

**Urbandale Sanitary Sewer District
Urbandale, Iowa**

FINANCIAL REPORT

June 30, 2004

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**Urbandale Sanitary Sewer District
OFFICIALS**

| <u>Name</u> | <u>Title</u> | <u>Term expires</u> |
|---|--------------|---------------------|
| BOARD OF TRUSTEES (as of June 30, 2004) | | |
| Don Mears | President | January 2, 2005 |
| Gerald Pierce | Treasurer | January 2, 2009 |
| D. J. Nawrocki | Clerk | January 2, 2007 |
| ATTORNEY | | |
| Paul A. Drey | | |

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Urbandale Sanitary Sewer District

We have audited the accompanying financial statements of the Urbandale Sanitary Sewer District as of and for the year ended June 30, 2004, as listed in the contents page of this report. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Also, as described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended June 30, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts, cash disbursements and cash balances of the Urbandale Sanitary Sewer District as of June 30, 2004, and the revenues received and expenses paid for the year then ended on the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6-8 and the budgetary comparison information on page 17 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on management's discussion and analysis.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 7, 2005

**URBANDALE SANITARY SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Our discussion and analysis of Urbandale Sanitary Sewer District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2004, within the limitations of the District's cash basis of accounting. Please read it in conjunction with the District's financial statements that begin on page 10.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operation.

2004 FINANCIAL HIGHLIGHTS

Revenue of the District's General Fund activities decreased 15% or approximately \$493,000 from fiscal 2003 to fiscal 2004 due in part to a decrease in sewer connection fees. Revenue received in the general obligation bond fund decreased approximately \$5,258,000 from 2003. This was due to proceeds received from the issuance of general obligation bonds in 2003. The ICA fund revenues increased approximately \$82,000 over 2003 which was due primarily to increased WRA refunds.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

Report Components

Management's Discussion and Analysis: introduces the basic financial statements and provides an analytical overview of the District's financial activities.

Financial Statements: The Statement of Net Assets-Cash Basis reports the balances of cash and investments as of June 30, 2004. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances - cash basis provides information about the activities of the District government-wide (or "as a whole") and present an overall view of the District's finances. The statement presents receipts and disbursements by each fund of the District.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis and the Budgetary Comparison Schedule (see page 17) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report (starting on page 19) includes optional financial information. This other supplemental financial information is provided to address certain specific needs of various users of the District's annual report.

BASIS OF ACCOUNTING

The District has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the District's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The District's Reporting Entity Presentation

- This annual report includes all activities for which the Urbandale Sanitary Sewer District's Board of Trustees is fiscally responsible.

The Statement of Net Assets-Cash Basis and the Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances reports information about the District as a whole and about its activities in a way that helps answer this question. This Statement includes the activities of the sewer system. These activities are financed primarily by user charges.

This statement reports the District's cash basis net assets and change in them. Keeping in mind the limitations of the cash basis of accounting, you can think of the District's cash basis net assets as one way to measure the District's financial health of financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the District.

In the financial statements which include a statement of cash receipts, cash disbursements and changes in cash balances, we divide the District into three funds:

General Fund - Most of the District's basic services are reported here, which include providing sanitary sewer lines and facilities for the safe treatment and disposal of wastewater for property owners in the District. Sewer rental fees provide the majority of the funding in this fund.

General Obligation Bond Fund - This fund is utilized to account for the payment of interest and principal on the District's long-term debt.

ICA Fund - This fund accounts for transactions related to construction, maintenance and upgrade of the Metropolitan Wastewater Reclamation Authority.

Government-Wide Financial Analysis

The District's total cash basis net assets decreased by \$1,205,134 from a year ago. The analysis that follows focuses on the changes in cash balances. The cost of all activities this year was \$6,289,872. These costs were financed by total receipts of \$5,084,738, which consisted primarily of \$2,455,378 of sewer rental charges, \$1,003,267 of sewer connection fees, and \$598,864 of real estate and personal property taxes.

INDIVIDUAL MAJOR FUND ANALYSIS

The District reported total net assets of \$10,673,842 at June 30, 2004, a decrease of \$1,205,134 from last year's total net assets of \$11,878,976. The following are the major reasons for the changes in net assets in the various funds.

The General Fund cash balance increased \$250,893 from the prior year due primarily to increased sewer rentals.

The General Obligation Bond Fund cash balance decreased \$1,792,590 from the prior year due to an increase in bond redemptions and interest payments.

The ICA Fund cash balance increased \$336,563 from prior year due primarily to increased WRA refunds.

BUDGETARY AMENDMENTS

Over the course of the year, the District amended its budget once. The amendment was approved on March 30, 2004 and resulted in an increase in operating disbursements. Disbursements increased for an anticipated increase in capital improvements and debt service requirements.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$10,081,000 in bonds outstanding, compared to approximately \$13,105,000 last year. Details are as follows:

| | June 30 | |
|-------------------------------------|---------------------|---------------------|
| | 2004 | 2003 |
| Outstanding Debt at Year End | | |
| Sewer Improvements | \$ 2,081,000 | \$ 2,250,000 |
| WRA Capital Improvements | 935,000 | 1,095,000 |
| Sewer Improvements | 2,075,000 | 2,150,000 |
| Refinancing Bonds | 4,990,000 | 5,810,000 |
| Sewer Improvements | — | 1,800,000 |
| Total | <u>\$10,081,000</u> | <u>\$13,105,000</u> |

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide our property owners in the District, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Paul Drey or telephone (515) 274-1450.

FINANCIAL STATEMENTS

Urbandale Sanitary Sewer District
STATEMENT OF NET ASSETS—CASH BASIS
June 30, 2004

ASSETS

| | |
|-------------------------------------|---------------------|
| Cash | \$ 5,991,062 |
| Certificates of deposit | 1,014,908 |
| U.S. government securities | 3,259,006 |
| Iowa Public Agency Investment Trust | <u>408,866</u> |
| Total assets | <u>\$10,673,842</u> |

NET ASSETS

| | |
|------------------------------|---------------------|
| Unrestricted | |
| General fund | \$ 2,111,807 |
| Restricted | |
| ICA fund | 4,302,471 |
| General obligation bond fund | <u>4,259,564</u> |
| Total net assets | <u>\$10,673,842</u> |

Urbandale Sanitary Sewer District
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES—CASH BASIS
As of and for the year ended June 30, 2004

| | <u>Total (Memorandum only)</u> | <u>General fund</u> | <u>General obligation bond fund</u> | <u>ICA fund</u> |
|--|--|-------------------------|---|---------------------|
| RECEIPTS | | | | |
| Real estate and personal property taxes | \$ 598,864 | \$ 49,995 | \$ 548,869 | \$ — |
| Special assessments | 86,695 | — | 86,695 | — |
| Sewer rentals | 2,455,378 | 2,455,378 | — | — |
| Interest on investments | 203,625 | 32,397 | 136,253 | 34,975 |
| WRA refunds—capital and budget | 533,023 | — | — | 533,023 |
| Sewer connection fees | 1,003,267 | 32,695 | 970,572 | — |
| Other | <u>203,886</u> | <u>203,886</u> | <u>—</u> | <u>—</u> |
| | 5,084,738 | 2,774,351 | 1,742,389 | 567,998 |
| Transfers | <u>1,584,097</u> | <u>—</u> | <u>—</u> | <u>1,584,097</u> |
| Total receipts and transfers | <u>6,668,835</u> | <u>2,774,351</u> | <u>1,742,389</u> | <u>2,152,095</u> |
| DISBURSEMENTS | | | | |
| Regular | 5,350,511 | — | 3,534,979 | 1,815,532 |
| Administrative | 342,576 | 342,576 | — | — |
| Capital outlay | <u>596,785</u> | <u>596,785</u> | <u>—</u> | <u>—</u> |
| | 6,289,872 | 939,361 | 3,534,979 | 1,815,532 |
| Transfers | <u>1,584,097</u> | <u>1,584,097</u> | <u>—</u> | <u>—</u> |
| Total disbursements and transfers | <u>7,873,969</u> | <u>2,523,458</u> | <u>3,534,979</u> | <u>1,815,532</u> |
| Excess (deficiency) of receipts over disbursements | (1,205,134) | 250,893 | (1,792,590) | 336,563 |
| CASH BALANCES , beginning of year | <u>11,878,976</u> | <u>1,860,914</u> | <u>6,052,154</u> | <u>3,965,908</u> |
| CASH BALANCES , end of year | <u>\$10,673,842</u> | <u>\$2,111,807</u> | <u>\$4,259,564</u> | <u>\$4,302,471</u> |

See Notes to Financial Statements.

**Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Urbandale Sanitary Sewer District is incorporated under the laws of the state of Iowa. The District operates under a Board of Trustees consisting of three members. The District is an independent taxing authority organized under Chapter 358 of the Iowa Code and has the ability to issue debt. Therefore, its financial statements are not included in the financial statements of the City of Urbandale. The purpose of the District is to provide sanitary sewer lines and facilities for the safe treatment and disposal of wastewater for property owners in its district. Its territory includes most of the City of Urbandale, Iowa, and is located in Polk County and Dallas County.

Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the District in accordance with generally accepted accounting principles for municipal enterprises.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts. These accounts comprise its assets, net assets, receipts and disbursements. The various funds are classified as follows in the financial statements:

General Fund

The General Fund is the general operating fund of the District. All general tax revenues and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid through other funds.

General Obligation Bond Fund

The General Obligation Bond Fund is utilized to account for the payment of interest and principal on the District's general obligation and special assessment long-term debt.

ICA Fund

The ICA Fund accounts for transactions related to resources obtained and expended for construction, maintenance and upgrade of the Metropolitan Wastewater Reclamation Authority.

**Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Total (Memorandum Only)

The total column on the statement of cash receipts, cash disbursements and changes in cash balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Accounting Standards

Effective July 1, 2003, the District adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The adoption of these pronouncements had no financial impact on the District's financial statements.

NOTE 2 CASH AND INVESTMENTS

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by 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 Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. At June 30, 2004, the District's investments in U.S. Government securities are in a category characterized as investments that are collateralized with securities held by the pledging financial institutions trust department or agent in the District's name.

The District's investments at June 30, 2004 are as follows:

| | <u>Carrying amount</u> | <u>Fair value</u> |
|-------------------------------------|----------------------------|--------------------|
| Certificates of deposit | \$1,014,908 | \$1,014,908 |
| Iowa Public Agency Investment Trust | 408,866 | 408,866 |
| U.S. government securities | <u>3,259,006</u> | <u>3,183,200</u> |
| Total investments | <u>\$4,682,780</u> | <u>\$4,606,974</u> |

**Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds of the District as of June 30, 2004 are as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|--------------------|---------------------|
| 2005 | \$ 2,080,000 | \$ 367,248 | \$ 2,447,248 |
| 2006 | 1,142,000 | 290,061 | 1,432,061 |
| 2007 | 1,129,000 | 257,254 | 1,386,254 |
| 2008 | 2,506,000 | 221,810 | 2,727,810 |
| 2009 | 1,028,000 | 108,224 | 1,136,224 |
| 2010-2014 | <u>2,196,000</u> | <u>181,041</u> | <u>2,377,041</u> |
| Totals | <u>\$10,081,000</u> | <u>\$1,425,638</u> | <u>\$11,506,638</u> |

In May 2003, the District issued \$5,810,000 of general obligation bonds for the purpose of refinancing the outstanding bonds of the District as those bonds become callable. The proceeds from the refinancing bonds have been invested in U.S. government securities until the refinanced bonds can be called. The above bonded indebtedness schedule includes the balance of the refinanced bonds as well as the refinancing bonds. The balance of the investment in the U.S. government securities at June 30, 2004 is \$3,259,006.

A summary of the terms of the various general obligation bond issues are as follows:

| <u>Obligation</u> | <u>Date of issue</u> | <u>Interest rate</u> | <u>Outstanding at June 30, 2004</u> |
|--|----------------------|----------------------|---|
| Sewer improvements - Iowa State Revolving Fund | August 10, 1994 | 3.74% | \$ 2,081,000 |
| WRA capital improvements | June 1, 1997 | 4.65% - 5.25% | 935,000 |
| Sewer improvements | June 1, 2000 | 5.375% - 5.55% | 2,075,000 |
| Refinancing bonds | May 1, 2003 | 2.0% - 3.2% | <u>4,990,000</u> |
| Total outstanding at June 30, 2004 | | | <u>\$10,081,000</u> |

NOTE 4 WRA PROJECT FINANCING LIABILITY

The District's liability, by year, for its share of the debt service of Des Moines bonds issued for State Revolving Fund Loans nos. 1,2 and 3; Series 1992 Revenue Bond sales nos. 1,2 and 4; and 1995 Sewer Revenue Capital Loan Notes of the Metropolitan Wastewater Reclamation Authority, including the debt assumed under contract with the Urbandale Windsor Heights District follows. These amounts are estimates of the repayment schedules based upon the original debt service agreements, since the funds for one or more of the State Revolving Fund Loans have not been completely drawn down as of June 30, 2004. The amounts are payable to the city of Des Moines, as agent for the participating member communities of the various WRA projects.

| <u>Year ending June 30</u> | |
|----------------------------|--------------------|
| 2005 | \$ 259,822 |
| 2006 | 260,168 |
| 2007 | 260,492 |
| 2008 | 260,671 |
| 2009 | 260,350 |
| 2010 - 2016 | <u>1,070,558</u> |
| Total | <u>\$2,372,061</u> |

**Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 WRA PROJECT FINANCING LIABILITY (continued)

Sewer rental receipts of \$1,584,097 were systematically transferred from the general fund to the ICA fund as funding of the District's budget share of \$1,815,532 for the year ended June 30, 2004.

NOTE 5 BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2004, disbursements as amended did not exceed the total budgeted amounts.

REQUIRED SUPPLEMENTARY INFORMATION

Urbandale Sanitary Sewer District
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BALANCES—COMPARISON TO BUDGET
Year ended June 30, 2004
See Independent Auditor's Report

| | <u>Actual</u> | <u>Amended Budget</u> | <u>Variance</u> |
|--|---------------------|---------------------------|----------------------|
| RECEIPTS | | | |
| General fund and ICA | | | |
| Real estate and property taxes | \$ 49,995 | \$ 50,000 | \$ (5) |
| Sewer rentals | 2,455,378 | 2,500,000 | (44,622) |
| Interest on investments | 67,372 | 50,000 | 17,372 |
| WRA refunds—capital and budget | 533,023 | — | 533,023 |
| Sewer connection fees | 32,695 | 60,000 | (27,305) |
| Other | 203,886 | 1,000 | 202,886 |
| General obligation bond fund | | | |
| Real estate and property taxes | 548,869 | 550,000 | (1,131) |
| Special assessments | 86,695 | 75,000 | 11,695 |
| Interest on investments | 136,253 | 20,000 | 116,253 |
| Western area connection fees | <u>970,572</u> | <u>100,000</u> | <u>870,572</u> |
| Total receipts | <u>5,084,738</u> | <u>3,406,000</u> | <u>1,678,738</u> |
| DISBURSEMENTS | | | |
| General fund and ICA | | | |
| Urbandale administrative fee | 47,001 | 47,000 | 1 |
| District maintenance, repair and plant | 197,066 | 173,988 | 23,078 |
| WRA budget share | 1,815,532 | 1,800,000 | 15,532 |
| Capital improvements | 596,785 | 850,000 | (253,215) |
| Other | <u>98,509</u> | <u>181,500</u> | <u>(82,991)</u> |
| Totals | <u>2,754,893</u> | <u>3,052,488</u> | <u>(297,595)</u> |
| General obligation bond fund | | | |
| Bond redemptions | 3,024,000 | 3,161,085 | (137,085) |
| Interest | 510,141 | 373,915 | 136,226 |
| Bond administration fees | 838 | 15,000 | (14,162) |
| Totals | <u>3,534,979</u> | <u>3,550,000</u> | <u>(15,021)</u> |
| Total disbursements | <u>6,289,872</u> | <u>6,602,488</u> | <u>(312,616)</u> |
| Net amounts | (1,205,134) | (3,196,488) | (1,991,354) |
| BALANCES, beginning of year | <u>11,878,976</u> | <u>11,878,976</u> | <u>—</u> |
| BALANCES, end of year | <u>\$10,673,842</u> | <u>\$ 8,682,488</u> | <u>\$(1,991,354)</u> |

OTHER SUPPLEMENTARY INFORMATION

Urbandale Sanitary Sewer District
SUMMARY OF CASH AND INVESTMENT BALANCES
June 30, 2004
See Independent Auditor's Report

SUMMARY OF JUNE 30, 2004 BALANCE

| | |
|-------------------------------------|---------------------|
| State Savings Bank | |
| Money market account | \$ 1,001,191 |
| First American Bank | |
| Money market accounts | 4,645,571 |
| US Bank | |
| Checking account | 32,448 |
| Money market account | 311,852 |
| Iowa Public Agency Investment Trust | 408,866 |
| Certificates of deposit | |
| Iowa Savings Bank | 572,015 |
| Commercial Federal Bank | 442,893 |
| U.S. government securities | <u>3,259,006</u> |
| Total | <u>\$10,673,842</u> |

Urbandale Sanitary Sewer District
SCHEDULE OF BOND AND INTEREST TRANSACTIONS
Year ended June 30, 2004
See Independent Auditor's Report

| <u>Obligation</u> | <u>Date of issue</u> | <u>Interest rates</u> | <u>Amount originally issued</u> |
|---|----------------------|-----------------------|---------------------------------|
| Sewer improvements Iowa State Revolving Fund for sewer improvements | May 1, 1994 | 5.10% - 5.75% | \$3,000,000 |
| WRA capital improvements | August 10, 1994 | 3.74% | 3,400,000 |
| Sewer improvements | June 1, 1997 | 4.65% - 5.25% | 1,400,000 |
| Refinancing bonds | June 1, 2000 | 5.375% - 5.55% | 2,200,000 |
| | May 1, 2003 | 2.00% - 3.2% | 5,810,000 |
| Totals | | | |

| Outstanding June 30, 2003 | Issued during the year | Redeemed during the year | Outstanding June 30, 2004 | Interest paid in 2004 |
|--|---------------------------------------|---|--|--------------------------------------|
| \$ 1,800,000 | \$ — | \$1,800,000 | \$ — | \$ 96,300 |
| 2,250,000 | — | 169,000 | 2,081,000 | 84,150 |
| 1,095,000 | — | 160,000 | 935,000 | 55,683 |
| 2,150,000 | — | 75,000 | 2,075,000 | 117,994 |
| <u>5,810,000</u> | <u>—</u> | <u>820,000</u> | <u>4,990,000</u> | <u>156,014</u> |
| <u>\$13,105,000</u> | <u>\$ —</u> | <u>\$3,024,000</u> | <u>\$10,081,000</u> | <u>\$ 510,141</u> |

Urbandale Sanitary Sewer District
SCHEDULE OF INVESTMENT TRANSACTIONS
Year ended June 30, 2004
See Independent Auditor's Report

| | <u>Balance July 1, 2003</u> | <u>Purchased</u> | <u>Redeemed</u> | <u>Balance June 30, 2004</u> | <u>Interest received</u> |
|-------------------------------------|-------------------------------------|--------------------|--------------------|--------------------------------------|------------------------------|
| Money market accounts | \$ 4,541,193 | \$1,824,639 | \$ 407,218 | \$ 5,958,614 | \$ 73,358 |
| Iowa Public Agency Investment Trust | 406,435 | 2,431 | - | 408,866 | 2,431 |
| U.S. government securities | 5,431,002 | 108,782 | 2,280,778 | 3,259,006 | 108,782 |
| Certificates of deposit | <u>1,480,918</u> | <u>19,054</u> | <u>485,064</u> | <u>1,014,908</u> | <u>19,054</u> |
| Totals | <u>\$11,859,548</u> | <u>\$1,954,906</u> | <u>\$3,173,060</u> | <u>\$10,641,394</u> | <u>\$ 203,625</u> |

Urbandale Sanitary Sewer District
SCHEDULE OF CASH TRANSACTIONS—GENERAL FUND
Year ended June 30, 2004
See Independent Auditor's Report

RECEIPTS

| | |
|---|------------------|
| Real estate and personal property taxes | \$ 49,995 |
| Sewer rentals | 2,455,378 |
| Interest on investments | 32,397 |
| Sewer connection fees | 32,695 |
| Other | <u>203,886</u> |
| Total receipts | <u>2,774,351</u> |

TRANSFERS TO ICA FUND

1,584,097

DISBURSEMENTS

| | |
|---|----------------|
| Regular | |
| City of Urbandale | |
| Maintenance contract | 197,066 |
| Administrative fee | 47,001 |
| Bond issuance costs | 1,352 |
| Legal fees | 64,248 |
| Accounting fees | 6,300 |
| Trustee fees | 4,770 |
| Insurance | 5,334 |
| Engineering fees | 5,433 |
| Publishing and postage | 972 |
| Settlement of claims | <u>10,100</u> |
| Total regular disbursements | 342,576 |
| Capital outlay | |
| Capital improvements—sewer trunk projects | <u>596,785</u> |
| Total disbursements | <u>939,361</u> |

Excess of receipts over disbursements and transfers 250,893

BALANCE, beginning of year 1,860,914

BALANCE, end of year \$2,111,807

Urbandale Sanitary Sewer District
SCHEDULE OF CASH TRANSACTIONS—GENERAL OBLIGATION BOND FUND
Year ended June 30, 2004
See Independent Auditor's Report

RECEIPTS

| | |
|---|------------------|
| Real estate and personal property taxes | \$ 548,869 |
| Special assessments | 86,695 |
| Western area connection fees | 970,572 |
| Interest on investment | <u>136,253</u> |
| Total receipts | <u>1,742,389</u> |

DISBURSEMENTS

| | |
|--------------------------|------------------|
| Bond redemptions | 3,024,000 |
| Interest | 510,141 |
| Bond administration fees | <u>838</u> |
| | <u>3,534,979</u> |

(Deficiency) of receipts over disbursements (1,792,590)

BALANCE, beginning of year 6,052,154

BALANCE, end of year \$4,259,564

Urbandale Sanitary Sewer District
SCHEDULE OF CASH TRANSACTIONS—ICA FUND
Year ended June 30, 2004
See Independent Auditor's Report

RECEIPTS

| | |
|-------------------------|----------------|
| Interest on investments | \$ 34,975 |
| WRA budget share | <u>533,023</u> |
| Total receipts | <u>567,998</u> |

TRANSFER FROM GENERAL FUND

| | |
|------------------------------|------------------|
| Sewer rentals | 1,584,097 |
| Total receipts and transfers | <u>2,152,095</u> |

DISBURSEMENTS

| | |
|---|------------------|
| WRA budget share | 1,770,787 |
| Assumed Urbandale/Windsor Heights Sanitary District WRA budget share | <u>44,745</u> |
| Total disbursements | <u>1,815,532</u> |

| | |
|---|---------|
| Excess of receipts and transfers over disbursements | 336,563 |
|---|---------|

| | |
|------------------------------------|------------------|
| BALANCE , beginning of year | <u>3,965,908</u> |
|------------------------------------|------------------|

| | |
|------------------------------|--------------------|
| BALANCE , end of year | <u>\$4,302,471</u> |
|------------------------------|--------------------|

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Urbandale Sanitary Sewer District
Urbandale, Iowa

We have audited the financial statements of Urbandale Sanitary Sewer District as of and for the year ended June 30, 2004, and have issued our report thereon dated January 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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 Urbandale Sanitary Sewer District'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 the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the 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 of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urbandale Sanitary Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

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

This report, a public record by law, is intended solely for the information and use of the members and constituents of Urbandale Sanitary Sewer District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 7, 2005

**Urbandale Sanitary Sewer District
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

Part I—Findings Related to the Financial Statements

No matters regarding reportable conditions, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Urbandale Sanitary Sewer District
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

Part II—Findings Related to Required Statutory Reporting

OFFICIAL DEPOSITORIES

A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

CERTIFIED BUDGET

Disbursements during the year ended June 30, 2004, as amended, did not exceed the total amounts budgeted for the District.

ENTERTAINMENT EXPENSES

No disbursements of District money for entertainment expenses were noted.

TRAVEL EXPENSE

No disbursements of District money for travel expenses of spouses of District officials or employees were noted.

BUSINESS TRANSACTIONS

No business transactions between the District and District officials or employees were noted.

BOND COVERAGE

Surety bond coverage of District trustees is in accordance with statutory provisions.

BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.