

**Urbandale Sanitary Sewer District  
Urbandale, Iowa**

**FINANCIAL REPORT**

**June 30, 2005**

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**Urbandale Sanitary Sewer District  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
<b>BOARD OF TRUSTEES</b> (as of June 30, 2005)		
Don Mears	President	January 2, 2011
Gerald Pierce	Treasurer	January 2, 2009
D. J. Nawrocki	Clerk	January 2, 2007
<b>ATTORNEY</b>		
Paul A. Drey		

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Urbandale Sanitary Sewer District

We have audited the accompanying financial statements of the Urbandale Sanitary Sewer District as of and for the year ended June 30, 2005, as listed in the contents page of this report. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts, cash disbursements and cash balances of the Urbandale Sanitary Sewer District as of June 30, 2005, and the revenues received and expenses paid for the year then ended on the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6-8 and the budgetary comparison information on page 17 are not required parts of the basic financial statements but are supplementary information required by 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
January 27, 2006

**URBANDALE SANITARY SEWER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

Our discussion and analysis of Urbandale Sanitary Sewer District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2005, within the limitations of the District's cash basis of accounting. Please read it in conjunction with the District's financial statements that begin on page 10.

**2005 FINANCIAL HIGHLIGHTS**

Revenue of the District's General Fund activities decreased 10% or approximately \$498,000 from fiscal 2004 to fiscal 2005 due in part to a decrease in sewer connection fees. Revenue received in the general obligation bond fund decreased approximately \$172,000 from 2004. This was also due to a decrease in sewer connection fees. The ICA fund revenues decreased approximately \$327,000 over 2004 which was due primarily to decreased WRA refunds.

**USING THIS ANNUAL REPORT**

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

**Report Components**

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

**Financial Statements:** The Statement of Net Assets-Cash Basis reports the balances of cash and investments as of June 30, 2005. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances - cash basis provides information about the activities of the District and presents an overall view of the District's finances. The statement presents receipts and disbursements by each fund of the District.

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

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

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

## **BASIS OF ACCOUNTING**

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

### **Reporting the District as a Whole**

#### ***The District's Reporting Entity Presentation***

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

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

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

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

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

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

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

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

### Government-Wide Financial Analysis

The District's total cash basis net assets decreased by \$145,687 from a year ago. The analysis that follows focuses on the changes in cash balances. The cost of all activities this year was \$4,732,156. These costs were financed by total receipts of \$4,586,469, which consisted primarily of \$2,637,922 of sewer rental charges, \$794,474 of sewer connection fees, and \$615,151 of property taxes.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

The District reported total net assets of \$10,528,155 at June 30, 2005, a decrease of \$145,687 from last year's total net assets of \$10,673,842. The following are the major reasons for the changes in net assets in the various funds.

The General Fund cash balance increased \$1,746,093 from the prior year due primarily to increased sewer rentals and a transfer to the ICA fund consistent with prior years not being made until after June 30, 2005.

The General Obligation Bond Fund cash balance decreased \$719,267 from the prior year due to a decrease in sewer connection fees.

The ICA Fund cash balance decreased \$1,172,513 from prior year due primarily to decreased WRA refunds and a transfer from the general fund not being made until after June 30, 2005.

### **DEBT ADMINISTRATION**

At June 30, 2005, the City had \$8,001,000 in bonds outstanding, compared to \$10,081,000 last year. Details are as follows:

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>Outstanding Debt at Year End</b>		
Sewer Improvements - 1994 Issue	\$ 1,906,000	\$ 2,081,000
WRA Capital Improvements - 1997 Issue	–	935,000
Sewer Improvements - 2000 Issue	1,975,000	2,075,000
Refinancing Bonds - 2003 Issue	<u>4,120,000</u>	<u>4,990,000</u>
Total	<u>\$8,001,000</u>	<u>\$10,081,000</u>

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **FINANCIAL STATEMENTS**

**Urbandale Sanitary Sewer District**  
**STATEMENT OF NET ASSETS—CASH BASIS**  
**June 30, 2005**

**ASSETS**

Cash	\$ 7,203,966
Certificates of deposit	706,890
U.S. Treasury and Government Agency securities	2,202,141
Iowa Public Agency Investment Trust	<u>415,158</u>
 Total assets	 <u>\$10,528,155</u>

**NET ASSETS**

Unrestricted	
General fund	\$ 3,857,900
Restricted	
ICA fund	3,129,958
General obligation bond fund	<u>3,540,297</u>
 Total net assets	 <u>\$10,528,155</u>

**Urbandale Sanitary Sewer District**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES—CASH BASIS**  
**As of and for the year ended June 30, 2005**

	<u>Total (Memorandum only)</u>	<u>General fund</u>	<u>General obligation bond fund</u>	<u>ICA fund</u>
<b>RECEIPTS</b>				
Property taxes	\$ 615,151	\$ —	\$ 615,151	\$ —
Special assessments	55,063	—	55,063	—
Sewer rentals	2,637,922	2,637,922	—	—
Interest on investments	287,163	50,913	170,772	65,478
WRA refunds—capital and budget	176,000	—	—	176,000
Sewer connection fees	794,474	45,630	748,844	—
Sales/use tax refund	8,620	8,620	—	—
Other	12,076	3,213	8,863	—
	<u>4,586,469</u>	<u>2,746,298</u>	<u>1,598,693</u>	<u>241,478</u>
Transfers	156,566	—	129,570	26,996
Total receipts and transfers	<u>4,743,035</u>	<u>2,746,298</u>	<u>1,728,263</u>	<u>268,474</u>
<b>DISBURSEMENTS</b>				
Regular	3,888,517	—	2,447,530	1,440,987
Administrative	237,969	237,969	—	—
Capital outlay	605,670	605,670	—	—
	<u>4,732,156</u>	<u>843,639</u>	<u>2,447,530</u>	<u>1,440,987</u>
Transfers	156,566	156,566	—	—
Total disbursements and transfers	<u>4,888,722</u>	<u>1,000,205</u>	<u>2,447,530</u>	<u>1,440,987</u>
Excess (deficiency) of receipts over disbursements	(145,687)	1,746,093	(719,267)	(1,172,513)
<b>CASH BALANCES</b> , beginning of year	<u>10,673,842</u>	<u>2,111,807</u>	<u>4,259,564</u>	<u>4,302,471</u>
<b>CASH BALANCES</b> , end of year	<u>\$10,528,155</u>	<u>\$3,857,900</u>	<u>\$3,540,297</u>	<u>\$3,129,958</u>

See Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Measurement Focus and Basis of Accounting**

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

**Fund Accounting**

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

**General Fund**

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

**General Obligation Bond Fund**

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

**ICA Fund**

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Budgets and Budgetary Accounting**

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

**Total (Memorandum Only)**

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

**Investments**

The District's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-earning investment contracts Nonnegotiable certificates of deposit	Cost
Debt securities U.S. Treasury securities and U.S. Government Agency securities	Cost

The nonnegotiable certificates of deposit and U.S. Treasury and Government securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

The District adopted Statement No. 40, *Deposit and Investment Risk Disclosures*, during the current fiscal year. This Statement established and modified disclosure requirements related to deposit risks and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

**NOTE 2 CASH AND INVESTMENTS**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are insured or registered or for which the securities are held by the District or its agent in the District's name. All investments listed below, except the U.S. Treasury and U.S. Government Agency securities, are subject to custodial credit risk.

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

**NOTE 2 CASH AND INVESTMENTS (continued)**

As of June 30, 2005, the District's investments are reported at cost.

<u>Investments</u>	<u>Maturities</u>	
Certificates of deposit	10/01/05 - 02/22/06	\$ 706,890
U.S. Treasury securities	05/15/06 - 05/15/08	2,166,896
U.S. Government Agency security	05/15/06	34,768
Iowa Public Agency Investment Trust	Daily	415,158
Goldman Sachs Treasury Obligation Fund	Daily	<u>477</u>
Totals		<u>\$3,324,189</u>

The primary objectives of the District's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the District.

**NOTE 3 BONDS PAYABLE**

Annual debt service requirements to maturity for general obligation bonds of the District as of June 30, 2005 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$1,142,000	\$ 290,061	\$1,432,061
2007	1,129,000	257,254	1,386,254
2008	2,506,000	221,810	2,727,810
2009	1,028,000	108,224	1,136,224
2010	736,000	75,881	811,881
2011-2014	<u>1,460,000</u>	<u>105,160</u>	<u>1,565,160</u>
Totals	<u>\$8,001,000</u>	<u>\$1,058,390</u>	<u>\$9,059,390</u>

In May 2003, the District issued \$5,810,000 of general obligation bonds for the purpose of refinancing the outstanding bonds of the District as those bonds become callable. The proceeds from the refinancing bonds have been invested in U.S. treasury and government securities until the refinanced bonds can be called. The above bonded indebtedness schedule includes the balance of the refinanced bonds as well as the refinancing bonds. The balance of the investment in the U.S. treasury and government securities at June 30, 2005 is \$2,202,141.

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

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rate</u>	<u>Outstanding at June 30, 2005</u>
Sewer improvements - Iowa State Revolving Fund	August 10, 1994	3.74%	\$1,906,000
Sewer improvements	June 1, 2000	5.40% - 5.55%	1,975,000
Refinancing bonds	May 1, 2003	2.0% - 3.2%	<u>4,120,000</u>
Total outstanding at June 30, 2005			<u>\$8,001,000</u>

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

**NOTE 4 WRA PROJECT FINANCING LIABILITY**

The District's liability, by year, for its share of the debt service of Des Moines bonds issued for State Revolving Fund Loans nos. 1,2 and 3; Series 1992 Revenue Bond sales nos. 1,2 and 4; and 1995 Sewer Revenue Capital Loan Notes of the Metropolitan Wastewater Reclamation Authority follows. These amounts are estimates of the repayment schedules based upon the original debt service agreements, since the funds for one or more of the State Revolving Fund Loans have not been completely drawn down as of June 30, 2005. The amounts are payable to the city of Des Moines, as agent for the participating member communities of the various WRA projects.

**Year ending June 30**

2006	\$ 259,822
2007	260,168
2008	260,492
2009	260,671
2010	260,350
2011 - 2016	<u>1,070,558</u>
Total	<u>\$2,372,061</u>

**NOTE 5 BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2005, disbursements did not exceed the total budgeted amounts.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Urbandale Sanitary Sewer District**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES—COMPARISON TO BUDGET**  
**Year ended June 30, 2005**  
**See Independent Auditor's Report**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>			
General fund and ICA			
Property taxes	\$ —	\$ 75,000	\$ (75,000)
Sewer rentals	2,637,922	2,939,366	(301,444)
Interest on investments	116,391	60,000	56,391
WRA refunds—capital and budget	176,000	—	176,000
Sewer connection fees	45,630	80,000	(34,370)
Sales/use tax refund	8,620	—	8,620
Other	3,213	1,000	2,213
General obligation bond fund			
Property taxes	615,151	550,000	65,151
Special assessments	55,063	60,000	(4,937)
Interest on investments	170,772	25,000	145,772
Western area connection fees	748,844	250,000	498,844
Other	8,863	15,000	(6,137)
Total receipts	<u>4,586,469</u>	<u>4,055,366</u>	<u>531,103</u>
<b>DISBURSEMENTS</b>			
General fund and ICA			
Urbandale administrative fee	42,000	60,000	(18,000)
District maintenance, repair and plant	102,506	180,000	(77,494)
WRA budget share	1,440,987	2,200,000	(759,013)
Capital improvements	605,670	710,000	(104,330)
Other	93,463	230,000	(136,537)
Totals	<u>2,284,626</u>	<u>3,380,000</u>	<u>(1,095,374)</u>
General obligation bond fund			
Bond redemptions	2,080,000	2,080,000	—
Interest	367,248	367,248	—
Bond administration fees	282	25,000	(24,718)
Totals	<u>2,447,530</u>	<u>2,472,248</u>	<u>(24,718)</u>
Total disbursements	<u>4,732,156</u>	<u>5,852,248</u>	<u>(1,120,092)</u>
Net amounts	(145,687)	(1,796,882)	1,651,195
<b>BALANCES, beginning of year</b>	<u>10,673,842</u>	<u>10,673,842</u>	<u>—</u>
<b>BALANCES, end of year</b>	<u>\$10,528,155</u>	<u>\$ 8,876,960</u>	<u>\$1,651,195</u>

**OTHER SUPPLEMENTARY INFORMATION**

**Urbandale Sanitary Sewer District**  
**SUMMARY OF CASH AND INVESTMENT BALANCES**  
**June 30, 2005**  
**See Independent Auditor's Report**

**SUMMARY OF JUNE 30, 2005 BALANCE**

State Savings Bank	
Money market account	\$ 1,343,100
First American Bank	
Money market accounts	5,678,513
US Bank	
Checking account	115,383
Money market account	66,970
Iowa Public Agency Investment Trust	415,158
Certificates of deposit	
Meta Bank	585,009
Commercial Federal Bank	121,881
U.S. Treasury and Government Agency securities	<u>2,202,141</u>
Total	<u>\$10,528,155</u>

**Urbandale Sanitary Sewer District**  
**SCHEDULE OF BOND AND INTEREST TRANSACTIONS**  
**Year ended June 30, 2005**  
**See Independent Auditor's Report**

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
Iowa State Revolving Fund for sewer improvements	August 10, 1994	3.74%	\$3,400,000
WRA capital improvements	June 1, 1997	4.65% - 5.25%	1,400,000
Sewer improvements	June 1, 2000	5.40% - 5.55%	2,200,000
Refinancing bonds	May 1, 2003	2.00% - 3.20%	5,810,000
Totals			

<u>Outstanding June 30, 2004</u>	<u>Issued during the year</u>	<u>Redeemed during the year</u>	<u>Outstanding June 30, 2005</u>	<u>Interest paid in 2005</u>
\$ 2,081,000	—	\$ 175,000	\$1,906,000	\$ 77,828
935,000	—	935,000	—	47,843
2,075,000	—	100,000	1,975,000	113,963
<u>4,990,000</u>	<u>—</u>	<u>870,000</u>	<u>4,120,000</u>	<u>127,614</u>
<u>\$10,081,000</u>	<u>\$ —</u>	<u>\$2,080,000</u>	<u>\$8,001,000</u>	<u>\$ 367,248</u>

**Urbandale Sanitary Sewer District**  
**SCHEDULE OF INVESTMENT TRANSACTIONS**  
**Year ended June 30, 2005**  
**See Independent Auditor's Report**

	<u>Balance July 1, 2004</u>	<u>Purchased</u>	<u>Redeemed</u>	<u>Balance June 30, 2005</u>	<u>Interest received</u>
Money market accounts	\$ 5,958,614	\$5,149,496	\$4,019,527	\$ 7,088,583	\$ 126,157
Iowa Public Agency Investment Trust	408,866	6,292	-	415,158	6,292
U.S. Treasury and Government Agency securities	3,259,006	109,917	1,166,782	2,202,141	138,698
Certificates of deposit	<u>1,014,908</u>	<u>717,771</u>	<u>1,025,789</u>	<u>706,890</u>	<u>16,016</u>
Totals	<u>\$10,641,394</u>	<u>\$5,983,476</u>	<u>\$6,212,098</u>	<u>\$10,412,772</u>	<u>\$ 287,163</u>

**Urbandale Sanitary Sewer District**  
**SCHEDULE OF CASH TRANSACTIONS—GENERAL FUND**  
Year ended June 30, 2005  
See Independent Auditor's Report

**RECEIPTS**

Sewer rentals	\$2,637,922
Interest on investments	50,913
Sewer connection fees	45,630
Sales/use tax refund	8,620
Other	<u>3,213</u>
Total receipts	<u>2,746,298</u>

**DISBURSEMENTS**

Regular	
City of Urbandale	
Maintenance contract	102,506
Administrative fee	42,000
Legal fees	75,509
Accounting fees	507
Trustee fees	3,520
Insurance	5,406
Engineering fees	5,500
Publishing and postage	2,044
Miscellaneous	<u>977</u>
Total regular disbursements	237,969
Capital outlay	
Capital improvements—sewer trunk projects	<u>605,670</u>
Total disbursements	843,639
Transfers	<u>156,566</u>
Total disbursements and transfers	<u>1,000,205</u>

Excess of receipts over disbursements and transfers	1,746,093
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<b>BALANCE</b> , beginning of year	<u>2,111,807</u>
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<b>BALANCE</b> , end of year	<u>\$3,857,900</u>
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**Urbandale Sanitary Sewer District**  
**SCHEDULE OF CASH TRANSACTIONS—GENERAL OBLIGATION BOND FUND**  
**Year ended June 30, 2005**  
**See Independent Auditor's Report**

**RECEIPTS**

Property taxes	\$ 615,151
Special assessments	55,063
Western area connection fees	748,844
Interest on investments	170,772
Miscellaneous	<u>8,863</u>
Total receipts	<u>1,598,693</u>
Transfers	<u>129,570</u>
Total receipts and transfers	<u>1,728,263</u>

**DISBURSEMENTS**

Bond redemptions	2,080,000
Interest	367,248
Bond administration fees	<u>282</u>
Total disbursements	<u>2,447,530</u>

(Deficiency) of receipts and transfers over disbursements	(719,267)
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<b>BALANCE</b> , beginning of year	<u>4,259,564</u>
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<b>BALANCE</b> , end of year	<u>\$3,540,297</u>
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**Urbandale Sanitary Sewer District**  
**SCHEDULE OF CASH TRANSACTIONS—ICA FUND**  
**Year ended June 30, 2005**  
**See Independent Auditor's Report**

**RECEIPTS**

Interest on investments	\$ 65,478
WRA refunds	<u>176,000</u>
Total receipts	<u>241,478</u>
Transfers	<u>26,996</u>
Total receipts and transfers	<u>268,474</u>

**DISBURSEMENTS**

WRA budget share	1,440,987
(Deficiency) of receipts and transfers over disbursements	(1,172,513)
<b>BALANCE</b> , beginning of year	<u>4,302,471</u>
<b>BALANCE</b> , end of year	<u>\$3,129,958</u>

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

The Board of Trustees  
Urbandale Sanitary Sewer District  
Urbandale, Iowa

We have audited the financial statements of Urbandale Sanitary Sewer District as of and for the year ended June 30, 2005, and have issued our report thereon dated January 27, 2006. 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 Urbandale Sanitary Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying schedule of findings.

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

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
January 27, 2006

**Urbandale Sanitary Sewer District  
SCHEDULE OF FINDINGS  
Year ended June 30, 2005**

**Part I—Findings Related to the Financial Statements**

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

**Urbandale Sanitary Sewer District  
SCHEDULE OF FINDINGS  
Year ended June 30, 2005**

**Part II—Findings Related to Required Statutory Reporting**

**OFFICIAL DEPOSITORIES**

A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

**CERTIFIED BUDGET**

Disbursements during the year ended June 30, 2005 did not exceed the total amounts budgeted for the District.

**ENTERTAINMENT EXPENSES**

No disbursements of District money for entertainment expenses were noted.

**TRAVEL EXPENSE**

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

**BUSINESS TRANSACTIONS**

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

**BOND COVERAGE**

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

**BOARD MINUTES**

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

**INVESTMENTS**

**Comment**

During our review of the District's investments, we noted that the interest rate on a certificate of deposit was not in compliance with the State of Iowa's public funds rates.

**Recommendation**

We recommend the District review the State of Iowa's public funds rates when investing in certificates of deposit, to determine that the interest rate is in compliance.

**Response**

This procedure will be implemented in the future.

**Conclusion**

Response accepted.