URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Windsor Heights, Iowa

Financial Report

June 30, 2009

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

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URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Officials

Name	Title	Term expires
BOARD OF TRUSTEES (as of June 30, 2009)		
Joseph Garvey, Jr.	President	January 2, 2011
Thomas Leahy	Treasurer	January 2, 2015
Harland E. Hayek	Clerk	January 2, 2013
ATTORNEY		
Paul A. Drey		

Corwin, Reichter & Company, P.C.
Certified Public Accountants | Business Advisors

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, 2010, 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. 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, 2010, and the revenues received and expenditures paid for the year then ended on the basis of accounting described in note 1.

The management's discussion and analysis on pages 5 - 8 and the budgetary comparison information on page 16 are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. 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 financial statements taken as a whole. The other supplementary information included in schedule 1 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, Reichter & Company, P.C.

West Des Moines, Iowa
December 12, 2009

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Lyle D. Reichter, CPA, CMA | Matthew C. Corwin, CPA | William W. Corwin, CPA

Urbandale-Windsor Heights Sanitary District provides this management discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 Financial Highlights

Operating receipts decreased 5%, or approximately $40,000, from fiscal 2008 to fiscal 2009.

Operating disbursements increased 76%, or approximately $502,000, from fiscal 2008 to fiscal 2009, the difference due primarily to the District having made its scheduled $200,000 annual payment on the Clive 28E agreement for fiscal year 2008 in the 2009 fiscal year end, resulting in two $200,000 annual payments being made in the current fiscal year.

Cash basis net assets decreased 7%, or approximately $273,000 from June 30, 2008 to June 30, 2009.

Using this Annual Report

Basis of Accounting

The District has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities 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 and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

This discussion and analysis are intended to serve as an introduction to the financial statements. The annual report consists of the financial statements and other information, as follows:

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

Financial Statements consisting of:

The Statement of Activities and Changes in Net Assets – Cash Basis presents information on the District's operating receipts and disbursements, non-operating receipts and disbursements and whether the District's overall financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis shows current receipts and expenditures by fund and how much is available for future spending.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the 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 cash equivalents.

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 Activities and Changes in Net Assets – Cash Basis

The purpose of this statement is to present the receipts received by the District and the disbursements paid by the District, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the District's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for sewer fees from individuals and businesses within the District. Operating disbursements are disbursements paid to operate the sewer system. Non-operating receipts are for property taxes received and interest received on investments.

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis

The District has two types of funds. The Debt Service Fund is a Governmental fund type. The Debt Service Fund column shows the current activity in the fund and the balance available at the end of the fiscal year that can be spent to pay down future debt issued by the District. The District currently has no issued debt.

The second type of fund is a proprietary type fund, which is used to report the business type activities of the District. The General Fund reports the operating results from the District's basic service of providing sanitary sewer lines and facilities for the safe treatment and disposal of wastewater for property owners in the District.

Financial Analysis of the District

The District's total cash decreased by $273,000 from a year ago, compared to a $280,000 increase the previous fiscal year. The analysis that follows focuses on the changes in cash basis net assets.

		2009	2008
Operating receipts:			
Sewer rentals	$	693,956	733,996
Operating disbursements:			
WRA budget share		494,099	479,853
Clive 28E agreement		400,000	-
Other		265,962	177,810
		1,160,061	657,663
Excess of operating receipts over operating disbursements		(466,105)	76,333
Non-operating receipts:			
Real estate taxes		53,979	51,473
Interest on investments		139,407	151,781
		193,386	203,254
Net change in cash basis net assets		(272,719)	279,587
Cash basis net assets beginning of year		3,916,491	3,636,904
Cash basis net assets end of year	$	3,643,772	3,916,491
Cash basis net assets:			
Unrestricted	$	3,613,504	3,886,545
Restricted for debt service		30,268	29,946
	$	3,643,772	3,916,491

The District's source of operating receipts is sewer rentals, which represents 78% of their total receipts, including operating and non-operating. Non-operating receipts consist of interest earned on investments and real estate taxes collected.

The District is a participating core community in the Wastewater Reclamation Authority (WRA). As such, the District is required to pay the WRA for operation and maintenance costs based on a three year average flow, plus sewer improvements and construction. Together, these costs make up the WRA budget share, which is determined annually by the WRA. The current year budget share represents 43% of the District's operating expenses. In addition to this expense, the District has a 28E agreement with the city of Clive to properly share in the cost of WRA capacity charges. That agreement requires ten annual payments to the city of Clive from the District of $200,000, beginning in September 2006. However, the September 2007 payment was not made during the prior fiscal year, but was made in September 2008. Therefore, in the fiscal year ended June 30, 2009, the District paid $400,000 to the city of Clive.

Individual Fund Analysis

The District reported total cash basis net assets of $3,643,772 at June 30, 2009 compared to $3,916,491 at June 30, 2008. The net assets are reported in two funds: General and Debt Service.

The General Fund cash balance decreased $273,041 from the prior year to $3,613,504. This fund has been systematically built up to fund anticipated costs for the District's share of new construction and improvements at the Metropolitan Wastewater Reclamation Authority (WRA).

Budgetary Highlights

The District's budget was amended during the current fiscal year to increase the capital improvements line item by $25,000 because of unexpected timing of expenses on the 63rd Street project. Actual receipts were $52,658 less than budgeted receipts. Sewer rentals were $76,044 less than budgeted and interest income exceeded the budget by $21,085. Actual disbursements were $81,889 less than budgeted disbursements. The WRA budget share was $205,901 less than budgeted. The payment to Clive was $200,000 more than budgeted, as explained above in the financial analysis of the District. Capital improvements were $6,637 less than budgeted and other expenses were $44,669 less than budgeted.

Debt Administration

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

Economic Factors and Next Year's Budget and Rates

The District's elected officials considered many factors when setting the fiscal year 2010 budget, tax rate and fees charged for the District sewer rental activity. Some of these factors are the economy, the population base, and the expected water usage of the District's residents. These indicators, among others, were taken into account when adopting the budget for fiscal year 2010. The District has added no major new projects or initiatives to the 2010 budget. As a result, the District does not anticipate any new bonds being issued during the fiscal year 2010.

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 Activities and Net Assets - Cash Basis
Year Ended June 30, 2009

Operating receipts:		
Sewer rentals	$	693,956
Operating disbursements:		
WRA budget share		494,099
Clive 28E agreement		400,000
Administration and maintenance of system		125,318
Legal, accounting and auditing		61,305
Capital improvements		63,363
Insurance		7,234
Trustee fees		5,563
Legislative fees		2,000
Publishing and postage		1,179
Total operating disbursements		1,160,061
Excess (deficit) of operating receipts over operating disbursements		(466,105)
Non-operating receipts:		
Real estate taxes and utility tax replacement excise taxes		53,979
Interest on investments		139,407
Total non-operating receipts		193,386
Net change in cash basis net assets		(272,719)
Cash basis net assets beginning of year		3,916,491
Cash basis net assets end of year	$	3,643,772
Cash basis net assets:		
Restricted:		
Debt service	$	30,268
Unrestricted		3,613,504
Total cash basis net assets	$	3,643,772

See accompanying notes to financial statements.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Statement of Cash Receipts, Disbursements
and Changes in Fund Balances - Cash Basis
Year ended June 30, 2009

		General Fund		Debt	
		General and Administrative	WRA	Service Fund	Total
Receipts:					
Real estate and personal property taxes	$	53,979	-	-	53,979
Sewer rentals		104,093	589,863	-	693,956
Interest on investments		13,774	125,311	322	139,407
Total receipts		171,846	715,174	322	887,342
Disbursements:					
WRA budget share		-	494,099	-	494,099
City of Clive 28E agreement		-	400,000	-	400,000
Administrative/maintenance contracts		125,318	-	-	125,318
Legal, accounting and auditing fees		61,305	-	-	61,305
Capital improvements		63,363	-	-	63,363
Insurance		7,234	-	-	7,234
Trustee fees		5,563	-	-	5,563
Legislation fees		2,000	-	-	2,000
Publishing and postage		1,179	-	-	1,179
Total disbursements		265,962	894,099	-	1,160,061
Change in fund balance - cash basis		(94,116)	(178,925)	322	(272,719)
Fund balance beginning of year - cash basis		498,248	3,388,297	29,946	3,916,491
Fund balance end of year - cash basis	$	404,132	3,209,372	30,268	3,643,772

See accompanying 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 District does not have any component units.

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. In addition, infrastructure and other capital expenditures are expensed when purchased. Accordingly, the financial statements do not present financial position and results of operations of the District in accordance with U.S. generally accepted accounting principles for municipal enterprises. The District considers investments in certificates of deposit to be cash, since they can be readily converted to cash at face value.

Basis of Presentation
The statement of cash receipts, disbursements and changes in cash basis net assets reports information on all of the activities of the District. It distinguishes between operating and non-operating receipts and disbursements. Operating receipts and disbursements generally result from providing goods and services in connection with an ongoing operation. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

The statement of cash receipts, disbursement and changes in fund balances - cash basis reports the changes in fund balances for the year. The funds reported by the District are as follows:

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. Within the General Fund, the District trustees have systematically allocated funds to support the District's current and future obligations to the Metropolitan Wastewater Reclamation Authority (WRA). As of June 30, 2009, $3,209,372 of the General Fund balance is set aside for this purpose.

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

(1) Summary of Significant Accounting Policies, continued

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 Cash Equivalents

The District's deposits in banks, consisting of cash and bank certificates of deposit, at June 30, 2009 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 manages interest rate risk by varying the maturities of its certificates of deposit.

(3) WRA Project Financing Liability

The Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was formed in accordance with the provisions of Chapter 28E and/or 28F of the Code of Iowa. The District is a participating core community in the WRA. Under the amended and restated 28E-28F Agreement ("Agreement"), effective July 1, 2004, operation and maintenance costs related to the WRA and its plant facility are allocated to the participating communities on the basis of flow using a three year average. In addition, the Agreement provides for a schedule of capital sewer improvements and construction. The Agreement defines these capital sewer improvements in two basic categories: core projects and expansion projects. Debt service costs for capital sewer improvements identified as core projects are allocated to the participating core communities on the basis of flow using a three year average. Each year, the percentage of costs is reassigned based on this three year flow average. Debt service costs for capital sewer improvements defined as expansion projects are allocated among expansion communities based on the three year flow average. Again each year, the percentage of costs is reassigned based on this three year flow average. As a core community, the District is only assessed for the core projects.

The WRA anticipates that its budget will increase as a result of increases in operating and maintenance expenditures and increases in debt service for core and expansion projects. The District will be obligated to pay its proportionate share, calculated annually as defined above, of the operating and maintenance costs and core debt service. Future increases in the debt service are anticipated as bonds and/or State Revolving Fund obligations are issued to finance future core capital improvement projects. Because the calculation changes each year, the future obligations of the District for the debt service cannot be determined. For the year ended June 30, 2009, the District's payments to the WRA for their share of the above costs totaled $494,099.

(4) WRA Capacity Commitment

The District entered into 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 agreed to pay the city of Clive ten annual payments of $200,000 beginning in September 2006. The September 2007 payment was not made, therefore, two payments were made in fiscal year 2009. At June 30, 2009, seven annual payments of $200,000 remain.

(5) Related Party Transactions

The City of Urbandale and the City of Windsor Heights provide administrative and maintenance services to the District. The cost of those services is reported as administration and maintenance of system in the accompanying financial statements, and totaled $125,318 in 2009.

Required Supplementary Information

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis)
Year ended June 30, 2009

		Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
Receipts:					
General fund:					
Property tax	$	50,108	48,892	48,892	1,216
Utility tax replacement excise taxes		3,871	1,108	1,108	2,763
Sewer rentals		693,956	770,000	770,000	(76,044)
Interest		139,085	118,000	118,000	21,085
Other		-	1,000	1,000	(1,000)
Debt service fund:					
Interest		322	1,000	1,000	(678)
Total receipts		887,342	940,000	940,000	(52,658)
Disbursements:					
General fund:					
Administrative/maintenance contracts		125,318	150,000	150,000	24,682
WRA budget share		494,099	700,000	700,000	205,901
City of Clive 28E agreement		400,000	200,000	200,000	(200,000)
Capital improvements		63,363	45,000	70,000	6,637
Other		77,281	121,950	121,950	44,669
Total disbursements		1,160,061	1,216,950	1,241,950	81,889
Excess of receipts over disbursements		(272,719)	(276,950)	(301,950)	29,231
Net assets beginning of year		3,916,491	3,916,491	3,916,491	
Net assets end of year	$	3,643,772	3,639,541	3,614,541	

See accompanying notes to financial statements.

The budgetary comparison is reported as Required Supplementary Information.

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

Formal and legal budgetary control is based upon function, not by fund. For the District, the functions are general government and debt service. Functional disbursements required to be budgeted include disbursements for the General Fund (inclusive of the WRA Fund) and the Debt Service Fund. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The budget was amended during the year.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted for certain line items within the General Fund due to timing of disbursements. The City of Clive 28E agreement payments were for two years of payments. The line item in the budget for the years ended June 30, 2009 and 2008 included $200,000 for each year, as set forth in the legal agreement. However, the payment of $200,000 for the fiscal year ended June 30, 2008 was not made until September 2008, and the payment for the current fiscal year was made in November 2008. Thus, for the two years, the proper amounts for this line item were budgeted and paid, but the current year actual payments for this line item exceeded the current year budget line item due to paying the previous year obligation in the current fiscal year.

Other Supplementary Information

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Summary of Cash and Cash Equivalents

June 30, 2009

Schedule 1

Cash:		
First American Bank:		
Checking account	$	1,001
Money market accounts		984,792
Total cash		985,793
Certificates of deposit:		
Bank of the West		100,000
Bankers Trust Company		468,725
MetaBank		319,203
Freedom Financial Bank		579,567
First National Bank Midwest		985,326
Liberty Bank		205,158
Total cash equivalents		2,657,979
Total cash and cash equivalents	$	3,643,772

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To the Board of Trustees of
Urbandale-Windsor Heights Sanitary District

In planning and performing our audit of the financial statements of Urbandale-Windsor Heights Sanitary District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Urbandale-Windsor Heights Sanitary District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Urbandale-Windsor Heights Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Urbandale-Windsor Heights Sanitary District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of the Board of Trustees and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Corwin, Reichter & Company, P.C.

West Des Moines, Iowa
December 12, 2009

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Lyle D. Reichter, CPA, CMA | Matthew C. Corwin, CPA | William W. Corwin, CPA

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Schedule of Findings
Year Ended June 30, 2009

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

Certified Budget
Disbursements during the year ended June 30, 2009, did not exceed the total amounts budgeted for the District.

Questionable Disbursements
No disbursements were identified that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Travel Expenses
No disbursements of District money for travel expenses of spouses of District trustees were noted.

Business Transactions
No business transactions between the District and District trustees were noted.

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

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

Deposits and Investments
A resolution naming official depositories has been approved by the District. All deposits are held in depositories within the County in which the District resides.