

PROCESSING INSTRUCTIONS -
FINANCIAL STATEMENTS - WORD PROCESSING

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**URBANDALE-WINDSOR HEIGHTS
SANITARY DISTRICT**
Windsor Heights, Iowa

Financial Report

June 30, 2006

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

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URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
BOARD OF TRUSTEES (as of June 30, 2006)		
Joseph Garvey, Jr.	President	January 2, 2011
Donald Broadbent	Treasurer	January 2, 2009
Harland E. Hayek	Clerk	January 2, 2007

ATTORNEY

Paul A. Drey

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Urbandale-Windsor Heights Sanitary District

We have audited the accompanying financial statements of the **Urbandale-Windsor Heights Sanitary District**, as of and for the year ended June 30, 2006 as listed in the table of contents 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 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 to the financial statements, the District prepares its financial statements 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 and disbursements and the cash balances of the **Urbandale-Windsor Heights Sanitary District** as of June 30, 2006, and the revenues received and expenditures paid for the year then ended on the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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 5 - 7 and the budgetary comparison information on page 15 are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on management's discussion and analysis.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information included in schedules 1 through 4 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Corwin, Bleichter & Company, P.C.

Clive, Iowa
November 9, 2006

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Management's Discussion and Analysis

June 30, 2006

Our discussion and analysis of the **Urbandale-Windsor Heights Sanitary District's** financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2006, within the limitations of the District's cash basis of accounting. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 Financial Highlights

Revenue from the District's General Fund activities increased 1% or approximately \$85,000 from fiscal 2005 to 2006. Tax revenues almost doubled to \$50,000, sewer rentals increased \$50,000 and interest income was up \$9,000. Revenue from the WRA Fund decreased \$87,000 due primarily to a change in how the WRA assesses costs and refunds over-assessments. Previously over-assessments were refunded in the following year. However, they are now rolled over as an adjustment to the next year's assessment. This resulted in a current year decrease in WRA refunds of \$98,000.

General Fund expenditures were little changed from the previous year. Disbursements in the WRA Fund decreased 7% or approximately \$37,000, due primarily to a decrease in the WRA budget share payments of \$41,000.

Using the Annual Financial Report

This annual report consists of the following components and 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.

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

Financial Statements consisting of:

The Statement of Net Assets – Cash Basis presents the balances of cash and investments as of June 30, 2006.

The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances – Cash Basis presents the receipts and disbursements of the District for the year. It provides information about the District's activities during the year.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the District's cash and investments, and the District's individual fund activity.

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 funds in accordance with U.S. generally accepted accounting principles. 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.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Management's Discussion and Analysis

June 30, 2006

Reporting the District's Financial Activities

The District's Reporting Entity Presentation

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

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's activities as a whole which helps answer this question.

This statement reports the District's cash basis net assets and the changes in them. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

In the financial statements, the District's operations are reported in three funds:

General Fund – The District's basic services of providing sanitary sewer lines and facilities for the safe treatment and disposal of wastewater for property owners in the District are reported here.

General Obligation Bond Fund – The payment of interest and principal on any long-term debt the District would incur is accounted for in this fund.

WRA Fund – The District's share of the Metropolitan Wastewater Reclamation Authority activity is reported in this fund.

Government-Wide Financial Analysis

The District's total cash and investments increased by \$301,000 from a year ago. In comparison, the increase was \$284,000 from June 20, 2004 to June 30, 2005. The analysis that follows focuses on the changes in cash and investments.

(Expressed in Thousands)

Year ended June 30,

	<u>2006</u>	<u>2005</u>
Receipts:		
Property tax	\$ 50	25
Sewer rentals	798	748
Interest on investments	88	67
WRA refunds	-	99
	<u>936</u>	<u>939</u>
Disbursements:		
WRA budget share	460	501
Sewer - general	30	97
Administrative	145	57
	<u>635</u>	<u>655</u>
Increase in net assets	301	284
Net Assets, beginning of year	<u>3,289</u>	<u>3,005</u>
Net Assets, end of year	\$ <u>3,590</u>	<u>3,289</u>

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Management's Discussion and Analysis
June 30, 2006

Individual Fund Analysis

The District reported total cash basis net assets of \$3,589,902 at June 30, 2006 compared to \$3,288,503 at June 30, 2005. The net assets are reported in three funds: General, General Obligation Bond and WRA.

The General Fund cash balance increased \$233,606 from the prior year to \$727,432.

The WRA Fund cash balance increased \$67,409 from the prior year to \$2,834,222. The balance in this fund will be used to pay for the District's share of new construction and improvements at the WRA.

Budgetary Highlights

There were no amendments to the District's budget during the current fiscal year. Actual receipts were \$105,280 less than budgeted receipts. Sewer rentals were \$151,000 less than budgeted and were offset by interest income exceeding budget by \$46,000. Actual disbursements were \$315,380 less than budgeted disbursements. The WRA budget share was \$213,000 less than budgeted while the administrative/maintenance contracts were \$82,000 less and the other expenditures another \$20,000 less than budgeted.

Debt Administration

The District has no bonds outstanding and has no immediate plans to issue new bonds.

Contacting the District's Financial Management

This financial 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 by telephone at (515) 274-1450.

Financial Statements

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Statement of Net Assets - Cash Basis

June 30, 2006

Assets

Cash	\$	1,096,738
Certificates of deposit		<u>2,493,164</u>
Total assets		<u>3,589,902</u>

Net Assets

Unrestricted:		
General fund		727,432
Restricted:		
WRA fund		2,834,222
General obligation bond fund		<u>28,248</u>
	\$	<u>3,589,902</u>

See accompanying notes to financial statements.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Statement of Cash Receipts, Cash Disbursements
and Changes in Cash Balances - Cash Basis
Year Ended June 30, 2006

	Total (Memorandum Only)	General Fund	General Obligation Bond Fund	WRA Fund
Receipts:				
Real estate and personal property taxes	\$ 50,184	50,184	-	-
Sewer rentals	798,572	798,572	-	-
Interest on investments	<u>87,764</u>	<u>19,970</u>	385	<u>67,409</u>
	936,520	868,726	385	67,409
Transfers in	<u>476,888</u>	<u>-</u>	<u>-</u>	<u>476,888</u>
Total receipts and transfers	<u>1,413,408</u>	<u>868,726</u>	<u>385</u>	<u>544,297</u>
Disbursements:				
Regular	476,888	-	-	476,888
Administrative	<u>158,232</u>	<u>158,232</u>	<u>-</u>	<u>-</u>
	635,120	158,232	-	476,888
Transfers out	<u>476,888</u>	<u>476,888</u>	<u>-</u>	<u>-</u>
Total disbursements and transfers	<u>1,112,008</u>	<u>635,120</u>	<u>-</u>	<u>476,888</u>
Excess of receipts over disbursements	301,400	233,606	385	67,409
Balance beginning of year	<u>3,288,502</u>	<u>493,826</u>	<u>27,863</u>	<u>2,766,813</u>
Balance end of year	\$ <u>3,589,902</u>	<u>727,432</u>	<u>28,248</u>	<u>2,834,222</u>

See accompanying notes to financial statements.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Reporting Entity

The **Urbandale-Windsor Heights Sanitary 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 cities of Urbandale or Windsor Heights. 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 the city of Windsor Heights, Iowa, a small portion of Urbandale, Iowa, and a very small portion of Des Moines, Iowa, and is located in Polk County.

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.

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

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, continued

Budgets and Budgetary Accounting

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

Total (Memorandum Only)

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

Accounting Standards

The District follows GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Cash and Investments

The District's deposits at June 30, 2006 were 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.

The District is authorized by statute to invest public funds in notes, certificates, bonds, prime eligible bankers acceptances, certain high-rated commercial paper, perfected repurchase agreements, other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, time deposits or savings accounts in depositories approved by the Board of Trustees and the Treasurer of the state of Iowa, or in warrants or improvement certificates of a drainage district.

The District's investments at June 30, 2006 include certificates of deposit, and are stated at cost, which approximates market.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Notes to Financial Statements, Continued

(3) WRA Project Financing Liability

On July 1, 2004, the WRA through its constituent communities, including the Urbandale Windsor Heights Sanitary District, reconstituted itself pursuant to an Amended and Restated 28E Agreement. Under the Amended and Restated 28E Agreement, the debt service costs for capital improvements are allocated to communities on the basis of flow (three year average). Further, under the Amended and Restated 28E Agreement, the capital projects are identified in two basic categories. Projects that improve the existing facilities and projects that are integral to the overall structure of the WRA system are classified as "core" projects. The debt service for "core" projects are allocated uniformly to all communities on the basis of flow. "Expansion" projects are identified as those projects that extend service to a newly connecting community or provide facilities to accommodate growth within certain communities. The debt service cost for "expansion" projects are allocated uniformly to certain communities on the basis of flow. These communities are called "expansion communities". The Southwest Area Diversion Facility is separately identified because the debt service is allocated two-thirds as a "core" project and one-third as an "expansion" project. The Urbandale Windsor heights Sanitary District is identified as a "core" community.

The WRA anticipates that its budget costs will increase over time as a result of increase in operation and maintenance expenditures and increase in debt service. Future increases in debt service are anticipated as bond issues are sold to finance various components of the capital improvement program over the period 2006 through 2020.

The current outstanding debt service of the WRA is:

For the Fiscal	Series 2006		Series 2004A	Series 2004B
Year Ending June 30,	<u>Bonds</u>	<u>SRF Debt</u>	<u>Bonds</u>	<u>Bonds</u>
2007	\$ 798,872	1,442,100	4,313,050	4,227,363
2008	1,797,463	1,452,244	4,299,250	4,230,869
2009	2,522,463	1,460,904	4,216,000	4,228,313
2010	2,520,275	1,471,078	4,183,250	4,229,863
2011	2,522,150	1,481,665	3,528,250	4,230,363
2012 thru 2036	<u>63,005,687</u>	<u>8,280,430</u>	<u>2,871,750</u>	<u>105,873,448</u>
Totals	\$ <u>73,166,910</u>	<u>15,588,421</u>	<u>23,411,550</u>	<u>127,020,219</u>

The UWHD will pay its proportionate share as set out above based on its flow. In FY 2007, the WRA issued additional debt in the amount of \$38,050,000.

The following illustrates the projected budget allocation for the UWHD for the fiscal years ended June 30,

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ <u>463,572</u>	<u>578,389</u>	<u>627,988</u>	<u>762,815</u>	<u>838,726</u>

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Notes to Financial Statements, Continued

(4) WRA Capacity Commitment

As of June 30, 2006, the District is drafting a 28E agreement with the city of Clive to properly share in the cost of WRA capacity charges. As set forth in note (3) above, the District is a core community. In order to maintain this designation, it was understood the District would take on additional cost attributable to the Southwest Diversion Project. Accordingly, the District will pay to the City of Clive ten annual payments of \$200,000 beginning in FY 2007.

(5) Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2006, disbursements did not exceed the total budgeted amounts.

Required Supplementary Information

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Statement of Cash Receipts, Cash Disbursements
and Changes in Cash Balances - Comparison to Budget
Year ended June 30, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Receipts:			
General fund and WRA:			
Property tax	\$ 50,184	50,000	184
Sewer rentals	798,572	950,000	(151,428)
Interest	87,379	41,000	46,379
Other	-	500	(500)
General obligation bond fund:			
Interest	<u>385</u>	<u>300</u>	<u>85</u>
Total receipts	<u>936,520</u>	<u>1,041,800</u>	<u>(105,280)</u>
Disbursements:			
General fund:			
Administrative/maintenance contracts	102,862	185,000	(82,138)
WRA budget share	459,615	672,500	(212,885)
Other	<u>72,643</u>	<u>93,000</u>	<u>(20,357)</u>
	<u>635,120</u>	<u>950,500</u>	<u>(315,380)</u>
Total disbursements	<u>635,120</u>	<u>950,500</u>	<u>(315,380)</u>
Net	301,400	91,300	210,100
Balance beginning of year	<u>3,288,502</u>	<u>3,288,502</u>	<u>-</u>
Balance end of year	\$ <u>3,589,902</u>	<u>3,379,802</u>	<u>210,100</u>

See accompanying notes to financial statements.

Other Supplementary Information

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Summary of Cash and Investment Balances

June 30, 2006

Cash:

Commercial Federal Bank:

Checking account

\$ 1,011
1,095,727

Money market accounts

Total cash

1,096,738

Certificates of deposit:

Bank of the West

375,000

Bankers Trust Company

431,918

MetaBank

387,136

Freedom Financial Bank

516,917

First National Bank Midwest

600,000

Liberty Bank

182,193

Total certificates of deposit

2,493,164

Total cash and investments

\$ 3,589,902

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Investment Transactions
 Year ended June 30, 2006

	Principal			Balance June 30, 2006	Interest Received
	Balance July 1, 2005	Purchased	Redeemed		
Money market accounts	\$ 948,954	1,201,810	1,055,037	1,095,727	25,441
Certificates of deposit	<u>2,338,545</u>	<u>288,359</u>	<u>133,740</u>	<u>2,493,164</u>	<u>62,323</u>
	\$ <u>3,287,499</u>	<u>1,490,169</u>	<u>1,188,777</u>	<u>3,588,891</u>	<u>87,764</u>

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Schedule of Cash Transactions - General Fund

Year ended June 30, 2006

Receipts:

Real estate and personal property taxes	\$ 50,184
Sewer rentals	798,572
Interest on investments	<u>19,970</u>
 Total receipts	 <u>868,726</u>

Disbursements:

Administrative:

Administrative/maintenance contracts	102,862
Legal fees	34,763
Auditing fees	10,365
Insurance	5,952
Trustee fees	2,320
Legislation fees	1,400
Publishing and postage	<u>570</u>
	<u>158,232</u>

Total disbursements 158,232

Transfers to WRA fund:

Sewer rental	<u>476,888</u>
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Total disbursements and transfers 635,120

Excess of receipts over disbursements 233,606

Balance beginning of year 493,826

Balance end of year \$ 727,432

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Schedule of Cash Transactions - General Obligation Bond Fund
Year ended June 30, 2006

Receipts:		
Interest on investments	\$	<u>385</u>
Total receipts		<u>385</u>
Excess of receipts over disbursements		385
Balance beginning of year		<u>27,863</u>
Balance end of year	\$	<u><u>28,248</u></u>

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Schedule of Cash Transactions - WRA Fund

Year ended June 30, 2006

Receipts:		
Interest on investments		\$ <u>67,409</u>
Total receipts		67,409
Transfer from general fund:		
Sewer rental		<u>476,888</u>
Total receipts and transfers		<u>544,297</u>
Disbursements:		
Regular:		
WRA budget share		459,615
Legal fees		<u>17,273</u>
Total disbursements		<u>476,888</u>
Excess of receipts over disbursements		67,409
Balance beginning of year		<u>2,766,813</u>
Balance end of year		\$ <u>2,834,222</u>

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

The Board of Trustees
Urbandale-Windsor Heights Sanitary District
Windsor Heights, Iowa

We have audited the financial statements of Urbandale-Windsor Heights Sanitary District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 9, 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-Windsor Heights Sanitary 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-Windsor Heights Sanitary 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, 2006 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-Windsor Heights Sanitary 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.

Corwin, Blechler & Company, P.C.

Clive, Iowa
November 9, 2006

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Schedule of Findings
Year Ended June 30, 2006

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.

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 exceeded at one of the approved depositories during the year ended June 30, 2006.

Recommendation – The District should review its official depositories and maximum deposit amounts and adopt a new resolution to properly reflect the current deposits. In addition, they should monitor the balances to make sure they do not exceed the maximum adopted in the future.

Response – The District trustees will review the official depositories at their next meeting and adopt a new resolution to reflect the balances currently held. They will also monitor the balances more closely to assure they do not exceed the maximum in the future.

Conclusion – Response accepted.

Certified Budget

Disbursements during the year ended June 30, 2006 did not exceed the total amounts budgeted for the District.

Entertainment Expenses

No disbursements of District money for entertainment expenses were noted.

Travel Expenses

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.