

**City of Windsor Heights, Iowa**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2010**

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**City of Windsor Heights, Iowa  
OFFICIALS**

**Term expires**

**MAYOR AND MEMBERS OF CITY COUNCIL (After January 2010)**

Jerry Sullivan, Mayor

December 31, 2013

**MEMBERS OF CITY COUNCIL**

David Jenison, Council Member

December 31, 2013

Betty Glover, Council Member

December 31, 2013

Diana Willits, Council Member

December 31, 2013

Steve Peterson, Council Member

December 31, 2011

Charlene Butz, Council Member

December 31, 2011

**CITY ADMINISTRATOR/CLERK**

Marketa George Oliver

Indefinite

**CITY TREASURER**

Carrie Brannen

Indefinite

**CITY ATTORNEY**

Matt Brick

Indefinite

**MAYOR AND MEMBERS OF CITY COUNCIL (Before January 2010)**

Jerry Sullivan, Mayor

December 31, 2009

**MEMBERS OF CITY COUNCIL**

Flo Hunter, Council Member

December 31, 2009

Carole Tillotson, Council Member

December 31, 2009

Diana Willits, Council Member

December 31, 2009

Steve Peterson, Council Member

December 31, 2011

Charlene Butz, Council Member

December 31, 2011

**CITY ADMINISTRATOR/CLERK**

Marketa George Oliver

Indefinite

**CITY TREASURER**

Colleen Pingrey

March 29, 2010

**CITY ATTORNEY**

Matt Brick

Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the contents page of this report. These financial statements are the responsibility of the City of Windsor Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2010, 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 17 to the financial statements, certain errors resulting in the understatement of the Colby Park TIF Capital Projects beginning fund balance and the overstatement of the Hickman Road TIF Capital Projects beginning fund balance as of June 30, 2010 were discovered by management of the City of Windsor Heights during the current year. Our report dated April 7, 2011 should not be relied on because the financial statements were materially misstated and is replaced by this report on the reissued financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2011 on our consideration of the City of Windsor Heights' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 15 and 32 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights' basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the basic financial statements for the two years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The basic financial statements for the four years ended June 30, 2007 (none of which are presented herein) were audited by other auditors whose report dated July 22, 2008 stated that they expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
April 7, 2011 (except for Note 17, as to which  
the date is September 30, 2011)

**CITY OF WINDSOR HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

This discussion and analysis is intended to be an easily readable analysis of the City of Windsor Heights' financial activities for the fiscal year ended June 30, 2010 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.

**2010 Financial Highlights**

- As of June 30, 2010 the City had fund balances on hand of \$1,716,361 in governmental fund types, down from \$5,404,342 in FY 2009; \$8,172,036 in FY 2008 and \$2,870,205 in FY 2007. The reason for this change is the expenditures on capital projects.
- As of June 30, 2010, the City had a deficit of (\$22,727) in proprietary funds, decreasing from \$337,626 in FY 2009; \$435,249 in FY 2008 and \$411,359 in FY 2007. The decrease is from increased expenditures in stormwater and sewer areas and a timing issue of when revenues are received in the sewer area.
- Capital Projects accounted for the largest portion of the City's disbursements in FY 2010 (44.26%), due to payments for construction on our new Community and Events Center. Public Safety accounted for the second largest portion (19.14%) of the City's total disbursements and 56.42% of the City's total General Fund disbursements, slightly down from the 58.09% of FY 2009. Debt Service accounted for the next largest portion of the City's disbursements in FY 2010 (17.22%).
- Property Taxes of \$2,703,573 accounted for the largest portion (38.87%) of the City's receipts down from \$2,778,548 in FY 2009; and up from \$2,215,440 in FY 2008; \$2,160,668 in FY 2007 and \$2,149,157 in FY 2006. This is due to the Council policy decision in the prior year to issue bonds for major capital investment, with a portion of the debt service payment coming from the general obligation property tax debt service levy. TIF receipts accounted for the next largest portion (26.02%) at \$1,809,398 in FY 2010, an increase from \$1,645,515 in FY 2009, \$1,568,689 in FY 2008; \$1,620,769 in FY 2007 and \$1,447,527 in FY 2006.

**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, sewer and stormwater.

## **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:

**Governmental 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 Fund, and Police Pension Fund, and Capital Projects Fund, Colby Park TIF and Hickman Road TIF.

**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 Funds.

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, sewer utility and stormwater 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, and community 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; Community Services Director, Code Enforcement Officer, elections, legal services, City Hall, utilities, and safety program.

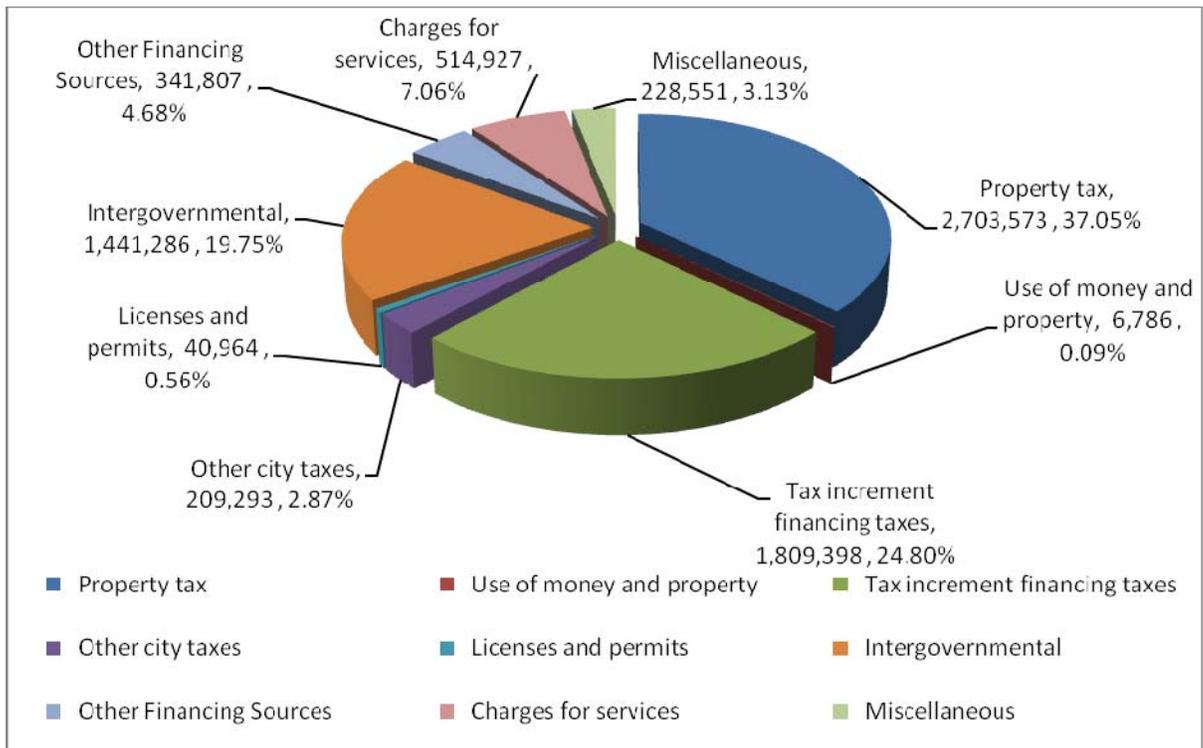
**Debt Service** - This category includes general, TIF and road use debt service.

**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 73<sup>rd</sup> Street and the implementation of the sidewalk construction program. Current and future capital projects include the Colby Park project and the redevelopment of Hickman Road.

## Major Governmental Fund Analysis

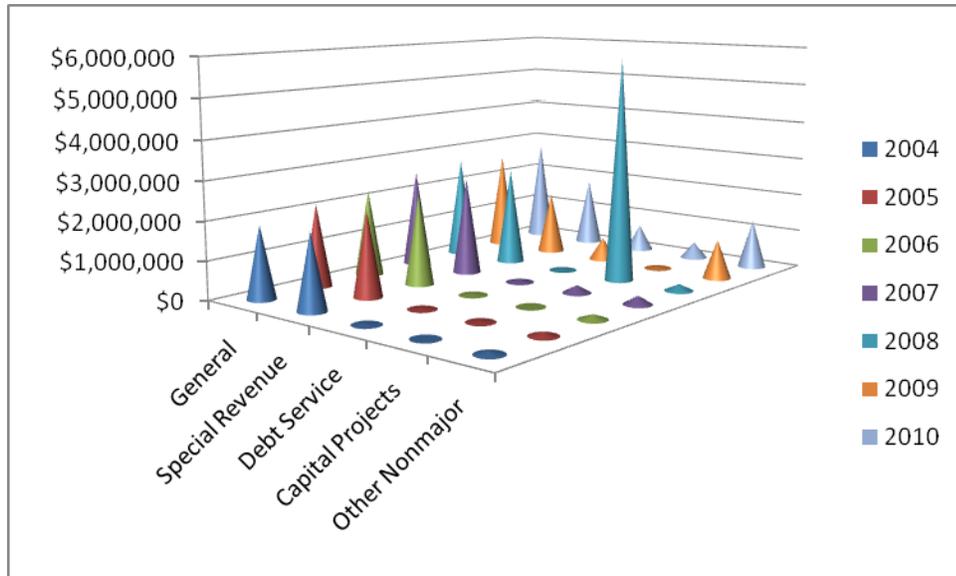
For the year ended June 30, 2010, the City's governmental activities were budgeted as follows:

### Sources of Funds for Governmental Activities



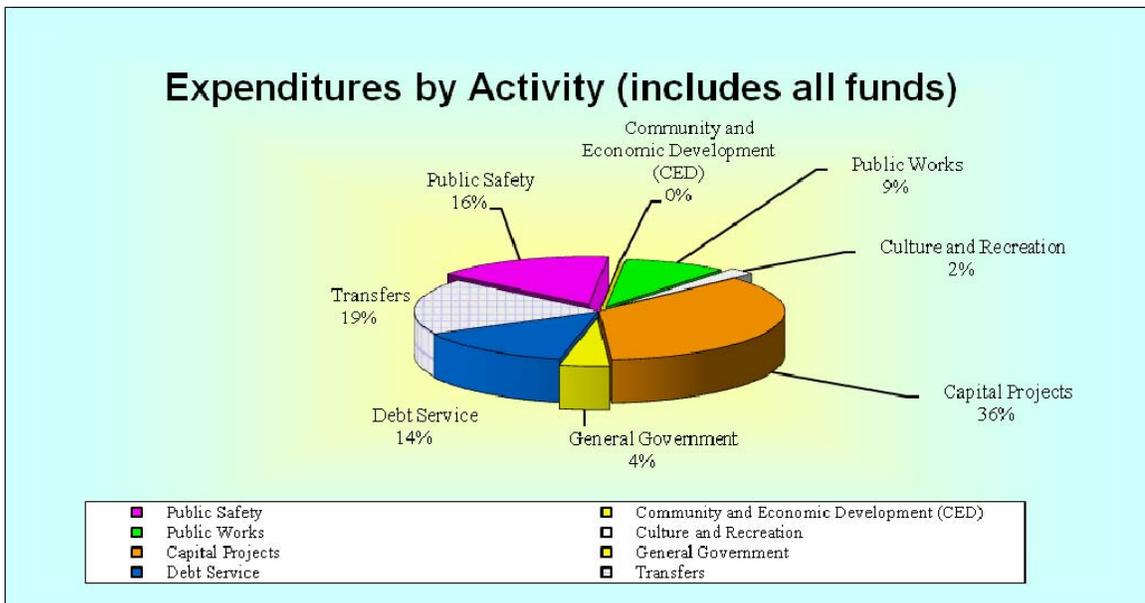
In actuality, total general receipts and transfers in FY 2010 were \$5,105,951, which is a decrease from the \$6,807,527 in FY 2009; and \$10,164,788 in 2008. This is largely due to the issuance of bonds in 2008 and 2009. General fund receipts (excluding transfers) were \$2,745,557, a slight increase from the \$2,589,750 in FY 2009, and \$2,665,673 in FY 2008. TIF fund property tax receipts were \$1,809,398 in FY 2010, up from \$1,645,515 in FY 2009 and \$1,568,689, FY 2008. There was a decrease of \$343,628 compared to the FY 2009 collection of \$566,977 in property tax revenues collected for FICA, IPERS and other employee benefits, making the total collection for FY 2010 the sum of \$223,349.

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



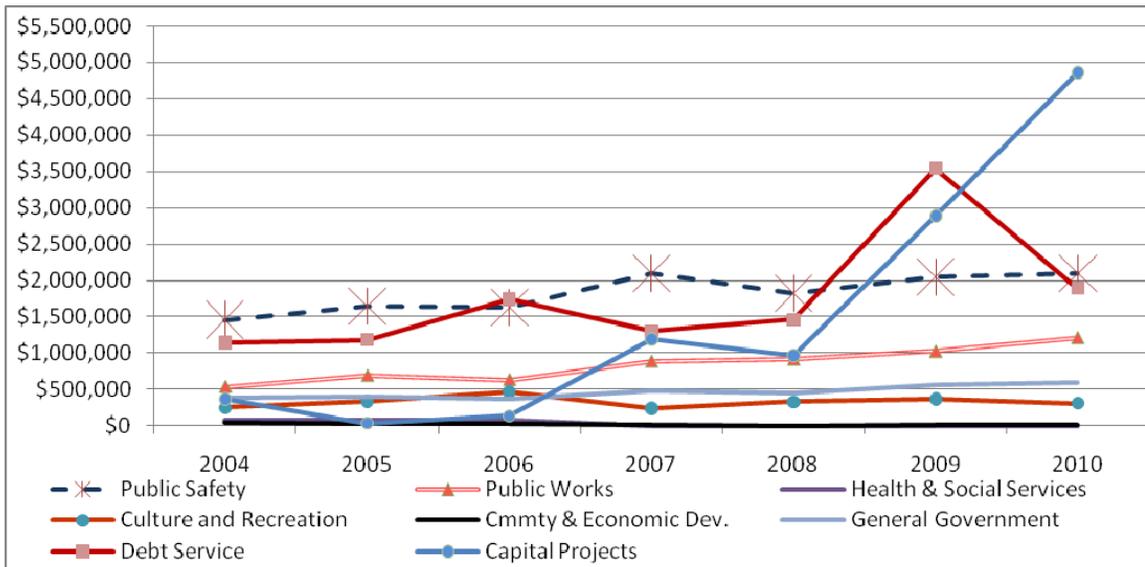
### Expenditure Picture

Uses of Funds in Governmental Activities – actual FY 2010

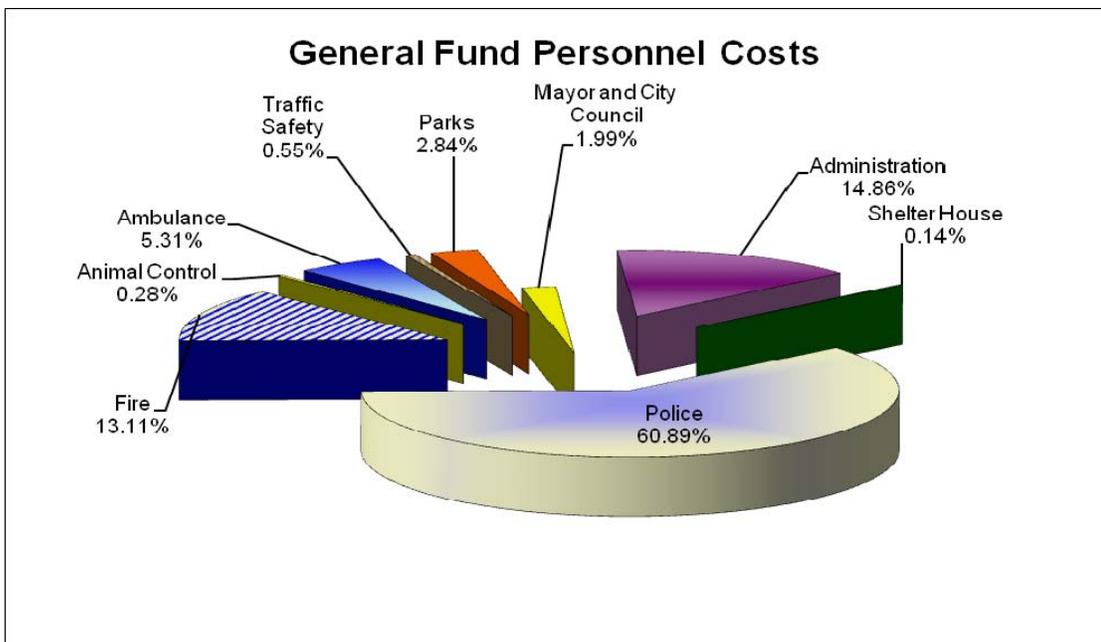


With a few exceptions, operating governmental program disbursements remain fairly consistent. In FY 2010, capital projects expenditures increased, as did debt service. The increase in debt service expenditure was due to bond payments related to the capital expenditures.

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



The largest expenditure in the City’s budget remains salaries. The largest part of the general fund salary allocations goes to the police department. General fund salaries, as budgeted in FY 2010, are distributed as shown in the following graph.



### **Business-type Fund Analysis**

For the year ended June 30, 2010, the City's business-type activities revenues and expenses remained a minimal, yet growing part of the budget. Sanitary sewer and stormwater are enterprise functions that have potential for greater expenditure growth in the future, due to aging infrastructure and increased stormwater mandates. Additionally, the City continues the practice of purchasing equipment directly out of the capital equipment fund, instead of budgeting the expenditures in department budgets and then transferring money from that fund to cover the expenditures.

### **Budgetary Highlights**

City Council approved two budget amendments during the year.

### **Capital Assets and Debt Administration**

As of June 30, 2010 the City had fund balances on hand of \$1,716,361 in governmental fund types, much less than the \$5,404,342 in FY 2009. This is due to the expenditures on capital projects/investments. The City had a deficit of (\$22,727) in proprietary funds, less than the \$337,626 in FY 2009; \$435,249 in FY 2008 and \$411,359 in FY 2007.

### **Debt Outstanding**

As of year-end, the City had \$11,045,000 in outstanding debt counting towards the constitutional debt limit, compared to \$12,370,000 in FY 2009 and \$13,470,000 in FY 2008. The City had a total outstanding debt of \$13,973,842 as of June 30, 2010, in comparison to \$15,533,842 in FY 2009 and \$16,398,842 in FY 2008.

### **Economic Factors**

Property taxes represent approximately 39% of total program resources excluding other financing sources. TIF revenues comprised nearly 26% of revenues. Charges for services and licenses and permits comprised approximately 7.99% of the City's revenues, up from 6.89% in FY 2009. Miscellaneous Revenue comprises approximately 3.29% of the FY 2010 revenues. 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.

The bulk of the City's budget is driven by personnel costs. The City employs 29, regular, full-time employees, or roughly 5.93 employees per thousand residents, which is slightly below the national average of 6.13 for cities providing comparable services. The City also employs regular "part-time" employees, who serve as the crossing guard at Clive Elementary and police officers. Of the 29 FTE's, 15 are in the Police Department; 7 in Public Works (including 1 in Building Inspections); 3 in Fire; 1 in Parks and Recreation; and 3 in Administration. Approximately twenty-five paid per call employees comprise the remainder of the employees in the Fire Department.

Following is a table comparing receipts and disbursements for governmental funds from 2006 through 2010. As you can see, the City continues to improve its infrastructure through capital projects. The City has always carried a very healthy general fund reserve which has enabled lingering deficit balances in the TIF funds (which is used for debt service, capital projects and economic development projects) and the stormwater fund. In the near future, it will be necessary to evaluate how long this can be sustained before the TIF and Stormwater funds begin repaying its interfund debt. Economic conditions remained fairly consistent in FY 2010, however should they not remain at current levels, additional evaluation will need to be conducted as to what appropriate action needs to be taken to continue to protect the City's reserve levels.

City of Windsor Heights, Iowa  
Changes in Cash Basis Net Assets of Governmental Activities  
Governmental Funds – Year Ended June 30

<b>Receipts</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Property Taxes	\$2,149,157	\$2,160,668	\$2,215,440	\$2,778,548	\$2,703,573
Tax Increment Financing					
Collections	\$1,447,527	\$1,620,769	\$1,568,689	\$1,645,515	\$1,809,398
Other city tax	\$307,581	\$306,032	\$316,789	\$287,013	\$209,293
Licenses and permits	\$40,333	\$79,458	\$75,189	\$38,357	\$40,964
Use of Money & Property	\$40,451	\$58,023	\$65,332	\$78,651	\$6,786
Intergovernmental	\$409,501	\$783,396	\$515,629	\$422,362	\$1,441,286
Charges for Service	\$120,478	\$331,869	\$377,556	\$370,278	\$514,927
Miscellaneous	\$205,438	\$283,318	\$297,258	\$309,957	\$228,551
<b>Total Receipts</b>	<b>\$4,720,466</b>	<b>\$5,623,533</b>	<b>\$5,431,882</b>	<b>\$5,930,681</b>	<b>\$6,954,778</b>
<b>Disbursements</b>					
Public Safety	\$1,622,875	\$2,100,540	\$1,819,876	\$2,048,175	\$2,102,371
Public Works	\$629,928	\$885,629	\$914,916	\$1,023,955	\$1,214,431
Health & Social Services	\$75,125	\$0	\$0	\$2,500	\$100
Culture and Recreation	\$468,146	\$238,776	\$328,954	\$370,797	\$308,454
Commt & Economic Dev.	\$23,354	\$14,933	\$225	\$8,085	\$12,535
General Government	\$375,537	\$479,658	\$456,932	\$570,123	\$594,043
Debt Service	\$1,744,032	\$1,300,176	\$1,459,425	\$3,538,565	\$1,891,171
Capital Projects	\$138,719	\$1,191,250	\$966,570	\$2,890,523	\$4,861,461
<b>Total Disbursements</b>	<b>\$5,077,716</b>	<b>\$6,210,962</b>	<b>\$5,946,898</b>	<b>\$10,452,723</b>	<b>\$10,984,566</b>
Excess (deficiency) of receipts over (under) Disbursement	<b>(\$357,250)</b>	<b>(\$587,429)</b>	<b>(\$515,016)</b>	<b>(\$4,522,042)</b>	<b>(\$4,029,788)</b>
Other financing sources	\$763,781	\$1,512,063	\$5,816,767	\$1,754,348	\$341,807
Net changes in cash Balances	\$406,531	\$924,634	\$5,301,751	<b>(\$2,767,694)</b>	<b>(\$3,687,981)</b>
Balance - beginning of the year*	\$1,539,120	\$1,945,651	\$2,870,285	\$8,172,036	\$5,404,342
Balance - end of year*	<b>\$1,945,651</b>	<b>\$2,870,285</b>	<b>\$8,172,036</b>	<b>\$5,404,342</b>	<b>\$1,716,361</b>

\*Balances adjusted to include Police Pension.

Following is a table comparing receipts and disbursements for proprietary (business activities) funds from 2006 through 2010. These funds remain strong with good reserves, with the exception of the stormwater fund, which has a negative balance. Staff will work over the next year to create recommendations to the Council to eliminate this deficit, which was caused by two large capital projects.

City of Windsor Heights, Iowa  
Changes in Cash Basis Net Assets of Governmental Activities  
Proprietary Funds-Year Ended June 30

<b>Receipts</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Use of Money and Property	\$2,310	\$0	\$0	\$17,475	\$278
Intergovernmental Charges for Service	\$129,195	\$149,690	\$152,739	\$338,076	\$371,588
<b>Total Receipts</b>	<b>\$131,505</b>	<b>\$149,690</b>	<b>\$152,739</b>	<b>\$359,680</b>	<b>\$434,674</b>
<b>Disbursements</b>					
Business type activities	\$89,186	\$167,225	\$118,849	\$442,303	\$453,220
Debt Service	\$13,811	\$9,360	\$0	\$0	\$0
<b>Total Disbursements</b>	<b>\$102,997</b>	<b>\$176,585</b>	<b>\$118,849</b>	<b>\$442,303</b>	<b>\$453,220</b>
Excess (deficiency) of receipts over (under) disbursements	<b>\$28,508</b>	<b>(\$26,895)</b>	<b>\$33,890</b>	<b>(\$82,623)</b>	<b>(\$18,546)</b>
Other financing (uses)	<b>(\$10,000)</b>	<b>(\$10,000)</b>	<b>(\$10,000)</b>	<b>(\$15,000)</b>	<b>(\$341,807)</b>
Net changes in cash balances	\$18,508	<b>(\$36,895)</b>	\$23,890	<b>(\$97,623)</b>	<b>(\$360,353)</b>
Balance - beginning of the year	\$429,746	\$448,254	\$411,359	\$435,249	\$337,626
Balance - end of year	<b>\$448,254</b>	<b>\$411,359</b>	<b>\$435,249</b>	<b>\$337,626</b>	<b>(\$22,727)</b>

## **Next year's budget and rates**

For the year ending June 30, 2011 the general fund has been budgeted fairly consistent with this year. The overall tax levy rate is set to decrease to \$13.31 in 2011, which is a decrease of \$.47.

Staff reviewed a comprehensive water main improvement plan and Council took action in January, 2008 to adjust water rates to create the capital fund levels to make improvements on a regularly-scheduled basis, although capital rates need to be monitored. Staff also developed a plan for sliplining sewers and replacing stormwater intakes. The City has engaged resources available through Iowa State University to effectively x-ray the City's streets, in order to provide additional and better data on which a strategic plan, not only for street resurfacing, but also street reconstruction can be placed.

## **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 or Chief Financial Officer at 1133 66<sup>th</sup> Street, Windsor Heights, IA 50324 or telephone 515/279-3662.



Marketa George Oliver  
City Administrator



Carrie Brannen  
Chief Financial Officer

**BASIC FINANCIAL STATEMENTS**

**City of Windsor Heights, Iowa**  
**STATEMENT OF ACTIVITIES AND NET ASSETS (DEFICIT) - CASH BASIS**  
**As of and for the year ended June 30, 2010**

		<b>Program receipts</b>		
<b>FUNCTIONS/PROGRAMS</b>	<b>Disbursements</b>	<b>Charges for service</b>	<b>Operating grants, contributions, and restricted interest</b>	<b>Capital grants, contributions, and restricted interest</b>
Governmental activities				
Public safety	\$ 2,102,371	\$ 313,830	\$ -	\$ -
Public works	1,214,431	230,310	453,698	563,573
Health and social services	100	-	-	-
Culture and recreation	308,454	-	-	-
Community and economic development	12,535	11,751	-	-
General government	594,043	-	-	-
Debt service	1,891,171	-	-	-
Capital projects	4,861,461	-	424,015	-
Total governmental activities	<u>10,984,566</u>	<u>555,891</u>	<u>877,713</u>	<u>563,573</u>
Business type activities				
Water	227,950	20,000	-	-
Sewer	99,418	95,019	-	-
Storm water	125,852	108,497	62,808	-
Total business type activities	<u>453,220</u>	<u>223,516</u>	<u>62,808</u>	<u>-</u>
Total primary government	<u>\$11,437,786</u>	<u>\$ 779,407</u>	<u>\$ 940,521</u>	<u>\$ 563,573</u>
<b>GENERAL RECEIPTS</b>				
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				
<b>NET ASSETS, beginning of year</b>				
<b>NET ASSETS (DEFICIT), end of year</b>				
<b>CASH BASIS NET ASSETS (DEFICIT)</b>				
Restricted				
Streets				
Employee benefits				
Capital projects				
Urban renewal TIF				
Other purposes				
Unrestricted				
Total cash basis net assets (deficit)				

See Notes to Financial Statements.

**Net (disbursements) receipts and  
changes in cash basis net assets**

<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>
\$ (1,788,541)	\$ —	\$ (1,788,541)
33,150	—	33,150
(100)	—	(100)
(308,454)	—	(308,454)
(784)	—	(784)
(594,043)	—	(594,043)
(1,891,171)	—	(1,891,171)
<u>(4,437,446)</u>	<u>—</u>	<u>(4,437,446)</u>
<u>(8,987,389)</u>	<u>—</u>	<u>(8,987,389)</u>
—	(207,950)	(207,950)
—	(4,399)	(4,399)
—	<u>45,453</u>	<u>45,453</u>
—	<u>(166,896)</u>	<u>(166,896)</u>
<u>(8,987,389)</u>	<u>(166,896)</u>	<u>(9,154,285)</u>
2,008,060	—	2,008,060
1,809,398	—	1,809,398
695,513	—	695,513
209,293	—	209,293
4,186	278	4,464
231,151	148,072	379,223
<u>341,807</u>	<u>(341,807)</u>	<u>—</u>
<u>5,299,408</u>	<u>(193,457)</u>	<u>5,105,951</u>
(3,687,981)	(360,353)	(4,048,334)
<u>5,404,342</u>	<u>337,626</u>	<u>5,741,968</u>
\$ <u>1,716,361</u>	\$ <u>(22,727)</u>	\$ <u>1,693,634</u>
\$ (159,515)	\$ —	\$ (159,515)
190,745	—	190,745
629,142	—	629,142
(722,056)	—	(722,056)
54,500	—	54,500
<u>1,723,545</u>	<u>(22,727)</u>	<u>1,700,818</u>
\$ <u>1,716,361</u>	\$ <u>(22,727)</u>	\$ <u>1,693,634</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, 2010**

	<u>General</u>	<u>Police Pension</u>	<u>Special revenue</u> <u>Urban renewal Tax Increment Financing</u>	<u>Debt service</u>
<b>RECEIPTS</b>				
Property tax	\$1,784,711	\$ —	\$ —	\$ 695,513
Tax increment financing collections	—	—	1,809,398	—
Other city tax	209,293	—	—	—
Licenses and permits	40,964	—	—	—
Use of money and property	3,416	1,459	—	—
Intergovernmental	—	—	—	—
Charges for services	514,927	—	—	—
Miscellaneous	192,246	—	—	—
Total receipts	<u>2,745,557</u>	<u>1,459</u>	<u>1,809,398</u>	<u>695,513</u>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	1,511,679	46,328	—	—
Public works	326,364	—	—	—
Health and social services	100	—	—	—
Culture and recreation	291,296	—	5,063	—
Community and economic development	2,760	—	9,775	—
General government	511,252	—	—	—
Debt service	—	—	—	1,891,171
Capital projects	35,913	—	46,930	—
Total disbursements	<u>2,679,364</u>	<u>46,328</u>	<u>61,768</u>	<u>1,891,171</u>
Excess (deficiency) of receipts over (under) disbursements	<u>66,193</u>	<u>(44,869)</u>	<u>1,747,630</u>	<u>(1,195,658)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	186,755	—	—	1,658,471
Operating transfers out	(176,000)	(4,501)	(1,922,725)	(435,000)
Total other financing sources (uses)	<u>10,755</u>	<u>(4,501)</u>	<u>(1,922,725)</u>	<u>1,223,471</u>
Net change in cash balances	76,948	(49,370)	(175,095)	27,813
<b>CASH BALANCES (DEFICIT)</b> , beginning of year, as restated (see Note 17)	<u>1,646,597</u>	<u>334,388</u>	<u>(546,961)</u>	<u>—</u>
<b>CASH BALANCES (DEFICIT)</b> , end of year	<u>\$1,723,545</u>	<u>\$ 285,018</u>	<u>\$ (722,056)</u>	<u>\$ 27,813</u>
<b>CASH BASIS FUND BALANCES (DEFICIT)</b>				
Unreserved				
General fund	\$1,723,545	\$ —	\$ —	\$ —
Special revenue funds	—	285,018	(722,056)	—
Debt service funds	—	—	—	27,813
Capital project funds	—	—	—	—
Total cash basis fund balances (deficit)	<u>\$1,723,545</u>	<u>\$ 285,018</u>	<u>\$ (722,056)</u>	<u>\$ 27,813</u>

See Notes to Financial Statements.

<b>Capital projects</b>			
<b>Colby Park TIF</b>	<b>Hickman Road TIF</b>	<b>Other nonmajor</b>	<b>Total</b>
\$ -	\$ -	\$ 223,349	\$ 2,703,573
-	-	-	1,809,398
-	-	-	209,293
-	-	-	40,964
-	1,059	852	6,786
424,015	-	1,017,271	1,441,286
-	-	-	514,927
-	-	36,305	228,551
<u>424,015</u>	<u>1,059</u>	<u>1,277,777</u>	<u>6,954,778</u>
-	-	544,364	2,102,371
-	-	888,067	1,214,431
-	-	-	100
-	-	12,095	308,454
-	-	-	12,535
-	-	82,791	594,043
-	-	-	1,891,171
<u>1,789,002</u>	<u>2,044,071</u>	<u>945,545</u>	<u>4,861,461</u>
<u>1,789,002</u>	<u>2,044,071</u>	<u>2,472,862</u>	<u>10,984,566</u>
(1,364,987)	(2,043,012)	(1,195,085)	(4,029,788)
532,000	-	502,807	2,880,033
-	-	-	(2,538,226)
<u>532,000</u>	<u>-</u>	<u>502,807</u>	<u>341,807</u>
(832,987)	(2,043,012)	(692,278)	(3,687,981)
<u>1,224,858</u>	<u>2,219,493</u>	<u>525,967</u>	<u>5,404,342</u>
<u>\$ 391,871</u>	<u>\$ 176,481</u>	<u>\$ (166,311)</u>	<u>\$ 1,716,361</u>
\$ -	\$ -	\$ -	\$ 1,723,545
-	-	(227,101)	(664,139)
-	-	-	27,813
<u>391,871</u>	<u>176,481</u>	<u>60,790</u>	<u>629,142</u>
<u>\$ 391,871</u>	<u>\$ 176,481</u>	<u>\$ (166,311)</u>	<u>\$ 1,716,361</u>

See Notes to Financial Statements.

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, 2010

	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
<b>OPERATING RECEIPTS</b>			
Charges for services	\$ 95,019	\$ 128,497	\$ 223,516
<b>OPERATING DISBURSEMENTS</b>			
Business type activities	<u>99,418</u>	<u>353,802</u>	<u>453,220</u>
(Deficiency) of operating receipts (under) operating disbursements	<u>(4,399)</u>	<u>(225,305)</u>	<u>(229,704)</u>
<b>NONOPERATING RECEIPTS</b>			
Interest on investments	-	278	278
Intergovernmental	-	62,808	62,808
Miscellaneous	<u>148,072</u>	<u>-</u>	<u>148,072</u>
Total nonoperating receipts	<u>148,072</u>	<u>63,086</u>	<u>211,158</u>
Excess (deficiency) of receipts over (under) disbursements	143,673	(162,219)	(18,546)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	47,543	-	47,543
Operating transfers (out)	<u>-</u>	<u>(389,350)</u>	<u>(389,350)</u>
Total other financing sources (uses)	<u>47,543</u>	<u>(389,350)</u>	<u>(341,807)</u>
Net change in cash balances	191,216	(551,569)	(360,353)
<b>CASH BALANCE (DEFICIT), beginning of year</b>	<u>(82,411)</u>	<u>420,037</u>	<u>337,626</u>
<b>CASH BALANCE (DEFICIT), end of year</b>	<u>\$ 108,805</u>	<u>\$ (131,532)</u>	<u>\$ (22,727)</u>
<b>CASH BASIS FUND BALANCE (DEFICIT), unreserved</b>	<u>\$ 108,805</u>	<u>\$ (131,532)</u>	<u>\$ (22,727)</u>

**City of Windsor Heights, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Windsor Heights (the City) 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-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including general government, public safety, public works, health and social services, culture and recreation, and community and economic development. It also operates the water, storm water, and sewer utilities.

**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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**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, 2010, the City paid Des Moines Area Metropolitan Planning Organization \$5,870.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority (the 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, 2010 the City paid the Metro Waste Authority \$82,443 for the Curb It Program.

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 \$28,790 during the year ended June 30, 2010.

In addition, the City participates in five 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, Central Iowa Regional Drinking Water Commission, Des Moines Metropolitan Transit Authority, and BRAVO.

**City of Windsor Heights, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation**

**Government-wide Financial Statement**

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 the 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 proprietary funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor governmental and nonmajor proprietary funds.

The City reports the following major governmental funds:

**General Fund**

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 Police Pension Fund is used to account for certain police department members retirement systems receipts and disbursements.

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

**City of Windsor Heights, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Debt Service Fund**

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

**Capital Projects**

The Colby Park Fund TIF is used to account for the costs associated with the Colby Park improvements.

The Hickman Road Fund TIF is used to account for the costs associated with the Hickman Road improvements.

The City reports the following major proprietary fund:

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

**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 accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted in any functions.

**NOTE 2 CASH AND POOLED INVESTMENTS**

The City's deposits at June 30, 2010 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.

**City of Windsor Heights, Iowa  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 CASH AND POOLED INVESTMENTS (continued)**

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 had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$534,635 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

*Interest rate risk* - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

*Credit risk* - The City's investment in the Iowa Public Agency Investment Trust is unrated.

**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.

**NOTE 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.

**NOTE 4 GENERAL OBLIGATION BONDS AND NOTES**

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

<u>Year ending June 30</u>	<u>General Obligation Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,595,000	\$ 508,477
2012	1,265,000	447,808
2013	1,285,000	404,183
2014	1,225,000	346,060
2015	630,000	289,075
2016-2020	1,970,000	1,072,591
2021-2025	1,760,000	655,268
2026-2028	<u>1,315,000</u>	<u>148,628</u>
Total	<u>\$11,045,000</u>	<u>\$3,872,090</u>

**City of Windsor Heights, Iowa  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 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.

Most regular plan members are required to contribute 4.30% of their annual salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$161,247, \$129,249 and \$115,190, respectively, 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.

The plan is administered by the City 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 two 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, 2006. The standardized measure of the unfunded pension obligation is as follows:

Total pension obligation at July 1, 2006	\$ 639,125
Net assets available for benefits at June 30, 2010	<u>285,018</u>
Estimated underfunded pension benefit obligations	<u>\$ 354,107</u>

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

**City of Windsor Heights, Iowa  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 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, and sick leave termination payments payable to employees at June 30, 2010, primarily relating to the general fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 138,900
Sick leave	<u>168,500</u>
Total	<u>\$ 307,400</u>

The liability has been computed based on rates of pay in effect as of June 30, 2010.

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 31 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the full premium for the medical/prescription drug benefits while employees pay a portion of the premium.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City plan members are \$415 for single, \$786 for employee-child(ren), \$850 for employee-spouse, and \$1,274 for family. For the year ended June 30, 2010, the City contributed \$280,343 and plan members eligible for benefits contributed \$27,204.

**NOTE 8 CONTRACTUAL COMMITMENTS**

The City has entered into construction contracts totaling \$1,054,162 for construction projects. As of June 30, 2010, costs of \$937,036 have been incurred on the projects. The balance of the contracts of \$114,387 will be paid as the projects progress.

**NOTE 9 RELATED PARTY TRANSACTIONS**

The City had no business transactions between the City and City officials during the year ended June 30, 2010.

**NOTE 10 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 whose 634 members include 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.

**City of Windsor Heights, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 RISK MANAGEMENT (continued)**

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 200 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 City's 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, 2010 were \$51,748.

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 the \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2010, settled claims have not exceeded the risk pool or reinsurance 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty 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 workers' compensation. 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.

**City of Windsor Heights, Iowa  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>						<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Urban renewal TIF</u>	<u>Debt service</u>	<u>Colby Park TIF</u>	<u>Sewer</u>	
General	\$ -	\$ 176,000	\$ -	\$ -	\$ -	\$ -	\$ 176,000
Police pension	4,501	-	-	-	-	-	4,501
Urban renewal TIF	137,254	-	-	1,658,471	127,000	-	1,922,725
Debt service	-	60,000	-	-	375,000	-	435,000
Nonmajor enterprise	45,000	-	266,807	-	30,000	47,543	389,350
	<u>\$ 186,755</u>	<u>\$ 236,000</u>	<u>\$ 266,807</u>	<u>\$1,658,471</u>	<u>\$ 532,000</u>	<u>\$ 47,543</u>	<u>\$2,927,576</u>

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

**NOTE 12 DEFICIT FUND BALANCE**

As of June 30, 2010, funds with deficit balances were as follows:

Governmental funds	
Road use	\$ (159,515)
Employee benefits	(97,056)
73 <sup>rd</sup> Street resurfacing	(80,270)
Urban Renewal TIF	(722,056)
Colby Park TIF	<u>(609,962)</u>
	(1,332,018)
Proprietary funds	
Water	(27,965)
Storm water	<u>(103,567)</u>
	<u>\$(1,800,391)</u>

The deficit balances will be eliminated through future property tax, interfund transfers, grant proceeds and charges for service of the respective funds.

**NOTE 13 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 classifications of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

**NOTE 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.

**City of Windsor Heights, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 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
July, 2007	\$3,600,000	Salisbury House
December, 2007	\$7,500,000	Dowling High School

**NOTE 16 SUBSEQUENT EVENTS**

The City issued general obligation bonds totaling approximately \$3,800,000 in February, 2011 to refund existing debt and interfund loans.

**NOTE 17 RESTATEMENT**

During the year ended June 30, 2009, a purchase of land related to the Hickman Road project was incorrectly reported as an expenditure in the Colby Park TIF Capital Projects fund. Therefore, the beginning fund balance for the Colby Park TIF Capital Projects fund was increased by \$1,001,833 and the beginning fund balance for the Hickman Road TIF Capital Projects fund was decreased by \$1,001,833.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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**  
**Year ended June 30, 2010**

	<b>Governmental funds actual</b>	<b>Proprietary funds actual</b>	<b>Total</b>
<b>RECEIPTS</b>			
Property taxes	\$ 2,703,573	\$ -	\$ 2,703,573
Tax increment financing collections	1,809,398	-	1,809,398
Other city tax	209,293	-	209,293
Licenses and permits	40,964	-	40,964
Use of money and property	6,786	278	7,064
Intergovernmental	1,441,286	62,808	1,504,094
Charges for services	514,927	371,588	886,515
Miscellaneous	228,551	-	228,551
Total receipts	<u>6,954,778</u>	<u>434,674</u>	<u>7,389,452</u>
<b>DISBURSEMENTS</b>			
Public safety	2,102,371	-	2,102,371
Public works	1,214,431	-	1,214,431
Health and social services	100	-	100
Culture and recreation	308,454	-	308,454
Community and economic development	12,535	-	12,535
General government	594,043	-	594,043
Debt service	1,891,171	-	1,891,171
Capital projects	4,861,461	-	4,861,461
Business type activities	-	453,220	453,220
Total disbursements	<u>10,984,566</u>	<u>453,220</u>	<u>11,437,786</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,029,788)</u>	<u>(18,546)</u>	<u>(4,048,334)</u>
<b>OTHER FINANCING SOURCES (USES), net</b>			
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>341,807</u>	<u>(341,807)</u>	<u>-</u>
<b>BALANCES, beginning of year</b>	<u>5,404,342</u>	<u>337,626</u>	<u>5,741,968</u>
<b>BALANCES, end of year</b>	<u>\$ 1,716,361</u>	<u>\$ (22,727)</u>	<u>\$ 1,693,634</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to total variance</u>
<u>Original</u>	<u>Final</u>	
\$ 2,655,558	\$ 2,703,776	\$ (203)
1,975,000	1,860,343	(50,945)
337,019	306,198	(96,905)
61,301	52,948	(11,984)
58,100	4,470	2,594
2,863,385	2,000,912	(496,818)
688,509	954,250	(67,735)
207,600	236,223	(7,672)
<u>8,846,472</u>	<u>8,119,120</u>	<u>(729,668)</u>
2,243,115	2,152,770	50,399
1,483,540	1,216,618	2,187
-	2,600	2,500
276,816	310,974	2,520
33,000	197,725	185,190
462,400	594,895	852
1,918,104	1,891,194	23
5,601,200	5,387,648	526,187
132,175	543,424	90,204
<u>12,150,350</u>	<u>12,297,848</u>	<u>860,062</u>
<u>(3,303,878)</u>	<u>(4,178,728)</u>	<u>130,394</u>
-	-	-
<u>(3,303,878)</u>	<u>(4,178,728)</u>	<u>130,394</u>
<u>4,980,878</u>	<u>6,013,390</u>	<u>(271,422)</u>
<u>\$ 1,677,000</u>	<u>\$ 1,834,662</u>	<u>\$ 141,028</u>

**City of Windsor Heights, Iowa**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**June 30, 2010**

The budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. 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.

Over the course of the year, the City amended its budget two times. The first amendment was approved on September 8, 2009. The second amendment was approved on March 22, 2010. The first budget amendment increased budgeted disbursements by \$297,360 and the second budget amendment increase budgeted disbursements by \$147,498. The budgeted amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, no disbursements exceeded the amounts budgeted.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Windsor Heights, Iowa**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2010**

	Special revenue			
	Road use	Police trust	Police preforfeiture fund	Employee benefits
<b>RECEIPTS</b>				
Property tax	\$ -	\$ -	\$ -	\$ 223,349
Use of money and property	-	2	13	404
Intergovernmental	453,698	-	-	-
Miscellaneous	2,808	4,057	12,434	17,006
Total receipts	456,506	4,059	12,447	240,759
<b>DISBURSEMENTS</b>				
Operating				
Public safety	-	395	14,219	529,750
Public works	723,493	-	-	164,574
Culture and recreation	-	-	-	12,095
General government	-	-	-	82,791
Capital projects	-	-	-	-
Total disbursements	723,493	395	14,219	789,210
Excess (deficiency) of receipts over (under) disbursements	(266,987)	3,664	(1,772)	(548,451)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	176,000	-	-	-
Total other financing sources	176,000	-	-	-
Net change in cash balances	(90,987)	3,664	(1,772)	(548,451)
<b>CASH BALANCES (DEFICIT), beginning of year</b>	(68,528)	(881)	28,459	451,395
<b>CASH BALANCES (DEFICIT), end of year</b>	\$ (159,515)	\$ 2,783	\$ 26,687	\$ (97,056)
<b>CASH BASIS FUND BALANCES (DEFICIT)</b>				
Unreserved				
Special revenue funds	\$ (159,515)	\$ 2,783	\$ 26,687	\$ (97,056)
Capital project fund	-	-	-	-
Total cash basis fund balances (deficit)	\$ (159,515)	\$ 2,783	\$ 26,687	\$ (97,056)

**Schedule 1**

<b>Capital projects</b>			
<b>73<sup>rd</sup> Street Resurfacing</b>	<b>Missing Link Trail</b>	<b>Equipment reserve</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 223,349
-	-	433	852
563,573	-	-	1,017,271
-	-	-	36,305
<u>563,573</u>	<u>-</u>	<u>433</u>	<u>1,277,777</u>
-	-	-	544,364
-	-	-	888,067
-	-	-	12,095
-	-	-	82,791
<u>910,650</u>	<u>-</u>	<u>34,895</u>	<u>945,545</u>
<u>910,650</u>	<u>-</u>	<u>34,895</u>	<u>2,472,862</u>
<u>(347,077)</u>	<u>-</u>	<u>(34,462)</u>	<u>(1,195,085)</u>
<u>266,807</u>	<u>-</u>	<u>60,000</u>	<u>502,807</u>
<u>266,807</u>	<u>-</u>	<u>60,000</u>	<u>502,807</u>
(80,270)	-	25,538	(692,278)
<u>-</u>	<u>908</u>	<u>114,614</u>	<u>525,967</u>
\$ <u>(80,270)</u>	\$ <u>908</u>	\$ <u>140,152</u>	\$ <u>(166,311)</u>
\$ -	\$ -	\$ -	\$ (227,101)
<u>(80,270)</u>	<u>908</u>	<u>140,152</u>	<u>60,790</u>
\$ <u>(80,270)</u>	\$ <u>908</u>	\$ <u>140,152</u>	\$ <u>(166,311)</u>

**City of Windsor Heights, Iowa**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**Nonmajor Proprietary Funds**  
**As of and for the year ended June 30, 2010**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Storm water</u>	<u>Total</u>
<b>OPERATING RECEIPTS</b>			
Charges for services	\$ 20,000	\$ 108,497	\$ 128,497
<b>OPERATING DISBURSEMENTS</b>			
Business type activities	<u>227,950</u>	<u>125,852</u>	<u>353,802</u>
(Deficiency) of operating receipts (under) operating disbursements	<u>(207,950)</u>	<u>(17,355)</u>	<u>(225,305)</u>
<b>NONOPERATING RECEIPTS</b>			
Use of money and property	278	-	278
Intergovernmental	<u>-</u>	<u>62,808</u>	<u>62,808</u>
Total nonoperating receipts	<u>278</u>	<u>62,808</u>	<u>63,086</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(207,672)</u>	45,453	<u>(162,219)</u>
<b>OTHER FINANCING (USES)</b>			
Operating transfers (out)	<u>(316,807)</u>	<u>(72,543)</u>	<u>(389,350)</u>
Total other financing (uses)	<u>(316,807)</u>	<u>(72,543)</u>	<u>(389,350)</u>
Net change in cash balances	(524,479)	(27,090)	(551,569)
<b>CASH BALANCE (DEFICIT), beginning of year</b>	<u>496,514</u>	<u>(76,477)</u>	<u>420,037</u>
<b>CASH (DEFICIT), end of year</b>	\$ <u>(27,965)</u>	\$ <u>(103,567)</u>	\$ <u>(131,532)</u>
<b>CASH BASIS FUND (DEFICIT), unreserved</b>	\$ <u>(27,965)</u>	\$ <u>(103,567)</u>	\$ <u>(131,532)</u>

**City of Windsor Heights, Iowa  
SCHEDULE OF INDEBTEDNESS  
For the year ended June 30, 2010**

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
1997A Street Project University Avenue Reconstruction 71 <sup>st</sup> and 72 <sup>nd</sup> Street Turnarounds	March 12, 1997	5.20%	950,000
1997B Urban Renewal Project	March 12, 1997	6.75%	1,775,000
1999A University Avenue Street Widening and Improvements	August 30, 1999	5.00 to 5.30%	1,580,000
Capital Loan Notes - 2002 series	February 18, 2002	4.35 to 4.65%	1,810,000
Capital Loan Notes - 2005 series	August 1, 2005	6.15%	550,000
Capital Loan Notes - 2007 series	April 1, 2007	3.65 to 3.80%	1,500,000
2008A Urban Renewal Project	June 1, 2008	3.65 to 4.20%	1,980,000
2008B Urban Renewal Project	June 1, 2008	4.50 to 6.20%	3,805,000
Capital Loan Notes - 2009A series	April 22, 2009	1.80 to 2.15%	570,000
Capital Loan Notes - 2009B series	April 27, 2009	2.25 to 2.50%	1,175,000
Total			

See accompanying independent auditor's report.

**Schedule 3**

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>
\$ 485,000	\$ —	\$ 55,000	\$ 430,000	\$ 25,220
635,000	—	310,000	325,000	42,862
995,000	—	115,000	880,000	52,048
1,455,000	—	25,000	1,430,000	66,628
110,000	—	110,000	—	3,391
1,255,000	—	135,000	1,120,000	46,541
1,980,000	—	75,000	1,905,000	77,428
3,710,000	—	120,000	3,590,000	210,590
570,000	—	250,000	320,000	11,366
<u>1,175,000</u>	<u>—</u>	<u>130,000</u>	<u>1,045,000</u>	<u>30,097</u>
<u>\$12,370,000</u>	<u>\$ —</u>	<u>\$1,325,000</u>	<u>\$11,045,000</u>	<u>\$ 566,171</u>

**City of Windsor Heights, Iowa**  
**BOND AND NOTE MATURITIES**  
**June 30, 2010**

## GENERAL OBLIGATION NOTES

Year ending June 30	Series 1997A University Avenue Reconstruction		Series 1997B Urban Renewal Project		Series 1999A University Avenue Street Widening and Improvements		Series 2002 Capital Loan Notes	
	Issued March 12, 1997		Issued March 12, 1997		Issued August 30, 1999		Issued February 18, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	5.20%	\$ 60,000	6.75%	\$ 325,000	5.00%	\$ 120,000	4.35%	\$ 10,000
2012	5.20%	65,000		—	5.20%	130,000	4.45%	100,000
2013	5.20%	70,000		—	5.25%	145,000	4.55%	700,000
2014	5.20%	75,000		—	5.25%	150,000	4.65%	620,000
2015	5.20%	80,000		—	5.30%	155,000		—
2016	5.20%	80,000		—	5.30%	180,000		—
2017		—		—		—		—
2018		—		—		—		—
2019		—		—		—		—
2020		—		—		—		—
2021		—		—		—		—
2022		—		—		—		—
2023		—		—		—		—
2024		—		—		—		—
2025		—		—		—		—
2026		—		—		—		—
2027		—		—		—		—
2028		—		—		—		—
Totals		<u>\$ 430,000</u>		<u>\$ 325,000</u>		<u>\$ 880,000</u>		<u>\$1,430,000</u>

See accompanying independent auditor's report.

**Schedule 4 (continued)**

**City of Windsor Heights, Iowa  
BOND AND NOTE MATURITIES (continued)  
June 30, 2010**

**GENERAL OBLIGATION NOTES (continued)**

<b>Year ending June 30</b>	<b>Series 2007A Capital Loan Note Issued April 1, 2007</b>		<b>Series 2008A Urban Renewal Project Issued June 1, 2008</b>		<b>Series 2008B Urban Renewal Project Issued June 1, 2008</b>	
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>
2011	3.65%	\$ 140,000	3.65%	\$ 75,000	4.50%	\$ 125,000
2012	3.65%	145,000	3.65%	75,000	4.50%	125,000
2013	3.70%	155,000	3.65%	80,000	4.70%	135,000
2014	3.70%	160,000	3.65%	80,000	5.40%	140,000
2015	3.75%	165,000	3.65%	85,000	5.40%	145,000
2016	3.75%	175,000	3.65%	90,000	5.40%	155,000
2017	3.80%	180,000	3.65%	90,000	5.40%	165,000
2018	—	—	3.75%	95,000	5.50%	175,000
2019	—	—	3.80%	100,000	5.60%	185,000
2020	—	—	3.90%	105,000	5.70%	195,000
2021	—	—	4.00%	110,000	5.80%	205,000
2022	—	—	4.00%	115,000	5.90%	220,000
2023	—	—	4.05%	120,000	6.00%	230,000
2024	—	—	4.05%	125,000	6.00%	245,000
2025	—	—	4.10%	130,000	6.10%	260,000
2026	—	—	4.15%	135,000	6.10%	275,000
2027	—	—	4.20%	145,000	6.20%	295,000
2028	—	—	4.20%	150,000	6.20%	315,000
Totals		<u>\$1,120,000</u>		<u>\$1,905,000</u>		<u>\$3,590,000</u>

See accompanying independent auditor's report.

City of Windsor Heights, Iowa  
**BOND AND NOTE MATURITIES (continued)**  
 June 30, 2010

## GENERAL OBLIGATION NOTES (continued)

Year ending June 30	Series 2010A Capital Loan Notes Issued April 22, 2010		Series 2010B Capital Loan Notes Issued April 27, 2010		Total General Obligations
	Interest Rates	Amount	Interest Rates	Amount	
2011	1.80%	\$ 250,000	2.25%	\$ 490,000	\$ 1,595,000
2012	2.15%	70,000	2.50%	555,000	1,265,000
2013		—		—	1,285,000
2014		—		—	1,225,000
2015		—		—	630,000
2016		—		—	680,000
2017		—		—	435,000
2018		—		—	270,000
2019		—		—	285,000
2020		—		—	300,000
2021		—		—	315,000
2022		—		—	335,000
2023		—		—	350,000
2024		—		—	370,000
2025		—		—	390,000
2026		—		—	410,000
2027		—		—	440,000
2028		—		—	465,000
Totals		<u>\$ 320,000</u>		<u>\$1,045,000</u>	<u>\$11,045,000</u>

**City of Windsor Heights, Iowa**  
**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION**  
**All Governmental Funds**  
**As of and for the last seven years**

	Year ended June 30						
	2010	2009	2008	2007	2006	2005	2004
<b>RECEIPTS</b>							
Property tax	\$ 2,703,573	\$ 2,778,548	\$2,215,440	\$2,160,668	\$2,149,157	\$2,076,718	\$1,886,664
Tax increment financing taxes	1,809,398	1,645,515	1,568,689	1,620,769	1,447,527	1,294,382	1,097,352
Other city taxes	209,293	287,013	316,789	306,032	307,581	7,221	13,781
Licenses and permits	40,964	38,357	75,189	79,458	40,333	118,060	117,595
Use of money and property	6,786	78,651	65,332	58,023	40,451	17,216	7,887
Intergovernmental	1,441,286	422,362	515,629	783,396	409,501	410,168	428,617
Charges for services	514,927	370,278	377,556	331,869	120,478	216,612	195,406
Miscellaneous	<u>228,551</u>	<u>309,957</u>	<u>297,258</u>	<u>283,318</u>	<u>205,438</u>	<u>289,254</u>	<u>154,295</u>
Total receipts	<u>\$ 6,954,778</u>	<u>\$ 5,930,681</u>	<u>\$5,431,882</u>	<u>\$5,623,533</u>	<u>\$4,720,466</u>	<u>\$4,429,631</u>	<u>\$3,901,597</u>
<b>DISBURSEMENTS</b>							
Operating							
Public safety	\$ 2,102,371	\$ 2,048,175	\$1,819,876	\$2,100,540	\$1,622,875	\$1,648,134	\$1,457,408
Public works	1,214,431	1,023,955	914,916	885,629	629,928	690,381	535,010
Health and social services	100	2,500	-	-	75,125	78,574	85,529
Culture and recreation	308,454	370,797	328,954	238,776	468,146	337,121	247,442
Community and economic development	12,535	8,085	225	14,933	23,354	33,301	51,813
General government	594,043	570,123	456,932	479,658	375,537	395,866	385,077
Debt service	1,891,171	3,538,565	1,459,425	1,300,176	1,744,032	1,180,503	1,141,875
Capital projects	<u>4,861,461</u>	<u>2,890,523</u>	<u>966,570</u>	<u>1,191,250</u>	<u>138,719</u>	<u>36,480</u>	<u>369,251</u>
Total disbursements	<u>\$10,984,566</u>	<u>\$10,452,723</u>	<u>\$5,946,898</u>	<u>\$6,210,962</u>	<u>\$5,077,716</u>	<u>\$4,400,360</u>	<u>\$4,273,405</u>

**City of Windsor Heights, Iowa**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2010**

<u>Program</u>	<u>CFDA number</u>	<u>Program expenditures</u>
Indirect		
U.S. Department of Transportation		
Iowa Department of Transportation		
Highway Planning and Construction - ARRA	20.205	\$ 538,000
U.S. Department of Education		
Iowa Department of Transportation		
ARRA State Fiscal Stabilization Fund (SFSF)		
Government Services Recovery Act	84.397	5,840
U.S. Department of Public Defense		
Iowa Homeland Security and Emergency Management Division		
Disaster Grants - Public Assistance		
(Presidentially Declared Disasters)	97.034	<u>62,809</u>
Total		<u>\$ 606,649</u>

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Windsor Heights and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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

Honorable Mayor and  
Members of the City Council  
Windsor Heights, Iowa

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 City of Windsor Heights, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item II-B-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item II-A-10 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City of Windsor Heights, Iowa's operations for the year ended June 30, 2010 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.

The City of Windsor Heights' responses to findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the City's responses, we did not audit City of Windsor Heights' responses and, accordingly, we express no opinion on them.

This report, a 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Denman & Company, LLP*

**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
April 7, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and  
Members of the City Council  
City of Windsor Heights  
Windsor Heights, Iowa

**Compliance**

We have audited the compliance of the City of Windsor Heights, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. The City of Windsor Heights, Iowa's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Windsor Heights, Iowa's management. Our responsibility is to express an opinion on the City of Windsor Heights, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Windsor Heights, Iowa's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Windsor Heights, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in the City's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denman & Company, LLP*

**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
April 7, 2011

**City of Windsor Heights  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010**

**Part I—Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal controls over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - \*CFDA Number 20.205 - Highway Planning and Construction - ARRA
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The City of Windsor Heights did not qualify as a low-risk auditee.

**City of Windsor Heights  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010**

**Part II—Findings Related to the Financial Statements**

**INSTANCES OF NONCOMPLIANCE**

No matters were noted.

**Internal Control Deficiencies**

**II-A-10 JOURNAL ENTRIES**

The general fund contained an entry for \$105,196 on August 31, 2009. No supporting documentation or explanations can be provided by the City for this manual adjustment to cash and charges for services.

**Recommendation**

The City should maintain documentation for all journal entries.

**Response**

The City has made staffing changes which will provide better documentation oversight.

**Conclusion**

Response accepted.

**II-B-10 RESTATEMENT**

The beginning fund balances for Colby Park TIF and Hickman Park TIF Capital Projects funds were restated due to recording the purchase of land for the Hickman Park project in the improper fund.

**Recommendation**

Expenditures for capital projects should be reviewed to ensure they are reported in the proper fund.

**Response**

The City has made staffing changes that will provide better oversight.

**Conclusion**

Response accepted.

**Part III—Findings for Federal Awards**

**Instances of Noncompliance**

No matters were noted.

**Material Weaknesses**

No material weaknesses in internal control over the major programs were noted.

**City of Windsor Heights, Iowa**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2010**

**Part IV—Other Findings Related to Statutory Reporting**

**IV-A-10 CERTIFIED BUDGET**

Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

**IV-B-10 QUESTIONABLE DISBURSEMENTS**

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

**IV-C-10 TRAVEL EXPENSE**

We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

**IV-D-10 BUSINESS TRANSACTIONS**

We noted no business transactions between the City and City officials or employees during the year in excess of \$1,500.

**IV-E-10 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.

**IV-F-10 DEPOSITS AND INVESTMENTS**

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**IV-G-10 COUNCIL MINUTES**

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

**City of Windsor Heights, Iowa**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2010**

**Part IV—Other Findings Related to Statutory Reporting (continued)**

**IV-H-10 FINANCIAL CONDITION**

The following funds had a deficit balances at June 30, 2010:

Road use	\$ 159,515
Employee benefits	97,056
73 <sup>rd</sup> Street resurfacing	80,270
Urban Renewal TIF	722,056
Colby Park TIF	<u>609,962</u>
	1,332,018
Water	27,965
Storm water	<u>103,567</u>
	<u>\$1,800,391</u>

**Recommendation**

The City should investigate alternatives such as bond issuances and rate increases to eliminate these deficit balances in order to return these funds to a sound financial position.

**Response**

The deficit balances will be eliminated through future property tax receipts and charges for services of the respective funds. Additionally, the Road Use and Employee Benefits funds will be addressed with a transfer. Colby Park will be eliminated through a transfer of general TIF funds and state grant funds. The water fund will be returned to a positive balance through the repayment of an interfund loan in FY 2012.

**Conclusion**

Response accepted.