

CITY OF WINDSOR HEIGHTS, IOWA

Independent Auditors' Reports
Basic Financial Statements
Supplementary Information
and Findings

June 30, 2004

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CITY OF WINDSOR HEIGHTS, IOWA

OFFICIALS

Name	Title	Term Expires
Ned P. Miller	Mayor	January, 2006
Jerry Sullivan	Council Member	January, 2006
Carole Tillotson	Council Member	January, 2006
Diana Willits	Council Member	January, 2006
Eric Kinman	Council Member	January, 2008
Donna Markley	Council Member	January, 2008
Marketa George Oliver	Administrator/Clerk	January, 2006
Colleen Pingrey	Treasurer	January, 2006
Janet G. Huston	Attorney	Indefinite

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Windsor Heights

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Windsor Heights's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 16 to the financial statements, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports as dated below on our consideration of the City of Windsor Heights's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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.

November 8, 2004

A handwritten signature in cursive script that reads "Pollard and Company P.C." The signature is written in dark ink on a light-colored background.

**CITY OF WINDSOR HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

This discussion and analysis is intended to be an easily readable analysis of the City of Windsor Heights's financial activities for the fiscal year ended June 30, 2004 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

2004 Financial Highlights

- As of June 30, 2004 the City had fund balances on hand of \$1,107,537 in governmental fund types and \$449,723 in business-type funds.
- Total receipts increased by \$119,972 in 2004 over 2003, however general fund receipts were down by \$90,731, primarily due to the elimination of reimbursements by the State of Iowa.
- Public Safety accounted for the largest portion (31%) of the City's disbursements, with Debt Service accounting for the next largest portion (23%.)
- Property Taxes accounted for the largest portion (44%) of the City's receipts, with TIF receipts accounting for the next largest portion (23%.)

Report Layout – Using this report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. In addition to the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water and sewer.

Basis of Accounting

The City 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 City'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 City's Financial Activities - Statement of Activities

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the required Statement of Activities is a section containing fund financial statements. In addition to these basic financial statements and related information, there are a number of financial schedules and reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The City has chosen to not restate the prior year in its entirety, however, when possible, significant changes from the prior year are explained in the following paragraphs.

Revenue Sources

To aid in the understanding of the Statement of Activities, some additional explanation is given. First, receipts and disbursements are categorized as either governmental activities or business-type activities. Governmental activities are supported by a number of revenue sources derived from various funding sources. These are defined as follows:

General Government funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, the Debt Service Fund and certain Special Revenue Funds: Urban Renewal Tax Increment Fund and Employee Benefits Fund.

Special Revenue Funds – Special Revenue funds are funds derived from a dedicated revenue source. For example, funds collected in an Urban Renewal/Tax Increment Fund can only be spent on specific expenses related to community development and economic development. The City's other special revenue funds include the Employee Benefit Fund; Road Use Fund (dedicated to street maintenance and construction), Police Pre-forfeiture Fund, Police Trust Fund and the Capital Projects Fund.

Business-Type activities are activities that are supported by charges for services. These are defined as follows:

Business-Type (Proprietary) Funds - When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These are self-sufficient funds. The City's business-type funds are water utility and sewer utility. This also includes all debt service and capital projects associated specifically with the above listed utilities.

Expenditure Program Areas

The City's expenditures are categorized into a number of different program areas. They include:

Public Safety - This category includes police operations including reserves, civil service commission, emergency management, fire protection, ambulance service, building inspections, and animal control services.

Public Works - This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, traffic safety, snow removal, and compost facility.

Health and Social Services - This category includes welfare assistance and referral building maintenance.

Culture and Recreation - This category includes library services, parks, recreation, aquatic center operations, cemetery, community center, and fitness center operations.

Community and Economic Development - This category includes community betterment, trees forever, economic development, housing, TIF, planning and zoning, and community activities.

General Government - This category includes mayor, city council, City Administrator/Clerk; Chief Financial Officer; Administrative Services Coordinator, Code Enforcement Officer, elections, legal services, city hall, utilities, and safety program.

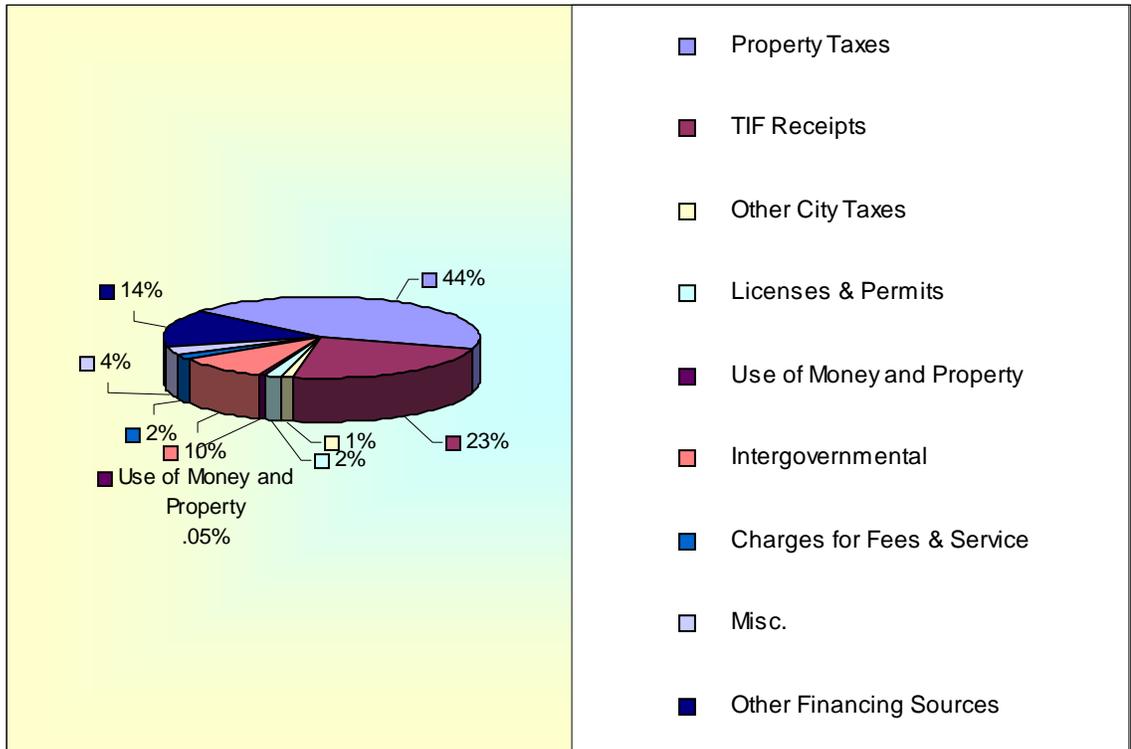
Debt Service - This category includes general, TIF and road use debt service.

Capital Projects - This category includes capital projects, such as sidewalk construction and street resurfacing. The City has undertaken a number of capital projects in recent years, including the reconstruction and widening of University Avenue, the redevelopment of the Town Center corners, the resurfacing of 73rd Street and the implementation of the sidewalk construction program.

Major Governmental Fund Analysis

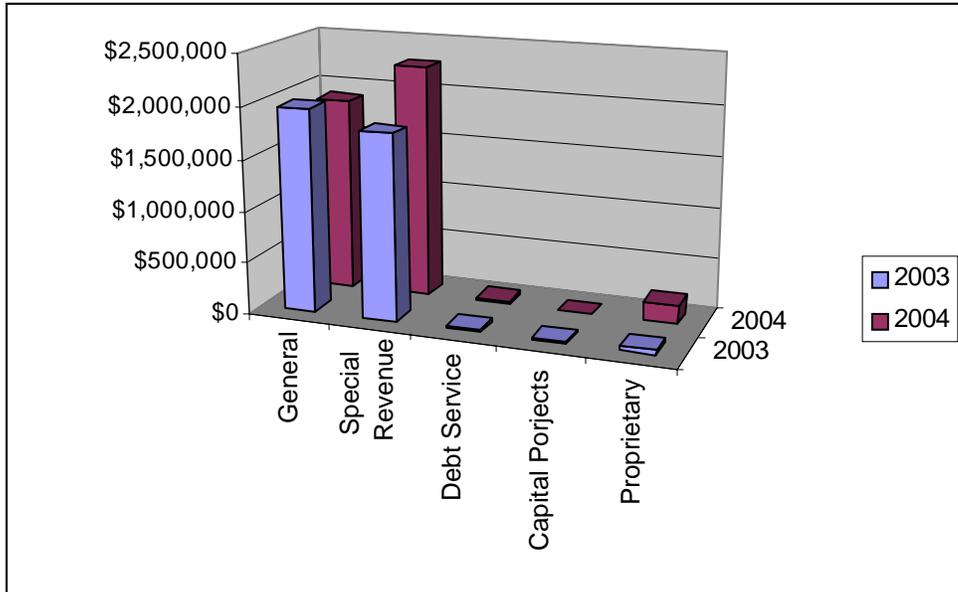
For the year ended June 30, 2004, the City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities



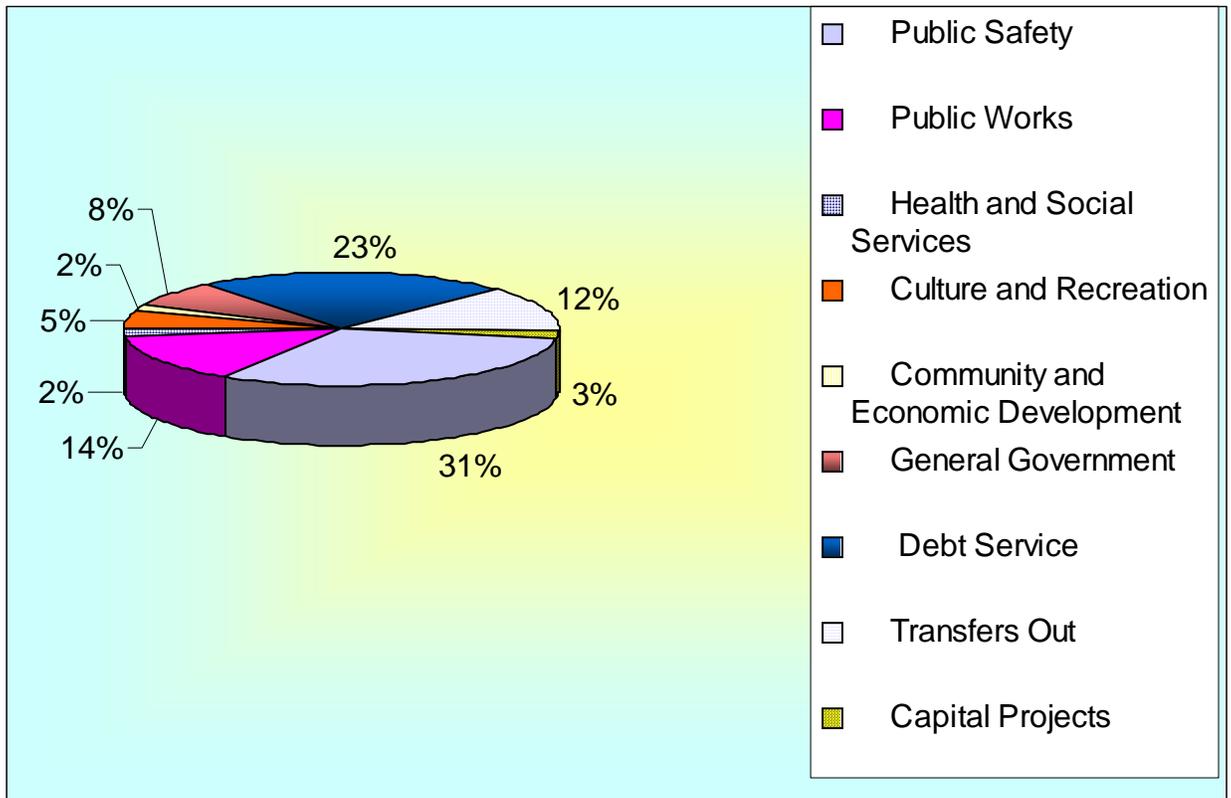
Total receipts increased by \$119,972 in 2004 over 2003, however general fund receipts were down by \$90,731, primarily due to the elimination of reimbursements by the State of Iowa. TIF fund receipts increased by \$46,986. The bulk of the remainder was an increase of \$134,700 in property tax revenues collected for FICA, IPERS and other employee benefits.

Major differences by receipt source are outlined below. Total governmental receipts this year as compared to last fiscal year are shown in the graph below.



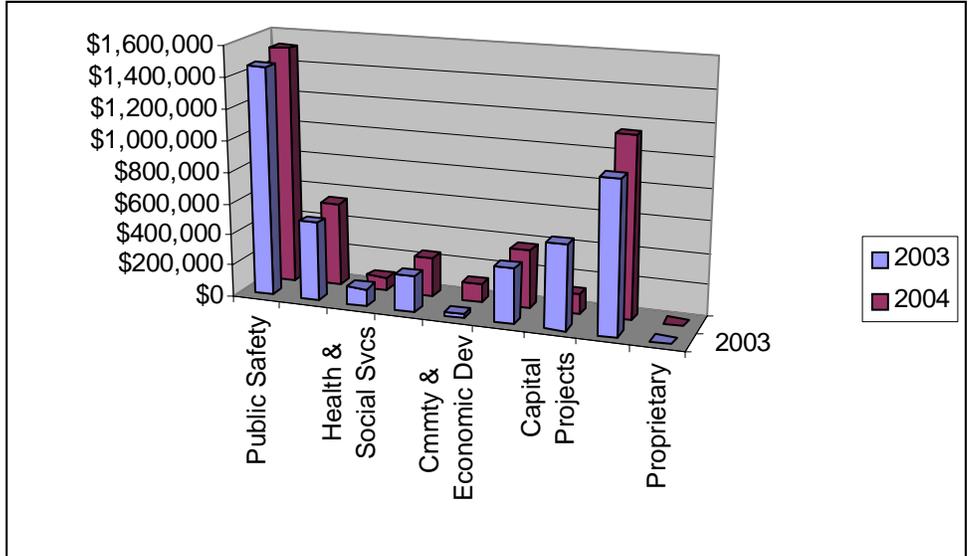
Expenditure Picture

Uses of Funds in Governmental Activities

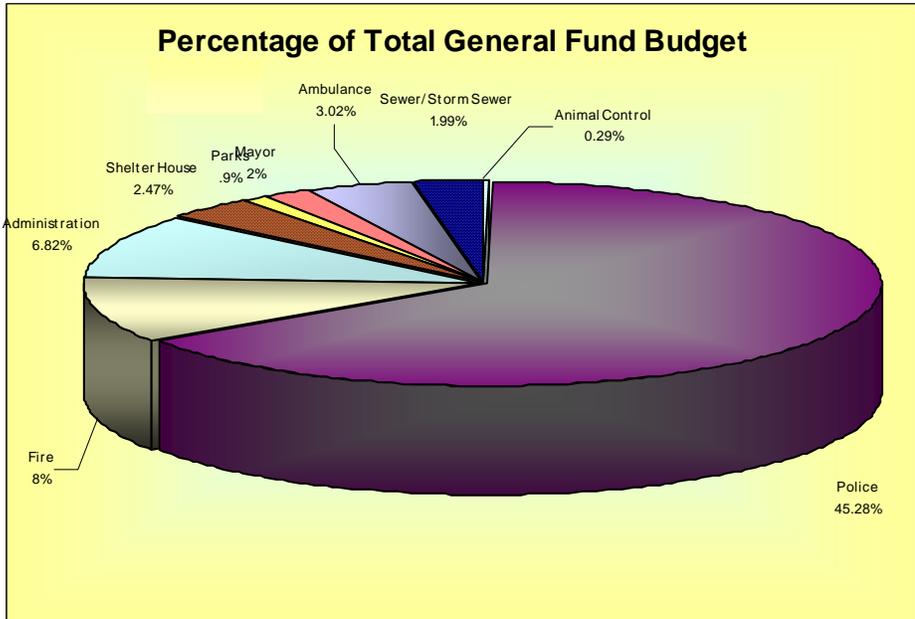


With a few exceptions, governmental program disbursements also remain fairly consistent. Public safety expenditures increased overall. The major changes are increased personnel costs for the police department as it is now fully staffed. Public works also increased largely due to a full-year's cost of a new position. Capital projects decreased substantially, reflecting the winding down of the City's major reconstruction and redevelopment efforts along the University Avenue corridor between 63rd and 69th Streets. Debt service cost has increased substantially, repaying the bonds and economic development loans that were taken out in order to accomplish the capital projects.

Total governmental expenses this year as compared to last fiscal year are shown in the graph below.



The largest expenditure in the City’s budget remains salaries and meeting the salary needs in the general fund remain a challenge, particularly after the elimination of State reimbursements. The largest part of the general fund salary allocations goes to the police department. General fund salaries are distributed as shown in the following graph.



Major Business-type Fund Analysis

For the year ended June 30, 2004, the City's business-type activities revenues and expenses were a minimal part of the budget. However, future years will show revenues and expenses becoming a larger part of the budget. The City plans to shift sanitary sewer to a completely enterprise function and stormwater. Further, the City plans to begin to purchase equipment directly out of the capital project fund, instead of budgeting it in department budgets and then transferring money from the that fund to cover the expenditures.

Budgetary Highlights

City Council approved one budget amendment during the year. The amendment reflected the action taken by the State of Iowa to eliminate State reimbursements to cities; an action, which was taken after the City's budget, was certified. The Council also took a number of other actions to reduce costs and increase revenues. Council voted to eliminate an increase in cultural contributions; eliminate funding for sidewalks; reorganize the Police Department for a cost savings and an increase in functionality; eliminate funding for Open Gym held at Clive Elementary School; eliminated funding for a part-time police position and five part-time, seasonal positions in Public Works; transfer sewer to an enterprise function; increase parking fines; increase shelter house rental fees; implement a water administration fee; increase temporary structure permit fees; and put a library levy on the ballot. (Voters approved the ballot issue and the levy began for the FY '05 budget year.)

Capital Assets and Debt Administration

As of June 30, 2004 the City had fund balances on hand of \$1,107,537 in governmental fund types and \$449,723 in business-type funds.

Debt Outstanding

As of year-end, the City had \$9,395,000 in debt outstanding compared to \$9,980,000 in 2003.

Economic Factors

While property taxes are important to the City, they represent approximately 44% of total program resources excluding other financing sources. TIF revenues comprised 23% of revenues. Fees and charges for services and licenses and permits comprised approximately 4% of the City's revenues. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly. During fiscal year 2003-2004 the City increased various fees and charges. The City also worked with the Windsor Heights-Urbandale Sanitary Sewer District to reach an agreement to increase the reimbursement to the City of its cost to maintain the sewer lines.

The bulk of the City's budget is driven by personnel costs. The City employs 25, regular, full-time employees, or roughly 5.11 employees per thousand residents, which is slightly below the national average of 6.13 for cities providing comparable services. The City also employs one, regular "part-time" employee, who is the crossing guard at Clive Elementary. Of the 25 FTE's, 13 are in the Police Department, 7 in Public Works, 1 in Fire and 4 in Administration. Thirty, paid, on call employees comprise the rest of the employees in the Fire Department.

Next year's budget and rates

For the year ending June 30, 2005 the general fund has been budgeted fairly consistently with this year. The City is also expecting to purchase some capital equipment and also planning to have the stormwater utility fully implemented by the end of the fiscal year and possibly implement a utility franchise fee. The City's gas and electric franchise expires in November 2004. Capital projects being budgeted in governmental activities for next year include the final piece of the Town Center Development project, planning and design for the Missing Link trail connection project and planning for a community center/shelter house project.

Legislative changes passed last year and this year after the adoption of the fiscal year 2003-2004 will negatively impact the city's budget. Property tax credit reimbursements and machinery and equipment reimbursements continue to be funded at less than 100%. The state consolidated payment was eliminated completely last year. Bank franchise fee revenue has been eliminated. Utility tax replacement revenue is likely to never fully replace the revenue loss to the City and based on past State actions is something that could also be eliminated, as could the homestead exemption reimbursement, which are never fully funded. The City is working towards continuing to provide a superior level of services, without a continued reliance on any State assistance or continued reimbursement. In preparation for the possible elimination of homestead reimbursement, the City audited all properties within its corporate limits and identified a number of properties, which were improperly receiving the credit. The City immediately contacted the County to have the credits removed and continues to be vigilant in monitoring homestead exemptions. Future budgets will show a great deal more expenditures in the proprietary or "business type" area as the City makes sewer and stormwater functions enterprise efforts.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Administrator at 1133 66th Street, Windsor Heights, IA 50311 or telephone 515/279-3662.

Marketa George Oliver
City Administrator

City of Windsor Heights, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities				
Public safety	\$ 1,457,408	\$ 50,612	\$ 4,655	\$ 9,104
Public works	535,010	47,854	405,601	-
Health and social services	85,529	91,725	-	-
Culture and recreation	247,442	5,215	-	-
Community and economic development	51,813	-	63,903	-
General government	385,077	-	62,949	-
Debt service	1,141,875	-	-	-
Capital projects	369,251	-	-	-
Total governmental activities	4,273,405	195,406	537,108	9,104
Business type activities				
Water	7,369	48,505	-	-
Sewer	26,836	26,273	-	-
Total business type activities	34,205	74,778	-	-
Total	\$ 4,307,610	\$ 270,184	\$ 537,108	\$ 9,104
General Receipts				
Property tax levied for				
General purposes				
Tax increment financing				
Debt service				
Other city tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash basis net assets				
Restricted (deficit)				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

There were no reconciling items between the Governmental and Fiduciary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,393,037)	-	\$ (1,393,037)
(81,555)	-	(81,555)
6,196	-	6,196
(242,227)	-	(242,227)
12,090	-	12,090
(322,128)	-	(322,128)
(1,141,875)	-	(1,141,875)
(369,251)	-	(369,251)
(3,531,787)	-	(3,531,787)
-	41,136	41,136
-	(563)	(563)
-	40,573	40,573
\$ (3,531,787)	\$ 40,573	\$ (3,491,214)
1,852,832	-	1,852,832
1,097,352	-	1,097,352
33,832	-	33,832
13,781	-	13,781
7,887	611	8,498
154,295	-	154,295
10,000	(10,000)	-
3,169,979	(9,389)	3,160,590
(361,808)	31,184	(330,624)
1,469,345	418,539	1,887,884
\$ 1,107,537	\$ 449,723	\$ 1,557,260
\$ 353,006	\$ -	\$ 353,006
(10,691)	-	(10,691)
92,479	-	92,479
672,743	449,723	1,122,466
\$ 1,107,537	\$ 449,723	\$ 1,557,260

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

		Special Revenue		
		General	Urban Renewal Tax Increment	Employee Benefits
Receipts				
	Property Taxes	\$ 1,422,191	\$ -	\$ 430,641
	Tax Increment Financing Collections	-	1,097,352	-
	Other City Tax	13,781	-	-
	Licenses and Permits	117,595	-	-
	Use of Money and Property	3,339	-	860
	Intergovernmental	23,016	-	-
	Charges for Services	195,406	-	-
	Miscellaneous	117,926	-	18,585
	Total Receipts	1,893,254	1,097,352	450,086
Disbursements				
	Operating			
	Public Safety	1,167,203	-	267,081
	Public Works	161,694	-	80,731
	Health and Social Services	85,529	-	-
	Culture and Recreation	244,622	-	2,820
	Community and Economic Development	51,813	-	-
	General Government	322,902	-	62,175
	Debt Service	-	-	-
	Capital Projects	-	-	-
	Total Disbursements	2,033,763	-	412,807
Excess (deficiency) of receipts over (under) disbursements				
		(140,509)	1,097,352	37,279
Other financing sources (uses)				
	Operating transfers in	75,500	-	-
	Operating transfers out	(96,500)	(1,097,352)	-
	Total other financing sources (uses)	(21,000)	(1,097,352)	-
Net change in cash balances				
		(161,509)	-	37,279
Cash balance (deficit) - beginning of year				
		834,252	-	173,679
Cash balance (deficit) - end of year				
		\$ 672,743	\$ -	\$ 210,958
Cash basis fund balances (deficit)				
	Unreserved			
	Debt service	\$ -	\$ -	\$ -
	General fund	672,743	-	-
	Special revenue funds	-	-	210,958
	Capital projects fund	-	-	-
	Total cash basis fund balances	\$ 672,743	\$ -	\$ 210,958

The accompanying notes to financial statements are an integral part of this statement.

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 33,832	\$ -	\$ 1,886,664
-	-	1,097,352
-	-	13,781
-	-	117,595
-	3,688	7,887
-	405,601	428,617
-	-	195,406
-	17,784	154,295
33,832	427,073	3,901,597
-	23,124	1,457,408
-	292,585	535,010
-	-	85,529
-	-	247,442
-	-	51,813
-	-	385,077
1,141,875	-	1,141,875
-	369,251	369,251
1,141,875	684,960	4,273,405
(1,108,043)	(257,887)	(371,808)
1,097,352	116,500	1,289,352
-	(85,500)	(1,279,352)
1,097,352	31,000	10,000
(10,691)	(226,887)	(361,808)
-	461,414	1,469,345
\$ (10,691)	\$ 234,527	\$ 1,107,537
\$ (10,691)	\$ -	\$ (10,691)
-	-	672,743
-	370,781	581,739
-	(136,254)	(136,254)
\$ (10,691)	\$ 234,527	\$ 1,107,537

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2004

	Water	Sewer	Total
Operating receipts			
Use of money and property	\$ 611	\$ -	\$ 611
Charges for service	48,505	26,273	74,778
Total operating receipts	49,116	26,273	75,389
Operating disbursements			
Business type activities	-	26,836	26,836
Excess (deficiency) of operating receipts over operating disbursements	49,116	(563)	48,553
Non-operating receipts (disbursements)			
Debt service	(7,369)	-	(7,369)
Total non-operating receipts (disbursements)	(7,369)	-	(7,369)
Excess (deficiency) of receipts over (under) disbursements	41,747	(563)	41,184
Operating transfers out	(10,000)	-	(10,000)
	(10,000)	-	(10,000)
Net change in cash balances	31,747	(563)	31,184
Cash balances - beginning of year	209,688	208,851	418,539
Cash balances - end of year	\$ 241,435	\$ 208,288	\$ 449,723
Cash basis fund balances - unreserved	\$ 241,435	\$ 208,288	\$ 449,723
<i>See notes to financial statements</i>			

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Fund - Police Pension
As of and for the year ended June 30, 2004

Receipts		
Employer contributions		\$ 67,500
Investment earnings - interest		4,856
Total receipts		<u>72,356</u>
Disbursements		
Benefits		63,221
Administration expense		
Total disbursements		<u>63,221</u>
Excess of receipts over disbursements		<u>9,135</u>
Cash balance - beginning of year		552,403
Cash balance - end of year		<u>\$ 561,538</u>

City of Windsor Heights, Iowa
Notes to Financial Statements
June 30, 2004

1/ Summary of Significant Accounting Policies

The City of Windsor Heights is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1941 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Windsor Heights has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

In 1998, the City joined with fifteen cities and counties to perpetuate the Des Moines Area Metropolitan Planning Organization to plan and coordinate the transportation activities for the metropolitan area. The Organization's Board consists of a representative from each governing body. The members make contributions toward the budget of the organization. During the year ended June 30, 2004 no contribution was made.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2004 the City paid the Metro Waste Authority \$39,750 for the Curb It Program.

In 1973, the City, in conjunction with four other cities, created the Des Moines Metropolitan Transit Authority whose board consists of an elected representative of the governing body of each participating governmental jurisdiction. During the year ended June 30, 2004 the City paid \$85,529 to the Des Moines Metropolitan Transit Authority for its portion of services.

In March 2002, the City, in conjunction with four other cities, created the West Homeowner Emergency Loan Program for housing rehabilitation within their respective communities. Each member has equal representation on the management committee. The estimated annual cost to each member is \$14,000.

In addition, the City participates in three jointly governed organizations that provide services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Joint County/Municipal Disaster Services and Emergency Planning Administration for Polk County, the Emergency Communications Services (911) Board and Central Iowa Regional Drinking Water Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

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

The City reports the following major proprietary funds:

The Water and Sewer Funds account for the City's share of the operation and maintenance of the water and waste water treatment and sanitary sewer system with the 28E agreements with the Des Moines Waterworks and the Urbandale – Windsor Heights Sanitary District.

C. Measurement Focus and Basis of Accounting

The City of Windsor Heights maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City 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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in General Government, Debt Service and Capital Projects functions.

2/ Cash and Pooled Investments

The City's deposits at June 30, 2004 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 City 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 City Council; 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 City has no investments that are subject to risk categorization.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$434,388 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Police Pension Fund

Investment of police pension funds is authorized under Chapter 410 of the Code of Iowa. The Treasurer may invest these funds at the direction of the Board of Trustees in interest bearing bonds, notes, certificates, or other evidences of indebtedness which are obligations of or guaranteed by the United States, or in interest bearing bonds of the State of Iowa, or any County, township, or municipal corporation of the State of Iowa.

3/ Tax Increment Financing

In prior years, the City established urban renewal districts and made agreements with the county and schools, in accordance with Chapter 403.19 of the Code of Iowa, to divide the increase in taxes as a result of the incremental property tax valuation in those districts. The taxes so collected are paid into the City's Special Revenue Fund and are expended for project costs or debt service associated with the projects affecting the districts.

4/ Capital Lease

The City entered into a capital lease for air packs and tanks for three payments of \$21,556 annually. The first payment was made September, 2003. As of June 30, 2004, the balance due was \$43,112.

5/ Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation					
	Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 650,000	\$ 530,504	\$ 10,000	\$ 1,960	\$ 660,000	\$ 532,464
2006	1,135,000	494,467	10,000	1,405	1,145,000	495,872
2007	725,000	429,727	10,000	844	735,000	430,571
2008	765,000	387,952	10,000	281	775,000	388,233
2009	810,000	343,001			810,000	343,001
2010	855,000	297,072			855,000	297,072
2011	1,235,000	246,150			1,235,000	246,150
2012	925,000	167,977			925,000	167,977
2013	915,000	109,783			915,000	109,783
2014	845,000	66,680			845,000	66,680
2015	235,000	26,075			235,000	26,075
2016	260,000	13,700			260,000	13,700
Total	\$ 9,355,000	\$ 3,113,088	\$ 40,000	\$ 4,490	\$ 9,395,000	\$ 3,117,578

6/ Pension and Retirement Benefits

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police and fire employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 was \$87,182, \$87,228, and \$80,855 respectively, which is equal to the required contributions for each year.

Police Pension

Chapter 410 of the Code of Iowa established a retirement system for duly appointed members of the police department whose appointment occurred before March 2, 1934 or police officers who had been making payments of membership fees and assessments prior to July 1, 1971.

This pension plan is accounted for by the City in the Police Pension Fund. The City finances the amount necessary to fund the annual contribution to this pension plan by levying property tax. During the years ended June 30, 2004, 2003 and 2002, the City allocated property tax collections of \$67,500, \$49,000, and \$48,119 respectively, to the fund, which approximates the amount necessary to fund the unfunded accrued liability over the life expectancy of the participants for each year.

6/ Pension and Retirement Benefits (continued)

Police Pension (continued)

The plan is administered by the City through the Police Retirement Board of Trustees and provides retirement, disability and death benefits. The benefits are established by State statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 60 percent of the monthly salary at retirement or disability and 30 percent of the monthly salary at death.

The City has three eligible police officers. All are retired and are receiving benefits.

Presented below is the total pension benefit obligation of the City for this pension plan. The amount is based on a standardized measurement established by GASB-5, which is the actuarial present value of credited projected benefits. This method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date by the plan participants and is adjusted for the effect of projected salary increases. A variety of significant actuarial assumptions are used to determine the standardized measure including:

1. The present value of future pension payments was computed using a discount rate of 3.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
2. Future pension payments reflect an assumption of 5% salary increase as a result of inflation.

The latest actuarial valuation was made July 1, 2003. The standardized measure of the unfunded pension obligation is as follows:

Total Pension Obligation at July 1, 2003	\$559,815
Net Assets Available For Benefits at June 30, 2004	<u>561,538</u>
Estimated (Overfunded) Pension Benefit Obligations	<u>(\$ 1,723)</u>

The ten-year historical trend information related to this pension plan is not available.

7/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate sick leave hours for subsequent use or payment of up to 1,200 hours upon separation from employment at age 62 or older. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences for vacation hours, sick leave termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 79,000
Sick Leave	<u>193,000</u>
Total	<u>\$272,000</u>

The liability has been computed based on rates of pay in effect as of June 30, 2004.

8/ Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2004.

9/ Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and if insufficient, by the subsequent year's member contributions.

The property and casualty contributions to the risk pool are recorded as disbursements from operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$54,552.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with damage to and destruction of assets and injuries to employees. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

	General	Transfer To		Total
		Equipment Reserve	Debt Service	
Transfer from				
Urban Renewal Tax Increment	\$ -	\$ -	\$ 1,097,352	\$ 1,097,352
Water Fund	-	10,000	-	10,000
Nonmajor Governmental	75,500	10,000	-	85,500
General	-	96,500	-	96,500
	\$ 75,500	\$ 116,500	\$ 1,097,352	\$ 1,289,352

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

11/ Deficit Fund Balances

At June 30, 2004, the Town Center capital project had a deficit balance of \$517,647 as a result of project costs incurred prior to the availability of funds. After the receipt from the future sales of properties and payment of final project costs, the deficit balance will be eliminated with an Intrafund loan from the General Fund. The loan will be repaid from future tax increment taxes. The June 30, 2004 deficit in the Debt Service Fund of \$10,691 will be eliminated by future tax collections.

12/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

13/ Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are represented in total in one column. Implementation of these standards had no effect on the beginning fund balances.

14/ Contingencies

In the ordinary course of business, the City is involved in lawsuits. Although the outcome of each litigation is uncertain, management and legal counsel believe any settlement will not have a material adverse affect on the City’s financial condition.

15/ Education Facility Revenue Bonds

In December 2003, the City issued a total of \$4,000,000 of educational facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely by the borrower to the lender. The bond principal and interest do not constitute liabilities of the City of Windsor Heights.

City of Windsor Heights, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds Actual	Enterprise Funds Actual
Receipts		
Property Taxes	\$ 1,886,664	\$ -
Tax increment financing collections	1,097,352	-
Other city tax	13,781	-
Licenses and permits	117,595	-
Use of money and property	7,887	611
Intergovernmental	428,617	-
Charges for Service	195,406	74,778
Miscellaneous	154,295	-
Total Receipts	3,901,597	75,389
Disbursements		
Public safety	1,457,408	-
Public works	535,010	-
Health and social services	85,529	-
Culture and recreation	247,442	-
Community and economic development	51,813	-
General government	385,077	-
Debt service	1,141,875	7,369
Capital projects	369,251	-
Business type activities	-	26,836
Total Disbursements	4,273,405	34,205
Excess (deficiency) of receipts over (under) disbursements		
	(371,808)	41,184
Other financing sources, net		
	10,000	(10,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses		
	(361,808)	31,184
Balance - beginning of year	1,469,345	418,539
Balance - end of year	\$ 1,107,537	\$ 449,723
<i>See accompanying independent auditors' report.</i>		

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 1,886,664	\$ 2,007,560	\$ 2,007,072	\$ (120,408)
1,097,352	1,064,926	1,064,926	32,426
13,781	58,284	74,400	(60,619)
117,595	81,400	96,400	21,195
8,498	17,475	5,525	2,973
428,617	443,126	401,104	27,513
270,184	98,500	191,735	78,449
154,295	168,100	114,141	40,154
\$ 3,976,986	3,939,371	3,955,303	21,683
1,457,408	1,483,513	1,511,127	53,719
535,010	673,938	572,911	37,901
85,529	91,500	94,050	8,521
247,442	258,980	258,980	11,538
51,813	77,500	150,056	98,243
385,077	358,122	376,654	(8,423)
1,149,244	1,116,090	1,141,886	(7,358)
369,251	125,000	125,000	(244,251)
26,836	-	226,820	199,984
4,307,610	4,184,643	4,457,484	149,874
(330,624)	(245,272)	(502,181)	171,557
-	75,000	25,038	25,038
(330,624)	(170,272)	(477,143)	146,519
1,887,884	2,415,317	4,830,634	(2,942,750)
\$ 1,557,260	\$ 2,245,045	\$ 4,353,491	\$ (2,796,231)

City of Windsor Heights, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$272,841. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the General Government, Debt Service, and Capital Projects functions.

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

		Special Revenue		
		Police Trust	Police Preforfeiture Fund	Road Use Tax
Receipts				
	Use of money and property	\$ -	\$ -	\$ -
	Intergovernmental	-	-	405,601
	Miscellaneous	554	17,230	-
	Total Receipts	554	17,230	405,601
Disbursements				
	Operating			
	Public Safety	10,704	12,420	-
	Public Works	-	-	292,585
	Capital projects			79,705
	Total Disbursements	10,704	12,420	372,290
	Excess (deficiency) of receipts over disbursements	(10,150)	4,810	33,311
Other financing sources (uses)				
	Operating transfers in	-	-	-
	Operating transfers out	-	-	(45,000)
	Total other financing sources (uses)	-	-	(45,000)
	Net change in cash balances	(10,150)	4,810	(11,689)
	Cash balance (deficit) - beginning of year	10,661	12,454	364,695
	Cash balance (deficit) - end of year	\$ 511	\$ 17,264	\$ 353,006
Cash basis fund balances (deficit)				
	Unreserved			
	Special revenue funds	\$ 511	\$ 17,264	\$ 353,006
	Capital project fund	-	-	-
	Total cash basis fund balances (deficit)	\$ 511	\$ 17,264	\$ 353,006
<i>See accompanying independent auditors' report.</i>				

Capital Projects			
Town Center	University Avenue Widening	Equipment Reserve	Total
\$ -	\$ 2,851	\$ 837	\$ 3,688
-	-	-	405,601
-	-	-	17,784
-	2,851	837	427,073
-	-	-	23,124
-	-	-	292,585
109,737	46,639	133,170	369,251
109,737	46,639	133,170	684,960
(109,737)	(43,788)	(132,333)	(257,887)
-	-	116,500	116,500
(27,030)	(13,470)	-	(85,500)
(27,030)	(13,470)	116,500	31,000
(136,767)	(57,258)	(15,833)	(226,887)
(377,880)	94,975	356,509	461,414
\$ (514,647)	\$ 37,717	\$ 340,676	\$ 234,527
\$ -	\$ -	\$ -	\$ 370,781
(514,647)	37,717	340,676	(136,254)
\$ (514,647)	\$ 37,717	\$ 340,676	\$ 234,527

City of Windsor Heights, Iowa
Schedule of Indebtedness
For the year ended June 30, 2004

				Amount Originally Issued
	Date of Issue	Interest Rates		
Obligation				
General Obligation Bonds				
73rd Street Bridge				
73rd Street Improvements				
63rd Street Widening Projects	May 22, 1996	5.00 to 5.60%	\$	700,000
1997-1A Street Project				
University Avenue Reconstruction				
71st and 72nd Street Turnarounds	March 12, 1997	4.90 to 5.20%		950,000
1997-1B Urban Renewal Project				
	March 12, 1997	6.75%		1,775,000
1999-A University Avenue Street Widening and Improvements				
	August 30, 1999	4.60 to 5.30%		1,580,000
1999-B Urban Renewal Project				
	August 30, 1999	6.50 to 7.10%		2,295,000
1999-C Refunding Bonds				
	August 30, 1999	4.50 to 5.10%		1,020,000
Notes - 2000 series				
	November 1, 2000	4.50 to 5.00%		365,000
Capital Loan Notes - 2002 series				
	February 18, 2002	4.00 to 4.65%		1,810,000
Capital Loan Notes - 2002 series				
	June 17, 2002	5.75%		450,000
Total				\$ 10,945,000
Revenue Notes				
Water Main and Road Project				
	October 15, 1992	5.00 to 5.62%	\$	265,000

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 500,000	-	\$ 40,000	\$ 460,000	\$ 26,776
795,000	-	45,000	750,000	40,584
1,415,000	-	105,000	1,310,000	95,512
1,580,000	-	85,000	1,495,000	80,453
2,195,000	-	125,000	2,070,000	153,180
940,000	-	60,000	880,000	46,253
250,000	-	45,000	205,000	12,265
1,810,000	-	75,000	1,735,000	80,977
450,000	-	-	450,000	25,875
\$ 9,935,000	\$ -	\$ 580,000	\$ 9,355,000	\$ 561,875
\$ 45,000	\$ -	\$ 5,000	\$ 40,000	\$ 2,369

City of Windsor Heights, Iowa
Bond and Note Maturities
June 30, 2004

	73rd Street Bridge 73rd Street Improvements 63rd Street Widening Projects			University Avenue Reconstruction 71 and 72 Street Turnarounds 1997-1A			University Avenue Project 1997-1B	
	Issued May 22, 1996			Issued March 12, 1997			Issued March 12, 1997	
Year Ending June 30,	Interest Rates (%)	Amount		Interest Rates (%)	Amount		Interest Rates (%)	Amount
2005	5.00	\$ 45,000		4.90	\$ 50,000		6.75	\$ 115,000
2006	5.10	50,000		4.90	50,000		6.75	125,000
2007	5.25	50,000		4.90	50,000		6.75	130,000
2008	5.40	50,000		5.00	55,000		6.75	140,000
2009	5.50	55,000		5.10	60,000		6.75	165,000
2010	5.50	65,000		5.20	55,000		6.75	310,000
2011	5.50	70,000		5.20	60,000		6.75	325,000
2012	5.60	75,000		5.20	65,000			-
2013		-		5.20	70,000			-
2014		-		5.20	75,000			-
2015		-		5.20	80,000			-
2016		-			80,000			-
Totals		<u>\$ 460,000</u>			<u>\$ 750,000</u>			<u>\$ 1,310,000</u>
	Series 1999A University Avenue Street Widening and Improvements			Series 1999B Urban Renewal Project			Series 1999C Refunding Bonds	
	Issued August 30, 2000			Issued August 30, 2000			Issued August 30, 2000	
Year Ending June 30,	Interest Rates (%)	Amount		Interest Rates (%)	Amount		Interest Rates (%)	Amount
2005	4.70	\$ 90,000		6.70	\$ 150,000		4.70	\$ 130,000
2006	4.80	95,000		6.80	175,000		4.80	115,000
2007	4.90	100,000		6.90	200,000		4.90	100,000
2008	5.00	105,000		7.00	225,000		4.95	95,000
2009	5.05	110,000		7.00	175,000		5.00	95,000
2010	5.10	115,000		7.00	115,000		5.05	170,000
2011	5.00	120,000		7.10	475,000		5.10	175,000
2012	5.20	130,000		7.10	555,000			-
2013	5.25	145,000			-			-
2014	5.25	150,000			-			-
2015	5.30	155,000			-			-
2016	5.30	180,000			-			-
Totals		<u>\$ 1,495,000</u>			<u>\$ 2,070,000</u>			<u>\$ 880,000</u>

See accompanying independent auditors' report.

Series 2000 Capital Loan Notes		Series 2002 Capital Loan Notes		Series 2002 Taxable Capital Loan Notes		Total General Obligations
Issued November 1, 2000		Issued February 18,		Issued June 17, 2002		
Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount	
4.85	\$ 45,000	4.00	\$ 25,000		\$ -	\$ 650,000
4.90	50,000	4.00	25,000	5.75	450,000	1,135,000
4.95	55,000	4.00	40,000		-	725,000
5.00	55,000	4.00	40,000		-	765,000
	-	4.10	150,000		-	810,000
	-	4.25	25,000		-	855,000
	-	4.35	10,000		-	1,235,000
	-	4.45	100,000		-	925,000
	-	4.55	700,000		-	915,000
	-	4.65	620,000		-	845,000
	-		-		-	235,000
	-		-		-	260,000
	<u>\$ 205,000</u>		<u>\$ 1,735,000</u>		<u>\$ 450,000</u>	<u>\$ 9,355,000</u>

Revenue Notes Water		
Issued October 15, 1992		
Year Ending June 30,	Interest Rates (%)	Amount
2005	5.50	\$ 10,000
2006	5.60	10,000
2007	5.62	10,000
2008	5.62	10,000
2009		-
2010		-
2011		-
2012		-
2013		-
2014		-
2015		-
2016		-
Totals		<u>\$ 40,000</u>

City of Windsor Heights, Iowa
 Schedule of Receipts by Source and Disbursement by Function
 All Government Funds
 As of and for the year ended June 30, 2004

		2004	2003
Receipts			
Property taxes		\$ 1,886,664	\$ 1,851,899
Tax increment financing collections		1,097,352	1,050,366
Other city tax		13,781	14,453
Licenses and permits		117,595	69,232
Use of money and property		7,887	20,963
Intergovernmental		428,617	481,609
Charges for service		195,406	98,575
Miscellaneous		154,295	191,908
Total		\$ 3,901,597	\$ 3,779,005
Disbursements			
Operating			
Public safety		\$ 1,457,408	\$ 1,431,868
Public works		535,010	503,256
Health and human services		85,529	85,677
Culture and recreation		247,442	228,534
Community and economic development		51,813	53,827
General government		385,077	401,546
Debt service		1,141,875	966,384
Capital projects		369,251	416,434
Total		\$ 4,273,405	\$ 4,087,526
<i>See accompanying independent auditors' report.</i>			

POLLARD AND COMPANY P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and Members of the City Council:

We have audited the financial statements of the City of Windsor Heights, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon as dated below. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Windsor Heights's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance 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 that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Windsor Heights'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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Windsor Heights' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe all of the reportable conditions described in the Schedule of Findings are material weaknesses.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Windsor Heights and other parties to whom the City of Windsor Heights may report. This report is not intended to be and should not be used by any one other than these specified parties.

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

A handwritten signature in cursive script that reads "Pollard and Company P.C.".

November 8, 2004

City of Windsor Heights, Iowa
Schedule of Findings
Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE: No matters were noted.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that generally one person has control over each of the following areas:

- (1) Cash receipts, journalizing, and posting.
- (2) Disbursements, check writing, journalizing, and posting.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. The City should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response

We will continue to review the internal control procedures and segregate duties to the extent possible with existing personnel.

Conclusion

Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting

04-II-A Official Depositories

A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget

As reported in Notes to Financial Statement 1D, disbursements during the year ended June 30, 2004 exceeded the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion

Response accepted.

Part II (continued):

- 04-II-C Questionable Disbursements
We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 04-II-D Travel Expense
We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.
- 04-II-E Business Transactions
There were no business transactions between the City and City officials or employees during the year.
- 04-II-F Bond Coverage
Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Council Minutes
No transactions were found that we believe should have been approved in the Council minutes but were not.
- 04-II-H Deposits and Investments
No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted. However, the City did not comply with its own investment policy regarding diversification of investments in certificates of deposit, money market funds, and IPAIT. During the year, the percentages on page 8, item A of the City’s investment policy was not followed.
- Recommendation
The City should review its investment policy and adhere to the requirements for diversification.
- Response
The City will establish a procedure to periodically review its policy against its actual investment portfolio.
- Conclusion
Response accepted.
- 04-II-I Financial Condition
At June 30, 2004, the Town Center Project in the Capital Project Fund had a deficit balance of \$514,647.
- Recommendation
The City should investigate alternatives to eliminate this deficit in order to return the account to a sound financial position.
- Response
See Note to Financial Statements 11.
- Conclusion
Response accepted.

Part II (continued):

04-II-J Time Cards

The supervisors did not approve all time records submitted by employees.

Recommendation

All time records should be approved by the employee's supervisor.

Response

A supervisor will approve the time records of affected employees.

Conclusion

Response accepted.