



CPAs & BUSINESS ADVISORS

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbandale, Iowa, for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 28, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Urbandale are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciable lives is based on past history of life cycles of capital assets. We evaluated the key factors and assumptions used to develop depreciable lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the cost of contributed infrastructure from developers is based on estimated unit cost on City funded projects. We evaluated the key factors and assumptions used to develop the contributed infrastructure costs in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of incurred but not reported health insurance liability is based on third-party administrator's calculations and estimates. We evaluated the key factors and assumptions used to develop incurred but not reported health insurance liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of sick leave liability is based on the requirements for employees to be eligible to receive the benefit and the likelihood employees will reach those requirements before termination. We evaluated the key factors and assumptions used to develop sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of other postemployment benefits liability is based on a calculation of actuarially determined contributions for health insurance benefits. We evaluated the key factors and assumptions used to develop other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Comments

We have included additional comments regarding new accounting pronouncements. These comments are not a result of in-depth study of any specific areas but are based on observations made during the course of our audit.

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

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to the City of Urbandale, Iowa.

A handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa
December 8, 2009

CITY OF URBANDALE

YEAR ENDED JUNE 30, 2009

OTHER COMMENTS

Governmental Accounting Standards Board (GASB)

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the City of Urbandale. The statements, which might impact the City of Urbandale, are as follows:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.