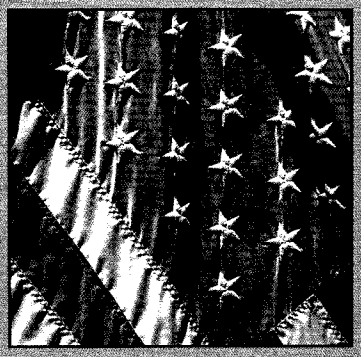
CITY OF URBANDALE, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED: June 30, 2005

UNIQUELY URBANDALE



CITY OF URBANDALE, IOWA

Comprehensive Annual Financial Report

Years Ended June 30, 2005 and June 30, 2004

Prepared by The
Department of Finance and Records

UNIQUELY URBANDALE

INTRODUCTORY SECTION

CITY OF URBANDALE, IOWA

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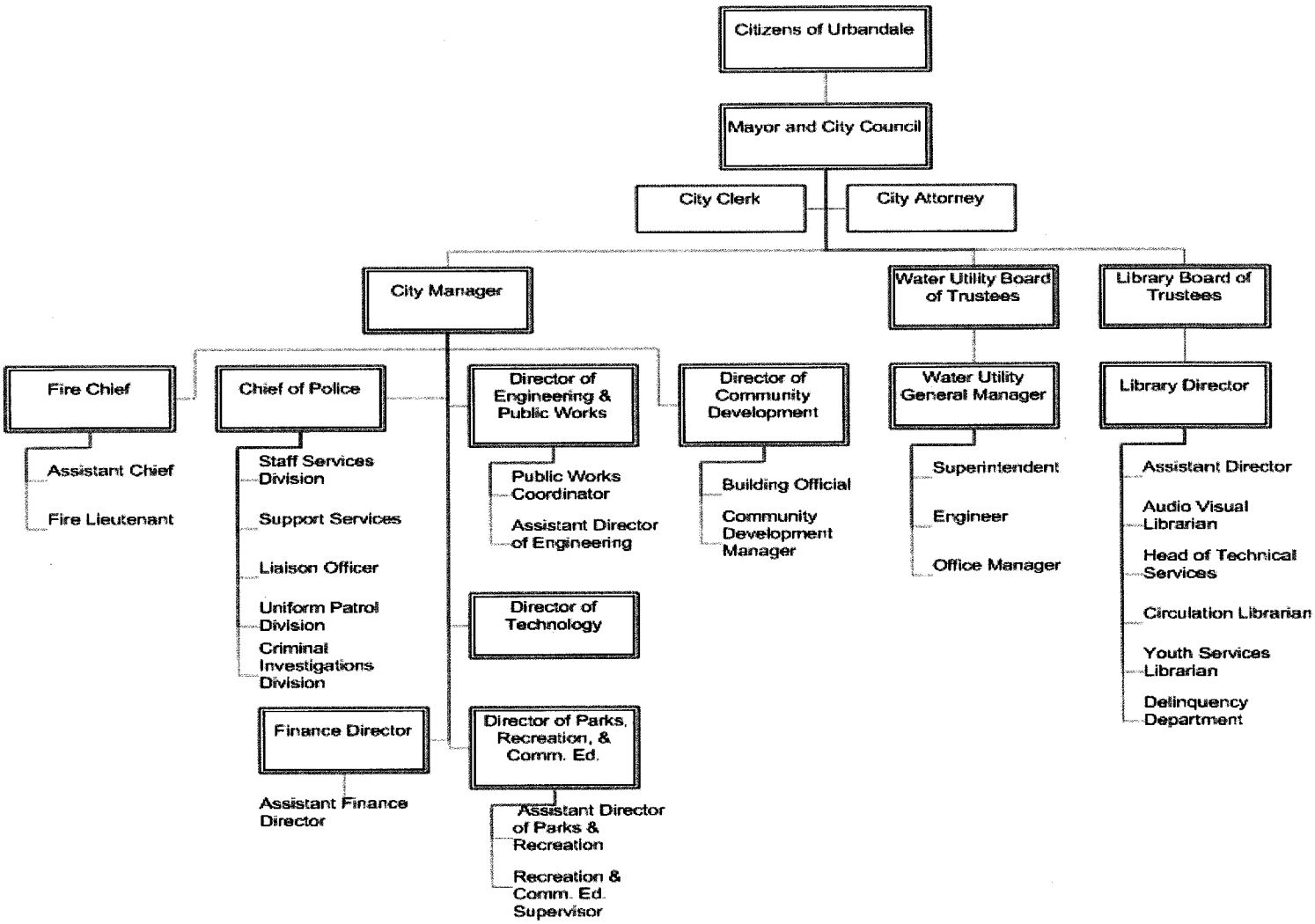
UNIQUELY URBANDALE

CITY OF URBANDALE, IOWA



Note: Library operations are under the supervision of the Library Board.
Water operations are under the supervision of the Water Utility Board.

Name	Title
Donald J.Brush	Mayor
Mary Polson	Mayor Pro Tem
Robert Andeweg	Council Member
John Forst	Council Member
Phil Noah	Council Member
Shannon Waddell	Council Member
Robert Layton	City Manager
Nicole Lamb	Finance Director
Kim Keisler	Assistant Finance Director

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, 2004

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.

President

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, 2004.

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.

UNIQUELY URBANDALE

City Hall • 3600 86th Street • Urbandale, IA 50322-4057 • Phone: 515-278-3900 • Fax: 515-278-3905 • www.urbandale.org

City of
Urbandale

December 2, 2005

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, 2005 and 2004 (FY05 and FY04), 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 (the Water Utility) is legally separate but the City is financially accountable for them. 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 discretely presented 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 audit for FY04 and Eide Bailly LLP, Certified Public Accountants, conducted the audit for FY05. The independent audits 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 auditors concluded, based upon the audits, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for FY05 and FY04 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 22 square miles, located both in Polk and Dallas counties. The City's estimated population is 35,732. Since 1980, Urbandale has been one of the fastest growing cities in Iowa, experiencing a population growth of approximately 100% 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 functions. The expenditure levels approved in the budget may not be exceeded on a function 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 Governmental Funds, on pages 58 and 59, respectively.

ASSESSMENT OF ECONOMIC 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 slowed slightly in Urbandale during FY05. The number of residential permits dropped from 890 in FY04 to 792 in FY05. However, FY04 represented a record year for residential construction and FY05 still exceeded the 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 trends, reflecting a continued strong local economy. It is anticipated that residential growth may continue to slow during the next year, reflecting a rise in interest rates and an increase in the cost of construction materials. Urbandale continues to have significant potential for residential development, with an estimated 925 lots now ready for construction.

Commercial and industrial development grew slightly 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 900,000 square feet of commercial and industrial development and has a significant land supply for continued growth. These factors make it likely that Urbandale will continue to experience steady commercial and industrial development during the next several years.

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

	Fiscal Year 2005		Fiscal Year 2004	
	# of Permits	Valuation	# of Permits	Valuation
Residential	792	$ 134,670,031	890	$ 180,746,377
Nonresidential	126	28,274,520	117	22,502,185
Miscellaneous minor	471	3,358,417	451	958,924
Total	1,389	$ 166,302,968	1,458	$ 204,207,486

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 twelve 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 is currently under review by a citizen's advisory committee. The recommended FY06 capital improvements program anticipates the expenditure of $13,730,200 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 $5.4 million of the needed funding, with the remaining funds to come from local operating revenues, tax increment debt, and other public and private sources.

FY05 and FY06 Initiatives

The Mayor and City Council in FY05 and FY06 initiated several programs and policies that will influence the City's financial operations. The key initiatives included the following:

- In FY05, Polk County and the cities of Johnston, Grimes and Urbandale completed a scoping study for the northwest transportation corridor. The study recommended the construction of an interchange at 100th Street and I35/80, the study of an interchange at Meredith Drive and I35/80, capacity improvements along Highway 141 and a study of the relocation of Highway 44. In FY06, the jurisdictions received $1,020,000 in Federal grant funds for the first phase of the 100th Street Interchange Project. These funds will be matched by $255,000 in local funds, and will be used for an environmental assessment, an interchange justification report, preliminary and final design and for the purchase of the right-of-way for the interchange. In FY06, the City also completed the construction of the Meredith Drive bridge over I35/80. This five-lane bridge will serve as the City's second major arterial connection across I35/80 and will accommodate turning movements for a partial interchange, if constructed.

- Significant growth in the Interstate corridor was experienced during both years. In FY05, property tax rebates were provided to sixteen office and industrial developments located in the Northwest Market Center tax increment district. Additionally, tax increment funds were allocated for the construction of Plum Drive, between 86th Street and Northwest Urbandale Avenue.

- In the Fawn Creek tax increment district, 142nd Street and Douglas Parkway were paved and a new bridge was constructed on 142nd Street. These improvements provided access for the 177 acre City Center development. Most of the residential construction in this development has been platted and concept plans have been approved for the retail and office projects.

- 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 FY06, Polk County and the cities of Johnston and Urbandale received funding from the Iowa Department of Transportation for the improvement of the 86th Street interchange. This project will add loop ramps and auxiliary right turn lanes to the I35/80 interchange. The state will provide $935,000 towards the construction of this $1.1 million improvement.

- In order to address growing traffic problems and to accommodate a new elementary school in the Johnston School District, plans are being developed for the paving of NW 54th Avenue and 72nd Street, north of Meredith Drive. This project will be jointly funded by Polk County and the cities of Johnston and Urbandale and will include the installation of a traffic signal and northbound left turn lane at the intersection of 72nd Street and Meredith Drive. Under the funding agreement, Polk County will contribute $2,220,000 for this project, with Johnston contributing $650,000 and Urbandale contributing $230,000. The project will be constructed over a two year time period, beginning in 2006.

- The City received approximately $700,000 from the Des Moines Area Metropolitan Planning Organization in FY05 to improve two major thoroughfares. These funds were used for the rehabilitation of 86th Street and Douglas Avenue and for the widening of 86th Street to five lanes. The City's investment in these projects totaled approximately $1.3 million.

- In FY06, the City will replace the Waterford Road bridge at Walnut Creek. This bridge has the lowest IDOT bridge rating of all structures in the City. An 80% grant has been received from the Iowa Department of Transportation for the replacement of the bridge, resulting in a contribution of approximately $562,400.

- In FY06, the City contracted with the Center for Transportation Research and Education to conduct a pavement condition inventory. Under this contract, all of the City's streets will be analyzed and pavement condition data will be generated. This data will serve as the foundation of an update of the City's Street Management Report, which will identify future street rehabilitation projects.

- The expansion of the Community Development and Engineering office building was completed in FY06. The project added 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, Technology Department and Parks and Recreation Department. The total cost for this project was approximately $2.6 million, with a portion of the cost offset by the proceeds from the sale of City Hall. This building was purchased for use by an adjacent business, at a price of $244,000.

- Two other public building expansion projects were completed in FY05. First, a new building at the Public Works Complex was constructed for approximately $392,000. This building accommodates a vehicle wash bay, a sign preparation area, storage for the solid waste vehicles and equipment storage. Second, the first phase of the Police Station Expansion Project was constructed, at a cost of approximately $422,000. This project provided 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. Phase II of this project will be initiated in FY06 and will include the construction of 10,000 square feet of additional space.

- In FY06, a concept plan was developed for an indoor recreation/aquatic center. As proposed, the new facility would be connected to the Urbandale School District's new west side elementary school and would be operated by the YMCA. The City's contribution for the project would be approximately $6 million and the YMCA's capital contribution would be $2.5 million. In order to judge public support for this project, the Parks and Recreation Commission conducted a recreation needs assessment. This assessment was recently completed and will be used by the Commission to determine the future for this facility.

- 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.

- A significant upgrade of the City's neighborhood park system was completed in FY06. This project provided for the development of playgrounds and/or play courts in ten neighborhood parks throughout the City. Approximately $250,000 in parkland dedication and bond funds were utilized to finance these improvements.

- The cities of Ankeny, Pleasant Hill, West Des Moines and Urbandale and the Southeast Polk Community School District jointly sponsored the Youth In Parks program in FY06. This program targeted middle school age youth in grades 6 through 9 and was a unique mixture of community service projects and recreation activities. To assist with this effort, the jurisdictions received a $22,275 grant from United Way of Central Iowa and Prairie Meadows.

- Due to the City's rapid growth during the past five years, the City contracted with the U.S. Census Bureau for a special census in 2005. The estimated cost for the special census was $470,000 which was split equally between FY05 and FY06. The special census was conducted in the summer of 2005 and the results should be certified by the end of the year. Preliminary estimates anticipate that the City's Road Use Tax receipts will increase by $436,000 during FY06 as a result of the new population.

- In 2001, the City Council adopted the Strategic Plan for Technology. This plan envisioned that one of the City's strategic initiatives would be the provision of comprehensive broadband service for the community. In order to determine the most appropriate method for developing a broadband infrastructure in Urbandale, the City Council approved a consulting contract with Public Technology Institute in FY06. Under this contract, the existing broadband infrastructure in the community will be assessed and the various technologies that could be utilized to provide broadband coverage in the future will be identified. Based on this information, PTI will determine the most appropriate service delivery options and prepare recommendations to be incorporated into a request for proposals document.

- In 2005, Urbandale was recognized as one of the top 100 places to live in America by CNN and Money Magazine. In order to highlight this achievement, the City joined with the Urbandale Chamber of Commerce to develop a special marketing campaign. The City Council approved the allocation of $10,000 for the preparation of a series of articles related to the quality of life and economic development climate in Urbandale. These articles will be published throughout FY06.

- In FY06, the City Council committed $640,000 for the Iowa Events Center project, over a 20 year period. The City's contribution will be utilized for the payment of debt service on the bonds issued by Polk County to finance the construction of the downtown arena. It is anticipated that this obligation will be financed from the City's Hotel/Motel Tax receipts.

- The City Council also committed 2/7ths of its Hotel/Motel Tax receipts to BRAVO Greater Des Moines for the funding of regional arts, cultural and recreation attractions. Some of the agencies anticipated to be funded through BRAVO include the Des Moines Art Center, the Civic Center, the Des Moines Botanical Center, the Des Moines Symphony, the Des Moines Zoo, Living History Farms and the Des Moines Science Center. The City's annual contribution to BRAVO will be reduced by an amount equal to its annual contribution to Principal Park and its annual debt service obligation for the acquisition of land under the Des Moines Buccaneers arena.

- Due to the growing demand for new retail development in Urbandale, a special subcommittee of the Planning and Zoning Commission and City Council was formed to study the impact of retail uses in the interstate corridor. To assist the subcommittee with its work, a consultant was hired to survey current development and commercial market conditions in the City and surrounding areas and to develop a conceptual land use plan for the interstate corridor. This plan will identify potential sites for various retail uses, including big box stores and shopping centers, if appropriate. The consultant will also identify the impact of potential retail development on other commercial centers, residential neighborhoods and the transportation system in Urbandale. The consultant's work should be completed by the end of 2005.

- Building on previous cooperative ventures, fire and EMS representatives from Clive, West Des Moines and Urbandale selected a consultant to identify additional collaborative opportunities in the delivery of fire and EMS services. The consultant will also outline various structural changes that could be implemented to enhance cooperation and collaboration among the departments. The consultant's recommendations are anticipated to be completed by early 2006.

- The fire and EMS operations for the cities of Clive, Urbandale and West Des Moines were also awarded a loan in the amount of $100,000 by the Iowa Department of Management for the purchase and installation of fiber optic cabling and videoconferencing equipment. The cabling and equipment will allow the three cities to conduct emergency services training in one location while the training is viewed simultaneously at the other two locations. It is anticipated that this system will be operational in FY06.

- 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 $735,000 annually to purchase communication equipment for Westcom, the public safety answering point for Clive, West Des Moines and Urbandale. In a related matter, the Westcom cities are negotiating with Polk County to create a regional public safety communication center. If appropriate terms can be negotiated for the new center, it is anticipated to begin operations in FY07.

- 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.

- Due to 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 was implemented on January 1, 2005.

- The City's building, residential, property maintenance and fire codes were updated in FY06. The revised codes reflect the changes instituted by the international codes. Additionally, several amendments were approved to make the codes more consistent with other communities in the metropolitan area.

- In order to comply with the National Pollutant Discharge Elimination System requirements, the City Council adopted an illicit stormwater discharge ordinance in FY06. The ordinance was prepared by staff representatives from the cities of Clive, Waukee, West Des Moines and Urbandale to control and eliminate non-stormwater discharges into the municipal storm sewer system. The ordinance also allows the City to inspect a private property if an illicit discharge is suspected and to impose penalties on the property owner for non-compliance. As required by federal and state regulations, the City's illicit discharge program must be fully implemented by October, 2006.

- A container based yard waste collection program was started on a pilot basis in FY05. The program offers the heaviest users of the Compost It program a more cost effective and convenient system for disposing of yard waste. Additionally, the program minimizes the risk of employee injuries associated with manual yard waste collection. Residents in the program pay a $25 start-up fee and $100 annually for the collection service. Based on the initial results of the program, it is anticipated that it will be continued and expanded in FY06.

- A suburban emergency response team was created by the cities of Urbandale, West Des Moines, Clive and Windsor Heights in FY06. This team provides specialized tactical and crisis negotiation responses for critical incidents in high risk situations. This unit will have two entry teams, one crisis intervention team and one long rifle unit. The entry teams will also assist in the planning and execution of high risk and drug related search warrants. Each city will be responsible for the cost of its employees in the unit.

- In 2005, state assistance was received for the expansion of three businesses in Urbandale. The total value of these projects was estimated at $11.4 million. The state's assistance level was approximately $450,000.

- 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 consists of five members and is responsible for the enforcement of the new ordinance.

- The City's current cable television franchise agreement will expire on December 17, 2006. The negotiation process for the renewal of this franchise began in FY05. The City Council has approved the renewal process and employed a cable attorney to coordinate the negotiation process.

- 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 FY06.

- In order to better address the City's human resources needs, the City Council approved a contract with the City of West Des Moines for the provision of human resources services. Under this agreement, the West Des Moines human resources staff coordinates the recruitment and hiring process for all vacant City positions. The agreement also provides for the updating of the City's position descriptions and personnel manual, the creation of a new employee orientation process and the development of a salary survey and salary recommendations for non-union personnel. The cost for this service is $30,000 for FY06.

- In FY06, the City Council approved an update of the City's investment policy. The revisions updated the appropriate Code of Iowa references and eliminated the use of fiduciary/third parties for the investment of funds. During the year, the City Council also amended the depository resolution and deposit agreements in order to better meet the diversification objectives of the investment policy.

- In FY05, a charter was developed for the newly created Audit Committee. The committee is 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 FY05, 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 FY05, exclusive of the Component Unit, was $609,911, compared to income of $295,357 in FY04.

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-two 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 FY05. 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 pages 48 and 49 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 FY04. 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, 2005 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. Kim Keisler, Assistant Finance Director, 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

Nicole M. Lamb
Finance Director

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To 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 year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Urbandale. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the City of Urbandale as of June 30, 2004, were audited by other auditors whose report dated October 29, 2004, expressed an unqualified opinion on those financial 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, 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 of Urbandale, Iowa, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of the City's internal control over financial reporting and on 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.

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The management's discussion and analysis and the budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Urbandale. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements of the City of Urbandale. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards 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 tables 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.

Eide Bailly LLP

Dubuque, Iowa
December 2, 2005

CITY OF URBANDALE, IOWA

Management's Discussion and Analysis

June 30, 2005 and June 30, 2004

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, 2005 (FY05) and June 30, 2004 (FY04). 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 FY05 and FY04 by $84,924,114 and $76,221,495 (net assets), respectively. Of these amounts, $10,606,430 and $7,352,649 (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 $8,702,619 and $9,693,559 in FY05 and FY04, respectively. Most of these increases were attributable to donated infrastructure and increased property taxes for tax increment debt.
- For FY05 and FY04, the City's governmental funds reported combined ending fund balances of $15,936,855 and $11,135,751, respectively. The FY05 fund balance represented an increase of $4,801,104 and was primarily attributed to a $3.8 million increase in the capital projects fund balance and $0.5 million increase in the general and debt service funds. The FY04 fund balance represented an increase of $2,959,310 and was primarily attributed to a $2.7 million rise in the capital projects fund balance and a $1.2 million rise in the general fund balance, partially offset by a $0.6 million drop in the debt service fund.
- At the end of FY05, unreserved fund balance for the general fund was $5,719,813 or 37.9% of total general fund expenditures. At the end of FY04, unreserved fund balance for the general fund was $5,129,821 or 37.7% 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.

This report also contains required supplementary information and 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 all of 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, Culture and Recreation, Community and Economic Development, 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 2005 and 2004.

The government-wide financial statements include not only the City of Urbandale itself, known as the primary government, but also a legally separate Water Utility 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 for further information.

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 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 19 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, tax increment financing 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 statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22 through 29 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 combining proprietary fund statements. The summary proprietary fund financial statements can be found on pages 30 through 32 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 summary fiduciary funds financial statements can be found on page 33 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 34 through 55 of this report.

Required Supplementary Information

The City of Urbandale adopts an annual appropriated budget, prepared on a cash basis. A budgetary comparison statement has been provided on pages 58 through 60 to demonstrate compliance with this legal budget. A reconciliation between the revenues and expenditures, prepared on the modified accrual basis, versus the budget, prepared on the cash basis, is also included.

Other information

In addition to the financial statements and the accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information section. Combining fund statements can be found on pages 64 through 76 of this report. Statistical information related to the City's financial position can be found on pages 78 through 93 of this report. In addition, the Schedule of Expenditures of Federal Awards on page 99 provides details of various federal programs benefiting the City.

Government Wide Financial Analysis

The following condensed financial information serves as the key financial data and indicators for management, monitoring, and planning. Financial data for FY05 and FY04 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 $84,924,114 and $76,221,495 at the close of FY05 and FY04, respectively.

The largest portion of the City's net assets in FY05 (75.8%) 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 $1,881,315 from FY04 to FY05.

An additional portion of the City's net assets (11.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $10,606,430 may be used to meet the government's ongoing obligations to residents and creditors. In FY04, restricted assets represented (8.4%) of the City's net assets and unrestricted net assets totaled $7,352,649.

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 Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Current assets	$ 44,449,405	39,800,477
Capital assets	97,752,733	89,237,501
Total assets	142,202,138	129,037,978
Long-term liabilities	30,594,383	25,875,573
Other liabilities	26,683,641	26,940,910
Total liabilities	57,278,024	52,816,483
Net assets:		
Invested in capital assets, net of related debt	64,357,733	62,476,418
Restricted	9,959,951	6,392,428
Unrestricted	10,606,430	7,352,649
Total net assets	$ 84,924,114	76,221,495

As noted above, the City's net assets increased by $8,702,619 from FY04 to FY05. Much of this growth can be attributed to the increase in capital asset investment, net of debt, (46.9%) and an increase in taxes receivable (25.3.%).

Governmental activities

Governmental activities increased the City's net assets by $8,702,619 and $9,693,559 for FY05 and FY04, respectively. The following table depicts that change in net assets.

City of Urbandale's Changes in Net Assets

		Governmental Activities 2005	Governmental Activities 2004
Revenues:			
Program revenues:			
Charge for services	$	4,200,704	3,574,657
Operating grants and contributions		3,225,412	3,078,828
Capital grants and contributions		4,902,157	8,616,427
General revenues:			
Taxes		18,913,190	15,814,435
Other		868,437	623,275
Total revenues		32,109,900	31,707,622
Expenses:			
Public safety		5,625,803	5,213,450
Public works		8,163,032	8,094,446
Health and social services		26,992	27,896
Culture and recreation		5,079,163	4,737,141
Community and economic development		1,470,696	1,024,584
General government		1,670,787	1,693,262
Interest and fiscal charges		1,370,808	1,223,284
Total expenses		23,407,281	22,014,063
Increase in net assets		8,702,619	9,693,559
Net assets – beginning		76,221,495	66,527,936
Net assets – ending	$	84,924,114	76,221,495

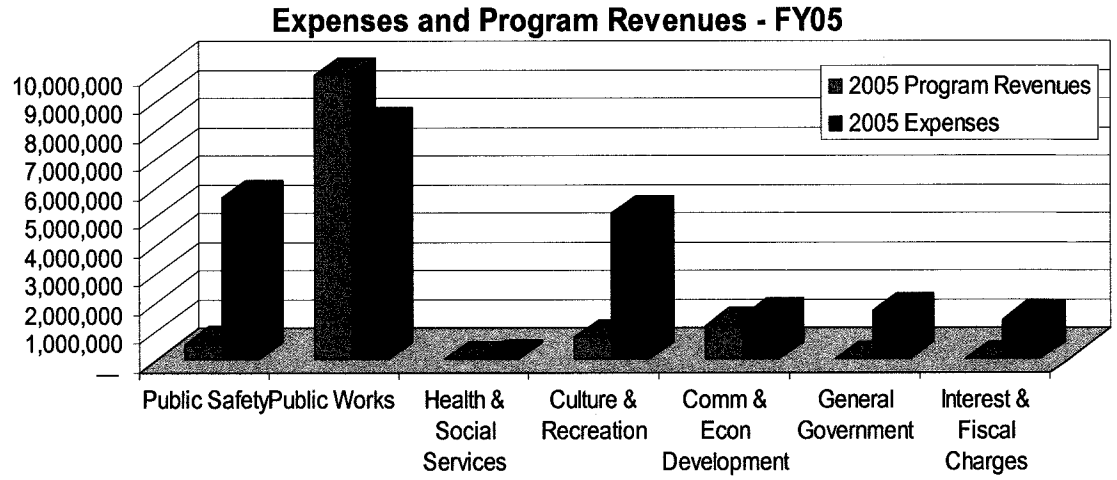
Key elements of the increase in net assets are as follows:

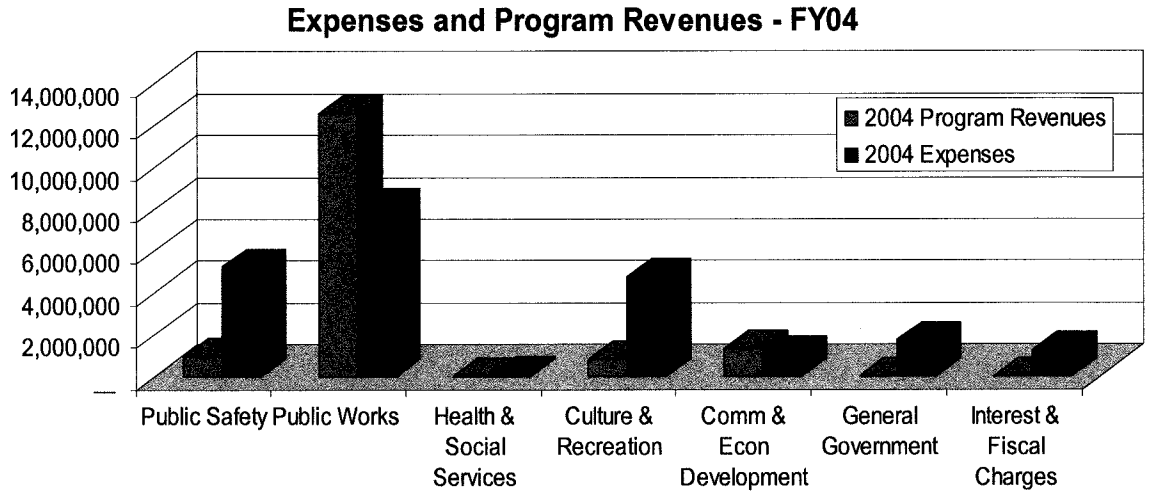
- Charges for services increased by $626,047 (17.5%) and $1,150,295 (47.4%) during FY05 and FY04, respectively. The FY05 growth is primarily attributed to the continued record level of new construction permits being issued by the City. The growth in FY04 revenue can be primarily attributed to the initiation of a solid waste collection fee and an increase in permit fee collections related to the new construction.

- Property Taxes increased by $2,883,624 (20.4%) and $895,662 (6.8%) during FY05 and FY04, respectively. In FY 05, the increase is partially a result of an error correction from a certification error by the Polk County Auditor's office in FY04, and partially due to the increasing assessment in the Northwest Market TIF district.

- Infrastructure constructed by private parties (e.g. developers) and donated to the City increased net assets by $2,939,426 and $6,646,957, in FY05 and FY04, respectively.

The following charts depict the expenses and program revenues attributed to each budgetary function for fiscal years 2005 and 2004:





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 FY05 and FY04, the City's governmental funds reported combined fund balances of $15,936,855 and $11,135,751, respectively. The increase in fund balance can primarily be attributed to the delay in several capital improvement projects that were planned for FY05. In addition, the following changes in fund balances should be noted:

- The general fund balance increased by $585,111 (11.4%) from the prior year ending balance. This positive change in the fund balance resulted primarily from continued increases in building related revenues, 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 $244,402 (24.1%) decrease can be primarily attributed to the planned use of fund balance for street improvement projects during the year.

- The fund balance for the tax increment financing (TIF) fund decreased $13,376 (89.2%) due to the timing of cashflow at year end. Since this fund is a flow-through for the TIF funds received during the year, at year end the fund balance should be zero unless there are revenues received after year end that relate to the current fiscal year, and are therefore accrued under the modified accrual basis of accounting.

- The $558,471 (183.4%) increase in debt service fund balance resulted from the repayment of an intrafund loan from FY04 that 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 FY04 debt service requirements. The deficit balance of FY04 has been reversed in FY05 and the remaining fund balance represents accrual of debt service payments to be made in FY06.

- As mentioned above, the $3,833,768 (117.4%) 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 Plum Drive, the construction of the 142nd Street bridge and the construction of City Hall.

Proprietary funds

Unrestricted net assets of the proprietary funds were $4,541,770 and $4,413,989, in FY05 and FY04, respectively. An additional $1,586,373 and $1,747,733 in FY05 and FY04, respectively, of net assets was restricted for funds invested in capital assets of the equipment replacement fund. In FY05, the increase in net assets for the proprietary funds resulted from increased contributions to the equipment replacement fund and increased premiums for insurance in the risk management fund. The FY04 increase in net assets for the proprietary funds resulted from increased contributions to the equipment replacement fund.

Budgetary Highlights (FY05)

Differences between the original budget and the final amended budget amounted to a $7,970,300 increase in appropriations and can be briefly summarized as follows:

- $4,356,287 for the Douglas Interchange capital project

- $266,000 in economic development assistance for a business expansion project

- $225,516 for expenses associated with the special census performed
- $1,314,323 for the acquisition of land in the Westover Urban Renewal District
- $1,355,000 for the Meredith Bridge capital project
- $100,000 for installation of a fiber optic network at both of the City's fire stations
- $42,174 for purchasing new solid waste containers for a pilot yard waste collection program
- $50,000 for the public works facility expansion project overage
- $67,000 for the purchase of additional land for the Walnut Creek Regional Park
- $35,000 for increased recreation instructor fees and related program materials
- $88,000 for grant related computer and material purchases in Library
- $71,000 for unbudgeted permit refunds and additional audit fees

The revised expenditures were offset by $71,000 in building permit fees, $100,000 in State loan proceeds, $42,174 in solid waste state grant funds, $50,000 in available Road Use Tax fund balance, $266,000 in State economic development assistance, $88,000 in library grant funds, $67,000 in REAP State grant funds, $20,000 in recreation fees, $300,000 in private donations, $2,369,323 in bond proceeds, $4,356,287 in available capital projects fund balance and $240,516 in available general fund balance. These revenue sources were not anticipated in the adopted fiscal year operating budget. Including these adjustments, actual disbursements were $2,263,789 less than final budget amounts. The City did not exceed budgeted amounts in any of its functions. Budget to actual schedules for the City are located on pages 58 through 60 of this report.

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
- $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 $23,300 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, $70,000 in recreation program fees 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 $9,761,746 less than final budget amounts. The City did not exceed budgeted amounts in any of its functions. Budget to actual schedules for the City are located on pages 58 through 60 of this report.

Capital Asset and Debt Administration

Capital assets

In FY05 and FY04, the City had invested $121,436,477 and $110,032,478, 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 increase, including additions and deletions, of $8,515,232 and $10,825,546, respectively. The value of these capital assets, net of depreciation at June 30, 2005 and June 30, 2004, is depicted below.

City of Urbandale's Capital Assets
(net of depreciation)

	Governmental Activities 2005	Governmental Activities 2004
Land	$ 5,082,819	3,888,611
Buildings and improvements	16,768,405	15,869,699
Machinery and equipment	7,384,138	7,196,954
Artwork	243,150	243,150
Infrastructure	87,255,070	82,319,404
Share of undivided equity interest assets	434,144	440,701
Construction in progress	4,268,751	73,959
Total	$ 121,436,477	110,032,478
Accumulated depreciation	(23,683,744)	(20,794,977)
	$ 97,752,733	89,237,501

This year's major capital asset additions included:

- The building additions to the police station and public works shop ($875,000)
- The purchase of land in the Westover Urban Renewal District ($1.3 million)
- The ongoing construction of the new administrative office building ($1.4 million)
- The donation of construction improvements by private parties ($4.9 million)

Additional information on the City's capital assets can be found in note 4 on pages 42 through 44 of this report.

Long-term debt

In FY05 and FY04, the City had total long-term debt of $33,428,334 and $28,100,000, respectively. Of these amounts, $29,635,000 and $26,835,000 represented general obligation bond debt. Another $1,220,000 and $1,265,000 represented outstanding certificates of participation debt. The City also issued $2,540,000 of general obligation General Fund capital loan notes in FY05. Finally, $33,334 represented outstanding government loans payable for FY05. All of this debt was backed by the City's full faith and credit.

	Balance June 30, 2004	Issued	Retired	Balance June 30, 2005
General obligation bonds	$ 26,835,000	6,435,000	3,635,000	$ 29,635,000
General obligation certificates of participation	1,265,000	—	45,000	1,220,000
General obligation General Fund capital loan notes		2,630,000	90,000	2,540,000
Government loans payable	—	33,334	—	33,334
	$ 28,100,000	9,098,334	3,770,000	$ 33,428,334

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
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	—
	$ 24,034,040	7,155,000	3,089,040	$ 28,100,000

During FY05 and FY04, the City's total debt increased by $5,328,334 and $4,065,960, respectively. The key factors in these increases were $9,065,000 (FY05) general obligation bond and general obligation general fund capital loan notes and $7,155,000 (FY04) general obligation bond issues for various improvement projects.

In FY05, these projects included:

- The construction of the 138th/142nd 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 100th Street ($330,000)
- The paving of 152nd Street ($295,200)
- The paving of Aurora Avenue ($46,800)
- The installation of traffic signals at 86th Street and Plum Drive ($50,000)

In FY04, these projects included:

- The Douglas Avenue Bridge Project ($3,762,705)
- The paving of Douglas Parkway, Meredith Drive, 138th/142nd Streets, and 152nd Street ($2,489,300)
- The construction of the NW Urbandale bike path ($39,000)
- The installation of traffic signals at NW Urbandale/100th and Justin/100th ($161,000)
- The roof replacement at the police station ($85,000)
- A computer system acquisition ($263,000)
- The acquisition of a fire rescue truck ($244,500)

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 June 27, 2005.

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 $93,158,653, which is in excess of the City's current outstanding debt.

Additional information on the City's long-term debt can be found in note 5 on pages 45 through 48 of this report.

Economic Factors and Next Year's Budget and Rates

- In 2005, the City will issue an estimated 570 single-family residential permits. This new construction comes on the heels of 2 previous record setting years in 2004 and 2003, when 664 and 636 single-family permits were issued, respectively.
- Residential construction since 2000 has increased the City's population to 35,732 residents, based on preliminary census figures from the City's 2005 special census. The City's 2000 population was 29,072 residents.
- Commercial and industrial construction has occurred at a slower pace, with an estimated 134 permits anticipated for 2005. These permits will have an estimated value of $34,204,000.

All of these factors were considered in preparing the City of Urbandale's budget for fiscal year 2006. The fiscal year 2006 budget anticipated an increase of $1,926,714 (7.1%) in expenditures over the fiscal year 2005 adopted budget. Of this total, operating expenses will be increased by $1,136,094 (5.1%), debt

(Continued)

service expenses will be increased by $790,020 (16.2%) and TIF transfers will be decreased by $710,587 (20.6%). The adopted expenditures for fiscal year 2006 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 FY06 budget anticipates the creation of five new full time positions in the City. These additions, as well as increases in salary and benefit costs for existing employees will increase personnel costs by approximately $1,379,000 (13.2%) in FY06. Other factors impacting the FY06 budget include a decrease in the tax increment expenditures, the financing of several infrastructure maintenance and improvement projects, the introduction of new technologies in a number of departments, conducting a special census 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, 3600 86th Street, Urbandale, Iowa, 50322.

UNIQUELY URBANDALE

(Continued)

CITY OF URBANDALE

Statement of Net Assets

June 30, 2005

	Primary Government	
	Governmental Activities	Component Unit
Assets		
Current assets:		
Cash and pooled cash investments	$ 22,514,130	75,271
Cash equivalents	—	1,712,572
Restricted cash	—	116,090
Accounts receivable	—	612,803
Bond proceeds receivable	—	3,960,000
Taxes receivable:		
Current	366,141	—
Succeeding year	19,868,806	—
Special assessments receivable:		
Current	290,358	—
Succeeding year	398,571	—
Accrued interest	119,975	2,874
Due from other governments	676,909	—
Due from component unit	4,737	—
Due from primary government	—	14,013
Inventories	47,167	65,898
Discount on bonds and deferred issuance costs	162,611	—
Restricted assets - due from primary government	—	740
Prepaid expense and other assets	—	16,051
Total current assets	44,449,405	6,576,312
Noncurrent assets:		
Capital assets		
Equipment	7,384,138	706,208
Buildings	14,909,695	1,181,173
Distribution system	—	19,511,136
Improvements other than building	1,858,710	—
Land	5,082,819	—
Construction in progress	4,268,751	442,983
Artwork	243,150	—
Infrastructure	87,255,070	—
Share of undivided equity interest assets	434,144	—
Accumulated depreciation	(23,683,744)	(5,903,114)
Total capital assets	97,752,733	15,938,386
Total assets	$ 142,202,138	22,514,698

CITY OF URBANDALE

Statement of Net Assets

June 30, 2005

	Primary Government	
	Governmental Activities	Component Unit
Liabilities		
Current liabilities:		
Accounts payable	$ 2,629,863	75,485
General obligation bonds payable	3,595,000	—
Certificate of participation payable	50,000	—
Capital loan note payable	95,000	—
Government loan payable	7,072	25,403
Interest payable	109,192	141
Current portion of water revenue bonds payable	—	125,000
Compensation and payroll taxes	268,090	20,205
Compensated absences - current	278,331	—
Due to primary government	—	4,737
Due to other governments	60,618	471,381
Customer deposits payable - restricted	—	76,830
Unearned revenue for succeeding year	19,868,806	—
Total current liabilities	26,961,972	799,182
Noncurrent liabilities:		
Water revenue bonds payable	—	3,875,000
General obligation bond payable	26,040,000	—
Certificate of participation payable	1,170,000	—
Capital loan note payable	2,445,000	—
Government loan payable	26,262	13,784
Compensated absences	634,790	103,718
Total noncurrent liabilities	30,316,052	3,992,502
Total liabilities	57,278,024	4,791,684
Net Assets		
Invested in capital assets, net of related debt	64,357,733	15,899,199
Restricted:		
For employees' retirement system	161,352	—
For capital projects	7,098,253	—
Purpose restricted by legislation	1,227,982	—
Donor restricted purposes	1,472,364	—
Unrestricted	10,606,430	1,823,815
Total net assets	$ 84,924,114	17,723,014

See accompanying notes to financial statements.

CITY OF URBANDALE

Statement of Net Assets

June 30, 2004

	Primary Government	
	Governmental Activities	Component Unit
Assets		
Current assets:		
Cash and pooled cash investments	$ 22,560,181	—
Cash equivalents	—	2,046,498
Restricted cash	—	84,580
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
Restricted assets - due from primary government	—	1,320
Prepaid expense and other assets	43,933	14,081
Total current assets	39,800,477	2,686,469
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	3,888,611	—
Construction in progress	73,959	—
Artwork	243,150	—
Infrastructure	82,319,404	—
Share of undivided equity interest assets	440,701	—
Accumulated depreciation	(20,794,977)	(5,462,680)
Total capital assets	89,237,501	13,161,554
Total assets	$ 129,037,978	15,848,023

CITY OF URBANDALE

Statement of Net Assets

June 30, 2004

	Primary Government	
	Governmental Activities	**Component Unit**
Liabilities		
Current liabilities:		
Cash overdraft	$ —	24,920
Accounts payable	7,443,378	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
Customer deposits payable - restricted	—	85,900
Unearned revenue for succeeding year	16,086,256	—
Total current liabilities	26,940,910	709,333
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	25,875,573	136,620
Total liabilities	52,816,483	845,953
Net Assets		
Invested in capital assets, net of related debt	62,476,418	13,098,032
Restricted:		
For employees' retirement system	441,346	—
For capital projects	3,264,485	—
Purpose restricted by legislation	1,485,538	—
Donor restricted purposes	1,201,059	—
Unrestricted	7,352,649	1,904,038
Total net assets, as restated	$ 76,221,495	15,002,070

See accompanying notes to financial statements.

CITY OF URBANDALE

Statement of Activities

Year Ended June 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Total	Component Unit
Primary government						
Governmental activities:						
Public safety	$ 5,625,803	478,114	34,054	—	(5,113,635)	—
Public works	8,163,032	2,008,454	2,994,146	4,902,157	1,741,725	—
Health and social services	26,992	—	—	—	(26,992)	—
Culture and recreation	5,079,163	562,110	197,212	—	(4,319,841)	—
Community and economic development	1,470,696	1,152,026	—	—	(318,670)	—
General government	1,670,787	—	—	—	(1,670,787)	—
Interest and fiscal charges	1,370,808	—	—	—	(1,370,808)	—
Total governmental activities	23,407,281	4,200,704	3,225,412	4,902,157	(11,079,008)	—
Component unit						
Urbandale Water Utility	$ 4,284,075	4,375,475	545,159	2,024,193		2,660,752

General Revenues:			
Taxes:			
Property tax	$ 13,566,423		
Tax increment financing district tax	3,451,749		
Hotel Motel tax	1,050,706		
Franchise fees	280,546		
Utility excise tax	563,766		
Total taxes		18,913,190	—
Interest		609,911	33,234
Miscellaneous		258,526	26,958
Total general revenues		19,781,627	60,192
Changes in net assets		8,702,619	2,720,944
Net assets - beginning, as restated		76,221,495	15,002,070
Net assets - ending		$ 84,924,114	17,723,014

See accompanying notes to financial statements.

CITY OF URBANDALE

Statement of Activities

Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Total	Component Unit
Primary government						
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	8,616,427	4,485,707	—
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	22,014,063	3,574,657	3,078,828	8,616,427	(6,744,151)	—
Component unit						
Urbandale Water Utility	$ 4,571,802	4,468,347	611,466	1,018,104		1,526,115

General Revenues:			
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	6,067		
Total taxes		15,814,435	—
Interest		295,357	18,112
Miscellaneous		327,918	25,000
Total general revenues		16,437,710	43,112
Changes in net assets		9,693,559	1,569,227
Net assets - beginning		66,527,936	13,432,843
Net assets - ending, as restated		$ 76,221,495	15,002,070

See accompanying notes to financial statements.

CITY OF URBANDALE

Balance Sheet

Governmental Funds

June 30, 2005

	General Fund	Road Use Tax Fund	Tax Increment Financing Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Assets							
Cash and pooled cash investments	$ 6,274,836	630,789	—	242,978	8,554,111	2,091,623	17,794,337
Taxes receivable:							
Current	37,002	—	1,622	10,931	—	297,131	346,686
Succeeding year	11,662,602	—	4,610,206	3,595,998	—	—	19,868,806
Special assessments receivable:							
Current	—	—	—	213,528	76,830	—	290,358
Succeeding years	—	—	—	44,966	353,605	—	398,571
Accrued interest	119,149	—	—	—	—	826	119,975
Due from component unit	4,737	—	—	—	—	—	4,737
Due from other governments	34,474	400,968	—	—	260,922	—	696,364
Inventories	2,761	44,406	—	—	—	—	47,167
Total assets	$ 18,135,561	1,076,163	4,611,828	4,108,401	9,245,468	2,389,580	39,567,001
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 429,733	292,212	—	—	1,729,120	775	2,451,840
Due to other governments	60,618	—	—	—	—	—	60,618
Government loan payable	7,072	—	—	—	—	—	7,072
Compensation and payroll taxes	236,212	14,374	—	—	—	—	250,586
Employee benefits	16,328	1,176	—	—	—	—	17,504
Deferred revenue - current	—	—	—	213,528	64,490	297,131	575,149
Deferred revenue - succeeding years	11,662,602	—	4,610,206	3,640,964	353,605	—	20,267,377
Total liabilities	12,412,565	307,762	4,610,206	3,854,492	2,147,215	297,906	23,630,146
Fund balances							
Reserved for encumbrances	422	205,333	—	—	7,098,253	—	7,304,008
Reserved for inventories	2,761	44,406	—	—	—	—	47,167
Reserved for employees' retirement system	—	—	—	—	—	161,351	161,351
Reserved for debt service	—	—	—	253,909	—	—	253,909
Unreserved, reported in:							
General fund	5,719,813	—	—	—	—	—	5,719,813
Special revenue funds	—	518,662	1,622	—	—	1,930,323	2,450,607
Total fund balances	5,722,996	768,401	1,622	253,909	7,098,253	2,091,674	15,936,855
Total liabilities and fund balances	$ 18,135,561	1,076,163	4,611,828	4,108,401	9,245,468	2,389,580	39,567,001

See accompanying notes to financial statements.

CITY OF URBANDALE, IOWA

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances – governmental funds		$ 15,936,855
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in Governmental funds:		
Capital assets	$ 116,858,514	
Less accumulated depreciation	(20,692,154)	96,166,360
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds		973,720
Debt issuance costs and discounts 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 & discount		162,611
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	4,719,793	
Capital assets, net of accumulated depreciation	1,586,373	
Accounts payable	(178,023)	6,128,143
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	29,635,000	
Certificate of participation payable	1,220,000	
Capital loan note	2,540,000	
Government loan payable	26,262	
Accrued interest on the bonds and certificates	109,192	
Compensated absences	913,121	(34,443,575)
Net assets of governmental activities		$ 84,924,114

See accompanying notes to financial statements.

CITY OF URBANDALE

Balance Sheet

Governmental Funds

June 30, 2004

	General Fund	Road Use Tax Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Assets						
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
Total assets	$ 16,382,711	1,357,929	3,534,753	10,314,414	3,926,592	35,516,399
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 265,318	330,652	325,964	6,686,360	8,928	7,617,222
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
Total liabilities	11,244,826	345,126	3,839,315	7,049,929	1,901,452	24,380,648
Fund balances						
Reserved for encumbrances	3,654	554,400	—	3,264,485	—	3,822,539
Reserved for inventories	4,410	47,448	—	—	—	51,858
Reserved for employees' retirement system	—	—	—	—	441,346	441,346
Unreserved, reported in:						
General fund	5,129,821	—	—	—	—	5,129,821
Debt service fund			(304,562)			(304,562)
Special revenue funds	—	410,955	—	—	1,583,794	1,994,749
Total fund balances (deficit), as restated	5,137,885	1,012,803	(304,562)	3,264,485	2,025,140	11,135,751
Total liabilities and fund balances	$ 16,382,711	1,357,929	3,534,753	10,314,414	3,926,592	35,516,399

See accompanying notes to financial statements.

CITY OF URBANDALE, IOWA

Reconciliation of the Balance Sheet - Governmental Funds
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		$ 11,135,751
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in Governmental funds:		
Capital assets	$ 105,594,956	
Less accumulated depreciation	(18,105,188)	87,489,768
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 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 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	(152,120)	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	875,573	(29,070,809)
Net assets of governmental activities		$ 76,221,495

See accompanying notes to financial statements.

CITY OF URBANDALE

Statement of Revenues, Expenditures, and
Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2005

	General Fund	Road Use Tax Fund	Tax Increment Financing Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 11,328,616	—	3,451,749	3,372,919	—	689,788	18,843,072
Special assessments	—	—	—	27,743	43,620	—	71,363
Licenses and permits	1,227,938	—	—	—	—	—	1,227,938
Use of money and property	165,293	—	—	31,303	293,686	13,946	504,228
Intergovernmental	396,987	2,411,849	—	—	422,555	—	3,231,391
Charges for services	2,204,329	—	—	—	—	12,771	2,217,100
Miscellaneous	326,025	—	—	—	1,496,556	563,410	2,385,991
Total revenues	15,649,188	2,411,849	3,451,749	3,431,965	2,256,417	1,279,915	28,481,083
Expenditures							
Current operating expenditures:							
Public safety	5,136,397	—	—	—	—	303,542	5,439,939
Public works	2,594,245	2,656,251	—	—	—	—	5,250,496
Health and social services	26,992	—	—	—	—	—	26,992
Culture and recreation	4,185,760	—	—	—	—	576,381	4,762,141
Community and economic development	1,397,942	—	—	—	—	100	1,398,042
General government	1,476,033	—	—	—	—	—	1,476,033
Capital outlay	—	—	—	—	9,235,719	—	9,235,719
Debt service:							
Principal	135,000	—	—	3,635,000	—	—	3,770,000
Interest	137,970	—	—	1,204,570	—	—	1,342,540
Total expenditures	15,090,339	2,656,251	—	4,839,570	9,235,719	880,023	32,701,902
Excess (deficiency) of revenues over (under) expenditures	558,849	(244,402)	3,451,749	(1,407,605)	(6,979,302)	399,892	(4,220,819)
Other financing sources (uses):							
General obligation bond and loan proceeds	26,262	—	—	—	9,065,000	—	9,091,262
Discounts on bonds	—	—	—	—	(69,339)	—	(69,339)
Transfers in	—	—	—	1,966,076	2,986,167	7,522	4,959,765
Transfers out	—	—	(3,465,125)	—	(1,168,758)	(325,882)	(4,959,765)
Total other financing sources (uses)	26,262	—	(3,465,125)	1,966,076	10,813,070	(318,360)	9,021,923
Net changes in fund balances	585,111	(244,402)	(13,376)	558,471	3,833,768	81,532	4,801,104
Fund balances (deficit) at beginning of year, as restated	5,137,885	1,012,803	14,998	(304,562)	3,264,485	2,010,142	11,135,751
Fund balances at end of year	$ 5,722,996	768,401	1,622	253,909	7,098,253	2,091,674	15,936,855

See accompanying notes to financial statements.

CITY OF URBANDALE, IOWA

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

Year ended June 30, 2005

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

Net change in fund balances – governmental funds		$ 4,801,104
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.		
Capital outlays	$ 9,235,719	
Less items expensed instead of being capitalized	(2,390,289)	
Depreciation expense	(2,724,179)	4,121,251
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		4,555,341
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		512,590
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 $44,645 for vacation expense, and $(7,097) for sick leave expense.		(37,548)
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.		3,770,000
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.		(9,065,000)
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 expense is recognized as the interest accrues, regardless of when it is due.		(13,956)
Bond issuance costs and discounts are reported as "other financing uses" and expenditures 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.		118,678
Receipt of government loan proceeds are 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.		(26,262)
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.		(33,579)
Change in net assets of governmental activities		$ 8,702,619

See accompanying notes to financial statements.

CITY OF URBANDALE

Statement of Revenues, Expenditures, and
Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2004

	General Fund	Road Use Tax Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
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
Total revenues	14,933,195	2,649,666	3,179,799	834,696	1,815,710	23,413,066
Expenditures						
Current operating 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	—	—	—	6,033,584	—	6,033,584
Debt service:						
Principal	69,040	—	3,020,000	—	—	3,089,040
Interest	75,139	—	1,135,709	—	—	1,210,848
Total expenditures	13,595,202	2,807,362	4,155,709	6,033,584	889,847	27,481,704
Excess (deficiency) of revenues over (under) expenditures	1,337,993	(157,696)	(975,910)	(5,198,888)	925,863	(4,068,638)
Other financing sources (uses):						
General obligation bond proceeds	—	—	—	7,155,000	—	7,155,000
Discount on bonds	—	—	—	(27,052)	—	(27,052)
Transfers in	—	—	418,987	989,836	64,700	1,473,523
Transfers out	(164,700)	—	—	(238,487)	(1,170,336)	(1,573,523)
Total other financing sources (uses)	(164,700)	—	418,987	7,879,297	(1,105,636)	7,027,948
Net changes in fund balances	1,173,293	(157,696)	(556,923)	2,680,409	(179,773)	2,959,310
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, as restated	$ 5,137,885	1,012,803	(304,562)	3,264,485	2,025,140	11,135,751

See accompanying notes to financial statements.

CITY OF URBANDALE, IOWA

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

Year ended June 30, 2004

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

Net change in fund balances, as restated – governmental funds		$ 2,959,310
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.		
Capital outlays	$ 4,289,563	
Depreciation expense	(2,315,259)	1,974,304
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 governmental funds.		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.		(7,155,000)
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 expense is recognized as the interest accrues, regardless of when it is due.		(7,828)
Bond issuance costs and discounts are reported as "other financing uses" and expenditures 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.		22,444
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.		196,256
Change in net assets of governmental activities, as restated		$ 9,693,559

See accompanying notes to financial statements.

CITY OF URBANDALE, IOWA

Statement of Net Assets –
Proprietary Funds

June 30, 2005

		Total Governmental activities - Internal Service Funds
Assets		
Current assets:		
Cash and pooled cash investments	$	4,719,793
Capital assets, net		1,586,373
Total assets	$	6,306,166
Liabilities		
Current liabilities:		
Accounts payable	$	10,372
Accrued liability		167,651
Total liabilities	$	178,023
Net Assets		
Net assets:		
Invested in capital assets	$	1,586,373
Unrestricted		4,541,770
Total net assets	$	6,128,143

Statement of Net Assets –
Proprietary Funds

June 30, 2004

		Total Governmental activities - Internal Service Funds
Assets		
Current assets:		
Cash and pooled cash investments	$	4,240,145
Interfund receivable		325,964
Capital assets, net		1,747,733
Total assets	$	6,313,842
Liabilities		
Current liabilities:		
Accounts payable		18,627
Accrued liability	$	133,493
Total liabilities	$	152,120
Net Assets		
Net assets:		
Invested in capital assets	$	1,747,733
Unrestricted		4,413,989
Total net assets	$	6,161,722

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, 2005

		Total Governmental activities - Internal Service Funds
Operating revenues:		
Charges for services	$	2,298,497
Other		86,770
Total operating revenues		2,385,267
Operating expenses:		
Insurance premiums and claims		1,944,819
Data processing		2,285
Depreciation		593,203
Total operating expenses		2,540,307
Operating loss		(155,040)
Nonoperating revenues:		—
Interest income		105,683
Gain on sale of equipment		15,778
Total nonoperating revenues		121,461
Change in net assets		(33,579)
Net assets at beginning of year		6,161,722
Net assets at end of year	$	6,128,143

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

Year Ended June 30, 2004

		Total Governmental activities - Internal Service Funds
Operating revenues:		
Charges for services	$	2,050,600
Other		193,773
Total operating revenues		2,244,373
Operating expenses:		
Insurance premiums and claims		1,695,998
Data processing		22
Depreciation		536,973
Total operating expenses		2,232,993
Operating income		11,380
Nonoperating revenues:		
Interest income		57,241
Gain on sale of equipment		27,635
Total nonoperating revenues		84,876
Income before transfer		96,256
Transfer from other funds		100,000
Change in net assets		196,256
Net assets at beginning of year		5,965,466
Net assets at end of year	$	6,161,722

See accompanying notes to financial statements.

CITY OF URBANDALE, IOWA

Statement of Cash Flows –
Proprietary Funds

Year Ended June 30, 2005

		Total Governmental activities - Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	$	2,711,230
Payments to suppliers		(1,921,200)
Net cash provided by operating activities		790,030
Cash flows from capital and related financing activities:		
Purchase of capital assets		(439,740)
Proceeds from sale of capital assets		23,675
Net cash used in capital and related financing activities		(416,065)
Cash flows from investing activities:		
Interest on investments		105,683
Net increase in cash and cash equivalents		479,648
Cash and cash equivalents at beginning of year		4,240,145
Cash and cash equivalents at end of year	$	4,719,793
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$	(155,040)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		593,203
Change in interfund receivable		325,964
Change in accounts payable and accrued liability		25,903
Net cash provided by operating activities	$	790,030

Statement of Cash Flows –
Proprietary Funds

Year Ended June 30, 2004

		Total Governmental activities - Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	$	1,918,409
Payments to suppliers		(1,664,035)
Net cash provided by operating activities		254,374
Cash flows from noncapital financing activities:		
Transfer from other funds		100,000
Cash flows from capital and related financing activities:		
Purchase of capital assets		(764,068)
Proceeds from sale of capital assets		36,200
Net cash used in capital and related financing activities		(727,868)
Cash flows from investing activities:		
Interest on investments		57,241
Net decrease in cash and cash equivalents		(316,253)
Cash and cash equivalents at beginning of year		4,556,398
Cash and cash equivalents at end of year	$	4,240,145
Reconciliation of operating income to net cash (used in) provided by operating activities		
Operating income	$	11,380
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Depreciation		536,973
Change in interfund receivable		(325,964)
Change in accounts payable and accrued liability		31,985
Net cash provided by operating activities	$	254,374

See accompanying notes to financial statements.

CITY OF URBANDALE, IOWA

Statement of Fiduciary Net Assets

June 30, 2005

Assets		Total Agency Funds
Cash and pooled cash investments	$	1,467,272
Other assets		42,998
Total assets	$	1,510,270
Liabilities		
Liabilities:		
Due to component unit	$	15,253
Due to other governments		431,292
Deposits and remittances due		1,063,725
Total liabilities	$	1,510,270

Statement of Fiduciary Net Assets

June 30, 2004

Assets		Total Agency Funds
Cash and pooled cash investments	$	541,410
Accounts receivable		50
Other assets		42,998
Total assets	$	584,458
Liabilities		
Liabilities:		
Due to component unit	$	31,273
Due to other governments		339,452
Deposits and remittances due		213,733
Total liabilities	$	584,458

See accompanying notes to financial statements.

(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 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 which 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 (the 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
3720 86th Street
Urbandale, Iowa 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 differ between the government-wide financial statements and the fund financial statements. These differences, along with an explanation of the differing purposes and information provided by these separate financial statements, are described in the sections below.

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The structure of the government-wide financial statements is described in the following two paragraphs.

Statement of Net Assets – presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The Statement of Activities – demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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 and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - The accounts of the City are organized on the basis of funds. 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 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, proprietary 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 *current 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 60 days. 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 as long as they have met the available and measurable criteria.

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 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 becomes 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, 2003 assessed property valuations; are for the tax accrual period July 1, 2004 through June 30, 2005; and reflect the tax asking contained in the budget certified by the City in March, 2004.

The City reports the following major governmental funds:

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

Tax Increment Financing Fund – used to account for tax revenues on abated debt.

Debt Service Fund – utilized to account for the funding and payment of interest and principal of general obligation debt of the City.

Capital Projects Fund – used 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 which 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 funds:

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

The City's beginning fund balances were restated for the fiscal year ending 2005 to reflect a correction of a capital project account payable that was accrued as an expenditure in fiscal year 2004. The restatement in the amount of $1,338,917 is reflected in the Capital Projects fund balance in the governmental fund statements.

(e) Governmental Accounting Standards Board (GASB) Pronouncements

In 2005, the City adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The adoption of this pronouncement resulted in modified disclosures regarding the credit risk and interest rate risk of the City's investments.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

(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.

(g) Encumbrances

The fund balances in the governmental funds 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 Governmental Accounting Standards Board 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 funds consider 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.

(l) Capital Assets

Capital assets, which include real property, equipment and vehicles, artwork, buildings, infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), and the City's share of assets in an undivided equity interest, are reported in the governmental activities column in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of $2,000 and estimated useful lives in excess of one year.

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:

	Years
Building	50
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 sixty 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 statement 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 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 is 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) Self-insurance

The City is partially self-insuring for employee health insurance through stop-loss insurance, which provides coverage for claims in excess of $35,000 per employee and $1,292,459 and $995,580 in the aggregate for June 30, 2005 and 2004, 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.

		2005	2004
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	$	133,493	114,750
Incurred claims and claim adjustment expenses		1,090,204	908,694
Payments		(1,064,084)	(889,951)
Total unpaid claims and claim adjustment expenses at end of the fiscal year	$	159,613	133,493

(q) Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

(2) Cash and Pooled Cash Investments and Cash Equivalents

The City's and its Component Unit's deposits at June 30, 2005 and 2004 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.

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 interest bearing savings, money market, or checking accounts at a bank, savings and loan association or credit union in the State of Iowa that is approved by the Council and the Treasurer of the State of Iowa, 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; The Iowa Public Agency Investment Trust (IPAIT), perfected repurchase agreements; and certain registered open-end management investment companies.

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, 2005 and 2004 are $22,514,130 and $22,560,181, respectively.

At June 30, 2005 and 2004, cash equivalents of the Component Unit included a money market account of $1,593,943 and $1,929,667, respectively, and an investment in IPAIT of $118,629 and $116,831, respectively, 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.

Interest rate risk. The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk. The Component Unit's investment in Iowa Public Agency Investment Trust is unrated. 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. All other investments held by the City at June 30, 2005 and 2004 are in certificates of deposit held with depository institutions approved by the Council.

Concentration of credit risk. The City places dollar limits, ranging from $9 - $10 million, on the amount that may be invested in any one approved depository institution. The City also has a diversification policy to reduce risk of loss resulting from over concentration of assets in a specific maturity, a specific issue, or a specific class of securities.

Custodial credit risk - deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance 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 insure there will be no loss of public funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City held no such investments during the year.

(3) Restricted Assets

Customer deposits and a good-faith deposit received on water revenue bonds are separately disclosed in the balance sheet of the Component Unit.

(4) Capital Assets

Capital assets activity for the Primary Government for the year ended June 30, 2005 and 2004 is as follows:

	July 1, 2004 Balance	Increases	Decreases	June 30, 2005 Balance
Capital assets not being depreciated:				
Land	$ 3,857,411	1,545,662	528,627	4,874,446
Construction in progress	73,959	4,586,362	391,570	4,268,751
Right of way	31,200	177,173	—	208,373
Total capital assets not being depreciated	3,962,570	6,309,197	920,197	9,351,570
Capital assets being depreciated:				
Equipment	7,196,954	637,830	450,646	7,384,138
Buildings	14,035,103	874,592	—	14,909,695
Improvements other than buildings	1,834,596	24,114	—	1,858,710
Artwork	243,150	—	—	243,150
Infrastructure	82,319,404	4,935,666	—	87,255,070
Share of undivided equity interest assets	440,701	—	6,557	434,144
Total capital assets being depreciated	106,069,908	6,472,202	457,203	112,084,907
Less accumulated depreciation for:				
Equipment	3,423,213	841,171	428,615	3,835,769
Buildings	2,226,090	286,555	—	2,512,645
Improvements other than buildings	245,850	92,418	—	338,268
Artwork	45,224	12,157	—	57,381
Infrastructure	14,621,023	2,040,147	—	16,661,170
Share of undivided equity interest assets	233,577	44,934	—	278,511
Total accumulated depreciation	20,794,977	3,317,382	428,615	23,683,744
Total capital assets, net	$ 89,237,501	9,464,017	948,785	97,752,733

(Continued)

	July 1, 2003 Balance	Increases	Decreases	June 30, 2004 Balance
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
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	11,561,256	—	82,319,404
Share of undivided equity interest assets	441,616	—	915	440,701
Total capital assets being depreciated	93,747,700	12,822,495	500,287	106,069,908
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	1,690,677	—	14,621,023
Share of undivided equity interest assets	184,819	48,758	—	233,577
Total accumulated depreciation	18,433,551	2,852,231	490,805	20,794,977
Total capital assets, net	$ 78,411,954	11,141,335	315,788	89,237,501

Depreciation expense of $3,317,382 and $2,852,231 for the years ended June 30, 2005 and 2004, respectively, was charged to the following governmental functions:

	2005	2004
Public safety	$ 357,094	315,360
Public works	2,447,728	2,090,803
Culture and recreation	416,650	361,644
Community and economic development	20,553	17,650
General government	75,357	66,774
Total depreciation expense	$ 3,317,382	2,852,231

(Continued)

Capital asset activity for the Component Unit for the years ended June 30, 2005 and 2004 is as follows:

	2005			
	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Capital assets being depreciated:				
Equipment	$ 610,939	142,909	47,640	706,208
Buildings	1,181,173	—	—	1,181,173
Distribution system	16,832,122	2,688,789	9,775	19,511,136
Construction in progress	—	442,983	—	442,983
Total capital assets being depreciated	18,624,234	3,274,681	57,415	21,841,500
Less accumulated depreciation for:				
Equipment	413,990	63,555	47,640	429,905
Buildings	298,797	47,693	—	346,490
Distribution system	4,749,893	386,601	9,775	5,126,719
Total accumulated depreciation	5,462,680	497,849	57,415	5,903,114
Total capital assets, net	$ 13,161,554	2,776,832	—	15,938,386

	2004			
	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
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	—	298,797
Distribution system	4,421,434	335,261	6,802	4,749,893
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

(Continued)

(5) Long-Term Obligations

(a) General Obligation Bonds

Details of general obligation bonds payable at June 30, 2005 and 2004 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Principal Payments	Amount Originally Issued	Amount Outstanding June 30, 2005	Amount Outstanding June 30, 2004
Street, fire, and refunding	11/01/95	4.75 to 5.25	6/11	275,000 to 400,000	$ 3,835,000	2,200,000	2,475,000
Street and fire	02/01/96	4.85 to 4.95	6/06	225,000 to 250,000	1,900,000	250,000	475,000
Street	01/01/98	4.30 to 4.35	6/07	250,000	1,920,000	500,000	750,000
Street	10/01/98	4.25 to 4.40	6/09	225,000 to 350,000	2,535,000	1,250,000	1,575,000
Library/Misc.	08/01/99	4.40 to 4.88	6/14	300,000 to 575,000	6,520,000	3,870,000	4,360,000
Library/Park	05/01/00	5.00 to 5.35	6/14	275,000 to 650,000	6,025,000	4,035,000	4,585,000
Street, park, and public works improvements	08/01/01	3.60 to 4.30	6/11	100,000 to 200,000	1,450,000	850,000	950,000
Street, park and public works improvements	10/01/02	2.25 to 3.50	6/13	340,000 to 725,000	5,720,000	4,670,000	5,010,000
Street, park and public works improvements	09/01/03	2.00 to 3.75	6/14	500,000 to 810,000	7,155,000	6,155,000	6,655,000
Street, park and public works	10/01/04	1.60 to 3.60	6/19	420,000 to 610,000	5,400,000	4,820,000	—
Housing/Urban Development	10/01/04	3.00 to 5.30	6/19	55,000 to 105,000	1,035,000	1,035,000	—
					$ 43,495,000	29,635,000	26,835,000

On June 16, 2005, the Component Unit issued $4,000,000 in Water Revenue bonds. The bonds were issued for the construction of a 2.0 million gallon elevated storage facility and to install new water mains. Interest is payable semi-annually, each December 1 and June 1, at 3.90%. Principal payments are due June 1 of each year, and range from $125,000 to 300,000, with final maturity in 2024. At June 30, 2005, proceeds received to date of $40,000 are being held as restricted cash on the balance sheet, and bond proceeds yet to be received of $3,960,000 are being carried as a receivable from bond holders.

(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 public safety communication improvements. At June 30, 2005 and 2004, the City's share of loan monies, which bear interest at 2.0%, was $33,334 and $0, respectively. Annual loan payments started on June 1, 2005 and continue through June 1, 2009.

(Continued)

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, 2005 and 2004, the Component Unit was obligated to repay to Water Works $39,187 and $63,522, respectively, plus 3.15% to 3.40% 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, 2005 and 2004 was $1,220,000 and $1,265,000 respectively, with the final payment due June 2020.

(d) General Obligation General Fund Capital Loan Notes

In the current year, the City issued $2,630,000 in General Obligation General Fund Capital Loan Notes for constructing an addition to the existing community development building to be used for administrative offices and city hall. Principal payments range from $90,000 to $190,000 with interest rates from 3.25% to 4.45%. Total outstanding principal at June 30, 2005 and 2004 was $2,540,000 and $0 respectively, with the final payment due June 2024.

The annual principal and interest requirements to maturity for the City's obligations at June 30, 2005 are as follows:

Years Ending	General Obligation Bonds		General Obligation Certificates of Participation		General Obligation General Fund Capital Loan Notes		Government Loan Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 3,595,000	1,144,977	50,000	68,433	95,000	96,892	12,939	667
2007	3,615,000	1,015,575	55,000	65,307	95,000	93,806	6,664	539
2008	3,660,000	882,182	60,000	61,870	100,000	90,718	6,798	408
2009	3,670,000	741,680	60,000	58,120	105,000	87,468	6,933	274
2010	3,495,000	599,190	65,000	55,030	105,000	84,056	—	138
2011-2015	11,225,000	1,206,837	400,000	218,475	600,000	364,062	—	—
2016-2020	375,000	50,912	530,000	94,375	730,000	244,592	—	—
2021-2024	—	—	—	—	710,000	79,562	—	—
	$ 29,635,000	5,641,353	1,220,000	621,610	2,540,000	1,141,156	33,334	2,026

The annual principal and interest requirements to maturity for the Component Unit's obligations at June 30, 2005 are as follows:

Years Ending June 30,	Water Revenue Bonds		Government Loan Payable	
	Principal	Interest	Principal	Interest
2006	$ 125,000	143,000	25,403	1,292
2007	150,000	151,125	13,784	446
2008	160,000	145,275	-	-
2009	165,000	139,035	-	-
2010	170,000	132,600	-	-
2011-2015	955,000	558,285	-	-
2016-2020	1,155,000	357,045	-	-
2021-2024	1,120,000	111,735	-	-
	$ 4,000,000	1,738,100	39,187	1,738

Changes in long-term obligations for the years ended June 30, 2005 and 2004 are as follows:

	2005				
	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within 1 year
Primary government:					
General obligation bonds	$ 26,835,000	6,435,000	3,635,000	29,635,000	3,595,000
General obligation certificates of participation	1,265,000	—	45,000	1,220,000	50,000
General obligation General Fund capital loan notes	—	2,630,000	90,000	2,540,000	95,000
Government loans payable	—	33,334	—	33,334	12,939
Compensated absences	875,573	44,645	7,097	913,121	278,331
	$ 28,975,573	9,142,979	3,777,097	34,341,455	4,031,270
Component unit:					
Water revenue bonds	$ —	4,000,000	—	4,000,000	125,000
Government loans payable	63,522	—	24,335	39,187	25,403
Compensated absences	97,433	14,500	8,215	103,718	33,395
	$ 160,955	4,014,500	32,550	4,142,905	183,798

(Continued)

		2004			
	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Due within 1 year
Primary government:					
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	—
	$ 24,844,381	7,220,232	3,089,040	28,975,573	3,100,000
Component unit:					
Government loans payable	$ 87,512	—	23,990	63,522	24,335
Compensated absences	100,680	—	3,247	97,433	—
	$ 188,192	—	27,237	160,955	24,335

Typically, the general fund has been used in prior years to liquidate long-term liabilities other than debt.

2005-2005 assessed valuation (unaudited)	$ 2,531,073,053
Debt limit - 5% of assessed valuation	$ 126,553,653
Amount of debt applicable to debt limit:	
Government loan payable	(33,334)
General obligation certificates of participation	(1,220,000)
General obligation General Fund captial loan notes	(2,540,000)
General obligation bonds	(29,635,000)
Legal debt margin	$ 93,125,319

(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 104th Street
Urbandale, IA 50322

IPERS
PO Box 9117
Des Moines, IA 50306

(Continued)

(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, 2005, 2004, and 2003 under the two plans were as follows:

	Plan Member Contributions			City Contributions		
	2005	2004	2003	2005	2004	2003
IPERS – Basic	3.70 %	3.70	3.70	5.75	5.75	5.75
MFPRS	9.35	9.35	9.35	24.92	20.48	17.00

The City's contributions to MFPRS and IPERS for the years ended June 30, 2005, 2004, and 2003 were equal to the required contributions for each year as follows:

	2005	2004	2003
IPERS	$ 330,669	317,298	317,960
MFPRS	581,718	452,452	347,979

The Component Unit's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were $46,578, $45,481, and $38,827 respectively.

(c) *Money Purchase Plan*

The Component Unit also offers its employees a money purchase plan created and administered in accordance with Internal Revenue Code Section 401(a). The plan, available to all full-time Water Utility employees, permits them to contribute up to 8% of their salary with the Water Utility matching 60% of the employee's contribution.

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 401(a). No part of the trusts shall revert to the Water Utility 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 Water Utility's financial statements.

(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.

(Continued)

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, 2005 and 2004 is 2.17%.

The following table sets forth summarized financial data of the Association as of June 30, 2005 and 2004:

		2005	2004
Cash and cash equivalents	$	2,002,381	7,880,888
Investments		25,179,677	15,079,880
Receivables		1,141,735	814,103
Other assets		685,439	668,545
Total assets	$	29,009,232	24,443,416
Total liabilities	$	17,667,247	18,559,769
Total equity		11,341,985	5,883,647
Total liabilities and equity	$	29,009,232	24,443,416
Total revenues	$	14,351,717	11,566,162
Total expenses		8,893,379	13,328,049
Net increase (decrease) in equity	$	5,458,338	(1,761,887)

(Continued)

(b) Iowa Communities Assurance Pool

The City is a member in 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 with over 509 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 and inland marine. 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 expenses 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 percent 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.

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, 2005 and 2004 were $314,642 and $288,123 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 the aggregate per year. For members requiring specific coverage from $2,000,000 to $10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage 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. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance 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 claim 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 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(9) Commitments

(a) Construction and Purchase Commitments

At June 30, 2005 and 2004, the following construction and purchase commitments had been made:

	2005	
Project	**Costs Incurred to Date**	**Total Contracts**
Capital projects fund	$ 5,234,205	13,359,579
General fund	35,595	36,016
Special revenue fund – Road Use Tax	—	205,333
Total	$ 5,269,800	13,600,928

	2004	
Project	**Costs Incurred to Date**	**Total Contracts**
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) 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 titles to assets in Westcom are held individually by the City and the other two Des Moines suburbs. The City showed expenditures of $371,095 and $345,929 and has an undivided interest in assets of the operation, net of depreciation, totaling $155,633 and 207,124 as of June 30, 2005 and 2004 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 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 fifteen 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 $14,505 and $13,469 during the years ended June 30, 2005 and 2004, respectively.

(d) Iowa Events Center

During the years ended June 30, 2005 and 2004, 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 commitments outstanding at June 30, 2005 and 2004 to contribute to Water Works $7,408,247 and $8,388,310, respectively, plus interest at 2.5 to 4.0% in conjunction with these projects.

Future minimum payments in conjunction with these commitments are:

Years ending June 30,		Principal	Interest
2006	$	878,518	249,838
2007		914,215	223,350
2008		858,871	195,356
2009		460,784	174,828
2010		483,975	161,005
2011-2015		2,863,417	537,930
2016-2020		948,467	49,249
	$	7,408,247	1,591,556

(f) Central Iowa Regional Drinking Water Commission

The Component Unit, in conjunction with 23 other governmental entities that provide water services, created a Central Iowa Regional Drinking Water Commission (the Commission). The Commission was created to (1) jointly plan and coordinate implementation for water supply, treatment, distribution, and storage facilities; (2) enable the participants in the Commission to jointly provide services in a cost effective manner; and (3) enable the participants in the Commission to undertake joint or coordinated procurement of goods and services. The Commission has not set a budget for expenditures. The Water Utility will be responsible for its proportional share of the budgeted

expenses, which will be determined on the basis of the ratio of its retail customer accounts to the total retail customers of all participants, using the most recent information available each year.

(g) 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 $494,000 and $564,000 at June 30, 2005 and 2004, respectively.

(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, 2005 and 2004, there were three series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of $8,451,036 and 8,582,736 respectively.

(10) Transfer Reconciliation

The following is a schedule of transfers of the City for the years ended June 30, 2005 and 2004.

	2005	2004
Transfer to special revenue fund from:		
Internal service fund	—	64,700
Nonmajor governmental funds	7,522	—
Total transfers to special revenue fund	7,522	64,700
Transfers to capital projects fund from:		
Nonmajor governmental funds	286,543	50,738
TIF fund	2,699,624	939,098
Total transfers to capital projects fund	2,986,167	989,836
Transfer to debt service fund from:		
TIF fund	765,500	180,500
Capital projects fund	1,168,758	238,487
Nonmajor governmental funds	31,818	—
Total transfer to debt service fund	1,966,076	418,987
	$ 4,959,765	1,473,523

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, and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

(11) Subsequent Events

In July 2005, the City issued $5,225,000 in general obligation bonds to be used primarily for street improvement projects.

In fiscal year 2006, the former City Hall building at 3315 70th Street was purchased for use by an adjacent business at a price of $244,000.

Also, in fiscal year 2006, the City Council committed $640,000 for the Iowa Events Center project, over a 20 year period. The City's contribution will be utilized for the payment of debt service on the bonds issued by Polk County to finance the construction of the downtown arena.

UNIQUELY URBANDALE

(Continued)

FINANCIAL SECTION

Required Supplementary Financial Schedules

CITY OF URBANDALE
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances
Budget and Actual (Cash Basis) -
Governmental Funds

Year Ended June 30, 2005

	Governmental Funds Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:				
Property tax	$ 13,574,751	13,577,130	13,577,130	(2,379)
Tax increment financing	3,465,125	3,451,287	3,451,287	13,838
Other city tax	1,824,900	1,475,083	1,475,083	349,817
Licenses and permits	1,227,938	1,045,970	1,116,970	110,968
Use of money and property	410,085	115,000	115,000	295,085
Intergovernmental	2,938,515	2,858,262	3,155,436	(216,921)
Charges for services	2,222,006	1,854,150	1,874,150	347,856
Special assessments	64,095	21,953	21,953	42,142
Miscellaneous	2,202,058	663,541	963,541	1,238,517
Total receipts	27,929,473	25,062,376	25,750,550	2,178,923
Expenditures:				
Public safety	5,152,691	5,540,292	5,640,292	487,601
Public works	5,355,639	5,344,994	5,437,168	81,529
Health and social services	26,993	27,500	27,500	507
Culture and recreation	4,778,361	4,842,049	5,032,049	253,688
Community and economic development	1,401,035	1,131,869	1,623,385	222,350
General government	1,749,126	1,788,918	1,859,918	110,792
Debt service	4,839,570	4,878,846	4,878,846	39,276
Capital projects	14,745,643	8,788,079	15,813,689	1,068,046
Total disbursements	38,049,058	32,342,547	40,312,847	2,263,789
Excess (deficiency) of revenues over (under) expenditures	(10,119,585)	(7,280,171)	(14,562,297)	(4,442,712)
Other financing sources, net	9,084,990	5,319,100	9,941,387	856,397
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,034,595)	(1,961,071)	(4,620,910)	(3,586,315)
Fund balances at beginning of year	18,320,042	17,531,701	17,531,701	(788,341)
Fund balances at end of year	$ 17,285,447	15,570,630	12,910,791	(4,374,656)

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	27,929,473	551,610	28,481,083
Expenditures/expenses	38,049,058	(5,347,156)	32,701,902
Net	(10,119,585)	(4,795,546)	(4,220,819)
Other financing sources, net	9,084,990	(63,067)	9,021,923
Beginning fund balances/net assets, as restated	18,320,042	(7,184,291)	11,135,751
Ending fund balances/net assets	17,285,447	(12,042,904)	15,936,855

See accompanying notes to required supplementary information.

CITY OF URBANDALE
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances
Budget and Actual (Cash Basis) -
Governmental Funds

Year Ended June 30, 2004

	Governmental Funds Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:				
Property tax	$ 12,996,990	13,001,141	13,001,141	(4,151)
Tax increment financing	1,119,598	1,550,910	1,550,910	(431,312)
Other city tax	1,590,428	1,997,538	1,997,538	(407,110)
Licenses and permits	1,484,082	680,190	723,490	760,592
Use of money and property	236,592	190,000	190,000	46,592
Intergovernmental	3,266,676	2,889,100	2,998,080	268,596
Charges for services	1,669,522	913,150	991,550	677,972
Special assessments	124,254	921,800	921,800	(797,546)
Miscellaneous	632,207	408,000	674,000	(41,793)
Total receipts	23,120,349	22,551,829	23,048,509	71,840
Expenditures:				
Public safety	5,070,809	5,333,473	5,394,518	323,709
Public works	4,961,649	5,140,800	5,160,800	199,151
Health and social services	27,896	29,653	29,653	1,757
Culture and recreation	4,328,429	4,700,333	4,884,568	556,139
Community and economic development	971,440	992,027	1,268,027	296,587
General government	1,462,429	1,472,928	1,524,928	62,499
Debt Service	4,155,709	4,164,731	4,164,731	9,022
Capital projects	5,827,518	14,140,400	14,140,400	8,312,882
Total disbursements	26,805,879	35,974,345	36,567,625	9,761,746
Excess (deficiency) of revenues over (under) expenditures	(3,685,530)	(13,422,516)	(13,519,116)	(9,833,586)
Other financing sources, net	7,353,912	9,675,387	7,379,183	25,271
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,668,382	(3,747,129)	(6,139,933)	(9,808,315)
Fund balances at beginning of year	14,651,660	18,377,738	18,377,738	3,726,078
Fund balances at end of year	$ 18,320,042	14,630,609	12,237,805	(6,082,237)

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	23,120,349	292,717	23,413,066
Expenditures/expenses	26,805,879	675,825	27,481,704
Net	(3,685,530)	(383,108)	(4,068,638)
Other financing sources, net	7,353,912	(325,964)	7,027,948
Beginning fund balances/net assets, as restated	14,651,660	(6,475,219)	8,176,441
Ending fund balances/net assets	18,320,042	(7,184,291)	11,135,751

See accompanying notes to required supplementary information.

CITY OF URBANDALE, IOWA

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005 and 2004

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund. In accordance with the Code of Iowa, the City Council 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. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. However, emphasis is placed on monitoring budgets by individual funds and by major classifications within functions, such as personnel, operations and maintenance, and capital outlay. Deviations from budgeted amounts by major classifications within programs must be approved by the City 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.

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 is 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, 2005 and 2004 were amended during the year to allow the City to increase program expenditures by $7,970,300 and $593,280, respectively and increased program revenues by $5,310,461 and $496,680, respectively. The 2005 amendments were obtained to provide for capital improvement projects, the special census, fiber optic network expenses, solid waste containers, additional costs for PW facility and the purchase of park land. These costs will be offset by intergovernmental revenues and grants, miscellaneous fee revenues, 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 actual expenditures of the Component Unit were $9,216,811 and $8,259,496 compared to a legal budget of $10,530,103 and $8,287,472 for the years ended June 30, 2005 and 2004, respectively.

UNIQUELY
URBANDALE

FINANCIAL SECTION

Other 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.

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

Colby Woods Park - to account for funds held by the city for Colby Woods park improvements.

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

Fire Department training, equipment & donations – 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.

Police Donations - to account for money received to be used on specific police projects

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.

Schedule 1

CITY OF URBANDALE

Combining Balance Sheet Information
Nonmajor Governmental Funds

June 30, 2005

	Hotel Motel	Parkland	Colby Woods Park	Walker Johnston Memorial	Fire Donations	Fire Training	Fire Equipment	ERT #1
Assets								
Cash and pooled cash investments	$ 443,551	197,051	65,918	1,245	4,809	4,714	4,136	3,202
Taxes receivable - current year	297,131	—	—	—	—	—	—	—
Accrued interest	—	824	—	2	—	—	—	—
Total assets	$ 740,682	197,875	65,918	1,247	4,809	4,714	4,136	3,202
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 775	—	—	—	—	—	—	—
Deferred revenue	297,131	—	—	—	—	—	—	—
Total liabilities	297,906	—	—	—	—	—	—	—
Fund balances:								
Reserved for employees' retirement system	—	—	—	—	—	—	—	—
Unreserved - undesignated	442,776	197,875	65,918	1,247	4,809	4,714	4,136	3,202
Total fund balances	442,776	197,875	65,918	1,247	4,809	4,714	4,136	3,202
Total liabilities and fund balances	$ 740,682	197,875	65,918	1,247	4,809	4,714	4,136	3,202

CITY OF URBANDALE

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	ERT - GASA	Evidence and Forfeited Property	Federal Forfeited Property	Police Donations	Donations and Escrow	Police Retirement	Total
Assets							
Cash and pooled cash investments	$ —	1,506	13,677	500	1,189,963	161,351	2,091,623
Taxes receivable - current year	—	—	—	—	—	—	297,131
Accrued interest	—	—	—	—	—	—	826
Total assets	$ —	1,506	13,677	500	1,189,963	161,351	2,389,580
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ —	—	—	—	—	—	775
Deferred revenue - current	—	—	—	—	—	—	297,131
Total liabilities	—	—	—	—	—	—	297,906
Fund balances:							
Reserved for employees' retirement system	—	—	—	—	—	161,351	161,351
Unreserved - undesignated	—	1,506	13,677	500	1,189,963	—	1,930,323
Total fund balances	—	1,506	13,677	500	1,189,963	161,351	2,091,674
Total liabilities and fund balances	$ —	1,506	13,677	500	1,189,963	161,351	2,389,580

CITY OF URBANDALE

Combining Balance Sheet Information
Nonmajor Governmental Funds

June 30, 2004

	Hotel Motel	TIF	Parkland	Colby Woods Park	Walker Johnston Memorial	Fire Donations	Fire Training	Fire Equipment
Assets								
Cash and pooled cash investments	$ 367,445	—	476,790	64,435	1,232	656	3,083	3,736
Taxes receivable:								
Current	251,313	15,000	—	—	—	—	—	—
Succeeding year	—	1,641,209	—	—	—	—	—	—
Accrued interest	—	—	347	—	4	—	—	—
Total assets	$ 618,758	1,656,209	477,137	64,435	1,236	656	3,083	3,736
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 7,500	—	—	—	—	—	—	—
Deferred revenue	251,313	1,641,211	—	—	—	—	—	—
Total liabilities	258,813	1,641,211	—	—	—	—	—	—
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	359,945	14,998	477,137	64,435	1,236	656	3,083	3,736
Total liabilities and fund balances	$ 618,758	1,656,209	477,137	64,435	1,236	656	3,083	3,736

CITY OF URBANDALE

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	ERT #1	ERT - GASA	Evidence and Forfeited Property	Federal Forfeited Property	Police Donations	Donations and Escrow	Police Retirement	Total
Assets								
Cash and pooled cash investments	$ 490	1,300	6,791	2,104	500	648,811	440,995	2,018,368
Taxes receivable:								
Current	—	—	—	—	—	—	—	266,313
Succeeding year	—	—	—	—	—	—	—	1,641,209
Accrued interest	—	—	—	—	—	—	351	702
Total assets	$ 490	1,300	6,791	2,104	500	648,811	441,346	3,926,592
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ —	—	1,103	—	—	325	—	8,928
Deferred revenue	—	—	—	—	—	—	—	1,892,524
Total liabilities	—	—	1,103	—	—	325	—	1,901,452
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	490	1,300	5,688	2,104	500	648,486	441,346	2,025,140
Total liabilities and fund balances	$ 490	1,300	6,791	2,104	500	648,811	441,346	3,926,592

Schedule 2

CITY OF URBANDALE

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

Nonmajor Governmental Funds

Year Ended June 30, 2005

	Hotel Motel	Parkland	Colby Woods Park	Walker Johnston Memorial	Fire Donations	Fire Training	Fire Equipment
Revenues							
Taxes	$ 689,788	—	—	—	—	—	—
Use of money and property	—	8,515	1,483	11	51	—	—
Miscellaneous	—	8	—	—	6,809	2,461	400
Total revenues	689,788	8,523	1,483	11	6,860	2,461	400
Expenditures:							
Current operating expenditures							
Public safety	—	—	—	—	2,707	830	—
Culture and recreation	575,139	1,242	—	—	—	—	—
Community and Economic Development	—	—	—	—	—	—	—
Total expenditures	575,139	1,242	—	—	2,707	830	—
Excess (deficiency) of revenues over (under) expenditures	114,649	7,281	1,483	11	4,153	1,631	400
Transfers in	—	—	—	—	—	—	—
Transfers out	(31,818)	(286,543)	—	—	—	—	—
Total operating transfers	(31,818)	(286,543)	—	—	—	—	—
Net changes in fund balances	82,831	(279,262)	1,483	11	4,153	1,631	400
Fund balances - beginning	359,945	477,137	64,435	1,236	656	3,083	3,736
Fund balances - ending	$ 442,776	197,875	65,918	1,247	4,809	4,714	4,136

CITY OF URBANDALE

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

Nonmajor Governmental Funds

Year Ended June 30, 2005

	ERT #1	ERT - GASA	Evidence and Forfeited Property	Federal Forfeited Property	Police Donations	Donations Escrow	Police Retirement	Total
Revenues								
Taxes	—	—	—	—	—	—	—	689,788
Use of money and property	—	4	29	118	—	283	3,452	13,946
Miscellaneous	17	—	9,706	12,771	500	541,294	2,215	576,181
Total revenues	17	4	9,735	12,889	500	541,577	5,667	1,279,915
Expenditures								
Current operating expenditures								
Public safety	1,622	1,050	8,504	2,667	500	—	285,662	303,542
Culture and recreation	—	—	—	—	—	—	—	576,381
Community and Economic Development	—	—	—	—	—	100	—	100
Total expenditures	1,622	1,050	8,504	2,667	500	100	285,662	880,023
Excess (deficiency) of revenues over (under) expenditures	(1,605)	(1,046)	1,231	10,222	—	541,477	(279,995)	399,892
Transfers in	4,317	—	254	2,951	—	—	—	7,522
Transfers out	—	(254)	(5,667)	(1,600)	—	—	—	(325,882)
Total operating transfers	4,317	(254)	(5,413)	1,351	—	—	—	(318,360)
Net changes in fund balances	2,712	(1,300)	(4,182)	11,573	—	541,477	(279,995)	81,532
Fund balances - beginning	490	1,300	5,688	2,104	500	648,486	441,346	2,010,142
Fund balances - ending	3,202	—	1,506	13,677	500	1,189,963	161,351	2,091,674

CITY OF URBANDALE

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

Nonmajor Governmental Funds

Year Ended June 30, 2004

	Hotel Motel	TIF	Parkland	Colby Woods Park	Walker Johnston Memorial	Fire Donations	Fire Training	Fire Equipment
Revenues								
Taxes	$ 472,703	1,134,596	—	—	—	—	—	—
Use of money and property	—	—	5,355	772	5	9	—	—
Miscellaneous	—	—	—	—	—	3,924	1,236	—
Total revenues	472,703	1,134,596	5,355	772	5	3,933	1,236	—
Expenditures								
Current operating expenditures								
Public safety	—	—	—	—	—	3,586	2,423	—
Culture and recreation	482,663	—	—	—	—	—	—	—
Community and Economic Development	—	—	—	—	—	—	—	—
Total expenditures	482,663	—	—	—	—	3,586	2,423	—
Excess (deficiency) of revenues over (under) expenditures	(9,960)	1,134,596	5,355	772	5	347	(1,187)	—
Operating transfers in	—	—	—	—	—	—	—	—
Operating transfers out	(50,738)	(1,119,598)	—	—	—	—	—	—
Total operating transfers	(50,738)	(1,119,598)	—	—	—	—	—	—
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	$ 359,945	14,998	477,137	64,435	1,236	656	3,083	3,736

CITY OF URBANDALE

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

Nonmajor Governmental Funds

Year Ended June 30, 2004

	ERT #1	ERT - GASA	Evidence and Forfeited Property	Federal Forfeited Property	Police Donations	Donations Escrow	Police Retirement	Total
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 operating expenditures								
Public safety	—	—	29,150	2,300	1,000	—	345,700	384,159
Culture and recreation	—	—	—	—	—	—	—	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 (under) expenditures	—	15	(2,297)	(2,194)	500	139,286	(339,375)	925,863
Operating transfers in	—	—	—	—	—	—	64,700	64,700
Operating 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 Statement of Net Assets –
Proprietary Funds

June 30, 2005

Assets		General Liability	Equipment Replacement	Technology	Risk Management	Total Governmental activities - Internal Service Funds
Current assets:						
Cash and pooled cash investments	$	229,648	3,043,838	8,078	1,438,229	4,719,793
Capital assets, net		—	1,586,373	—	—	1,586,373
Total assets		229,648	4,630,211	8,078	1,438,229	6,306,166
Liabilities and Net Assets						
Current liabilities:						
Accounts payable		982	9,350	—	40	10,372
Accrued liability		—	—	—	167,651	167,651
Total liabilities		982	9,350	—	167,691	178,023
Net assets:						
Invested in capital assets			1,586,373			1,586,373
Unrestricted		228,666	3,034,488	8,078	1,270,538	4,541,770
Total net assets	$	228,666	4,620,861	8,078	1,270,538	6,128,143

Statement of Net Assets –
Proprietary Funds

June 30, 2004

Assets		General Liability	Equipment Replacement	Technology	Risk Management	Total Governmental activites - Internal Service Funds
Current assets:						
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
Total assets		443,055	4,580,864	10,162	1,279,761	6,313,842
Liabilities and Net Assets						
Current liabilities:						
Accounts payable		7,380	11,247	—	—	18,627
Accrued liability		—	—	—	133,493	133,493
Total liabilities		7,380	11,247	—	133,493	152,120
Net assets:						
Invested in capital assets		—	1,747,733	—	—	1,747,733
Unrestricted		435,675	2,821,884	10,162	1,146,268	4,413,989
Total net assets	$	435,675	4,569,617	10,162	1,146,268	6,161,722

CITY OF URBANDALE, IOWA

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

Year Ended June 30, 2005

	General Liability	Equipment Replacement	Technology	Risk Management	Total Governmental activities - Internal Service Funds
Operating revenues:					
Charges for services	$ 341,265	562,401	—	1,394,831	2,298,497
Other	28,627	2,823	—	55,320	86,770
Total operating revenues	369,892	565,224	—	1,450,151	2,385,267
Operating expenses:					
Insurance premiums and claims	580,995	—	—	1,363,824	1,944,819
Data processing	—	—	2,285	—	2,285
Depreciation	—	593,203	—	—	593,203
Total operating expenses	580,995	593,203	2,285	1,363,824	2,540,307
Operating (loss) income	(211,103)	(27,979)	(2,285)	86,327	(155,040)
Nonoperating revenues:					
Interest income	4,094	63,445	201	37,943	105,683
Gain on sale of equipment	—	15,778	—	—	15,778
Total nonoperating revenues	4,094	79,223	201	37,943	121,461
Change in net assets	(207,009)	51,244	(2,084)	124,270	(33,579)
Net assets at beginning of year	435,675	4,569,617	10,162	1,146,268	6,161,722
Net assets at end of year	$ 228,666	4,620,861	8,078	1,270,538	6,128,143

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

Year Ended June 30, 2004

	General Liability	Equipment Replacement	Technology	Risk Management	Total Governmental activites - Internal Service Funds
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	268,033	742,710	—	1,233,630	2,244,373
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	516,326	536,973	22	1,179,672	2,232,993
Operating (loss) income	(248,293)	205,737	(22)	53,958	11,380
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	3,897	62,830	118	18,031	84,876
(Loss) income before transfer	(244,396)	268,567	96	71,989	96,256
Transfer from other funds	100,000	—	—	—	100,000
Change in net assets	(144,396)	268,567	96	71,989	196,256
Net assets at beginning of year	580,071	4,301,050	10,066	1,074,279	5,965,466
Net assets at end of year	$ 435,675	4,569,617	10,162	1,146,268	6,161,722

CITY OF URBANDALE, IOWA

Combining Statement of Cash Flows –
Proprietary Funds

Year Ended June 30, 2005

		General Liability	Equipment Replacement	Technology	Risk Management	Total Governmental activities - Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	$	369,892	891,188	—	1,450,150	2,711,230
Payments to suppliers		(587,393)	(1,897)	(2,285)	(1,329,625)	(1,921,200)
Net cash (used in) provided by operating activities		(217,501)	889,291	(2,285)	120,525	790,030
Cash flows from capital and related financing activities:						
Purchase of capital assets		—	(439,740)	—	—	(439,740)
Proceeds from sale of capital assets		—	23,675	—	—	23,675
Net cash used in capital and related financing activities		—	(416,065)	—	—	(416,065)
Cash flows from investing activities:						
Interest on investments		4,094	63,445	201	37,943	105,683
Net (decrease) increase in cash and cash equivalents		(213,407)	536,671	(2,084)	158,468	479,648
Cash and cash equivalents at beginning of year		443,055	2,507,167	10,162	1,279,761	4,240,145
Cash and cash equivalents at end of year	$	229,648	3,043,838	8,078	1,438,229	4,719,793
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities						
Operating (loss) income	$	(211,103)	(27,979)	(2,285)	86,327	(155,040)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Depreciation		—	593,203	—	—	593,203
Change in accounts receivable		—	325,964	—	—	325,964
Change in accounts payable		(6,398)	(1,897)	—	34,198	25,903
Net cash (used in) provided by operating activities		(217,501)	889,291	(2,285)	120,525	790,030

Statement of Cash Flows –
Proprietary Funds

Year Ended June 30, 2004

		General Liability	Equipment Replacement	Technology	Risk Management	Total Governmental activites - Internal Service Funds
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 to 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

CITY OF URBANDALE, IOWA **Schedule 6**

Combining Statement of Fiduciary Net Assets

June 30, 2005

	Agency Funds		
Assets	**Collections and Deposits**	**Revolving Loan**	**Total Agency Funds**
Cash and pooled cash investments	$ 1,323,757	143,515	1,467,272
Other assets	42,998	—	42,998
Total assets	$ 1,366,755	143,515	1,510,270
Liabilities			
Liabilities:			
Due to component unit	$ 15,253	—	15,253
Due to other governments	287,777	143,515	431,292
Deposits and remittances due	1,063,725	—	1,063,725
Total liabilities	$ 1,366,755	143,515	1,510,270

Combining Statement of Fiduciary Net Assets

June 30, 2004

	Agency Funds		
Assets	**Collections and Deposits**	**Revolving Loan**	**Total Agency Funds**
Cash and pooled cash investments	$ 416,093	125,317	541,410
Accounts receivable	50	—	50
Other assets	42,998	—	42,998
Total assets	$ 459,141	125,317	584,458
Liabilities			
Liabilities:			
Due to component unit	$ 31,273	—	31,273
Due to other governments	214,135	125,317	339,452
Deposits and remittances due	213,733	—	213,733
Total liabilities	$ 459,141	125,317	584,458

CITY OF URBANDALE, IOWA
Combining Statement of Changes in Assets
and Liabilities – Agency Funds
Year Ended June 30, 2005

Collections and Deposits Fund	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets:				
Cash and Pooled Cash Investments	416,093	2,510,057	1,602,393	1,323,757
Other Assets	43,048	—	50	42,998
	$ 459,141	2,510,057	1,602,443	1,366,755
Liabilities:				
Due to Component Unit	$ 31,273	353,545	369,565	15,253
Due to Other Governments	214,135	1,151,374	1,077,732	287,777
Deposits and Remittances Due	213,733	1,005,138	155,146	1,063,725
	$ 459,141	2,510,057	1,602,443	1,366,755
Revolving Loan Fund				
Assets:				
Cash and Pooled Cash Investments	$ 125,317	18,198	—	143,515
Liabilities:				
Due to Other Governments	$ 125,317	18,198	—	143,515

Combining Statement of Changes in Assets
and Liabilities – Agency Funds
Year Ended June 30, 2004

Collections and Deposits Fund	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
Assets:				
Cash and Pooled Cash Investments	255,454	1,346,540	1,185,901	416,093
Other Assets	44,198	—	1,150	43,048
	$ 299,652	1,346,540	1,187,051	459,141
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
	$ 299,652	1,346,540	1,187,051	459,141
Revolving Loan Fund				
Assets:				
Cash and Pooled Cash Investments	$ 123,799	1,518	—	125,317
Liabilities:				
Due to Other Governments	$ 123,799	1,518	—	125,317

STATISTICAL SECTION

(Unaudited)

CITY OF URBANDALE

Table I A

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

Year	Community Protection	Human Development	Home and Community Environment	Policy and Administration	Debt Service	Total
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)

Year	Public Safety	Public Works	Health and Social Services	Culture and Recreation	Community and Economic Development	General Government	Debt Service	Total
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
2004-05	5,439,939	5,250,496	26,992	4,762,141	1,398,042	1,476,033	5,112,540	23,466,183

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

Table II

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

Year	Taxes	Special Assess-ments	Licenses and Permits	Inter-Govern-mental Revenue	Charges for Services	Interest	Fines and Misc. Revenues	Total
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
2004-05	18,843,072	27,743	1,227,938	2,808,836	2,217,100	210,542	889,435	26,224,666

Table III

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

Collection Year	Total Taxes	General Property Tax	Moneys and Credits Tax	Mobile Home Tax
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
2004-05	18,864,776	18,859,544	2,181	3,051

CITY OF URBANDALE

Table IV

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

Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Collections as Percent of Current Levy
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
2004-05	14,169,913	14,138,517	99.78	4,040	14,142,557	99.81

Table V

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

	Real Property		Personal Property		Utilities	
Year	Assessed Value	Taxable Value	Assessed Value **	Taxable Value	Assessed Value	Taxable Value
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
2004-05 *	2,485,584,468	1,549,665,127	—	—	73,039,041	67,063,292

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

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

Year	City	School District	County Consolidated	Area Vocational	Urbandale Sewer District	Total
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
2004-05	9.073	12.128	9.969	0.599	0.412	32.181

Tax Levies

Year	City	School District	County Consolidated	Area Vocational	Urbandale Sewer District	Total
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
2004-05	13,637,750	9,915,385	14,745,602	884,363	598,945	39,782,045

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

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

Table VII

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

Levy Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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
2004-05	35,732 ^ *	2,485,584,468	33,395,000	253,909	33,141,091	.013 to 1	927.49

Source:

(1) U. S. Census Bureau.

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

* Includes Polk County and Dallas County.

^ U.S. Census Bureau preliminary count for 2005 special census.

CITY OF URBANDALE

Table VIII

Computation of Direct and Overlapping Bonded Debt
June 30, 2005 and 2004
(Unaudited)

	2005				
Name of Governmental Unit	**Outstanding Direct Debt**	**Total Valuation**	**Valuation Within Urbandale**	**Percentage Applicable**	**City's Share of Debt**
Direct debt:					
City of Urbandale	$ 33,395,000	1,756,138,384	1,756,138,384	100.00 %	$ 33,395,000
Overlapping debt:					
Des Moines ISD	3,015,000	5,859,247,634	14,648,119	0.25	7,537
Urbandale CSD	21,205,000	911,881,036	910,057,274	99.80	21,162,590
Waukee CSD	56,485,000	1,170,420,979	98,198,320	8.39	4,739,091
Johnston CSD	17,735,000	1,290,069,326	288,330,494	22.35	3,963,772
Dallas Center – Grimes CSD	19,340,000	405,861,568	113,073,033	27.86	5,388,124
West Des Moines CSD	5,225,000	3,666,152,099	301,357,703	8.22	429,495
Urbandale Sanitary Sewer District	6,076,000	1,533,387,730	1,062,484,358	69.29	4,210,060
Polk County	192,265,000	15,347,250,553	1,653,228,712	10.77	20,711,072
Area XI DMACC	55,670,000	26,819,908,490	1,756,138,384	6.55	3,645,211
Dallas County	9,160,000	2,131,119,369	102,909,672	4.83	442,327
Total overlapping debt	386,176,000				64,699,279
	$ 419,571,000				$ 98,094,279

	2004				
Name of Governmental Unit	**Outstanding Direct Debt**	**Total Valuation**	**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

CITY OF URBANDALE

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)

Year	Principal	Total Debt Interest	Total Debt Service	Debt Service to Expenditures	Total Expenditures
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
2001-02	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
2004-05	3,770,000	1,342,540	5,112,540	21.79	23,466,183

CITY OF URBANDALE

Table X

Salary and Surety Bond of Principal Officials
June 30, 2005
(Unaudited)

Officials	Title	Annual Salary	Amount of Surety Bond
Elected Officials:			
Donald J. Brush	Mayor	$ 7,000	50,000
Mary Polson	Mayor Pro Tem	4,000	50,000
Robert Andeweg	Council Member	4,000	50,000
John Forst	Council Member	4,000	50,000
Phil Noah	Council Member	4,000	50,000
Shannon Waddell	Council Member	4,000	50,000
Council Appointed Officials:			
Robert Layton	City Manager	119,770	100,000
Robert Laden	City Attorney	63,050	50,000
Debra Mains	City Clerk	59,915	100,000
Manager Appointed Officials:			
David Hamlin	Chief of Police	85,546	50,000
Jerry Holt	Fire Chief	72,695	50,000
David McKay	Director of Engineering and Public Works	90,913	50,000
Paul Dekker	Director of Community Development	81,879	50,000
Frederick Boals	Director of Parks and Recreation	81,095	50,000
Nicole Lamb	Finance Director	72,000	100,000
Kim Keisler	Assistant Finance Director	51,387	100,000

CITY OF URBANDALE

Table XI

Miscellaneous Statistical Data
June 30, 2005
(Unaudited)

Date of Incorporation	1917
Form of Government	Council-Mayor with City Manage by Ordinance
Area (Square Miles)	21.68
Number of Street Lights	3,724
Miles of Streets:	
Paved	168.10
Unpaved	1.49
	169.59
Miles of Sewers:	
Storm	134.89
Sanitary	180.83
	315.72
Building Permits:	
Permits Issued	1389
Estimated Values	$ 166,302,968
Fire and Rescue Protection:	
Number of Stations	2
Number of Full-Time Employees	8
Number of Employees (Volunteers)	43
Calls for service:	
EMS (Emergency Medical Services)	1,398
Fire	515
	1,913
Police Protection:	
Number of Stations	1
Number of Employees:	
Officers	42
Dispatchers	—
Office Staff	4

CITY OF URBANDALE

Table XI, Continued

Miscellaneous Statistical Data
June 30, 2005
(Unaudited)

Recreation:	
Parks:	
Number of Park Areas	45
Number of Acres	857
Number of Playgrounds	21
Number of Tot Lots	15
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)	129,260
Annual Circulation (Books and Videos)	617,217
Employees as of June 30, 2005:	
Civil Service – Permanent	97
Non-Civil Service – Permanent	50
Temporary	94
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
2005 (Special Census preliminary count)	35,732

* Source: U.S. Census Bureau

CITY OF URBANDALE

Table XII

Demographics Statistics
(Unaudited)

Fiscal Year	Population (1)	Per Capita Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
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
2005	35,732 ^	**	**	**	**

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

^ U.S. Census Bureau preliminary count for 2005 special census

CITY OF URBANDALE

Table XIII

Insurance in Force
June 30, 2005
(Unaudited)

Insurance Company	Policy Number	Coverage	Amount of Coverage
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)	23,086,104
		Blanket Contents (Deductible $5,000)	3,943,683
		Miscellaneous Property (Deductible $5,000)	9,122,593
		Electronic Data Processing Hardware (Deductible $1,000)	1,409,412
		Electronic Data Processing Software (Deductible $1,000)	281,479
		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
ICAP	GPA 0601-7	Boiler and Machinery, Property Damage (Deductible $5,000)	34,933,284
Iowa Underground Storage Tank Financial Responsibility Program	8601439	Each Occurrence	500,000
		Aggregate (Deductible $10,000)	1,000,000
Wellmark Blue Cross/Blue Shield	None indicated	Individual Excess of Loss	
		Aggregate Excess of Loss	

CITY OF URBANDALE

Table XIV

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

Calendar Year	Commercial Construction (1) Number of Units	Commercial Construction (1) Value	Residential Construction Number of Units	Residential Construction Value	Institutional Construction (2) Number of Units	Institutional Construction (2) 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	158	27,125,425	721	146,555,950	1	6,515,549
2005 *	58	4,701,430	289	56,410,034	1	4,962,839

Calendar Year	Bank Deposits (3)	Property Value (4) Commercial (Adj)	Property Value (4) Residential (Adj)	Property Value (4) (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	—
2005	466,517,000	858,723,280	1,884,200,510	—

* Through June 2005 for Amounts Shown
** Information not Available.

(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

Table XV

Principal Taxpayers
June 30, 2005
(Unaudited)

Taxpayer	Type of Business	2005 Taxable Assessed Valuation*	Percent of Total Assessed Value
MidAmerican Energy	Utilities	$ 60,722,653	2.44 %
Aurora Business Parks Associates, LP	Office/Warehouse	36,257,050	1.46
Merle Hay Mall, LTD	Retail	20,521,000	0.83
Nottingham Square	Apartment	16,140,000	0.65
GK Properties	Warehouse	13,778,000	0.55
Mark Anderson Properties	Retail	13,108,000	0.53
112th Street LC	Warehouse	12,365,000	0.50
Bradley P. Johnson	Warehouse	12,138,900	0.49
Target Corporation	Retail	12,051,000	0.48
Interstate Business Park	Office/Warehouse	11,912,000	0.47
Mid-American Investment Company	Office Park	11,889,460	0.47
		$ 220,883,063	8.87 %

* Source: Official Bond Statement July 2005.

UNIQUELY
URBANDALE

REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

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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*

To the Honorable Mayor and
Members of the City Council
City of Urbandale, Iowa

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, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2005. 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item II-A-05.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Urbandale, Iowa. 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.

We also noted certain additional matters that we reported to management of the City of Urbandale, Iowa, in a separate letter dated December 2, 2005.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Urbandale, Iowa, and other parties to whom the City of Urbandale, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Urbandale, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Eide Bailly LLP

Dubuque, Iowa
December 2, 2005

EideBailly

CPAs & BUSINESS ADVISORS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council
City of Urbandale, Iowa

Compliance

We have audited the compliance of the City of Urbandale, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The City's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Urbandale, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Urbandale, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Urbandale, Iowa, and other parties to whom the City of Urbandale, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
December 2, 2005

CITY OF URBANDALE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Grantor/Program:	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
Department of Justice:			
Bulletproof Vest Partnership Program	16.607	2003BUBX03017119	$ 1,239
Bulletproof Vest Partnership Program	16.607	2004BUBX04021304	4,613
Total direct			5,852
Indirect:			
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-A-7875(614)-86-77	80,328
Highway Planning and Construction	20.205	STP-E-7875(617)-8V-77	317,281
Highway Planning and Construction	20.205	STP-U-7875(619)-70-77	23,503
	20.205	STP-U-7875(620)-70-77	29,570
Highway Planning and Construction	20.205	STP-U-7875(621)-70-77	123,690
Highway Planning and Construction	20.205	STP-U-7875(622)-70-77	38,587
			612,959
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seat Belts	20.604	PAP 05-157, Task 141	1,207
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 05-163, Task 63	5,962
Total indirect			620,128
Total federal expenditures			$ 625,980

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF URBANDALE, IOWA

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2005

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Urbandale, Iowa, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF URBANDALE, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results:

(a) Unqualified opinions were issued on the financial statements.

(b) No material weaknesses in internal control over financial reporting were noted.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) No material weaknesses in internal control over the major program were noted.

(e) An unqualified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) The major program was CFDA Number 20.205 – Highway Planning and Construction

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) The City of Urbandale, Iowa, did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITION:

II-A-05 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Currently one individual prepares the bank reconciliations, has the ability to transfer funds between bank accounts, has the ability to enter invoices into the accounts payable system, and prepares and posts entries to the general ledger.

Recommendation – We realize that in an entity of your size it is not always possible to segregate duties to obtain maximum internal control. We recommend that management be aware of the situation when assigning duties that may be incompatible and try to achieve the maximum internal control possible in the circumstances.

Response – The management of the City is aware of the segregation issue within the Finance and Records Department. However, with a small department, even with careful consideration when assigning duties, these issues are unavoidable. Management believes it has built in sufficient oversight controls throughout the financial management process to effectively mitigate the risk of fraud.

Conclusion – Response accepted.

CITY OF URBANDALE, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

REPORTABLE CONDITION

CFDA Number 20.205 – Highway Planning and Construction
Grant Numbers: STP-A-7875(614)-86-77
STP-E-7875(617)-8V-77
STP-U-7875(619)-70-77
STP-U-7875(620)-70-77
STP-U-7875(621)-70-77
STP-U-7875(622)-70-77
Department of Transportation
Passed Through the Iowa Department of Transportation

III-A-05 Segregation of Duties – Currently one individual prepares the bank reconciliations, has the ability to transfer funds between bank accounts, has the ability to enter invoices into the accounts payable system, and prepares and posts entries to the general ledger. See item II-A-05.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year, except for deposits at US Bank.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances of all approved depositories should be adopted by the City Council.

Response – The City acknowledges that the depository resolution maximum with US Bank was exceeded at one point during the year due to an oversight in the manual investment placement process. The process for placing investments has been revised effective July 1, 2005. The new process creates an automated tracking of the investments with running calculations of investment totals, including interest, with each depository institution. In addition, the City Council approved an increase in the City's depository resolution maximums with each of its approved institutions to better accommodate needed capacity during high cash receipt periods of the year.

Conclusion – Response accepted.

IV-B-05 Certified Budget – City expenditures by function during the year ended June 30, 2005, did not exceed budgeted amounts.

IV-C-05 Questionable Expenditures – We noted no expenditures that we believe might fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

IV-E-05 Business Transactions – We noted no business transactions between the City and City officials or employees.

IV-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, we noted that the minutes were not published within 15 days of the meeting in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – We recommend that the City take steps to insure that minutes of Council meetings are published within 15 days of the meeting.

Response – In the past, the City has published its minutes immediately after approval from the City Council. Due to the time lag between meetings, this has consistently resulted in the City exceeding the 15 day requirement. The City has always felt that it was acting in the spirit of the law. Since the Code of Iowa does not specifically say that minutes have to be approved prior to publishing, the City has changed its practice for FY06 and has been publishing the draft City Council minutes within the required 15 days.

Conclusion – Response accepted.

IV-H-05 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted. However, we noted that the City's investment policy referenced an outdated chapter of the Code of Iowa, rather than Chapter 12B.

Recommendation – The City should adopt an updated investment policy which makes reference to the appropriate chapters of the Code of Iowa.

Response – The City reviewed and updated its investment policy in June, 2005. All outdated Code of Iowa references were updated at that time.

Conclusion – Response accepted.