

CITY OF WINDSOR HEIGHTS, IOWA

Independent Auditors' Reports
Basic Financial Statements
Supplementary Information
and Findings

June 30, 2005

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CITY OF WINDSOR HEIGHTS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

JAMES R. ZIRCHER, CPA
NEAL R. SMITH, CPA
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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, 2005, 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 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, 2005, 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.

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, 2004 (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.

December 2, 2005

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, 2005**

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, 2005 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.

2005 Financial Highlights

- As of June 30, 2005 the City had fund balances on hand of \$1,176,948 in governmental fund types and \$429,746 in business-type funds.
- Public Safety accounted for the largest portion (36.9%) of the City's total disbursements (up from 33.8% in FY 2004) and 58.39% of the City's total General Fund disbursements, compared with 57.39% from FY 2004, with Debt Service accounting for the next largest portion of 26.83%, as compared to 27% in FY 2004 of the governmental funds disbursements.
- Property Taxes accounted for the largest portion (\$2,041,423) up from \$1,852,832 in FY 2004 of the City's receipts, with TIF receipts accounting for the next largest portion at \$1,294,382, also up from \$1,097,352 in FY 2004. The increase in property tax receipts represents a voter-approved levy increase.

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 implemented 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 statement 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.

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 Special Revenue Funds: Urban Renewal Tax Increment, Road Use Tax, and Employee Benefits Funds.

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.

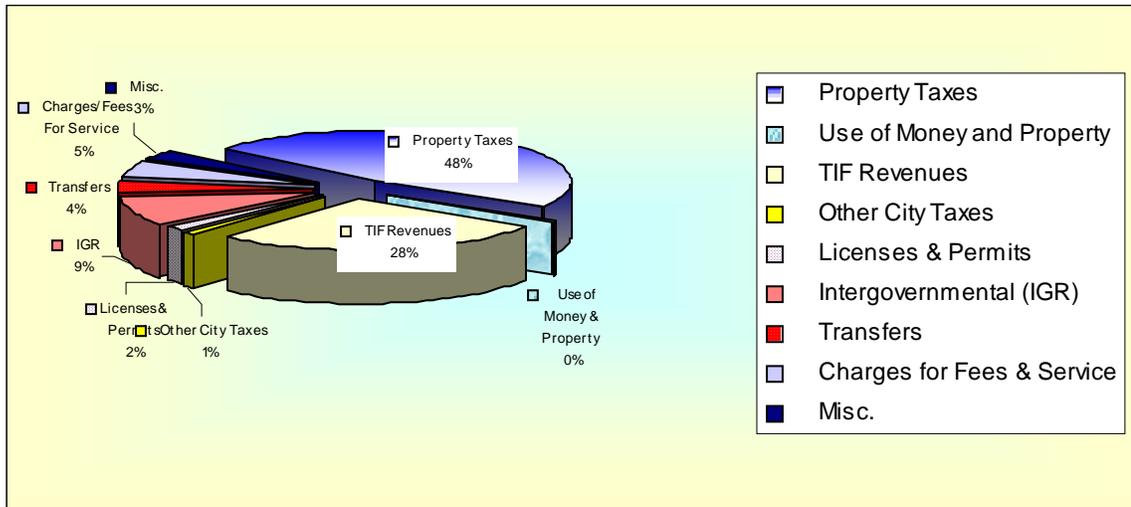
Debt Service - This category includes general, TIF and road use debt service.

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, 2005, the City's governmental activities were budgeted as follows:

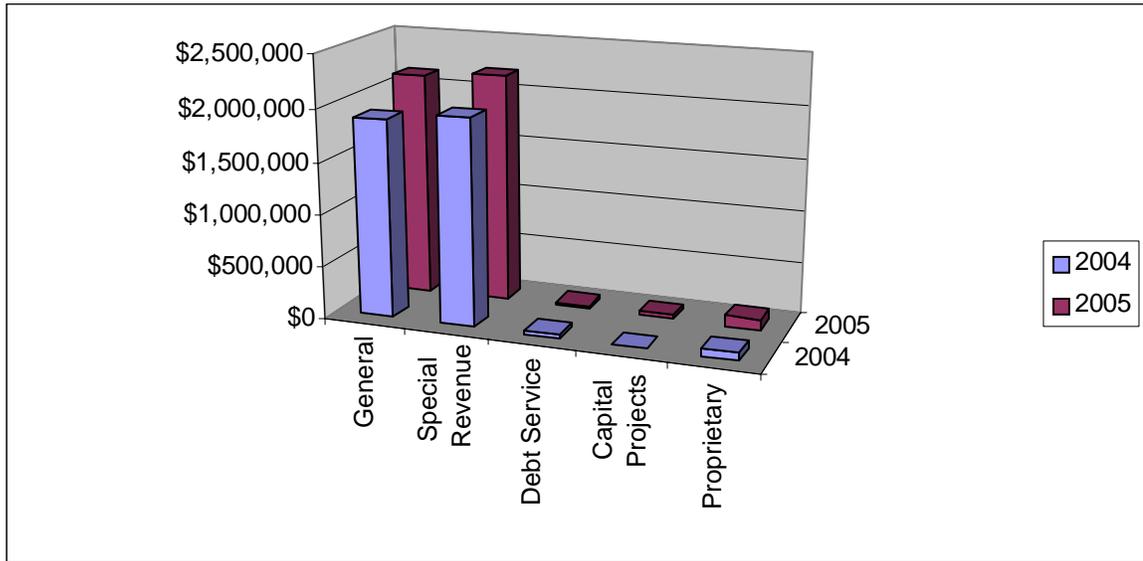
Sources of Funds for Governmental Activities



In actuality, total receipts increased by \$551,322 in 2005 over 2004, due to an increase in property tax revenues. The increase in property tax revenues comes from a voter-approved \$.27 per thousand of assessed valuation library levy, and from the addition of value to the property tax rolls by the City's community development efforts. General fund receipts increased by \$255,577, due to the aforementioned property tax and the \$162,118 increase in miscellaneous revenues. TIF fund property tax revenues increased by \$197,030. There was also an increase of \$55,141 in property tax revenues collected for FICA, IPERS and other employee benefits.

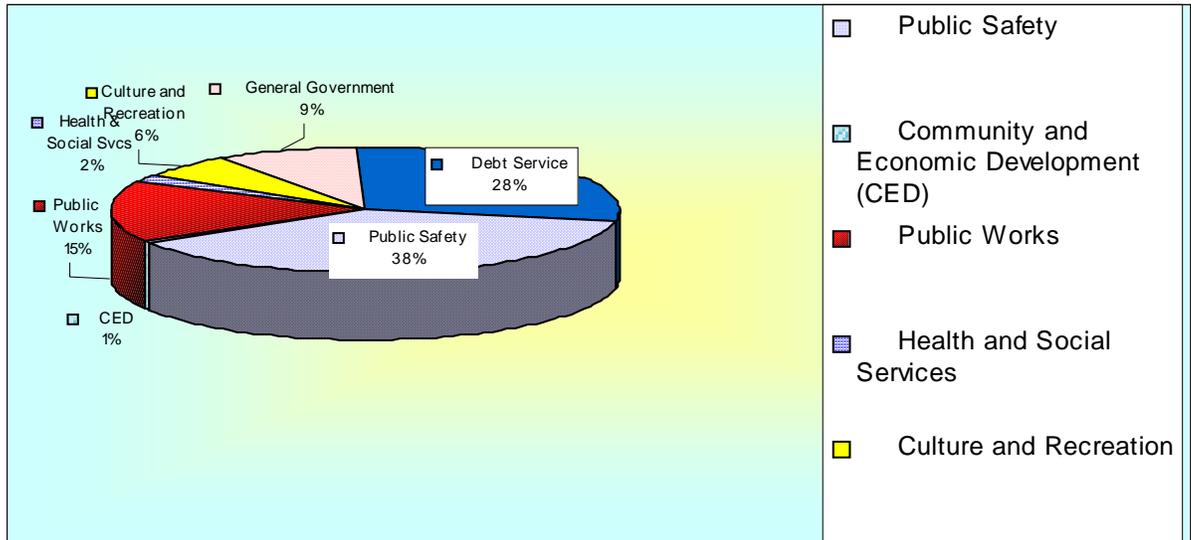
Further, FY 2005 was the first year the City's stormwater utility was in place. The stormwater fee was collected for four months during FY 2005, producing \$14,066 in revenues. The development of the stormwater utility was in direct response to the State of Iowa's elimination of reimbursement to cities (resulting in an approximate \$95,000 annual revenue loss for Windsor Heights) discussed in the FY 2004 Management Discussion and Analysis document and to the rising costs associated with complying with Federal stormwater regulations. The City also received a modest increase in sewer revenues, due to an agreement with the Urbandale/Windsor Heights Sanitary Sewer District to escalate the amount of reimbursement to the City for sanitary sewer maintenance costs.

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.



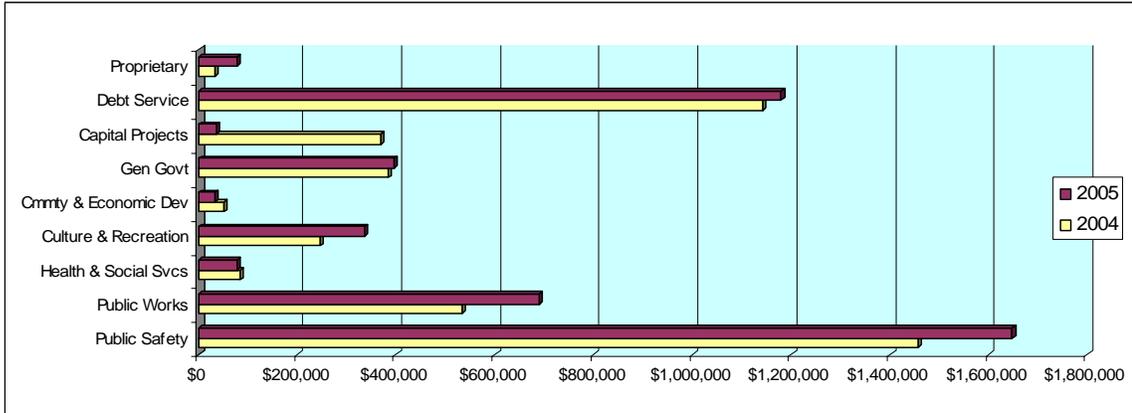
Expenditure Picture

Uses of Funds in Governmental Activities – as budgeted for FY 2005

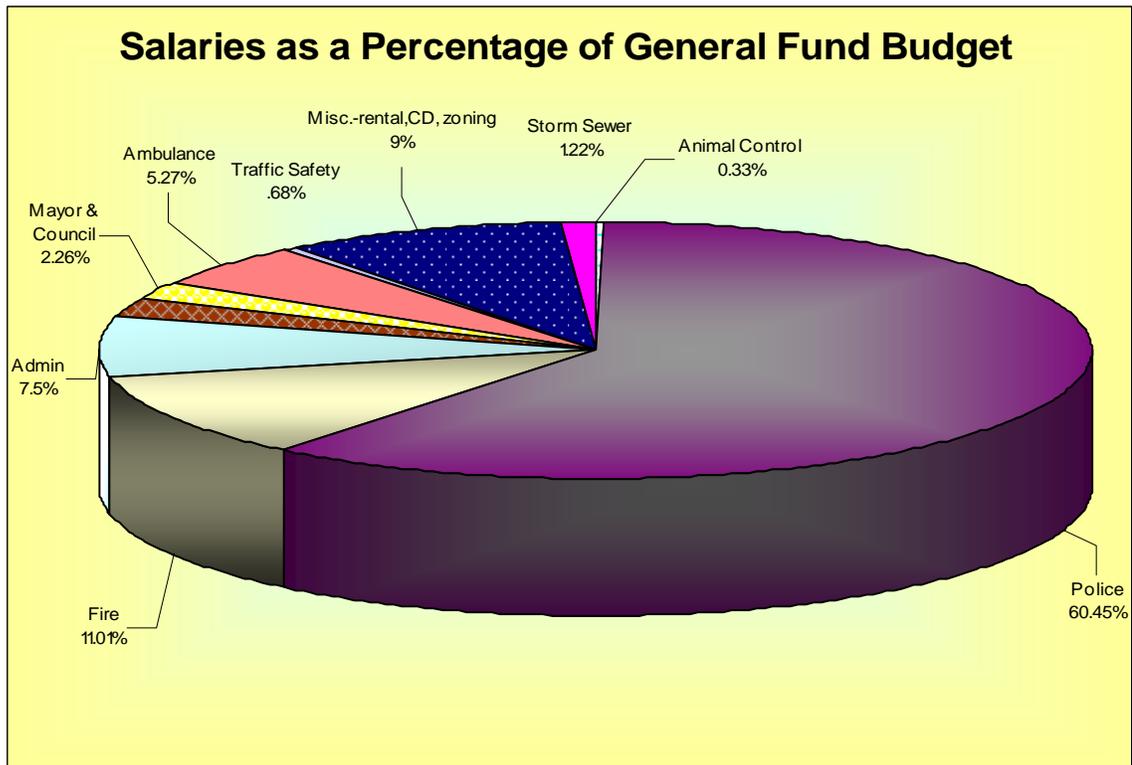


With a few exceptions, governmental program disbursements also remain fairly consistent. Public safety expenditures increased overall. The major changes are increased personnel costs for the police department as it remains fully staffed. Public works also increased due the purchase of capital equipment. Excluding the major purchase, Public Works would have decreased because of the change to reflect wages and other expenditures in the proprietary categories of sewer and storm water. Debt service cost has increased, repaying the bonds and economic development loans that were taken out in order to accomplish capital projects and economic development efforts.

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, 2005, the City's business-type activities revenues and expenses remained a minimal, yet growing part of the budget. The City has shifted sanitary sewer and stormwater to enterprise functions. Further, the City is moving forward with plans to purchase equipment directly out of the capital equipment fund, instead of budgeting it in department budgets and then transferring money from that fund to cover the expenditures.

Budgetary Highlights

City Council approved one budget amendment during the year. The amendment reflected the fact that there were substantial expenditures that budgeted in FY 2006 but are taking place in FY 2005 related to the Missing Link Trail project. In Public Works, capital equipment was more than budgeted, as were utilities. Recycling fees were changed from the sewer section to Public Works. Public Safety was of course impacted by the cost of gas, increasing operating supplies. There was an increase in building inspections; vehicle repair; and purchase of special equipment. Grant revenues are expected in FY 06 to offset costs of the trail project.

Capital Assets and Debt Administration

As of June 30, 2005 the City had fund balances on hand of \$1,176,948 in governmental fund types and \$429,746 in business-type funds.

Debt Outstanding

As of year-end, the City had \$8,735,000 in debt outstanding compared to \$9,395,000 in 2004.

Economic Factors

While property taxes are important to the City, they represent approximately 45% of total program resources excluding other financing sources. TIF revenues comprised nearly 28% of revenues. Fees and charges for services and licenses and permits comprised approximately 1.3% of the City's revenues, down from 4% in FY 2004. Miscellaneous Revenue comprises approximately 4.9% of the FY 05 revenues, up from 1.5% in FY 2004. Miscellaneous revenues include fines and penalties, donations, sale of merchandise and special events.

The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly. During fiscal year 2004-2005 the City put into place a stormwater utility.

The bulk of the City's budget is driven by personnel costs. The City employs 26, regular, full-time employees, or roughly 5.32 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 26 FTE's, 14 are in the Police Department, 7 in Public Works, 1 in Fire and 4 in Administration. Approximately thirty paid per call employees comprise the rest of the employees in the Fire Department.

Next year's budget and rates

For the year ending June 30, 2006 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 expired in November 2004 and the City negotiated a franchise fee, which will increase general fund revenues. Capital projects being budgeted in governmental activities for next year include the final piece of the Town Center Development project, planning, design and construction for the Missing Link trail connection project and planning for a community center/shelter house project and improvements to the City's parks. The City is working towards continuing to provide a superior level of services for the lowest cost possible.

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, 2005

Functions/Programs	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 1,648,134	\$ 73,551	\$ -	\$ -
Public works	690,381	58,534	407,265	-
Health and social services	78,574	83,666	-	-
Culture and recreation	337,121	4,800	-	-
Community and economic development	33,301	53,987	-	-
General government	395,866	71,326	-	-
Debt service	1,180,503	-	-	-
Capital projects	36,480	-	-	-
Total governmental activities	4,400,360	345,864	407,265	-
Business type activities				
Water	11,960	50,738	-	-
Sewer	35,853	32,788	-	-
Storm Sewer	30,701	14,066	-	-
Total business type activities	78,514	97,592	-	-
Total	\$ 4,478,874	\$ 443,456	\$ 407,265	\$ -

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
 - 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
\$ (1,574,583)	\$ -	\$ (1,574,583)
(224,582)	-	(224,582)
5,092	-	5,092
(332,321)	-	(332,321)
20,686	-	20,686
(324,540)	-	(324,540)
(1,180,503)	-	(1,180,503)
(36,480)	-	(36,480)
<u>(3,647,231)</u>	<u>-</u>	<u>(3,647,231)</u>
-	38,778	38,778
-	(3,065)	(3,065)
-	(16,635)	(16,635)
<u>-</u>	<u>19,078</u>	<u>19,078</u>
\$ (3,647,231)	\$ 19,078	\$ (3,628,153)

2,041,423	-	2,041,423
1,294,382	-	1,294,382
35,295	-	35,295
7,781	-	7,781
17,216	1,085	18,301
280,405	-	280,405
40,140	(40,140)	-
<u>3,716,642</u>	<u>(39,055)</u>	<u>3,677,587</u>
69,411	(19,977)	49,434
1,107,537	449,723	1,557,260
<u>\$ 1,176,948</u>	<u>\$ 429,746</u>	<u>\$ 1,606,694</u>

\$ 205,012	\$ -	\$ 205,012
169,230	-	169,230
802,706	429,746	1,232,452
<u>\$ 1,176,948</u>	<u>\$ 429,746</u>	<u>\$ 1,606,694</u>

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, 2005

	Special Revenue			
	General	Urban Renewal Tax Increment	Road Use Tax	Employee Benefits
Receipts				
Property Taxes	\$ 1,555,641	\$ -	\$ -	\$ 485,782
Tax Increment Financing Collections	-	1,294,382	-	-
Other City Tax	7,221	-	-	-
Licenses and Permits	118,060	-	-	-
Use of Money and Property	7,781	-	-	1,418
Intergovernmental	2,903	-	407,265	-
Charges for Services	216,612	-	-	-
Miscellaneous	240,613	-	-	13,744
Total Receipts	<u>2,148,831</u>	<u>1,294,382</u>	<u>407,265</u>	<u>500,944</u>
Disbursements				
Operating				
Public Safety	1,243,192	-	-	311,853
Public Works	106,179	-	510,259	73,943
Health and Social Services	78,574	-	-	-
Culture and Recreation	333,751	-	-	3,370
Community and Economic Development	33,301	-	-	-
General Government	334,011	-	-	48,384
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Total Disbursements	<u>2,129,008</u>	<u>-</u>	<u>510,259</u>	<u>437,550</u>
Excess (deficiency) of receipts over (under) disbursements	<u>19,823</u>	<u>1,294,382</u>	<u>(102,994)</u>	<u>63,394</u>
Other financing sources (uses)				
Operating transfers in	120,000	-	-	-
Operating transfers out	(9,860)	(1,294,382)	(45,000)	-
Total other financing sources (uses)	<u>110,140</u>	<u>(1,294,382)</u>	<u>(45,000)</u>	<u>-</u>
Net change in cash balances	<u>129,963</u>	<u>-</u>	<u>(147,994)</u>	<u>63,394</u>
Cash balance (deficit) - beginning of year	672,743	-	353,006	210,958
Cash balance (deficit) - end of year	<u>\$ 802,706</u>	<u>\$ -</u>	<u>\$ 205,012</u>	<u>\$ 274,352</u>
Cash basis fund balances (deficit)				
Unreserved				
General fund	\$ 802,706	\$ -	\$ -	-
Special revenue funds	-	-	205,012	274,352
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ 802,706</u>	<u>\$ -</u>	<u>\$ 205,012</u>	<u>\$ 274,352</u>

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

		Other Nonmajor Governmental		
Debt Service		Funds		Total
\$	35,295	\$	-	\$ 2,076,718
	-		-	1,294,382
	-		-	7,221
	-		-	118,060
	-		8,017	17,216
	-		-	410,168
	-		-	216,612
	-		34,897	289,254
	<u>35,295</u>		<u>42,914</u>	<u>4,429,631</u>
	-		93,089	1,648,134
	-		-	690,381
	-		-	78,574
	-		-	337,121
	-		-	33,301
	-		13,471	395,866
	1,180,503		-	1,180,503
	-		36,480	36,480
	<u>1,180,503</u>		<u>143,040</u>	<u>4,400,360</u>
	(1,145,208)		(100,126)	29,271
	1,155,899		153,483	1,429,382
	-		(40,000)	(1,389,242)
	<u>1,155,899</u>		<u>113,483</u>	<u>40,140</u>
	10,691		13,357	69,411
	(10,691)		(118,479)	1,107,537
\$	-	\$	(105,122)	\$ 1,176,948
\$	-	\$	-	\$ 802,706
	-		10,954	490,318
	-		(116,076)	(116,076)
\$	-	\$	(105,122)	\$ 1,176,948

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, 2005

	Water	Sewer	Storm Sewer	Total
Operating receipts				
Use of money and property	\$ 1,085	\$ -	\$ -	\$ 1,085
Charges for service	50,738	32,788	14,066	97,592
Total operating receipts	<u>51,823</u>	<u>32,788</u>	<u>14,066</u>	<u>98,677</u>
Operating disbursements				
Business type activities	-	35,853	30,701	66,554
Excess (deficiency) of operating receipts over operating disbursements	<u>51,823</u>	<u>(3,065)</u>	<u>(16,635)</u>	<u>32,123</u>
Non-operating (disbursements)				
Debt service	(11,960)	-	-	(11,960)
Total non-operating (disbursements)	<u>(11,960)</u>	<u>-</u>	<u>-</u>	<u>(11,960)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>39,863</u>	<u>(3,065)</u>	<u>(16,635)</u>	<u>20,163</u>
Other financing sources (uses)				
Operating transfers in	-	-	9,860	9,860
Operating transfers out	(10,000)	(40,000)		(50,000)
Total other financing sources (uses)	<u>(10,000)</u>	<u>(40,000)</u>	<u>9,860</u>	<u>(40,140)</u>
Net change in cash balances	29,863	(43,065)	(6,775)	(19,977)
Cash balances (deficit) - beginning of year	241,435	210,688	(2,400)	449,723
Cash balances (deficit) - end of year	<u>\$ 271,298</u>	<u>\$ 167,623</u>	<u>\$ (9,175)</u>	<u>\$ 429,746</u>
Cash basis fund balances (deficit) - unreserved	<u>\$ 271,298</u>	<u>\$ 167,623</u>	<u>\$ (9,175)</u>	<u>\$ 429,746</u>

See notes to financial statements

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, 2005

Receipts	
Investment earnings - interest	<u>\$ 6,718</u>
Total receipts	<u>6,718</u>
Disbursements	
Benefits	<u>66,488</u>
Total disbursements	<u>66,488</u>
Excess of disbursements over receipts	<u>(59,770)</u>
Cash balance - beginning of year	561,538
Cash balance - end of year	<u><u>\$ 501,768</u></u>

City of Windsor Heights, Iowa
Notes to Financial Statements
June 30, 2005

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, 2005, 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, 2005 the City paid the Metro Waste Authority \$54,360 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, 2005 the City paid \$78,574 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 cost to each member was \$33,301 during the year ended June 30, 2005.

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

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

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, Sewer and Storm Sewer Funds account for the City's share of the operation and maintenance of the water system, waste water treatment and sanitary sewer system, and storm water sewer system.

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, 2005, disbursements exceeded the amounts budgeted in Community and Economic Development, General Government, Debt Service and Capital Projects functions.

2/ Cash and Pooled Investments

The City's deposits at June 30, 2005 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 \$441,073 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 second payment was made August, 2004. As of June 30, 2005, the balance due was \$20,746.

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				Total	
	Bonds and Notes		Revenue Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
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	\$ 8,705,000	\$ 2,582,584	\$ 30,000	\$ 2,530	\$ 8,735,000	\$ 2,585,114

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 6.16% and 9.23%, respectively, and for the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$95,068, \$87,182, and \$87,228, respectively, which were 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 and 2003, the City allocated property tax collections of \$67,500, and \$49,000, 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, 2005	<u>501,768</u>
Estimated Underfunded Pension Benefit Obligations	<u>\$ 58,047</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, 2005, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$121,300
Sick Leave	<u>198,700</u>
Total	<u>\$320,000</u>

The liability has been computed based on rates of pay in effect as of June 30, 2005.

8/ Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2005.

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 509 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, 2005 were \$57,586.

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. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual 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, 2005, 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, 2005 is as follows:

	Transfer To					Total
	General	Storm Sewer	Equipment Reserve	Debt Service	Town Center	
Transfer from						
Urban Renewal Tax Increment	\$ -		\$ -	\$ 1,155,899	\$ 138,483	\$ 1,294,382
Road Use Tax	40,000		5,000			\$ 45,000
Water Fund			10,000			\$ 10,000
Sewer Fund	40,000					\$ 40,000
Nonmajor Governmental	40,000			-	-	40,000
General	-	9,860		-	-	9,860
	<u>\$ 120,000</u>	<u>\$ 9,860</u>	<u>\$ 15,000</u>	<u>\$ 1,155,899</u>	<u>\$ 138,483</u>	<u>\$ 1,439,242</u>

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, 2005, the Town Center capital project had a deficit balance of \$427,299 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, 2005 deficit in the Storm Sewer Fund of \$9,175 will be eliminated by future charges for services.

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/ 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.

14/ Education Facility Revenue Bonds

The City issued the following 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.

<u>Date of Issue</u>	<u>Amount</u>	<u>Project</u>
December, 2003	\$4,000,000	Sacred Heart School
March, 2005	\$6,500,000	Drake University

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, 2005

	Governmental Funds Actual	Enterprise Funds Actual
Receipts		
Property Taxes	\$ 2,076,718	\$ -
Tax increment financing collections	1,294,382	-
Other city tax	7,221	-
Licenses and permits	118,060	-
Use of money and property	17,216	1,085
Intergovernmental	410,168	-
Charges for Service	216,612	97,592
Miscellaneous	289,254	-
Total Receipts	<u>4,429,631</u>	<u>98,677</u>
Disbursements		
Public safety	1,648,134	-
Public works	690,381	-
Health and social services	78,574	-
Culture and recreation	337,121	-
Community and economic development	33,301	-
General government	395,866	-
Debt service	1,180,503	11,960
Capital projects	36,480	-
Business type activities	-	66,554
Total Disbursements	<u>4,400,360</u>	<u>78,514</u>
Excess (deficiency) of receipts over (under) disbursements	<u>29,271</u>	<u>20,163</u>
Other financing sources, net	<u>40,140</u>	<u>(40,140)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>69,411</u>	<u>(19,977)</u>
Balance - beginning of year	<u>1,107,537</u>	<u>449,723</u>
Balance - end of year	<u>\$ 1,176,948</u>	<u>\$ 429,746</u>

See accompanying independent auditors' report.

Budgeted Amounts

	Net	Original	Final	Final to Net Variance
\$	2,076,718	\$ 2,127,535	\$ 2,127,535	\$ (50,817)
	1,294,382	1,247,000	1,247,000	47,382
	7,221	48,077	48,077	(40,856)
	118,060	84,900	120,842	(2,782)
	18,301	5,125	12,952	5,349
	410,168	408,000	410,903	(735)
	314,204	231,200	234,356	79,848
	289,254	148,200	174,909	114,345
\$	4,528,308	4,300,037	4,376,574	151,734
	1,648,134	1,591,158	1,757,551	109,417
	690,381	641,106	708,147	17,766
	78,574	87,100	87,100	8,526
	337,121	230,612	347,848	10,727
	33,301	29,000	29,000	(4,301)
	395,866	377,575	387,602	(8,264)
	1,192,463	1,180,506	1,180,506	(11,957)
	36,480	15,000	15,000	(21,480)
	66,554	147,775	147,775	81,221
	4,478,874	4,299,832	4,660,529	181,655
	49,434	205	(283,955)	333,389
	-	-	11,452	11,452
	49,434	205	(272,503)	321,937
	1,557,260	2,054,194	2,054,194	(496,934)
\$	1,606,694	\$ 2,054,399	\$ 1,781,691	\$ (174,997)

City of Windsor Heights, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

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 \$360,697. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Community and Economic Development, 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, 2005

	Special Revenue	
	Police Trust	Police Preforfeiture Fund
Receipts		
Use of money and property	\$ -	\$ 170
Miscellaneous	5,275	4,233
Total Receipts	5,275	4,403
Disbursements		
Operating		
Public Safety	1,690	14,809
General Government	-	-
Capital projects	-	-
Total Disbursements	1,690	14,809
Excess (deficiency) of receipts over disbursements	3,585	(10,406)
Other financing sources (uses)		
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	-	-
Net change in cash balances	3,585	(10,406)
Cash balance (deficit) - beginning of year	511	17,264
Cash balance (deficit) - end of year	\$ 4,096	\$ 6,858
Cash basis fund balances (deficit)		
Unreserved		
Special revenue funds	\$ 4,096	\$ 6,858
Capital project fund	-	-
Total cash basis fund balances (deficit)	\$ 4,096	\$ 6,858

See accompanying independent auditors' report.

Capital Projects				
Town Center	University Avenue Widening	Equipment Reserve	Total	
\$ -	\$ 6,296	\$ 1,551	\$ 8,017	
-	25,389	-	34,897	
-	31,685	1,551	42,914	
-	-	76,590	93,089	
-	-	13,471	13,471	
11,135	25,345	-	36,480	
11,135	25,345	90,061	143,040	
(11,135)	6,340	(88,510)	(100,126)	
138,483	-	15,000	153,483	
(40,000)	-	-	(40,000)	
98,483	-	15,000	113,483	
87,348	6,340	(73,510)	13,357	
(514,647)	37,717	340,676	(118,479)	
\$ (427,299)	\$ 44,057	\$ 267,166	\$ (105,122)	
\$ -	\$ -	\$ -	\$ 10,954	
(427,299)	44,057	267,166	(116,076)	
\$ (427,299)	\$ 44,057	\$ 267,166	\$ (105,122)	

City of Windsor Heights, Iowa
Schedule of Indebtedness
For the year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
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			<u>\$ 10,945,000</u>
Revenue Notes			
Water Main and Road Project	October 15, 1992	5.00 to 5.62%	<u>\$ 265,000</u>

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 460,000	-	\$ 45,000	\$ 415,000	\$ 24,775
750,000	-	50,000	700,000	38,380
1,310,000	-	115,000	1,195,000	88,425
1,495,000	-	90,000	1,405,000	76,542
2,070,000	-	150,000	1,920,000	144,930
880,000	-	130,000	750,000	43,493
205,000	-	45,000	160,000	10,105
1,735,000	-	25,000	1,710,000	77,978
450,000	-	-	450,000	25,875
<u>\$ 9,355,000</u>	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ 8,705,000</u>	<u>\$ 530,503</u>
<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 30,000</u>	<u>\$ 1,960</u>

City of Windsor Heights, Iowa
Bond and Note Maturities
June 30, 2005

Year Ending June 30,	73rd Street Bridge 73rd Street Improvements 63rd Street Widening Projects Issued May 22, 1996		University Avenue Reconstruction 71 and 72 Street Turnarounds 1997-1A Issued March 12, 1997		University Avenue Project 1997-1B Issued March 12, 1997	
	Interest		Interest		Interest	
	Rates (%)	Amount	Rates (%)	Amount	Rates (%)	Amount
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>\$ 415,000</u>		<u>\$ 700,000</u>		<u>\$ 1,195,000</u>

Year Ending June 30,	Series 1999A University Avenue Street Widening and Improvements Issued August 30, 2000		Series 1999B Urban Renewal Project Issued August 30, 2000		Series 1999C Refunding Bonds Issued August 30, 2000	
	Interest		Interest		Interest	
	Rates (%)	Amount	Rates (%)	Amount	Rates (%)	Amount
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>\$ 1,405,000</u>		<u>\$ 1,920,000</u>		<u>\$ 750,000</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, 2002		Issued June 17, 2002		
Interest		Interest		Interest		
Rates (%)	Amount	Rates (%)	Amount	Rates (%)	Amount	
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>\$ 160,000</u>		<u>\$ 1,710,000</u>		<u>\$ 450,000</u>		<u>\$ 8,705,000</u>

Revenue Notes Water		
Issued October 15, 1992		
Year Ending June 30,	Interest Rates (%)	Amount
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>\$ 30,000</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, 2005

	2005	2004
Receipts		
Property taxes	\$ 2,076,718	\$ 1,886,664
Tax increment financing collections	1,294,382	1,097,352
Other city tax	7,221	13,781
Licenses and permits	118,060	117,595
Use of money and property	17,216	7,887
Intergovernmental	410,168	428,617
Charges for service	216,612	195,406
Miscellaneous	289,254	154,295
Total	\$ 4,429,631	\$ 3,901,597
Disbursements		
Operating		
Public safety	\$ 1,648,134	\$ 1,457,408
Public works	690,381	535,010
Health and human services	78,574	85,529
Culture and recreation	337,121	247,442
Community and economic development	33,301	51,813
General government	395,866	385,077
Debt service	1,180,503	1,141,875
Capital projects	36,480	369,251
Total	\$ 4,400,360	\$ 4,273,405

See accompanying independent auditors' report.

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, 2005, 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 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, 2005 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.".

December 2, 2005

City of Windsor Heights, Iowa
Schedule of Findings
Year Ended June 30, 2005

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE: No matters were noted.

REPORTABLE CONDITIONS:

05-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

05-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, 2005.

05-II-B Certified Budget

As reported in Notes to Financial Statement 1D, disbursements during the year ended June 30, 2005 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):

- 05-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.
- 05-II-D Travel Expense
We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.
- 05-II-E Business Transactions
There were no business transactions between the City and City officials or employees during the year.
- 05-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.
- 05-II-G Council Minutes
No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation
The City should comply with Chapter 372.13(6) of the Code of Iowa and should publish minutes as required.

Response
We will publish minutes as required.

Conclusion
Response accepted.
- 05-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.

Part II (continued):

05-II-I

Financial Condition

At June 30, 2005, the Town Center Project in the Capital Project Fund and the Storm Sewer Fund had deficit balances of \$427,299 and \$9,175, respectively.

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.

05-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.

