	<u>418,987</u>	<u>7,879,297</u>	<u>(1,105,636)</u>	<u>7,027,948</u>
<b>Net changes in fund balances</b>	<u>1,173,293</u>	<u>(157,696)</u>	<u>(556,923)</u>	<u>1,341,492</u>	<u>(179,773)</u>	<u>1,620,393</u>
Fund balances at beginning of year	3,964,592	1,170,499	252,361	584,076	2,204,913	8,176,441
Fund balances (deficit) at end of year	<u>\$ 5,137,885</u>	<u>1,012,803</u>	<u>(304,562)</u>	<u>1,925,568</u>	<u>2,025,140</u>	<u>9,796,834</u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances – governmental funds	\$	1,620,393
<p>Capital outlays to purchase or build capital assets are reported in Governmental Funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>		
Capital outlays	\$	7,372,502
Depreciation expense		<u>(2,345,835)</u>
		5,026,667
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets		8,632,713
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the general fund.		47,552
In the statement of activities, certain operating expenses – compensated absences – are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (the amount actually paid). The current year difference is \$60,415 for vacation expense, and \$4,817 for sick leave expense.		(65,232)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		3,089,040
Issuance of bond principal is an “other financing source” in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(7,127,948)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expenses is recognized as the interest accrues, regardless of when it is due.		(7,828)
Bond issuance costs are reported as “other financing sources (uses)” in the governmental funds at the time of issuance. In the government-wide financial statements, these costs are amortized over the life of the debt issue.		(4,608)
An internal service fund is used by the City's management to charge the costs of equipment replacement, technology, general liability insurance, and the risk management program to the individual funds. The net gain of the internal service funds is reported with governmental activities.		<u>196,256</u>
Change in net assets of governmental activities	\$	<u><u>11,407,005</u></u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2003

	<u>General Fund</u>	<u>Road Use Tax Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major governmental funds</u>	<u>Total governmental funds</u>
Revenues:						
Taxes	\$ 10,131,027	—	2,931,685	—	1,770,290	14,833,002
Special assessments	—	—	16,963	30,564	—	47,527
Licenses and permits	973,578	—	—	—	—	973,578
Use of money and property	75,776	—	17,833	91,456	20,819	205,884
Intergovernmental	544,312	2,347,249	17,689	91,538	—	3,000,788
Charges for services	1,126,787	—	—	—	4,298	1,131,085
Miscellaneous	367,813	—	—	41,854	312,532	722,199
Total revenues	<u>13,219,293</u>	<u>2,347,249</u>	<u>2,984,170</u>	<u>255,412</u>	<u>2,107,939</u>	<u>20,914,063</u>
Expenditures:						
Current expenditures:						
Public safety	4,394,368	—	—	—	376,723	4,771,091
Public works	2,342,104	2,335,600	—	—	5,504	4,683,208
Health and social services	22,910	—	—	—	—	22,910
Culture and recreation	3,654,792	—	—	—	594,989	4,249,781
Community and economic development	858,138	—	—	—	—	858,138
General government	1,271,661	—	—	—	—	1,271,661
Capital outlay	—	—	—	8,784,258	—	8,784,258
Debt service:						
Principal	40,000	23,340	2,470,000	—	—	2,533,340
Interest	77,078	1,422	1,021,446	—	—	1,099,946
Total expenditures	<u>12,661,051</u>	<u>2,360,362</u>	<u>3,491,446</u>	<u>8,784,258</u>	<u>977,216</u>	<u>28,274,333</u>
Excess (deficiency) of revenues over expenditures	<u>558,242</u>	<u>(13,113)</u>	<u>(507,276)</u>	<u>(8,528,846)</u>	<u>1,130,723</u>	<u>(7,360,270)</u>
Other financing sources (uses):						
General obligation bond proceeds	—	—	—	5,696,362	—	5,696,362
Transfers in	75,611	—	364,152	1,000,321	—	1,440,084
Transfers out	(107,750)	—	—	—	(1,256,723)	(1,364,473)
Total other financing sources (uses)	<u>(32,139)</u>	<u>—</u>	<u>364,152</u>	<u>6,696,683</u>	<u>(1,256,723)</u>	<u>5,771,973</u>
Net changes in fund balances	526,103	(13,113)	(143,124)	(1,832,163)	(126,000)	(1,588,297)
Fund balances at beginning of year, as restated	3,438,489	1,183,612	395,485	2,416,239	2,330,913	9,764,738
Fund balances at end of year	<u>\$ 3,964,592</u>	<u>1,170,499</u>	<u>252,361</u>	<u>584,076</u>	<u>2,204,913</u>	<u>8,176,441</u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances – governmental funds	\$	(1,588,297)
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>		
Capital outlays	\$	8,784,258
Depreciation expense		<u>(2,257,679)</u>
		6,526,579
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets		1,871,430
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the general fund.		32,336
In the statement of activities, certain operating expenses – compensated absences – are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (the amount actually paid). The current year difference is \$130,324 for vacation expense, and \$1,341 for sick leave expense.		(131,665)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		2,533,340
Issuance of bond principal is an “other financing source” in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(5,696,362)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expenses are recognized as the interest accrues, regardless of when it is due.		4,254
Bond issuance costs are reported as “other financing sources (uses)” in the governmental funds at the time of issuance. In the government-wide financial statements, these costs are amortized over the life of the debt issue.		(2,149)
An internal service fund is used by the City's management to charge the costs of equipment replacement, technology, general liability insurance, and the risk management program to the individual funds. The net loss of the internal service funds is reported with governmental activities.		<u>(154,526)</u>
Change in net assets of governmental activities	\$	<u><u>3,394,940</u></u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
General Fund

For the Year Ended June 30, 2004

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary basis</u>	<u>GAAP basis</u>
Revenues:				
Taxes	\$ 11,273,652	11,273,652	10,986,823	10,989,380
Licenses and permits	680,190	723,490	1,484,082	1,484,081
Use of money and property	125,000	125,000	71,256	74,358
Intergovernmental	508,000	616,980	314,736	314,736
Charges for service	913,150	991,550	1,669,522	1,686,028
Miscellaneous revenues	388,000	654,000	361,285	384,612
Total revenues	<u>13,887,992</u>	<u>14,384,672</u>	<u>14,887,704</u>	<u>14,933,195</u>
Expenditures:				
Current operating expenditures:				
Public safety	5,333,473	5,394,518	5,033,067	4,744,332
Public works	2,575,362	2,595,362	2,412,561	2,473,027
Health and social services	29,653	29,653	27,896	27,896
Culture and recreation	4,045,683	4,229,918	3,851,656	3,908,144
Community and economic development	992,027	1,268,027	948,709	985,833
General government	1,472,928	1,524,928	1,462,429	1,455,970
Total expenditures	<u>14,449,126</u>	<u>15,042,406</u>	<u>13,736,318</u>	<u>13,595,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(561,134)</u>	<u>(657,734)</u>	<u>1,151,386</u>	<u>1,337,993</u>
Other financing sources (uses):				
Transfers in	343,983	343,983	345,700	—
Transfers out	—	—	(164,700)	(164,700)
Total other financing sources (uses)	<u>343,983</u>	<u>343,983</u>	<u>181,000</u>	<u>(164,700)</u>
Net changes in fund balances	<u>(217,151)</u>	<u>(313,751)</u>	<u>1,332,386</u>	<u>1,173,293</u>
Fund balances – beginning	<u>4,115,993</u>	<u>4,115,993</u>	<u>4,115,993</u>	<u>3,964,592</u>
Fund balances – ending	<u>\$ 3,898,842</u>	<u>3,802,242</u>	<u>5,448,379</u>	<u>5,137,885</u>
Explanation of differences between budgetary basis and GAAP basis:				
Change in accrued revenues			45,491	
Change in accrued expenditures			(204,584)	
Net increase (decrease) in fund balance – budget to GAAP			<u>(159,093)</u>	

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
General Fund

For the Year Ended June 30, 2003

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary basis</u>	<u>GAAP basis</u>
Revenues:				
Taxes	\$ 10,381,118	10,421,936	10,117,998	10,131,027
Licenses and permits	654,925	708,125	973,578	973,578
Use of money and property	200,000	200,000	66,577	75,776
Intergovernmental	480,000	512,000	544,312	544,312
Charges for services	908,950	1,166,856	1,126,787	1,126,787
Miscellaneous	352,500	352,500	366,133	367,813
Total revenues	<u>12,977,493</u>	<u>13,361,417</u>	<u>13,195,385</u>	<u>13,219,293</u>
Expenditures:				
Public safety	4,689,854	4,689,854	4,382,174	4,394,368
Public works	2,499,527	2,499,527	2,390,157	2,342,104
Health and social services	26,153	26,153	22,910	22,910
Culture and recreation	3,732,600	3,946,265	3,666,125	3,654,792
Community and economic development	892,833	914,033	872,913	858,138
General government	1,356,537	1,365,537	1,349,238	1,388,739
Total expenditures	<u>13,197,504</u>	<u>13,441,369</u>	<u>12,683,517</u>	<u>12,661,051</u>
Excess (deficiency) of revenues over expenditures	<u>(220,011)</u>	<u>(79,952)</u>	<u>511,868</u>	<u>558,242</u>
Other financing sources (uses):				
Transfers in	—	—	75,611	75,611
Transfers out	—	—	(107,750)	(107,750)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(32,139)</u>	<u>(32,139)</u>
Net changes in fund balances	(220,011)	(79,952)	479,729	526,103
Fund balances at beginning of year, as restated	<u>3,636,264</u>	<u>3,636,264</u>	<u>3,636,264</u>	<u>3,438,489</u>
Fund balances at end of year	<u>\$ 3,416,253</u>	<u>3,556,312</u>	<u>4,115,993</u>	<u>3,964,592</u>
Explanation of differences between budgetary basis and GAAP basis:				
Change in accrued revenues			23,908	
Change in accrued expenditures			22,466	
Net change in fund balance - budget to GAAP basis			<u>46,374</u>	

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Road Use Tax Fund

For the Year Ended June 30, 2004

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary basis</u>	<u>GAAP basis</u>
Revenues:				
Intergovernmental	\$ 2,364,100	2,364,100	2,421,335	2,649,666
Expenditures:				
Public works	<u>2,565,438</u>	<u>2,565,438</u>	<u>2,549,089</u>	<u>2,807,362</u>
Net changes in fund balances	(201,338)	(201,338)	(127,754)	(157,696)
Fund balances at beginning of year	<u>1,031,899</u>	<u>1,031,899</u>	<u>1,031,899</u>	<u>1,170,499</u>
Fund balances at end of year	<u>\$ 830,561</u>	<u>830,561</u>	<u>904,145</u>	<u>1,012,803</u>
Explanation of differences between budgetary basis and GAAP basis:				
Change in accrued revenues			228,331	
Change in accrued expenditures			<u>(258,273)</u>	
Net change in fund balance – budget to GAAP basis			<u>(29,942)</u>	

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Road Use Tax Fund

For the Year Ended June 30, 2003

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary basis</u>	<u>GAAP basis</u>
Revenues:				
Intergovernmental	\$ 2,300,000	2,300,000	2,366,843	2,347,249
Expenditures:				
Public works	<u>2,379,006</u>	<u>2,419,006</u>	<u>2,400,468</u>	<u>2,360,362</u>
Net changes in fund balances	(79,006)	(119,006)	(33,625)	(13,113)
Fund balances at beginning of year, as restated	<u>1,065,524</u>	<u>1,065,524</u>	<u>1,065,524</u>	<u>1,183,612</u>
Fund balances at end of year	<u>\$ 986,518</u>	<u>946,518</u>	<u>1,031,899</u>	<u>1,170,499</u>
Explanation of differences between budgetary basis and GAAP basis:				
Change in accrued revenues			(19,594)	
Change in accrued expenditures			<u>40,106</u>	
Net change in fund balance – budget to GAAP basis			<u>20,512</u>	

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Net Assets –  
Proprietary Funds

June 30, 2004

<b>Assets</b>	<b>General liability</b>	<b>Equipment replacement</b>	<b>Technology</b>	<b>Risk management</b>	<b>Total governmental activities – Internal Service Funds</b>
<b>Current assets:</b>					
Cash and pooled cash investments	\$ 443,055	2,507,167	10,162	1,279,761	4,240,145
Interfund receivable	—	325,964	—	—	325,964
Capital assets, net	—	1,747,733	—	—	1,747,733
<b>Total assets</b>	<b>443,055</b>	<b>4,580,864</b>	<b>10,162</b>	<b>1,279,761</b>	<b>6,313,842</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts payable	7,380	11,247	—	—	18,627
Accrued liability	—	—	—	133,493	133,493
<b>Total liabilities</b>	<b>7,380</b>	<b>11,247</b>	<b>—</b>	<b>133,493</b>	<b>152,120</b>
<b>Net assets:</b>					
Invested in capital assets	—	1,747,733	—	—	1,747,733
Unrestricted	435,675	2,821,884	10,162	1,146,268	4,413,989
<b>Total net assets</b>	<b>\$ 435,675</b>	<b>4,569,617</b>	<b>10,162</b>	<b>1,146,268</b>	<b>6,161,722</b>

Statement of Net Assets –  
Proprietary Funds

June 30, 2003

<b>Assets</b>	<b>General liability</b>	<b>Equipment replacement</b>	<b>Technology</b>	<b>Risk management</b>	<b>Total governmental activities – Internal Service Funds</b>
<b>Current assets:</b>					
Cash and pooled cash investments	\$ 581,627	2,771,847	13,848	1,189,076	4,556,398
Capital assets, net	—	1,529,203	—	—	1,529,203
<b>Total assets</b>	<b>581,627</b>	<b>4,301,050</b>	<b>13,848</b>	<b>1,189,076</b>	<b>6,085,601</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts payable	1,556	—	3,782	—	5,338
Accrued liability	—	—	—	114,797	114,797
<b>Total liabilities</b>	<b>1,556</b>	<b>—</b>	<b>3,782</b>	<b>114,797</b>	<b>120,135</b>
<b>Net assets:</b>					
Invested in capital assets	—	1,529,203	—	—	1,529,203
Unrestricted	580,071	2,771,847	10,066	1,074,279	4,436,263
<b>Total net assets</b>	<b>\$ 580,071</b>	<b>4,301,050</b>	<b>10,066</b>	<b>1,074,279</b>	<b>5,965,466</b>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Revenues, Expenses, and Changes in  
Net Assets – Proprietary Funds

Year Ended June 30, 2004

	<b>General liability</b>	<b>Equipment replacement</b>	<b>Technology</b>	<b>Risk management</b>	<b>Total governmental activities – Internal Service Funds</b>
Operating revenues:					
Charges for services	\$ 243,762	644,480	—	1,162,358	2,050,600
Other	24,271	98,230	—	71,272	193,773
Total operating revenues	<u>268,033</u>	<u>742,710</u>	<u>—</u>	<u>1,233,630</u>	<u>2,244,373</u>
Operating expenses:					
Insurance premiums and claims	516,326	—	—	1,179,672	1,695,998
Data processing	—	—	22	—	22
Depreciation	—	536,973	—	—	536,973
Total operating expenses	<u>516,326</u>	<u>536,973</u>	<u>22</u>	<u>1,179,672</u>	<u>2,232,993</u>
Operating (loss) income	<u>(248,293)</u>	<u>205,737</u>	<u>(22)</u>	<u>53,958</u>	<u>11,380</u>
Nonoperating revenues:					
Interest income	3,897	35,195	118	18,031	57,241
Gain on sale of equipment	—	27,635	—	—	27,635
Total nonoperating revenues	<u>3,897</u>	<u>62,830</u>	<u>118</u>	<u>18,031</u>	<u>84,876</u>
(Loss) income before transfers	<u>(244,396)</u>	<u>268,567</u>	<u>96</u>	<u>71,989</u>	<u>96,256</u>
Transfers from other funds	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>100,000</u>
Change in net assets	<u>(144,396)</u>	<u>268,567</u>	<u>96</u>	<u>71,989</u>	<u>196,256</u>
Net assets at beginning of year	<u>580,071</u>	<u>4,301,050</u>	<u>10,066</u>	<u>1,074,279</u>	<u>5,965,466</u>
Net assets at end of year	<u>\$ 435,675</u>	<u>4,569,617</u>	<u>10,162</u>	<u>1,146,268</u>	<u>6,161,722</u>

Statement of Revenues, Expenses, and Changes in  
Net Assets – Proprietary Funds

Year Ended June 30, 2003

	<b>General liability</b>	<b>Equipment replacement</b>	<b>Technology</b>	<b>Risk management</b>	<b>Total governmental activities – Internal Service Funds</b>
Operating revenues:					
Charges for services	\$ 211,969	670,438	—	929,884	1,812,291
Other	22,931	—	—	39,604	62,535
Total operating revenues	<u>234,900</u>	<u>670,438</u>	<u>—</u>	<u>969,488</u>	<u>1,874,826</u>
Operating expenses:					
Insurance premiums and claims	418,676	—	—	1,107,024	1,525,700
Data processing	—	—	4,055	—	4,055
Depreciation	—	516,889	—	—	516,889
Total operating expenses	<u>418,676</u>	<u>516,889</u>	<u>4,055</u>	<u>1,107,024</u>	<u>2,046,644</u>
Operating (loss) income	<u>(183,776)</u>	<u>153,549</u>	<u>(4,055)</u>	<u>(137,536)</u>	<u>(171,818)</u>
Nonoperating revenues:					
Interest income	8,053	40,707	313	22,196	71,269
Gain on sale of equipment	—	21,634	—	—	21,634
Total nonoperating revenues	<u>8,053</u>	<u>62,341</u>	<u>313</u>	<u>22,196</u>	<u>92,903</u>
(Loss) income before transfers	<u>(175,723)</u>	<u>215,890</u>	<u>(3,742)</u>	<u>(115,340)</u>	<u>(78,915)</u>
Transfers to other funds	<u>—</u>	<u>(75,611)</u>	<u>—</u>	<u>—</u>	<u>(75,611)</u>
Change in net assets	<u>(175,723)</u>	<u>140,279</u>	<u>(3,742)</u>	<u>(115,340)</u>	<u>(154,526)</u>
Net assets at beginning of year	<u>755,794</u>	<u>4,160,771</u>	<u>13,808</u>	<u>1,189,619</u>	<u>6,119,992</u>
Net assets at end of year	<u>\$ 580,071</u>	<u>4,301,050</u>	<u>10,066</u>	<u>1,074,279</u>	<u>5,965,466</u>

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Cash Flows –  
Proprietary Funds

Year Ended June 30, 2004

	<u>General liability</u>	<u>Equipment replacement</u>	<u>Technology</u>	<u>Risk management</u>	<u>Total governmental activities – Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 268,033	416,746	—	1,233,630	1,918,409
Payments to suppliers	(510,502)	11,247	(3,804)	(1,160,976)	(1,664,035)
Net cash (used in) provided by operating activities	(242,469)	427,993	(3,804)	72,654	254,374
Cash flows from noncapital financing activities:					
Transfers from other funds	100,000	—	—	—	100,000
Cash flows from capital and related financing activities:					
Purchase of capital assets	—	(764,068)	—	—	(764,068)
Proceeds from sale of capital assets	—	36,200	—	—	36,200
Net cash used in capital and related financing activities	—	(727,868)	—	—	(727,868)
Cash flows from investing activities:					
Interest on investments	3,897	35,195	118	18,031	57,241
Net (decrease) increase in cash and cash equivalents	(138,572)	(264,680)	(3,686)	90,685	(316,253)
Cash and cash equivalents at beginning of year	581,627	2,771,847	13,848	1,189,076	4,556,398
Cash and cash equivalents at end of year	\$ 443,055	2,507,167	10,162	1,279,761	4,240,145
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:					
Operating (loss) income	\$ (248,293)	205,737	(22)	53,958	11,380
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities					
Depreciation	—	536,973	—	—	536,973
Change in accounts receivable	—	(325,964)	—	—	(325,964)
Change in accounts payable	5,824	11,247	(3,782)	18,696	31,985
Net cash (used in) provided by operating activities	(242,469)	427,993	(3,804)	72,654	254,374

Statement of Cash Flows –  
Proprietary Funds

Year Ended June 30, 2003

	<u>General liability</u>	<u>Equipment replacement</u>	<u>Technology</u>	<u>Risk management</u>	<u>Total governmental activities – Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 234,900	670,438	—	969,488	1,874,826
Payments to suppliers	(417,980)	(14,111)	(13,253)	(1,101,047)	(1,546,391)
Net cash (used in) provided by operating activities	(183,080)	656,327	(13,253)	(131,559)	328,435
Cash flows from noncapital financing activities:					
Transfers to other funds	—	(75,611)	—	—	(75,611)
Cash flows from capital and related financing activities:					
Purchase of capital assets	—	(125,390)	—	—	(125,390)
Proceeds from sale of capital assets	—	39,300	—	—	39,300
Net cash used in capital and related financing activities	—	(86,090)	—	—	(86,090)
Cash flows from investing activities:					
Interest on investments	8,053	40,707	313	22,196	71,269
Net (decrease) increase in cash and cash equivalents	(175,027)	535,333	(12,940)	(109,363)	238,003
Cash and cash equivalents at beginning of year	756,654	2,236,514	26,788	1,298,439	4,318,395
Cash and cash equivalents at end of year	\$ 581,627	2,771,847	13,848	1,189,076	4,556,398
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:					
Operating (loss) income	\$ (183,776)	153,549	(4,055)	(137,536)	(171,818)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities					
Depreciation	—	516,889	—	—	516,889
Change in accounts payable	696	(14,111)	(9,198)	5,977	(16,636)
Net cash (used in) provided by operating activities	(183,080)	656,327	(13,253)	(131,559)	328,435

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**

Statement of Fiduciary Net Assets

June 30, 2004

		<b>Agency Funds</b>	
<b>Assets</b>		<b>Collections and Deposits</b>	<b>Revolving Loan</b>
Cash and pooled cash investments	\$	416,093	125,317
Accounts receivable		50	—
Other assets		42,998	—
Total assets	\$	459,141	125,317
<b>Liabilities</b>			
Liabilities:			
Due to component unit	\$	31,273	—
Due to other governments		214,135	125,317
Deposits and remittances		213,733	—
Total liabilities	\$	459,141	125,317

Statement of Fiduciary Net Assets

June 30, 2003

		<b>Agency Funds</b>	
<b>Assets</b>		<b>Collections and Deposits</b>	<b>Revolving Loan</b>
Cash and pooled cash investments	\$	255,454	123,799
Other assets		44,198	—
Total assets	\$	299,652	123,799
<b>Liabilities</b>			
Liabilities:			
Due to component unit	\$	18,529	—
Due to other governments		133,991	123,799
Deposits and remittances due		147,132	—
Total liabilities	\$	299,652	123,799

See accompanying notes to financial statements.

**CITY OF URBANDALE, IOWA**  
Combining Statement of Changes in Net Assets  
and Liabilities – All Agency Funds  
Year Ended June 30, 2004

<b>Collections and Deposits Fund</b>	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2004</b>
Assets:				
Cash and pooled cash investments	255,454	1,346,540	1,185,901	416,093
Other assets	44,198	—	1,150	43,048
	<u>\$ 299,652</u>	<u>1,346,540</u>	<u>1,187,051</u>	<u>459,141</u>
Liabilities:				
Due to component unit	\$ 18,529	404,816	392,072	31,273
Due to other governments	133,991	774,911	694,767	214,135
Deposits and remittances due	147,132	166,813	100,212	213,733
	<u>\$ 299,652</u>	<u>1,346,540</u>	<u>1,187,051</u>	<u>459,141</u>
<b>Revolving Loan Fund</b>				
Assets:				
Cash and pooled cash investments	\$ 123,799	1,518	—	125,317
Liabilities:				
Due to other governments	\$ 123,799	1,518	—	125,317

Combining Statement of Changes in Net Assets  
and Liabilities – All Agency Funds  
Year Ended June 30, 2003

<b>Collections and Deposits Fund</b>	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2002</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2003</b>
Assets:				
Cash and pooled cash investments	280,195	845,979	870,720	255,454
Other assets	43,198	1,000	—	44,198
	<u>\$ 323,393</u>	<u>846,979</u>	<u>870,720</u>	<u>299,652</u>
Liabilities:				
Due to component unit	\$ 15,415	258,282	255,168	18,529
Due to other governments	121,939	478,451	466,399	133,991
Deposits and remittances due	186,039	110,246	149,153	147,132
	<u>\$ 323,393</u>	<u>846,979</u>	<u>870,720</u>	<u>299,652</u>
<b>Revolving Loan Fund</b>				
Assets:				
Cash and pooled cash investments	\$ 116,303	7,496	—	123,799
Liabilities:				
Due to other governments	\$ 116,303	7,496	—	123,799

See accompanying notes to financial statements.



## CITY OF URBANDALE, IOWA

### Notes to Financial Statements

June 30, 2004 and June 30, 2003

#### (1) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies employed in the preparation of these financial statements.

##### (a) *The Financial Reporting Entity*

The City of Urbandale, Iowa, (the City) is located in Polk County and was incorporated in 1917 under the laws of the state of Iowa (the State), later amended in July 1975 under the Home Rule City Act. The City operates by ordinance under the mayor-council-manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

In accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the City is financially accountable. The reporting entity includes those of the City of Urbandale (the Primary Government) and its Component Unit. The City has also considered all other potential organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Based on these criteria, there are no organizations or agencies other than the Component Unit that should be included in these basic financial statements.

##### (b) *Discretely Presented Component Unit*

The Component Unit column in the financial statements presents the financial data of the Urbandale Water Utility d/b/a Urbandale Water Department (Water Utility). The Water Utility is governed by a three-member board appointed by the City Council (the Council), and the Water Utility's operating budget is subject to the approval of the Council. Accordingly, financial accountability exists and the Water Utility is presented in the reporting entity, although it is legally separate from the City. The Water Utility provides water service exclusively to the citizens of Urbandale on behalf of the City. Complete financial statements of the Water Utility can be obtained directly from its administrative office at the following address:

Urbandale Water Utility  
d/b/a Urbandale Water Department  
3720 86<sup>th</sup> Street  
Urbandale, IA 50322

##### (c) *Measurement Focus, Basis of Accounting, and Basis of Presentation*

Under GASB 34, the annual financial report will now include two separate sets of statements, the government-wide financial statements and the fund financial statements. The measurement focus, basis of accounting and basis of presentation differs between the government-wide financial statements and the fund financial statements. These differences, along with an explanation of the

## CITY OF URBANDALE, IOWA

### Notes to Financial Statements

June 30, 2004 and June 30, 2003

differing purposes and information provided by these separate financial statements, are described in the sections below.

**Government-wide Financial Statements** – The government-wide financial statements (i.e., the statement of net assets and statement of changes in net assets) report information on all of the non-fiduciary activities of the City and its Component Unit using the *economic resources measurement* focus and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the City's and Component Unit's net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's various functions, where elimination would distort the direct costs and program revenues reported for the various functions concerned.

The structure of the government-wide financial statements is described in the following two paragraphs.

**Statement of Net Assets** – This statement is designed to display the financial position of the City and Component Unit. The City and Component Unit report all capital assets, including infrastructure, and all long-term liabilities, such as long-term debt. The net assets are broken down into three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Restrictions shown are those imposed by parties outside the City, such as creditors, grantors, contributors, and laws and regulations of other governments. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Internal service funds have been combined into the governmental of business-type activities that they primarily benefit.

**Statement of Activities** – This statement demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, and 3) operating grants and contributions. Taxes and other items not included among program revenues are reported as general revenues. Just as the statement of net assets includes all capital assets, the statement of activities includes all depreciation expenses. In the statement of activities, the operations of internal service funds have been consolidated into the governmental activities that they primarily benefit.

**Fund Financial Statements** - The accounts of the City are organized on the basis of funds or account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid

## CITY OF URBANDALE, IOWA

### Notes to Financial Statements

June 30, 2004 and June 30, 2003

management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

#### ***Governmental Funds***

Governmental fund financial statements are reported using the *financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus results in the reporting of only near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after year-end. Other revenues are considered to be available if they are expected to be received within one year. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

In applying the “susceptible to accrual” concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, and charges for services. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Fines, forfeitures, licenses, and permit revenues are recorded when the City receives cash because they are generally not measurable until actually received. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property tax receivable is recognized at the time an enforceable legal claim is established, which is March 15, the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represent unpaid taxes for the current and prior years. These delinquent property taxes are not material and are not recorded as receivables. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred, and will not be recognized as revenue until the year for which it is levied.

Property taxes are levied on July 1 and are payable in two installments on September 30 and March 31 of the fiscal year, with a 1½% per month penalty for delinquent payments; are based on January 1, 2002 assessed property valuations; are for the tax accrual period July 1, 2003 through June 30, 2004; and reflect the tax asking contained in the budget certified by the City in March 2003.

The City reports the following major governmental funds:

- *General Fund* – used to account for the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other

## CITY OF URBANDALE, IOWA

### Notes to Financial Statements

June 30, 2004 and June 30, 2003

fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, sanitation, parks, library, and recreation programs, are accounted for in this fund.

- *Road Use Tax Fund* – utilized to account for the operations of street maintenance. Financing is provided by the City's share of state gasoline taxes, which are received on a per capita basis. State law requires these revenues to be received and disbursed in a special revenue fund.
- *Debt Service Fund* – used to account for the funding and payment of interest and principal of general obligation debt of the City.
- *Capital Projects Fund* – utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that are financed through internal service funds.

#### ***Proprietary Funds***

The proprietary funds are used to account for a government's ongoing operations and activities that are similar to those often found in the private sector. The proprietary funds use the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the fund net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges for services. Operating expenses include the cost of services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The following comprises the City's proprietary fund:

- *Internal Service Funds* – utilized to finance and account for services and commodities furnished by designated departments or agencies to other departments or agencies within the City.

#### ***Fiduciary Funds***

The fiduciary funds are used to account for assets held as an agent for others in an agency capacity. The agency funds are custodial in nature and do not present results of operations. The funds are accounted for using the modified accrual basis of accounting.

#### **(d) *Restatement of Beginning Fund Balances/Net Assets***

Effective July 1, 2002, the City implemented several new accounting standards issued by the GASB. A general description of the accounting standards issued by the GASB that became effective is as follows:

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, establishes new guidance for the measurement and display of

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

information in the financial statements, as well as related note disclosures and required supplementary information. Significant provisions of GASB Statement No. 34 include the following:

- Management's Discussion and Analysis (MD&A) section, providing an analysis of the City's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for the City's activities within the government-wide financial statements
- Infrastructure reporting
- Focus of major funds in the fund financial statements

GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, amended GASB Statement No. 21, *Accounting for Escheat Property*, and GASB Statement No. 34. It clarifies certain provisions of GASB Statement No. 34 for more consistent application, and modified other provisions to meet changing requirements.

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, modified, established, and rescinded certain financial statement disclosure requirements.

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*, clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in the governmental funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The City has implemented the general provisions of the GASB Statement No. 34 and retroactively reported infrastructure in the year ended June 30, 2003. The gross cost of capital assets and accumulated depreciation at June 30, 2002 were restated to capitalize assets and record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. Net infrastructure assets of \$70,423,109 were reported as of July 1, 2003.

The City's beginning fund balances were restated for the fiscal year ending 2003 to reflect the implementation of GASB Statement No. 34 and GASB Interpretation No. 6. The principal effect of implementation of these pronouncements on governmental funds was the removal of the compensated balances in the governmental funds and the reallocation of fund balances between governmental and fiduciary funds. Under the new GASB 34 fund structure, expendable trust funds no longer exist and were reclassified to special revenue funds.

The effect of the implementation of GASB Statement No. 34 and GASB Interpretation No. 6 was as follows for the governmental funds:

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

	<b>General Fund</b>	<b>Road Use Tax Fund</b>	<b>Nonmajor governmental funds</b>
Fund balances as of June 30, 2002, as previously reported	\$ 3,247,436	1,108,719	1,044,435
Increase due to implementation of GASB Statement No. 34 and GASB Interpretation No. 6	191,053	74,893	1,286,478
Fund balances as of June 30, 2002, as restated	\$ 3,438,489	1,183,612	2,330,913

Implementation of the new standards had no effect on the net assets of the Component Unit.

**(e) Budgetary and Appropriation Data**

State law mandates that annual budgets for funds other than Agency and Internal Service for the fiscal year beginning July 1 must be certified to the county auditor no later than March 15, preceding the beginning of the fiscal year. The Council also annually adopts a five-year capital improvement plan. The review and adoption of a budget are handled in accordance with state laws, as there is no City ordinance governing the budget process. Preliminary review of all operating budget requests is conducted by the City Manager (the Manager) at a departmental level. The Manager's budget, considered as a plan of financial operation, along with proposed sources of revenues, is presented to the Council at least two months prior to certification. The Council holds hearings with the Manager, department heads, boards, and commissions, as well as a public hearing, prior to adopting a budget. By resolution, the Council adopts a budget effective July 1 and certifies it to the county auditor, who, in turn, certifies the City's budget to the State Department of Management. This budget becomes the appropriation and is prepared on a cash basis (budget basis).

Amendments to the budget are considered annually only if revenue sources are available (i.e., unanticipated revenues and budget surpluses). There can be no additional levy of property taxes. The actual amendment process, as prescribed by state law, is identical to the procedures followed for the original budget, including certification. The budgets for the fiscal years ending June 30, 2004 and 2003 were amended during the year to allow the City to increase program expenditures by \$593,280 and \$283,865, respectively, and increased program revenues by \$496,680 and \$343,106, respectively. The 2003 amendment was obtained to provide for public works facility costs, unexpected library expenses, and GASB 34 conversion costs through intergovernmental revenue, miscellaneous revenue, and available fund balances. The 2004 amendment was obtained to provide for public safety equipment, public works and community and economic development overtime costs, unexpected library expenses, funding a business expansion loan, and GASB 34 conversion costs through intergovernmental revenues and grants, miscellaneous fee revenues, and available fund balances.

The legal level of budget control is by program expenditure (i.e., public safety, public works, health and social services, culture and recreation, community and economic development, general

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

government, debt service, and capital projects) for all budgeted funds in total; however, emphasis is placed on monitoring budgets by individual funds and by major classifications within program expenditures, such as personnel, operations and maintenance, and capital outlay. Deviations from budgeted amounts by major classifications within programs must be approved by the Manager. Monthly reports are prepared by department and program to monitor program expenditures and legally budgeted amounts. All appropriations lapse at the end of the fiscal year.

For the years ended June 30, 2004 and 2003, expenditures did not exceed appropriations in any of the City's major funds that have a legally adopted budget.

State law allows budgeting and accounting to be on a cash basis rather than on a generally accepted accounting principles (GAAP) basis. A reconciliation of the differences between the budgetary and GAAP basis for the years ended June 30, 2004 and 2003 are presented for the General Fund and the major special revenue fund in the statements.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

The following table, which includes the legally adopted budgets of all General, Special Revenue, Debt Service, and Capital Projects Funds, has been prepared to demonstrate legal compliance by comparing total program expenditures with the legal budget at June 30, 2004 and 2003:

<b>Program</b>	<b>2004</b>		
	<b>All budgeted funds expenditures – budget basis</b>		
	<b>Original budget</b>	<b>Amended budget</b>	<b>Actual</b>
Current:			
Public safety	\$ 5,333,473	5,394,518	5,070,809
Public works	5,140,800	5,160,800	4,961,650
Health and social services	29,653	29,653	27,896
Culture and recreation	4,700,333	4,884,568	4,328,429
Community and economic development	992,027	1,268,027	971,440
General government	1,472,928	1,524,928	1,462,429
Debt service	4,164,731	4,164,731	4,155,709
Capital outlay	14,140,400	14,140,400	5,827,518

<b>Program</b>	<b>2003</b>		
	<b>All budgeted funds expenditures – budget basis</b>		
	<b>Original budget</b>	<b>Amended budget</b>	<b>Actual</b>
Current:			
Public safety	\$ 4,689,854	5,028,340	4,761,193
Public works	4,878,533	4,918,533	4,796,100
Health and social services	26,153	26,153	22,910
Culture and recreation	4,396,850	4,610,515	4,259,504
Community and economic development	892,833	914,033	872,913
General government	1,356,537	1,365,537	1,349,238
Debt service	3,580,065	3,580,065	3,491,446
Capital outlay	8,502,800	8,502,800	2,567,664

The cash disbursements of the Component Unit were \$8,259,496 and \$7,184,899, compared to a legal budget of \$8,287,472 and \$7,748,982, for the years ended June 30, 2004 and 2003, respectively.

**(f) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

**(g) Encumbrances**

The fund balances in the governmental fund are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, because the City intends to honor these purchase commitments. The City does not treat encumbrances as expenditures for GAAP purposes.

**(h) Fund Balance Reserves**

Governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assets not available for spending in the subsequent year's budget are long-term and subsequent years' receivables, inventories, and prepaid items.

**(i) Cash and Pooled Cash Investments**

Except for the Component Unit, the City maintains a cash and investment pool that is available for use by all funds. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. These pooled deposits are invested on a short-term basis, and interest income is generally allocated to each participating fund based upon the percentage of its average balance.

The City's investments are all participating interest-earning contracts with maturities at purchase of less than one year, and are carried at amortized cost as permitted by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

For purposes of the statement of cash flows, the Proprietary Fund considers all investments with a maturity of three months or less when purchased to be cash equivalents.

Cash equivalents of the Component Unit include a money market account and an investment in the Iowa Public Agency Investment Trust (IPAIT), which is valued at amortized cost pursuant to Rule 27a-7 under the Investment Company Act of 1940 and is not subject to risk categorization. IPAIT was established under Iowa law to authorize cities, counties, and municipal utilities to jointly invest. IPAIT invests only in permitted investments as specified for public agencies by Iowa law. The board of trustees of IPAIT meets quarterly to monitor investment compliance and performance.

**(j) Inventories**

Inventories of materials and supplies are valued at average cost. Inventories are recorded as an expenditure at the time of consumption.

**(k) Unbilled Revenues**

Utilizing the first billing subsequent to year-end, the Component Unit accrues unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

**(l) Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, equipment, construction in progress, artwork, infrastructure, and the City's share of assets in an undivided equity interest, are defined by the City as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost of purchased or constructed assets. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements and Component Unit, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Capital assets not being depreciated include land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	40
Improvements other than buildings	5 – 30
Vehicles and equipment	3 – 20
Distribution system	50
Artwork	20
Infrastructure	10 – 65
Share of undivided equity interest assets	5 – 15

**(m) Deferred Revenues**

Although certain revenues are measurable, they are not available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred revenue at the fund level represents the amount of assets that have been recognized, but the related revenue has not been recognized since it is not available. Deferred revenue at the fund level consists of the succeeding year property tax receivable and other receivables not collected within 60 days after year-end. Deferred revenue at the government-wide level consists of the succeeding year property tax receivable.

**(n) Long-term Debt**

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the statements of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, in the period issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources and discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

received, are reported as expenditures. Interest is reported as an expenditure in the period in which the related payment is made.

**(o) *Compensated Absences***

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated vacation and sick leave are reported as an expense and an accrued liability, as the benefits accrue to employees in the government-wide financial statements as well as in the Component Unit. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

**(p) *Performance-based Bonuses***

City employees receive performance-based bonuses. Bonuses are reported as an expense and an accrued liability in the government-wide statements and in governmental fund statements, as bonus salary is earned during the year and paid in the subsequent year.

**(q) *Self-insurance***

The City is partially self-insuring for employee health insurance through stop-loss insurance, which provides coverage for claims in excess of \$30,000 and \$35,000 per employee and \$995,580 and \$935,245 in the aggregate for June 30, 2004 and 2003, respectively. The operating funds are charged premiums (based upon historical claim experience) by the Risk Management Fund, which is accounted for as an Internal Service Fund. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year-end, including claims incurred but not yet reported, and is classified with accounts payable.

The table below presents the changes in claim liabilities for the past two years for the City's employee health insurance:

	<b>2004</b>	<b>2003</b>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 114,750	108,820
Incurred claims and claim adjustment expenses	908,694	770,930
Payments	(889,951)	(765,000)
Total unpaid claims and claim adjustment expenses at end of the fiscal year	\$ 133,493	114,750

**(2) Cash and Pooled Cash Investments and Cash Equivalents**

The City's and its Component Unit's deposits at June 30, 2004 and 2003 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the City or the City's agent in the City's name, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

The investment interest income of the Road Use Tax Fund has been assigned to the City's General Fund.

The City is authorized by state statute to invest public funds in obligations of the United States Government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain highly rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Certificates of deposit are classified as cash and pooled cash investments in the financial statements and are included with bank deposits in this note.

The cash equivalents of the City at June 30, 2004 and 2003 are \$22,560,181 and \$19,207,701, respectively.

The cash equivalents of the Component Unit at June 30, 2004 and 2003 are composed of \$116,831 and \$116,130 in Iowa Public Agency Investment Trust and \$1,929,667 and \$776,912, respectively, in a money market account.

**(3) Restricted Assets**

Customer deposits are separately disclosed in the balance sheet of the Component Unit.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

**(4) Capital Assets**

Capital assets activity for the primary government for the years ended June 30, 2004 and 2003 is as follows:

	<b>July 1, 2003</b>			<b>June 30, 2004</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,989,565	867,846	—	3,857,411
Construction in progress	108,240	272,025	306,306	73,959
Right of way	—	31,200	—	31,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets not being depreciated	3,097,805	1,171,071	306,306	3,962,570
Capital assets being depreciated:				
Equipment	6,499,971	1,196,355	499,372	7,196,954
Buildings	14,035,103	—	—	14,035,103
Improvements other than buildings	1,769,712	64,884	—	1,834,596
Artwork	243,150	—	—	243,150
Infrastructure	70,758,148	14,644,195	—	85,402,343
Share of undivided equity interest assets	441,616	—	915	440,701
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	93,747,700	15,905,434	500,287	109,152,847
Less accumulated depreciation for:				
Equipment	3,164,958	749,060	490,805	3,423,213
Buildings	1,945,714	280,376	—	2,226,090
Improvements other than buildings	174,648	71,202	—	245,850
Artwork	33,066	12,158	—	45,224
Infrastructure	12,930,346	1,721,253	—	14,651,599
Share of undivided equity interest assets	184,819	48,758	—	233,577
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	18,433,551	2,882,807	490,805	20,825,553
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, net	\$ 78,411,954	14,193,698	315,788	92,289,864

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

	<u>July 1, 2002</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2003</u> <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,989,565	—	—	2,989,565
Construction in progress	412,537	2,038,949	2,343,246	108,240
Total capital assets not being depreciated	<u>3,402,102</u>	<u>2,038,949</u>	<u>2,343,246</u>	<u>3,097,805</u>
Capital assets being depreciated:				
Equipment	5,917,124	765,483	182,636	6,499,971
Buildings	14,035,103	—	—	14,035,103
Improvements other than buildings	1,257,312	512,400	—	1,769,712
Artwork	243,150	—	—	243,150
Infrastructure	61,095,248	9,662,900	—	70,758,148
Share of undivided equity interest assets	284,124	157,492	—	441,616
Total capital assets being depreciated	<u>82,832,061</u>	<u>11,098,275</u>	<u>182,636</u>	<u>93,747,700</u>
Less accumulated depreciation for:				
Equipment	2,629,146	687,882	152,070	3,164,958
Buildings	1,665,338	280,376	—	1,945,714
Improvements other than buildings	104,361	70,287	—	174,648
Artwork	20,908	12,158	—	33,066
Infrastructure	11,267,612	1,662,734	—	12,930,346
Share of undivided equity interest assets	123,689	61,130	—	184,819
Total accumulated depreciation	<u>15,811,054</u>	<u>2,774,567</u>	<u>152,070</u>	<u>18,433,551</u>
Total capital assets, net	\$ <u>70,423,109</u>	<u>10,362,657</u>	<u>2,373,812</u>	<u>78,411,954</u>

Depreciation expense of \$2,882,807 and \$2,774,567 for the years ended June 30, 2004 and 2003, respectively, was charged to the following governmental functions:

	<u>2004</u>	<u>2003</u>
Public safety	\$ 315,360	272,322
Public works	2,121,379	2,015,409
Culture and recreation	361,644	414,567
Community and economic development	17,650	15,751
General government	66,774	56,518
Total depreciation expense	\$ <u>2,882,807</u>	<u>2,774,567</u>

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

Capital asset activity for the Component Unit for the years ended June 30, 2004 and 2003 is as follows:

		<b>2004</b>			
		<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Capital assets being depreciated:					
Equipment	\$	574,496	63,924	27,481	610,939
Buildings		1,181,173	—	—	1,181,173
Distribution system		15,438,370	1,402,612	8,860	16,832,122
Total capital assets being depreciated		17,194,039	1,466,536	36,341	18,624,234
Less accumulated depreciation for:					
Equipment		386,511	54,960	27,481	413,990
Buildings		285,256	13,541	6,802	291,995
Distribution system		4,421,434	335,261	—	4,756,695
Total accumulated depreciation		5,093,201	403,762	34,283	5,462,680
Total capital assets, net		\$ 12,100,838	1,062,774	2,058	13,161,554
		<b>2003</b>			
		<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Capital assets being depreciated:					
Equipment	\$	539,661	51,027	16,192	574,496
Buildings		1,181,173	—	—	1,181,173
Distribution system		14,663,525	782,022	7,177	15,438,370
Total capital assets being depreciated		16,384,359	833,049	23,369	17,194,039
Less accumulated depreciation for:					
Equipment		351,734	50,969	16,192	386,511
Buildings		254,639	30,617	—	285,256
Distribution system		4,119,051	309,130	6,747	4,421,434
Total accumulated depreciation		4,725,424	390,716	22,939	5,093,201
Total capital assets, net		\$ 11,658,935	442,333	430	12,100,838

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

**(5) Long-term Obligations**

**(a) General Obligation Bonds**

Details of general obligation bonds payable at June 30, 2004 and 2003 are as follows:

	Date of issue	Interest rates	Final due date	Annual principal payments	Amount originally issued	Amount outstanding June 30, 2004	Amount outstanding June 30, 2003
Street and sewer	11/15/94	6.00 to 6.05	6/04	300,000	1,750,000	—	300,000
Street, fire, and refunding	11/01/95	4.65 to 5.25	6/11	250,000 to 400,000	3,835,000	2,475,000	2,725,000
Street and fire	02/01/96	4.75 to 4.95	6/06	225,000 to 250,000	1,900,000	475,000	700,000
Street	12/16/97	4.30 to 4.35	6/07	200,000 to 250,000	1,920,000	750,000	950,000
Street	10/06/98	4.15 to 4.40	6/09	225,000 to 350,000	2,535,000	1,575,000	1,825,000
Library/misc.	08/01/99	4.30 to 4.88	6/14	300,000 to 575,000	6,520,000	4,360,000	4,835,000
Library/park	05/15/00	4.88 to 5.35	6/14	275,000 to 650,000	6,025,000	4,585,000	4,975,000
Street, park, and public works improvements	08/22/01	3.30 to 4.30	6/11	100,000 to 200,000	1,450,000	950,000	1,050,000
Street, park, and public works improvements	09/17/02	2.25 to 3.5	6/13	330,000 to 725,000	5,720,000	5,010,000	5,340,000
Street, park, and public works improvements	08/19/03	2.00 to 3.75	6/14	500,000 to 810,000	7,155,000	6,655,000	—
						\$ 26,835,000	22,700,000

**(b) Government Loans Payable**

The City and two other cities have jointly received loan monies from the State in connection with the construction of certain transportation improvements. At June 30, 2004 and 2003, the City's share of loan monies, which bear interest at 1%, was \$0 and \$24,040, respectively. Annual loan payments started on August 1, 1992 and continued through May 1, 2004.

The Component Unit has an agreement with the City of Des Moines, Iowa, Board of Water Works Trustees (Water Works). Water Works issued revenue bonds, part of which were used to improve the capabilities of the City-owned booster station. The Component Unit has agreed to repay to Water Works the costs associated with the capital assets developed by Water Works in conjunction with this construction project. At June 30, 2004 and 2003, the Component Unit was obligated to repay to Water Works \$63,522 and \$87,512, respectively, plus 3.0% to 3.4% interest, in conjunction with this project, and the amount is recorded as a government loan payable.

**(c) General Obligation Certificates of Participation**

In 2000, the City issued \$1,430,000 in General Obligation Certificates of Participation for acquiring a structure to house the City's Departments of Community Development and Engineering/Public Works. Principal payments range from \$45,000 to \$120,000, with interest rates from 5.15% to 6.65%. Total outstanding principal at June 30, 2004 and 2003 was \$1,265,000 and \$1,310,000, respectively, with the final payment due June 2020.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

The annual principal and interest requirements to maturity for obligations at June 30, 2004 are as follows:

<b>Years ending June 30</b>	<b>General obligation bonds</b>	<b>General obligation certificates of participation</b>	<b>Government loan payable Component Unit</b>
2005	4,126,403	116,425	26,392
2006	4,074,506	118,433	26,695
2007	3,969,945	120,307	14,230
2008	3,877,744	121,870	—
2009	3,750,119	118,120	—
2010–2014	12,421,339	613,275	—
2015–2019	—	622,605	—
2020–2021	—	126,900	—
	<b>\$ 32,220,056</b>	<b>1,957,935</b>	<b>67,317</b>

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

Changes in long-term obligations for the years ended June 30, 2004 and 2003 are as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due within 1 year</u>
<b>Primary government:</b>					
General obligation bonds	\$ 22,700,000	7,155,000	3,020,000	26,835,000	3,055,000
General obligation certificates of participation	1,310,000	—	45,000	1,265,000	45,000
Government loans payable	24,040	—	24,040	—	—
Compensated absences	810,341	65,232	—	875,573	—
	<u>\$ 24,844,381</u>	<u>7,220,232</u>	<u>3,089,040</u>	<u>28,975,573</u>	<u>3,100,000</u>
<b>Component unit:</b>					
Government loans payable	\$ 87,512	—	23,990	63,522	24,335
Compensated absences	100,680	—	3,247	97,433	—
	<u>\$ 188,192</u>	<u>—</u>	<u>27,237</u>	<u>160,955</u>	<u>24,335</u>
	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Due within 1 year</u>
<b>Primary government:</b>					
General obligation bonds	\$ 19,450,000	5,720,000	2,470,000	22,700,000	2,520,000
General obligation certificates of participation	1,350,000	—	40,000	1,310,000	45,000
Government loans payable	47,380	—	23,340	24,040	24,040
Compensated absences	678,676	131,665	—	810,341	—
	<u>\$ 21,526,056</u>	<u>5,851,665</u>	<u>2,533,340</u>	<u>24,844,381</u>	<u>2,589,040</u>
<b>Component unit:</b>					
Government loans payable	\$ 109,770	—	22,258	87,512	23,990
Compensated absences	83,131	17,549	—	100,680	—
	<u>\$ 192,901</u>	<u>17,549</u>	<u>22,258</u>	<u>188,192</u>	<u>23,990</u>

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

The City and the Component Unit do not provide the detail for additions and reductions in compensated absences during the year, and the activity listed above reflects the net change during the year.

2003- 2004 assessed valuation (unaudited)	\$ 2,306,012,540
Debt limit – 5% of assessed valuation	\$ 115,300,627
Amount of debt applicable to debt limit:	
General obligation bonds certificates of participation	(1,265,000)
General obligation bonds	<u>(26,835,000)</u>
Legal debt margin	<u>\$ 87,200,627</u>

**(6) Retirement Plans**

**(a) Plan Descriptions**

The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRS) and the Iowa Public Employees Retirement System (IPERS), which are cost-sharing multiple-employer, defined benefit pension plans. MFPRS administers its own plan, while the IPERS plan is administered by the State of Iowa. MFPRS and IPERS provide retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute and vest after four years of credited service. MFPRS and IPERS issue publicly available financial reports that include financial statements and required supplementary information for the respective plans. The reports may be obtained by contacting the respective organizations at the following addresses:

Municipal Fire and Police Retirement System of Iowa 2836 104 <sup>th</sup> Street Urbandale, IA 50322	IPERS PO Box 9117 Des Moines, IA 50306
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**(b) Funding Policy**

MFPRS and IPERS plan members are required to contribute a percentage of their annual covered salary, and the City is required to contribute at an actuarially determined rate of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The contribution rates for plan members and the City in years ended June 30, 2004, 2003, and 2002 under the two plans were as follows:

	Plan member contributions			City contributions		
	2004	2003	2002	2004	2003	2002
IPERS – Basic	3.70 %	3.70	3.70	5.75	5.75	5.75
MFPRS	9.35	9.35	9.35	20.48	17.00	17.00

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

The City's contributions to MFPRS and IPERS for the years ended June 30, 2004, 2003, and 2002 were equal to the required contributions for each year as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
IPERS	\$ 317,298	317,960	282,153
MFPRS	452,452	347,979	338,521

The Component Unit's contributions to IPERS for the years ended June 30, 2004 and 2003, and 2002 were \$45,481, \$38,827, and \$37,026, respectively.

**(7) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created and administered in accordance with Internal Revenue Code, Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All assets and income of the plan are held in trusts established for the exclusive benefit of eligible participants and their beneficiaries, in accordance with Internal Revenue Code, Section 457(g). No part of the trusts shall revert to the City or be used for or diverted to purposes other than the exclusive benefit of participants and their beneficiaries. Third-party administrators who act in a trustee capacity manage the plans. Accordingly, these plan assets are not reported in the City's financial statements.

**(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees; and natural disasters. The City maintains a Risk Management Fund (an Internal Service Fund) to account for its uninsured risks of loss. The Risk Management Fund provides employee health and group life insurance coverage for City employees. Workers' compensation and general liability and auto liability coverages are provided through the City's participation in self-insurance risk pools, as described in the subsequent paragraphs. Commercial insurance is purchased for all other risks of loss. Settlements have not exceeded coverages for each of the past three fiscal years.

**(a) Iowa Municipalities Workers' Compensation Association**

The City is a member of the Iowa Municipalities Workers' Compensation Association (the Association), which was established to provide members a group self-insurance program for their workers' compensation liabilities. Approximately 300 cities and counties participate in the Association. The members participating in the Association to manage and conduct the business and affairs of the Association elect a board of trustees consisting of seven members. The City's share of assets, liabilities, and equity of the Association as of June 30, 2004 and 2003 is 2.17%.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

The following table sets forth summarized financial data of the Association as of June 30, 2004 and 2003:

	<b>2004</b>	<b>2003</b>
Cash and cash equivalents	\$ 7,880,888	12,571,861
Investments	15,079,880	7,482,090
Receivables	814,103	256,817
Other assets	668,545	737,806
Total assets	\$ 24,443,416	21,048,574
Total liabilities	\$ 18,559,769	13,403,040
Total equity	5,883,647	7,645,534
Total liabilities and equity	\$ 24,443,416	21,048,574
Total revenues	\$ 11,566,162	9,939,921
Total expenses	13,328,049	9,907,478
Distribution to members	—	355,255
Net decrease in equity	\$ (1,761,887)	(322,812)

**(b) Iowa Communities Assurance Pool**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expense, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions, which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the years ended June 30, 2004 and 2003 were \$288,123 and \$249,206, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004 and 2003, no liability has been recorded in the City's financial statements. As of June 30, 2004 and 2003, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions however, the refund is reduced by an amount equal to the annual operating contribution that the withdrawing member would have made for the one-year period following withdrawal.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

**(9) Commitments**

**(a) Construction and Purchase Commitments**

At June 30, 2004 and 2003, the following construction and purchase commitments had been made:

		<b>2004</b>	
<b>Project</b>		<b>Costs incurred to date</b>	<b>Total contracts</b>
Capital projects fund	\$	3,886,145	11,526,925
General fund		69,071	72,725
Special revenue fund – Road Use Tax		—	554,400
Total	\$	3,955,216	12,154,050
		<b>2003</b>	
<b>Project</b>		<b>Costs incurred to date</b>	<b>Total contracts</b>
Capital projects fund	\$	321,221	6,539,443
General fund		128,969	6,442
Special revenue fund – Road Use Tax		—	616,081
Total	\$	450,190	7,161,966

**(b) Joint Operation**

In August of 2000, the City entered into a joint operation of a centralized emergency dispatch center (Westcom) with two other Des Moines suburbs. Westcom was established as an undivided interest ownership arrangement, whereby title to assets in Westcom are held individually by the City and the other two Des Moines suburbs. The City showed expenditures of \$345,929 and \$387,113 and has an undivided interest in assets of the operation, net of depreciation, totaling \$207,124 and \$256,797 as of June 30, 2004 and 2003, respectively.

**(c) Principal Park Renovation Pledge**

The City, in conjunction with seven other governmental entities, pledged to pay the annual debt service on \$750,000 of City of Des Moines debt through future anticipated hotel/motel receipts to assist in the renovation of Principal Park, formerly known as Sec Taylor Stadium, a triple-A baseball facility located in downtown Des Moines. The City's portion of the pledge is in the form of a loan repayment over 15 years. The pledge is allocated based upon the City's pro-rata share of total hotel/motel tax collections of all seven entities for the year preceding the due date of the debt service obligation. The City made payments totaling \$13,469 and \$13,943 during the years ended June 30, 2004 and 2003, respectively.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

**(d) Iowa Events Center**

During the years ended June 30, 2004 and 2003, the City Council allocated \$64,000 for the Iowa Events Center.

**(e) Des Moines Water Works**

The Component Unit has entered into agreements with Water Works for the construction of Water Works-owned booster stations, treatment plant, feeder mains, and a storage tank, which will enhance service to the City. Water Works designed, constructed, and financed the booster stations, a treatment plant, feeder mains, and a storage tank through the issuance of revenue bonds. The Component Unit has agreed to contribute to Water Works \$9,175,537, plus interest at 3.0% to 5.4%, in conjunction with these projects.

Future minimum payments in conjunction with these commitments are:

Years ending June 30:	
2005	\$ 1,218,463
2006	1,216,498
2007	1,215,366
2008	1,120,997
2009	692,901
2010–2014	3,472,106
2015–2018	2,373,811
	<hr/>
	\$ 11,310,142
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**(f) Loan Guarantees**

The City is providing loan guarantees for the Urbandale Soccer Club, the Urbandale Girls Recreation Association, and the Urbandale Little League, which approximated \$564,000 at June 30, 2004 and 2003. Management believes it is unlikely that they will be required to pay out on these guarantees.

**CITY OF URBANDALE, IOWA**

Notes to Financial Statements

June 30, 2004 and June 30, 2003

**(g) Conduit Debt**

From time to time, the City has issued Industrial Development Revenue Bonds, under the provisions of Chapter 419 of the Code of Iowa, to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004 and 2003, there were three series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of \$8,582,736 and \$10,207,236, respectively.

**(10) Operating Transfer Reconciliation**

The following is a schedule of operating transfers of the City for the years ended June 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Transfer to general fund from internal service fund	\$ —	75,611
Transfer to special revenue fund from general fund	64,700	—
Transfers to capital projects fund from:		
Special revenue fund	50,738	107,750
TIF fund	939,098	892,571
	<u>989,836</u>	<u>1,000,321</u>
Total transfers to capital projects fund		
Transfer to debt service fund from:		
TIF fund	180,500	364,152
Capital projects fund	238,487	—
	<u>418,987</u>	<u>364,152</u>
Total transfers to debt service fund		
	<u>\$ 1,473,523</u>	<u>1,440,084</u>

Transfers are primarily used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various projects accounted for in other funds in accordance with budgetary authorizations.

**(11) Subsequent Event**

In September 2004, the City issued \$9,065,000 in general obligation bonds to be used primarily for street improvement projects.

## **FINANCIAL SECTION**

Supplementary Financial Schedules

## **CITY OF URBANDALE, IOWA**

### **Nonmajor Governmental Funds**

*Hotel/motel fund* - to account for revenues and expenditures of hotel/motel tax restricted by local ordinance for the promotion of convention and tourism.

*TIF Fund* – to account for tax revenues on abated debt.

*Parkland* - to account for funds held by the city for future parkland purchases.

*Colby Woods* - to account for funds held by the city for Colby Woods traffic improvements.

*Walker Johnston Memorial* - to account for funds held for Walker Johnston park improvements.

*Fire department training, equipment & donation* – to account for monies held for the specific fire projects.

*ERT #1* – to account for funds received from an emergency response team grant.

*ERT – GASA* - to account for funds received from an emergency response team grant.

*Evidence and Forfeited Property* – to account for forfeited funds and property received by the City from drug enforcement efforts, police action or investigation. The City must use these forfeited funds and property to enhance law enforcement.

*Federal forfeited Property* – to account for funds and property received by the City from federal investigations.

*Donation and escrow* – to account for money received from builders/investors to be used on specific street/park projects.

*Police Retirement* – to account for state statute restricted monies to be used for future City contributions to the statewide retirement system, as provided by the Code of Iowa, Chapter 411.

## CITY OF URBANDALE, IOWA

Combining Balance Sheet Information  
Nonmajor Governmental Funds

June 30, 2004

	<u>Hotel Motel</u>	<u>Tax Increment Financing</u>	<u>Parkland</u>	<u>Colby Park</u>	<u>Walker Johnston Memorial</u>	<u>Fire Donations</u>	<u>Fire Training</u>	<u>Fire Equipment</u>
<b>Assets</b>								
Cash and pooled cash investments	\$ 367,445	—	476,790	64,435	1,232	656	3,083	3,736
Taxes receivable:								
Current	251,313	—	—	—	—	—	—	—
Succeeding year	—	1,656,209	—	—	—	—	—	—
Accrued interest	—	—	347	—	4	—	—	—
Total assets	<u>\$ 618,758</u>	<u>1,656,209</u>	<u>477,137</u>	<u>64,435</u>	<u>1,236</u>	<u>656</u>	<u>3,083</u>	<u>3,736</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 7,500	—	—	—	—	—	—	—
Deferred revenue	251,313	1,641,211	—	—	—	—	—	—
Total liabilities	<u>258,813</u>	<u>1,641,211</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:								
Reserved for employees' retirement system	—	—	—	—	—	—	—	—
Unreserved – undesignated	359,945	14,998	477,137	64,435	1,236	656	3,083	3,736
Total fund balances	<u>359,945</u>	<u>14,998</u>	<u>477,137</u>	<u>64,435</u>	<u>1,236</u>	<u>656</u>	<u>3,083</u>	<u>3,736</u>
Total liabilities and fund balances	<u>\$ 618,758</u>	<u>1,656,209</u>	<u>477,137</u>	<u>64,435</u>	<u>1,236</u>	<u>656</u>	<u>3,083</u>	<u>3,736</u>

## CITY OF URBANDALE, IOWA

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

	<u>ERT #1</u>	<u>ERT - GASA</u>	<u>Evidence and Forfeited Property</u>	<u>Federal Forfeited Property</u>	<u>Police Donations</u>	<u>Donations and Escrow</u>	<u>Police Retirement</u>	<u>Total</u>
<b>Assets</b>								
Cash and pooled cash investments	\$ 490	1,300	6,791	2,104	500	648,811	440,995	2,018,368
Taxes receivable:								
Current	—	—	—	—	—	—	—	251,313
Succeeding year	—	—	—	—	—	—	—	1,656,209
Accrued interest	—	—	—	—	—	—	351	702
Total assets	<u>\$ 490</u>	<u>1,300</u>	<u>6,791</u>	<u>2,104</u>	<u>500</u>	<u>648,811</u>	<u>441,346</u>	<u>3,926,592</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ —	—	1,103	—	—	325	—	8,928
Deferred revenue	—	—	—	—	—	—	—	1,892,524
Total liabilities	<u>—</u>	<u>—</u>	<u>1,103</u>	<u>—</u>	<u>—</u>	<u>325</u>	<u>—</u>	<u>1,901,452</u>
Fund balances:								
Reserved for employees' retirement system	—	—	—	—	—	—	441,346	441,346
Unreserved – undesignated	490	1,300	5,688	2,104	500	648,486	—	1,583,794
Total fund balances	<u>490</u>	<u>1,300</u>	<u>5,688</u>	<u>2,104</u>	<u>500</u>	<u>648,486</u>	<u>441,346</u>	<u>2,025,140</u>
Total liabilities and fund balances	<u>\$ 490</u>	<u>1,300</u>	<u>6,791</u>	<u>2,104</u>	<u>500</u>	<u>648,811</u>	<u>441,346</u>	<u>3,926,592</u>

## CITY OF URBANDALE, IOWA

Combining Balance Sheet Information  
Nonmajor Governmental Funds

June 30, 2003

	<u>Hotel Motel</u>	<u>Tax Increment Financing</u>	<u>Parkland</u>	<u>Colby Park</u>	<u>Walker Johnston Memorial</u>	<u>Fire Donations</u>	<u>Fire Training</u>	<u>Fire Equipment</u>
<b>Assets</b>								
Cash and pooled cash investments	\$ 422,253	—	471,090	63,663	1,217	309	4,657	3,736
Taxes receivable:								
Current	216,693	—	—	—	—	—	—	—
Succeeding year	—	1,103,012	—	—	—	—	—	—
Accrued interest	—	—	692	—	14	—	—	—
Total assets	<u>\$ 638,946</u>	<u>1,103,012</u>	<u>471,782</u>	<u>63,663</u>	<u>1,231</u>	<u>309</u>	<u>4,657</u>	<u>3,736</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 1,610	—	—	—	—	—	387	—
Deferred revenue	216,693	1,103,012	—	—	—	—	—	—
Total liabilities	<u>218,303</u>	<u>1,103,012</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>387</u>	<u>—</u>
Fund balances:								
Reserved for employees' retirement system	—	—	—	—	—	—	—	—
Unreserved – undesignated	420,643	—	471,782	63,663	1,231	309	4,270	3,736
Total fund balances	<u>420,643</u>	<u>—</u>	<u>471,782</u>	<u>63,663</u>	<u>1,231</u>	<u>309</u>	<u>4,270</u>	<u>3,736</u>
Total liabilities and fund balances	<u>\$ 638,946</u>	<u>1,103,012</u>	<u>471,782</u>	<u>63,663</u>	<u>1,231</u>	<u>309</u>	<u>4,657</u>	<u>3,736</u>

CITY OF URBANDALE, IOWA

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2003

<b>Assets</b>	<b>ERT #1</b>	<b>ERT - GASA</b>	<b>Evidence and Forfeited Property</b>	<b>Federal Forfeited Property</b>	<b>Donations and Escrow</b>	<b>Police Retirement</b>	<b>Total</b>
Cash and pooled cash investments	\$ 490	1,285	7,625	4,298	509,230	714,451	2,204,304
Taxes receivable:							
Current	—	—	—	—	—	—	216,693
Succeeding year	—	—	—	—	—	—	1,103,012
Accrued interest	—	—	—	—	—	1,570	2,276
<b>Total assets</b>	<b>\$ 490</b>	<b>1,285</b>	<b>7,625</b>	<b>4,298</b>	<b>509,230</b>	<b>716,021</b>	<b>3,526,285</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ —	—	(360)	—	30	—	1,667
Deferred revenue	—	—	—	—	—	—	1,319,705
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>(360)</b>	<b>—</b>	<b>30</b>	<b>—</b>	<b>1,321,372</b>
Fund balances:							
Reserved for employees' retirement system	—	—	—	—	—	716,021	716,021
Unreserved – undesignated	490	1,285	7,985	4,298	509,200	—	1,488,892
<b>Total fund balances</b>	<b>490</b>	<b>1,285</b>	<b>7,985</b>	<b>4,298</b>	<b>509,200</b>	<b>716,021</b>	<b>2,204,913</b>
<b>Total liabilities     and fund balances</b>	<b>\$ 490</b>	<b>1,285</b>	<b>7,625</b>	<b>4,298</b>	<b>509,230</b>	<b>716,021</b>	<b>3,526,285</b>

See accompanying independent auditors' report.

**CITY OF URBANDALE, IOWA**  
Combining Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2004

	<u>Hotel Motel</u>	<u>Tax Increment Financing</u>	<u>Parkland</u>	<u>Colby Park</u>	<u>Walker Johnston Memorial</u>	<u>Fire Donations</u>	<u>Fire Training</u>	<u>Fire Equipment</u>
Revenues:								
Taxes	\$ 472,703	1,134,596	—	—	—	—	—	—
Use of money and property	—	—	5,355	772	5	9	—	—
Miscellaneous	—	—	—	—	—	3,924	1,236	—
Total revenues	<u>472,703</u>	<u>1,134,596</u>	<u>5,355</u>	<u>772</u>	<u>5</u>	<u>3,933</u>	<u>1,236</u>	<u>—</u>
Expenditures:								
Current expenditures:								
Public safety	—	—	—	—	—	3,586	2,423	—
Culture and recreation	482,663	—	—	—	—	—	—	—
Community and economic development	—	—	—	—	—	—	—	—
Total expenditures	<u>482,663</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,586</u>	<u>2,423</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(9,960)</u>	<u>1,134,596</u>	<u>5,355</u>	<u>772</u>	<u>5</u>	<u>347</u>	<u>(1,187)</u>	<u>—</u>
Transfers in	—	—	—	—	—	—	—	—
Transfers out	<u>(50,738)</u>	<u>(1,119,598)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating transfers	<u>(50,738)</u>	<u>(1,119,598)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balances	(60,698)	14,998	5,355	772	5	347	(1,187)	—
Fund balances – beginning	420,643	—	471,782	63,663	1,231	309	4,270	3,736
Fund balances – ending	<u>\$ 359,945</u>	<u>14,998</u>	<u>477,137</u>	<u>64,435</u>	<u>1,236</u>	<u>656</u>	<u>3,083</u>	<u>3,736</u>

## CITY OF URBANDALE, IOWA

Combining Schedule of Revenues, Expenditures, and  
Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	<u>ERT #1</u>	<u>ERT - GASA</u>	<u>Evidence and Forfeited Property</u>	<u>Federal Forfeited Property</u>	<u>Police Donations</u>	<u>Donations Escrow</u>	<u>Police Retirement</u>	<u>Total</u>
Revenues:								
Taxes	\$ —	—	—	—	—	—	—	1,607,299
Use of money and property	—	15	67	106	—	276	6,325	12,930
Miscellaneous	—	—	26,786	—	1,500	162,035	—	195,481
Total revenues	—	15	26,853	106	1,500	162,311	6,325	1,815,710
Expenditures:								
Current expenditures:								
Public safety	—	—	29,150	2,300	1,000	—	345,700	384,159
Culture and recreation	0	—	—	—	—	—	—	482,663
Community and economic development	—	—	—	—	—	23,025	—	23,025
Total expenditures	—	—	29,150	2,300	1,000	23,025	345,700	889,847
Excess (deficiency) of revenues over expenditures	—	15	(2,297)	(2,194)	500	139,286	(339,375)	925,863
Transfers in	—	—	—	—	—	—	64,700	64,700
Transfers out	—	—	—	—	—	—	—	(1,170,336)
Total operating transfers	—	—	—	—	—	—	64,700	(1,105,636)
Net changes in fund balances	—	15	(2,297)	(2,194)	500	139,286	(274,675)	(179,773)
Fund balances – beginning	490	1,285	7,985	4,298	—	509,200	716,021	2,204,913
Fund balances – ending	\$ 490	1,300	5,688	2,104	500	648,486	441,346	2,025,140

**CITY OF URBANDALE, IOWA**  
Combining Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2003

	<u>Hotel Motel</u>	<u>Tax Increment Financing</u>	<u>Parkland</u>	<u>Colby Park</u>	<u>Walker Johnston Memorial</u>	<u>Fire Donations</u>	<u>Fire Training</u>	<u>Fire Equipment</u>
Revenues:								
Taxes	\$ 513,567	1,256,723	—	—	—	—	—	—
Use of money and property	—	—	5,068	966	—	38	—	—
Charges for services	—	—	—	—	—	—	—	—
Miscellaneous	—	—	29,604	—	32	3,901	2,241	1,300
Total revenues	<u>513,567</u>	<u>1,256,723</u>	<u>34,672</u>	<u>966</u>	<u>32</u>	<u>3,939</u>	<u>2,241</u>	<u>1,300</u>
Expenditures:								
Current expenditures:								
Public safety	—	—	—	—	—	9,443	1,457	524
Public works	—	—	—	—	—	—	—	—
Culture and recreation	594,989	—	—	—	—	—	—	—
Total expenditures	<u>594,989</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,443</u>	<u>1,457</u>	<u>524</u>
Excess (deficiency) of revenues over expenditures	<u>(81,422)</u>	<u>1,256,723</u>	<u>34,672</u>	<u>966</u>	<u>32</u>	<u>(5,504)</u>	<u>784</u>	<u>776</u>
Transfers out	—	<u>(1,256,723)</u>	—	—	—	—	—	—
Total operating transfers out	<u>—</u>	<u>(1,256,723)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balances	(81,422)	—	34,672	966	32	(5,504)	784	776
Fund balances – beginning, as restated	502,065	—	437,110	62,697	1,199	5,813	3,486	2,960
Fund balances – ending	<u>\$ 420,643</u>	<u>—</u>	<u>471,782</u>	<u>63,663</u>	<u>1,231</u>	<u>309</u>	<u>4,270</u>	<u>3,736</u>

**CITY OF URBANDALE, IOWA**  
 Combining Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2003

	<u>ERT #1</u>	<u>ERT - GASA</u>	<u>Evidence and Forfeited Property</u>	<u>Federal Forfeited Property</u>	<u>Donations and Escrow</u>	<u>Police Retirement</u>	<u>Total</u>
Revenues:							
Taxes	\$ —	—	—	—	—	—	1,770,290
Use of money and property	—	17	295	—	460	13,975	20,819
Charges for services	—	—	—	4,298	—	—	4,298
Miscellaneous	450	2,880	28,959	—	243,165	—	312,532
Total revenues	<u>450</u>	<u>2,897</u>	<u>29,254</u>	<u>4,298</u>	<u>243,625</u>	<u>13,975</u>	<u>2,107,939</u>
Expenditures:							
Current expenditures:							
Public safety	—	1,640	57,079	—	—	306,580	376,723
Public works	—	—	—	—	5,504	—	5,504
Culture and recreation	—	—	—	—	—	—	594,989
Total expenditures	<u>—</u>	<u>1,640</u>	<u>57,079</u>	<u>—</u>	<u>5,504</u>	<u>306,580</u>	<u>977,216</u>
Excess (deficiency) of revenues over expenditures	<u>450</u>	<u>1,257</u>	<u>(27,825)</u>	<u>4,298</u>	<u>238,121</u>	<u>(292,605)</u>	<u>1,130,723</u>
Transfers out	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,256,723)</u>
Total operating transfers out	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,256,723)</u>
Net changes in fund balances	450	1,257	(27,825)	4,298	238,121	(292,605)	(126,000)
Fund balances – beginning, as restated	40	28	35,810	—	271,079	1,008,626	2,330,913
Fund balances – ending	<u>\$ 490</u>	<u>1,285</u>	<u>7,985</u>	<u>4,298</u>	<u>509,200</u>	<u>716,021</u>	<u>2,204,913</u>

See accompanying independent auditors' report.



**STATISTICAL SECTION**

(Unaudited)

**CITY OF URBANDALE, IOWA**

Table I A

General Governmental Expenditures by Function  
General, Special Revenue, and Debt Service Funds  
Prior to GASB34  
(Unaudited)

<u>Year</u>	<u>Community Protection</u>	<u>Human Development</u>	<u>Home and Community Environment</u>	<u>Policy and Administration</u>	<u>Debt Service</u>	<u>Total</u>
1994-95	\$ 3,076,487	2,300,677	3,068,627	1,008,147	1,552,572	11,006,510
1995-96	3,221,175	2,509,885	3,147,229	1,010,590	1,933,240	11,822,119
1996-97	3,612,755	2,649,085	3,055,063	1,121,991	1,649,129	12,088,023
1997-98	4,197,949	2,678,143	4,520,233	816,754	1,778,689	13,991,768
1998-99	4,107,248	3,106,710	4,002,348	1,275,578	1,916,643	14,408,527
1999-00	4,257,548	3,593,260	4,584,870	1,284,263	2,432,153	16,152,094
2000-01	4,544,657	3,488,927	4,735,950	1,469,068	3,164,295	17,402,897
2001-02	4,803,038	3,871,386	4,692,349	1,408,005	3,334,549	18,109,327

Table I B

General Governmental Expenditures by Function  
General, Special Revenue, and Debt Service Funds  
GASB34  
(Unaudited)

<u>Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Social Services</u>	<u>Culture and Recreation</u>	<u>Community and Economic Development</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Total</u>
2002-03	\$ 4,771,091	4,683,208	22,910	4,249,781	858,138	1,271,661	3,633,286	19,490,075
2003-04	5,128,491	5,255,628	27,896	4,390,807	1,008,858	1,336,552	4,299,888	21,448,120

Note, in fiscal year 2002-03, the City implemented the new accounting standards under GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. As a result, departmental expenditures were restructured from a four program expenditure format to a six function expenditure format. None of the previous program alignments were applicable under GASB34.

**CITY OF URBANDALE, IOWA**

Table II

General Governmental Revenues  
General, Special Revenue, and Debt Service Funds  
Last Ten Fiscal Years  
(Unaudited)

<b>Year</b>	<b>Taxes</b>	<b>Special Assessments</b>	<b>Licenses and Permits</b>	<b>Inter-Governmental Revenue</b>	<b>Charges for Services</b>	<b>Interest</b>	<b>Fines and Miscellaneous Revenues</b>	<b>Total</b>
1994-95	\$ 7,250,921	10,923	482,757	2,327,906	294,541	337,991	282,907	10,987,946
1995-96	7,633,006	31,134	562,621	2,533,051	291,616	359,948	280,288	11,691,664
1996-97	7,941,443	26,117	561,562	2,567,534	357,114	361,499	394,516	12,209,785
1997-98	8,563,795	46,048	677,488	3,184,024	425,181	295,342	283,513	13,475,391
1998-99	9,154,905	38,063	719,383	3,399,794	579,270	315,581	285,919	14,492,915
1999-00	10,264,451	66,636	708,177	3,387,688	646,067	389,935	283,320	15,746,274
2000-01	12,234,498	161,159	755,571	3,054,129	631,309	382,068	330,248	17,548,982
2001-02	13,239,885	45,627	845,686	3,336,589	771,480	178,373	382,905	18,800,545
2002-03	14,833,002	16,963	973,578	2,909,250	1,131,085	114,428	680,345	20,658,651
2003-04	15,724,975	28,523	1,484,081	2,964,402	1,686,028	110,268	580,095	22,578,372

Table III

Tax Revenues by Source  
General, Special Revenue, and Debt Service Funds  
Last Ten Fiscal Years  
(Unaudited)

<b>Collection Year</b>	<b>Total Taxes</b>	<b>General Property Tax</b>	<b>Moneys and Credits Tax</b>	<b>Mobile Home Tax</b>
1994-95	\$ 7,250,921	7,246,768	536	3,617
1995-96	7,633,006	7,628,860	463	3,683
1996-97	7,941,443	7,936,776	1,016	3,651
1997-98	8,563,795	8,560,247	1,123	2,425
1998-99	9,154,905	9,145,064	6,223	3,618
1999-00	10,264,451	10,255,787	5,093	3,571
2000-01	12,234,498	12,230,691	1,501	2,306
2001-02	13,239,885	13,234,605	1,956	3,324
2002-03	14,814,962	14,810,363	2,181	2,418
2003-04	15,707,016	15,701,791	2,181	3,044

**CITY OF URBANDALE, IOWA**

Table IV

Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collection</u>	<u>Total Tax Collections</u>	<u>Collections as Percent of Current Levy</u>
1994-95	\$ 7,304,990	7,228,265	98.95	1,770	7,230,035	98.97
1995-96	7,700,208	7,656,415	99.43	—	7,656,415	99.43
1996-97	8,004,133	7,916,196	98.90	—	7,916,196	98.90
1997-98	8,520,026	8,542,826	100.27	3,449	8,546,275	100.31
1998-99	9,193,046	9,162,755	99.67	47	9,162,802	99.67
1999-00	9,954,073	10,136,513	101.83	5,250	10,141,763	101.89
2000-01	10,974,319	11,168,356	101.77	—	11,168,356	101.77
2001-02	11,795,895	11,974,338	101.51	5,673	11,980,011	101.56
2002-03	12,534,941	12,617,576	100.66	14,745	12,632,321	100.78
2003-04	13,590,679	13,347,710	98.21	915	13,348,625	98.22

Table V

Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Unaudited)

<u>Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Utilities</u>	
	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value **</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
1994-95	* \$ 1,080,198,588	816,628,961	11,239,773	11,239,773	78,030,635	75,940,871
1995-96	* 1,255,992,729	868,967,064	6,572,349	6,572,349	64,995,182	64,979,384
1996-97	* 1,311,024,333	917,485,415	5,706,016	5,706,016	76,648,582	76,648,582
1997-98	* 1,483,559,865	987,986,585	6,074,922	6,074,922	84,315,449	84,312,812
1998-99	* 1,531,356,260	1,046,391,119	4,822,374	4,822,374	73,938,848	73,938,848
1999-00	* 1,696,052,735	1,147,434,095	2,746,456	2,746,456	70,703,563	70,702,353
2000-01	* 1,782,676,310	1,241,590,768	2,013,603	2,013,603	70,836,949	70,836,949
2001-02	* 1,993,300,560	1,310,618,167	877,707	877,707	71,117,523	71,115,345
2002-03	* 2,110,349,240	1,414,485,153	—	—	71,999,960	71,999,960
2003-04	* 2,306,012,540	1,442,692,917	—	—	69,266,599	71,242,803

Source: Polk and Dallas County – Auditor’s Office.

\* Total includes Polk County and Dallas County.

\*\* Computer equipment and industrial machinery are only items taxed and are being phased out.

**CITY OF URBANDALE, IOWA**

Table VI

Property Tax Rates and Tax Levies  
Direct and All Overlapping Governments  
Last Ten Fiscal Years  
(Unaudited)

*Tax rates per \$1,000 of assessed valuation*

<b>Year</b>	<b>City</b>	<b>School District</b>	<b>County Consolidated</b>	<b>Area Vocational</b>	<b>Urbandale Sewer District</b>	<b>Total</b>
1994-95	\$ 8.413	15.381	10.241	0.484	0.595	35.114
1995-96	8.520	15.127	9.677	0.490	0.578	34.392
1996-97	8.520	14.563	9.226	0.507	0.515	33.331
1997-98	8.519	15.432	9.116	0.472	0.480	34.019
1998-99	8.490	14.427	9.292	0.506	0.451	33.166
1999-00	8.840	14.378	9.284	0.525	0.428	33.455
2000-01	8.970	12.340	9.259	0.545	0.391	31.505
2001-02	8.961	12.911	9.644	0.545	0.354	32.415
2002-03	8.970	13.439	9.726	0.546	0.417	33.098
2003-04	9.070	12.963	9.766	0.582	0.425	32.806

*Tax Levies*

<b>Year</b>	<b>City</b>	<b>School District</b>	<b>County Consolidated</b>	<b>Area Vocational</b>	<b>Urbandale Sewer District</b>	<b>Total</b>
1993-94	\$ 6,804,980	8,677,470	8,099,450	397,736	434,274	24,413,910
1994-95	7,304,990	9,018,287	8,883,695	419,999	450,239	26,077,210
1995-96	7,700,208	9,189,336	8,712,055	441,005	454,844	26,497,448
1996-97	8,004,133	9,036,458	8,603,186	472,690	423,644	26,540,111
1997-98	8,520,026	10,017,083	9,057,480	469,301	424,171	28,488,061
1998-99	9,193,046	9,914,861	9,915,218	539,711	424,432	29,987,268
1999-00	9,954,073	10,162,109	10,381,637	586,845	424,476	31,509,140
2000-01	10,974,319	9,235,889	11,225,907	661,192	424,577	32,521,884
2001-02	11,795,895	10,075,201	12,533,694	708,041	423,354	35,536,185
2002-03	12,343,855	10,249,238	13,299,324	746,082	538,895	37,177,394
2003-04	13,289,520	10,323,356	14,241,452	848,217	583,847	39,286,392

Source: Polk County – Auditor’s Office.

State law limits maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation (100% basis) effective July 1, 1976 (formerly limited to thirty mills per thousand of assessed valuation minus 27% basis).

**CITY OF URBANDALE, IOWA**

Table VI, Continued

Property Tax Rates and Tax Levies  
Direct and All Overlapping Governments  
Last Ten Fiscal Years  
(Unaudited)

Limitation does not include debt service and pension requirements.

Taxes due July 1.

Taxes delinquent: first half – October 1; second half – April 1.

Penalties for delinquency: 1 percent per month.

Discount allowed: none.

Uncollected taxes handled as follows: delinquent real estate tax list published in newspaper prior to May 16.

Tax sale date: first Monday in June.

Taxes collected by Polk County and distributed to the City of Urbandale proportionate to its levy to all levies.

**CITY OF URBANDALE, IOWA**

Table VII

Ratio Of Net General Bonded Debt To  
Assessed Value And Net Bonded Debt Per Capita  
Last Ten Fiscal Years  
(Unaudited)

<b>Levy Year</b>	<b>Popul- ation (1)</b>	<b>Assessed Value (2)</b>	<b>Gross Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Assessed</b>	<b>Net Bonded Debt Per Capita</b>
1994-95	23,500 *	\$ 1,169,468,996	6,355,000	699,503	5,655,497	.005 to 1	240.66
1995-96	27,565 *	1,327,560,260	8,700,000	703,844	7,996,156	.006 to 1	290.08
1996-97	27,565 *	1,397,851,125	9,425,000	746,895	8,678,105	.006 to 1	314.82
1997-98	27,565 *	1,573,950,236	10,075,000	791,703	9,283,297	.006 to 1	336.78
1998-99	27,565 *	1,610,117,482	11,250,000	794,227	10,455,773	.006 to 1	379.31
1999-00	27,565 *	1,769,502,754	22,130,000	848,967	21,281,033	.012 to 1	772.03
2000-01	29,072 *	1,855,526,862	21,585,000	629,055	20,955,945	.011 to 1	720.83
2001-02	29,072 *	1,858,947,972	20,800,000	395,485	20,404,515	.011 to 1	701.86
2002-03	29,072 *	2,076,391,439	24,010,000	252,361	23,757,639	.011 to 1	817.20
2003-04	29,072 *	2,306,012,540	28,100,000	(304,562)	28,404,562	.012 to 1	977.04

Source:

(1) U. S. Census Bureau.

(2) Polk and Dallas County – Auditor’s Office.

\* Includes Polk County and Dallas County.

**CITY OF URBANDALE, IOWA**

Table VIII

Computation of Direct and Overlapping Bonded Debt  
June 30, 2004 and 2003  
(Unaudited)

Name of Governmental Unit	Outstanding Direct Debt	Total Valuation	2004		
			Valuation Within Urbandale	Percentage Applicable	City's Share of Debt
Direct debt:					
City of Urbandale	\$ 28,100,000	1,654,654,702	1,654,654,702	100.00 %	\$ 28,100,000
Overlapping debt:					
Des Moines ISD	4,460,000	5,868,416,934	14,874,250	0.25	11,304
Urbandale CSD	22,540,000	877,967,371	876,250,346	99.80	22,495,919
Waukee CSD	53,620,000	995,309,864	83,491,236	8.39	4,497,896
Johnston CSD	18,150,000	1,237,116,355	276,500,415	22.35	4,056,597
Dallas Center – Grimes CSD	19,060,000	384,256,223	107,040,974	27.86	5,309,481
West Des Moines CSD	7,525,000	3,607,604,125	296,497,481	8.22	618,456
Urbandale Sanitary Sewer District	7,136,000	1,530,513,260	1,060,525,352	69.29	4,944,687
Polk County	192,265,000	14,988,192,910	1,597,253,551	10.66	20,489,191
Area XI DMACC	44,940,000	26,085,163,567	1,654,654,702	6.34	2,850,670
Dallas County	9,160,000	1,935,670,367	57,401,151	2.97	271,634
Total overlapping debt	378,856,000				65,545,835
	\$ 406,956,000				\$ 93,645,835
Name of Governmental Unit	Outstanding Direct Debt	Total Valuation	2003		
			Valuation Within Urbandale	Percentage Applicable	City's Share of Debt
Direct debt:					
City of Urbandale	\$ 24,010,000	1,530,432,046	1,530,432,046	100.00 %	\$ 24,010,000
Overlapping debt:					
Des Moines ISD	2,380,000	5,489,911,820	14,273,771	0.26	6,188
Urbandale CSD	7,920,000	824,732,426	823,742,747	99.88	7,910,496
Waukee CSD	47,050,000	901,243,974	24,784,209	2.75	1,293,875
Johnston CSD	19,200,000	1,128,690,944	254,068,331	22.51	4,321,920
Dallas Center – Grimes CSD	16,500,000	379,444,375	103,057,092	27.16	4,481,400
West Des Moines CSD	10,405,000	3,420,730,557	288,709,659	8.44	878,182
Urbandale Sanitary Sewer District	5,810,000	1,352,225,428	940,878,453	69.58	4,042,598
Urbandale/Windsor Heights Sanitary District	—	304,569,364	84,100,234	27.61	—
Polk County	192,265,000	14,016,319,866	1,497,861,475	10.69	20,546,501
Area XI DMACC	42,870,000	25,594,358,439	1,530,432,046	5.98	2,563,441
Dallas County	9,660,000	1,943,897,007	32,570,571	1.68	161,856
Total overlapping debt	354,060,000				46,206,457
	\$ 378,070,000				\$ 70,216,457

**CITY OF URBANDALE, IOWA**

Table IX

Ratio of Annual Debt Service Expenditures for General  
Bonded Debt to Total Expenditures of General,  
Special Revenue, and Debt Service Funds  
Last Ten Fiscal Years  
(Unaudited)

<b>Year</b>	<b>Principal</b>	<b>Total Debt Interest</b>	<b>Total Debt Service</b>	<b>Debt Service to Expenditures</b>	<b>Total Expenditures</b>
1994-95	\$ 1,190,000	362,572	1,552,572	14.11	11,006,510
1995-96	1,490,000	443,240	1,933,240	16.35	11,822,119
1996-97	1,175,000	474,129	1,649,129	13.64	12,088,022
1997-98	1,270,000	508,689	1,778,689	12.71	13,991,768
1998-99	1,360,000	556,643	1,916,643	13.30	14,408,527
1999-00	1,665,000	767,153	2,432,153	15.06	16,152,094
2000-01	2,028,014	1,136,281	3,164,295	18.18	17,402,897
2002-01	2,257,660	1,076,889	3,334,549	18.41	18,109,327
2002-03	2,533,340	1,099,946	3,633,286	18.64	19,490,075
2003-04	3,089,040	1,210,848	4,299,888	20.05	21,448,120

**CITY OF URBANDALE, IOWA**

Table X

Salary and Surety Bond of Principal Officials  
June 30, 2004  
(Unaudited)

<b>Officials</b>	<b>Title</b>	<b>Annual Salary</b>	<b>Amount of Surety Bond</b>
<b>Elected Officials:</b>			
Brad Zaun	Mayor	\$ 7,000	50,000
Susann Siebke	Mayor Pro Tem	4,000	50,000
Robert Andeweg	Council Member	4,000	50,000
Donald Brush	Council Member	4,000	50,000
John Forst	Council Member	4,000	50,000
Shannon Waddell	Council Member	4,000	50,000
<b>Council Appointed Officials:</b>			
Robert Layton	City Manager	115,000	100,000
Robert Laden	City Attorney	61,065	50,000
Debra Mains	City Clerk	58,029	100,000
<b>Manager Appointed Officials:</b>			
David Hamlin	Chief of Police	80,922	50,000
Jerry Holt	Fire Chief	69,128	50,000
David McKay	Director of Engineering and Public Works	90,913	50,000
Paul Dekker	Director of Community Development	79,302	50,000
Frederick Boals	Director of Parks and Recreation	77,023	50,000
Sandi Tompkins	Budget Assistant	57,288	100,000
Kim Keisler	Finance Assistant	45,578	100,000

**CITY OF URBANDALE, IOWA**

Table XI

Miscellaneous Statistical Data  
June 30, 2004  
(Unaudited)

Date of Incorporation	April 5, 1917
Form of Government	Mayor-Council with City Manager Ordinance #278 June 15, 1965
Area (Square Miles)	21.68
Number of Street Lights	3,481
Miles of Streets:	
Paved	164.93
Unpaved	1.02
	<hr/>
	165.95
	<hr/> <hr/>
Miles of Sewers:	
Storm	126.43
Sanitary	171.28
	<hr/>
	297.71
	<hr/> <hr/>
Building Permits:	
Permits Issued	1337
Estimated Values	\$ 192,164,045
Fire and Rescue Protection:	
Number of Stations	2
Number of Full-Time Employees	7
Number of Employees (Volunteers)	37
Calls for service:	
EMS (Emergency Medical Services)	1,233
Fire	489
	<hr/>
	1,722
	<hr/> <hr/>
Police Protection:	
Number of Stations	1
Number of Employees:	
Officers	42
Dispatchers	—
Office Staff	4

**CITY OF URBANDALE, IOWA**

Table XI, Continued

Miscellaneous Statistical Data  
June 30, 2004  
(Unaudited)

Recreation:	
Parks:	
Number of Park Areas	27
Number of Acres	676
Number of Playgrounds	11
Number of Tot Lots	14
Number of Skate Parks	1
Number of Swimming Pools	1
Number of Wading Pools	3
Number of Tennis Courts	12
Number of Softball Diamonds	10
Number of Baseball Diamonds (Little League)	7
Number of Soccer Fields	9
Miles of Bike Trails (Off Street)	33.03
Libraries:	
Number of Volumes (Books Only)	123,963
Annual Circulation (Books and Videos)	609,484
Employees as of June 30, 2002:	
Civil Service – Permanent	98
Non-Civil Service – Permanent	42
Temporary	53
Elections:	
Last General Election	2003
Registered Voters	20,794
Number of Votes Cast	4,832
Percentage of Registered Voters Voting	23.24%
Population:*	
1920	298
1930	596
1940	1,083
1950	1,777
1960	5,821
1965 (Special Census)	10,310
1970	14,434
1975 (Special Census)	16,410
1980	17,869
1985 (Special Census)	19,443
1990	23,500
1996 (Special Census)	27,565
2001	29,072

\* Source: U.S. Census Bureau

**CITY OF URBANDALE, IOWA**

Table XII

Demographics Statistics  
(Unaudited)

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Income (1)</b>	<b>Median Age (1)</b>	<b>School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>	
1975	16,410	\$ 7,255	26.9	3,585	4.3	%
1980	17,869	9,855	29.3	3,170	4.6	
1985	19,443	13,408	31.4	2,778	3.4	
1990	23,500	15,786	33.0	3,241	3.8	
1995	27,565	**	**	3,563	2.5	
2000	29,072	**	37.0	3,560	1.2	

Sources:

- (1) U.S. Census Bureau.
- (2) Urbandale Community School City only (portions of 5 other School Citys are also located in the City).
- (3) Iowa Profiles (SIC).

\*\* Not available

**CITY OF URBANDALE, IOWA**

Table XIII

Insurance in Force  
June 30, 2004  
(Unaudited)

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
Iowa Communities Assurance Pool (ICAP)	Member #65	Municipal General Liability Coverage – “Bodily Injury, Personal Injury, Property Damage, and Advertising Injury” (Each Occurrence, Deductible \$5,000)	\$ 5,000,000
	Member #65	Public Officials Liability Coverage – (Each Claim and Aggregate, Deductible \$5,000)	5,000,000
	Member #65	Municipal Automobile Liability Coverage – “Bodily Injury and Property Damage” (Each Accident, No Deductible)	5,000,000
	Member #65	Municipal Automobile Physical Damage Coverage – “Comprehensive Coverage (Deductible \$100) and Collision Coverage (Deductible 1,000)”	Limit Set for Specific Vehicles
	Member #65	Police Professional Liability – (Deductible \$3,000)	3,000,000
	Member #65	Blanket Building (Deductible \$5,000)	22,264,020
		Blanket Contents (Deductible \$5,000)	3,842,551
		Miscellaneous Property (Deductible \$5,000)	9,889,238
		Electronic Data Processing Hardware (Deductible \$1,000)	1,275,914
		Electronic Data Processing Software (Deductible \$1,000)	343,313
	Valuable Papers (Deductible \$1,000)	510,000	
	Crime	500,000	
Iowa Municipalities Workers’ Compensation Association (IMWCA)	Member #0182	Excess Workers’ Compensation (Each Occurrence)	5,000,000
	IM182 and IM165	Employer’s Liability, Coverage “B” (Statutory)	1,000,000
Travelers	BAJ-BMC-522X9194TIL-01	Boiler and Machinery, Property Damage (Deductible \$1,000)	1,950,000
		Boiler and Machinery, Business Interruption	90,000
Iowa Underground Storage Tank Financial Responsibility Program	8601439	Each Occurrence	500,000
		Aggregate	1,000,000
Wellmark Blue Cross/Blue Shield	None indicated	Individual Excess of Loss	35,000
		Aggregate Excess of Loss	952,504

**CITY OF URBANDALE, IOWA**

Table XIV

Property Value, Construction, and Bank Deposits  
Last Ten Calendar Years  
(Unaudited)

Calendar Year	Commercial Construction (1)		Residential Construction		Institutional Construction (2)	
	Number of Units	Value	Number of Units	Value	Number of Units	Value
1995	136	\$ 36,367,918	124	12,330,346	2	762,823
1996	147	12,403,603	402	51,100,066	1	3,942
1997	183	26,698,905	168	21,596,095	3	1,256,062
1998	163	36,228,594	231	35,737,555	8	1,528,514
1999	173	30,211,313	265	41,325,229	5	1,087,517
2000	154	46,148,053	334	52,171,115	1	448,240
2001	118	18,645,034	582	77,853,972	1	17,103
2002	105	12,443,433	429	89,086,688	2	1,739,542
2003	135	49,923,700	637	132,867,652	2	191,278
2004 *	72	14,809,779	334	70,249,007	—	—

Calendar Year	Bank Deposits (3)	Property Value (4)		
		Commercial (Adj)	Residential (Adj)	(Computer & M & E)
1995	\$ 157,638,000	305,901,450	916,883,950	10,718,024
1996	159,188,000	359,320,070	934,539,900	8,357,499
1997	307,321,000	396,534,200	1,042,512,420	7,159,772
1998	339,540,000	418,682,600	1,092,694,120	3,928,114
1999	287,384,000	492,534,510	1,185,611,190	3,112,322
2000	295,883,000	539,386,970	1,229,061,710	2,013,926
2001	324,040,000	629,806,960	1,376,916,040	965,334
2002	328,392,000	679,803,270	1,425,633,920	—
2003	393,423,000	739,582,260	1,606,510,230	—
2004	422,196,000	775,893,010	1,675,789,840	—

\* Through June 2004 for Amounts Shown.

- (1) Includes New Construction and Remodeling.
- (2) Schools and Churches.
- (3) Combined Deposits (Source: State Banking Dept.).
- (4) Source: Polk County Assessor – Net Property Value Before Industrial and Urban Exemptions, and Excludes Agricultural Land and Out-Buildings.

**CITY OF URBANDALE, IOWA**

Table XV

Principal Taxpayers  
June 30, 2004  
(Unaudited)

<b>Taxpayer</b>	<b>Type of Business</b>	<b>FY 03-02 Assessed Valuation*</b>	<b>Percent of Total Assessed Value</b>
Aurora Business Parks Associates, LP	Office/Warehouse	\$ 36,257,050	1.57 %
Merle Hay Mall, LTD	Retail	20,521,000	0.89
SFI Ltd. Partnership	Apartment	16,169,000	0.70
Nottingham Square	Apartment	16,140,400	0.70
GK Properties	Warehouse	13,778,000	0.60
Anderson Properties	Retail	13,356,800	0.58
Mark Anderson Properties	Retail	13,108,000	0.57
112th Street LC	Warehouse	12,365,000	0.54
Bradley Johnson	Office	12,138,900	0.53
Target Corporation	Retail	12,051,000	0.52
		<u>\$ 165,885,150</u>	<u>7.20 %</u>

\* Source: Polk County – Tax Assessor’s Office.



**REPORTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS**



KPMG LLP  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards***

The Honorable Mayor and Members of the City Council  
City of Urbandale, Iowa:

We have audited the financial statements of the City of Urbandale, Iowa, as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated October 29, 2004. Such report refers to the adoption of several Governmental Accounting Standards Board statements. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Urbandale, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Urbandale, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the City of Urbandale, Iowa, and is not intended to be, and should not be, used by anyone other than this specified party.

**KPMG LLP**

October 29, 2004





**KPMG LLP**  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

October 29, 2004

The Honorable Mayor and City Council  
City of Urbandale, Iowa

Honorable Mayor and Members of the City Council:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbandale, Iowa (the City) for the years ended June 30, 2004 and 2003, and have issued our report thereon dated October 29, 2004. In planning and performing our audits of the basic financial statements of the City, we have considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

The following comments regarding the City's operation for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our independent audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily examined. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- 1) **Official Depositories** – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in this resolution were not exceeded during the year ended June 30, 2004.
- 2) **Certified Budget** – City expenditures by program during the year ended June 30, 2004 did not exceed budgeted amounts.
- 3) **Questionable Disbursements** – We noted no disbursements of City money that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 4) **Travel Expense** – We noted no disbursements of City money for travel expenses of spouses of City officials or employees.
- 5) **Business Transactions** – We noted no transactions between the City and City officials or employees.
- 6) **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amounts of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 7) **City Council Minutes** – No transactions were found that we believe should have been approved in the City Council minutes but were not.



- 8) **Deposits and Investments** – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

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This report is intended solely for the information and use of the city council, management and others within the City, and the State of Iowa and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP