

City of Windsor Heights, Iowa

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

June 30, 2015

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**City of Windsor Heights, Iowa
OFFICIALS**

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL	
Diana Willits, Mayor	January 2018
Steve Peterson, Council Member	January 2018
Charlene Butz, Council Member	January 2016
Betty Glover, Council Member	January 2018
Dave Burgess, Council Member	January 2016
Tony Timm, Council Member	January 2018
Brett Klein, City Administrator	Indefinite
Marcia Woodke, City Treasurer	Indefinite
Matt Brick, Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, 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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Windsor Heights adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2010 and the year ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2007 and the three years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respect in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability and the schedule of City contributions on pages 6 through 13 and 34 through 40, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015 on our consideration of the City of Windsor Heights' internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windsor Heights' internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Windsor Heights provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 Financial Highlights

- Receipts of the City's governmental activities decreased 48.9%, or approximately \$6,334,000, from fiscal year 2014 to fiscal year 2015. The decrease in receipts was primarily due to a decrease in capital loan note proceeds received during the fiscal year compared to the prior fiscal year, as well as proceeds from the sale of land in the prior fiscal year.
- Disbursements of the City's governmental activities increased 6.2%, or approximately \$486,000, from fiscal year 2014 to fiscal year 2015. The increase in disbursements was primarily due to new city hall expenditures and street resurfacing projects in the current year.
- The City's total cash basis net position decreased 16.8%, or \$1,434,097, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased \$1,610,557 and the cash basis net position of the business type activities increased \$176,460. The decrease is due to the use of bond proceeds from the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City 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. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?". The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's cash basis net position. Over time, increases or decreases in the City's cash basis net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer, storm water and solid waste collection systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Employee Benefits, Police Pension and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Funds, such as 2014A Street Project Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- Proprietary funds account for the City’s Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains separate Enterprise Funds to provide separate information for the Water, Sewer, Storm Water and Solid Waste Funds. The Storm Water and Solid Waste Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

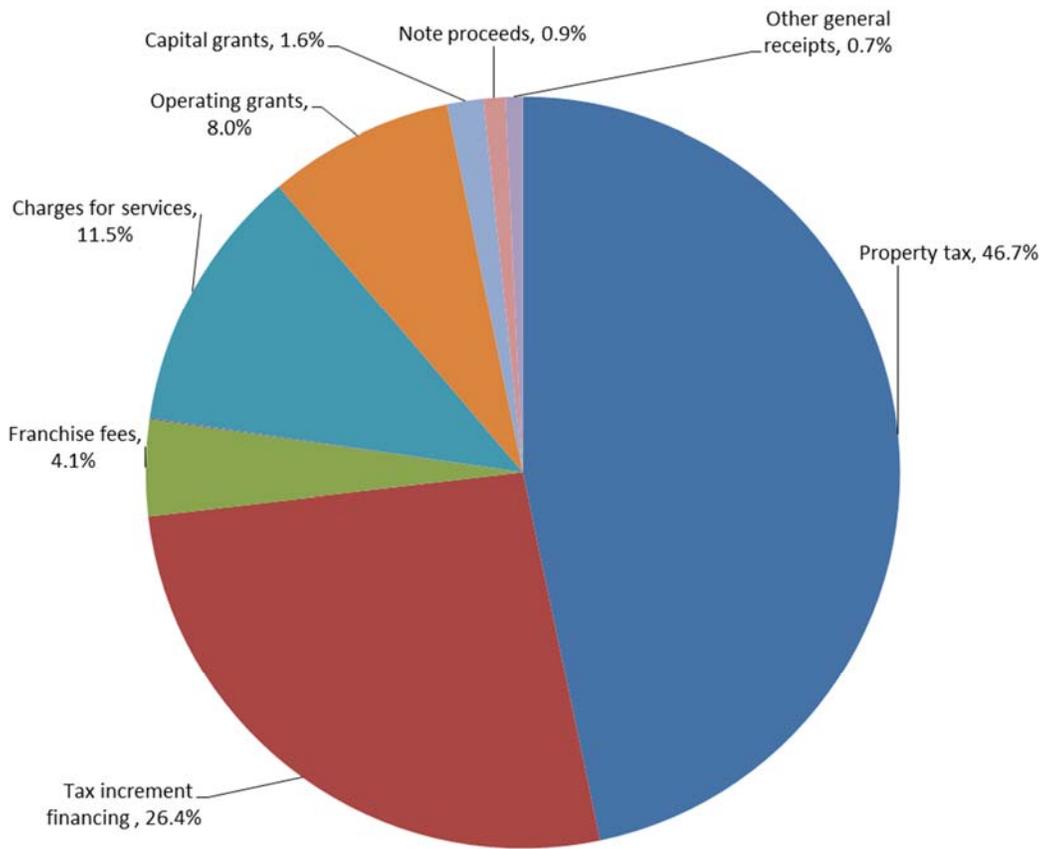
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City’s cash basis net position of governmental activities decreased from a year ago, decreasing \$1,610,557 to \$6,656,647. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

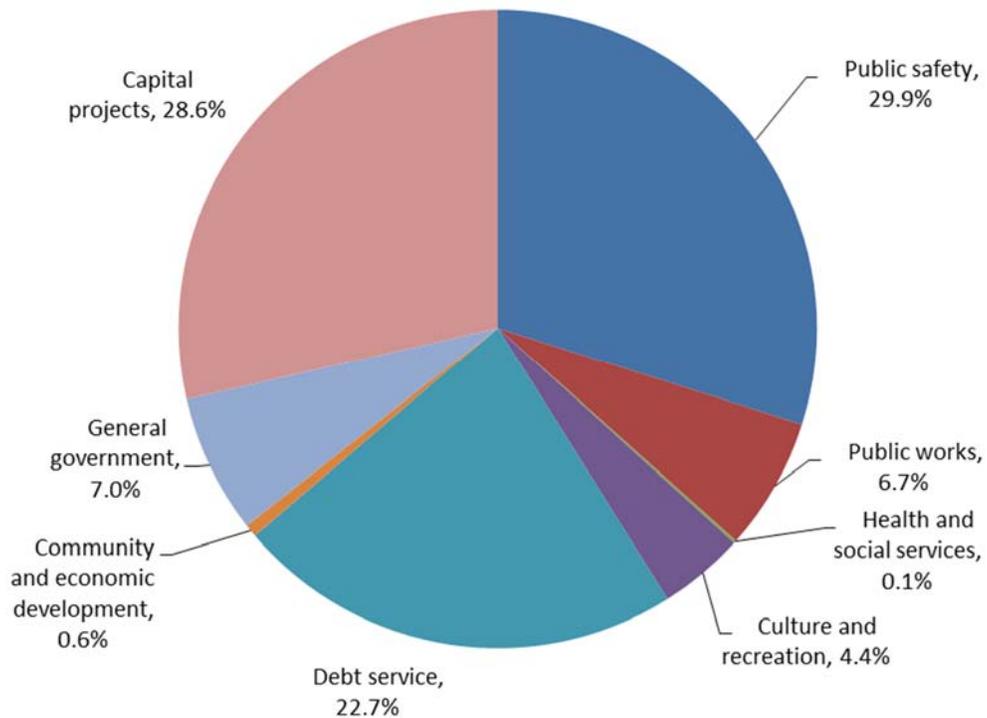
Changes in Cash Basis Net Position of Governmental Activities

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service	\$ 760,009	\$ 781,428
Operating grants, contributions and restricted interest	527,184	499,564
Capital grants, contributions and restricted interest	103,107	409,516
General receipts:		
Property tax	3,090,291	2,726,951
Tax increment financing	1,748,793	1,732,283
Franchise fees	272,027	297,826
Unrestricted interest on investments	3,288	1,905
Note proceeds	61,336	4,335,282
Sale of land	-	2,096,024
Other general receipts	<u>49,269</u>	<u>68,980</u>
Total receipts	<u>6,615,304</u>	<u>12,949,759</u>
Disbursements:		
Public safety	2,477,262	2,454,983
Public works	553,845	679,175
Health and social services	3,000	3,000
Culture and recreation	360,225	379,790
Community and economic development	53,035	51,022
General government	580,879	555,344
Debt service	1,878,699	2,128,286
Capital projects	<u>2,368,916</u>	<u>1,537,829</u>
Total disbursements	<u>8,275,861</u>	<u>7,789,429</u>
Change in cash basis net position before transfers	(1,660,557)	5,160,330
Transfers, net	<u>50,000</u>	<u>65,000</u>
Change in cash basis net position	(1,610,557)	5,225,330
Cash basis net position beginning of year	<u>8,267,204</u>	<u>3,041,874</u>
Cash basis net position end of year	<u>\$6,656,647</u>	<u>\$8,267,204</u>

Receipts by Source



Disbursements by Function



Total governmental activities receipts for the fiscal year were \$6,615,304 compared to \$12,949,759 last year. The cost of all governmental activities this year was \$8,275,861 compared to \$7,789,429 last year. The decrease in receipts was due to the City receiving less capital loan note proceeds and the proceeds from the sale of land compared to the prior fiscal year. The increase in disbursements was primarily due to new city hall expenditures and street resurfacing projects in the current fiscal year.

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 57,398	\$ 58,178
Water	-	15,000
Storm water	310,270	307,266
Solid waste	348,928	364,925
General receipts:		
Unrestricted interest on investments	<u>253</u>	<u>100</u>
Total receipts	<u>716,849</u>	<u>745,469</u>
Disbursements:		
Water	2,768	-
Sewer	48,059	69,390
Storm water	142,935	156,432
Solid waste	<u>296,627</u>	<u>313,264</u>
Total disbursements	<u>490,389</u>	<u>539,086</u>
Change in cash basis net position before transfers	226,460	206,383
Transfers, net	<u>(50,000)</u>	<u>(65,000)</u>
Change in cash basis net position	176,460	141,383
Cash basis net position beginning of year	<u>291,128</u>	<u>149,745</u>
Cash basis net position end of year	<u>\$ 467,588</u>	<u>\$ 291,128</u>

Total business type activities receipts for the fiscal year were \$716,849 compared to \$745,469 last fiscal year, a decrease of \$28,620, or 3.8%. Total disbursements were \$490,389 compared to \$539,086 in the prior fiscal year, a decrease of \$48,697, or 9.0%. The decrease in receipts is due to decreased solid waste usage during the current fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Windsor Heights completed the year, its governmental funds reported a combined fund balance of \$6,656,647, a decrease of \$1,610,557 from last year's total of \$8,267,204. The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$219,989, or 6.1%, from the prior year to \$3,839,667. Receipts increased 0.9% and disbursements increased 2.0%. The primary reasons for the increase in fund balance were due to an increase in property tax receipts of \$69,603 and a decrease in public safety expenditures of \$67,198.
- The Special Revenue, Employee Benefits fund cash balance increased \$84,981 over the prior year to \$399,849. Receipts decreased 0.6% while disbursements decreased 2.8%. The increase in cash balance is due to an increase in the employee benefits levy offset by an increase in disbursements. The City levied more based on anticipated increases in health insurance premiums.
- The Special Revenue, Police Pension Fund cash balance decreased \$48,348, or 45.5%, from the prior year. Receipts decreased \$40 due to a decrease in interest receipts while pension payments decreased \$1,430, or 2.9%. The decrease in the cash balance is due to the City using existing cash balances for payment of benefits to the two retired police officers covered under the plan.
- The Special Revenue, Urban Renewal Tax Increment Financing Fund cash balance decreased \$973,528 from the prior year. Receipts increased \$16,510, or 1.0% from the prior year. The decreased cash balance is due to a transfer of \$1,162,701 to reduce the Capital Project, Tax Increment Financing Project Advance Fund deficit.
- The Debt Service Fund cash balance decreased \$11,815 from the prior year. Receipts increased \$241,371 due to an increase in property tax. Disbursements increased \$235,413, or 14.3%, from the prior year.
- The Capital Projects, 2014A Street Project cash balance decreased \$1,848,719 from the prior year. The decrease is due to project expenditures of \$1,848,719 for the current fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The following are the reasons for the changes in the cash balance of the major business type funds from the prior year.

- The Enterprise, Storm Water Fund cash balance increased \$142,335 to \$284,635, due primarily to decreased disbursements during fiscal year 2015.
- The Enterprise, Solid Waste Fund cash balance increased \$52,301 to \$170,763, due primarily to increased receipts and decreased disbursements during fiscal year 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on September 15, 2014, and May 18, 2015. The first amendment increased other financing sources and disbursements. The second amendment increased disbursements only. Disbursements increased in many areas with capital projects and transfers out accounting for the majority of the increase.

The City's total receipts were \$256,981 more than the amended budget, primarily due to licenses and permits.

Total disbursements were \$1,851,268 less than the amended budget. Actual disbursements for the business type activities function were \$206,211 less than the amended budget due to budgeting for certain expenses which did not occur. Actual disbursements for the public safety function were \$159,136 less than the amended budget. Actual disbursements for community and economic development were \$202,965 less than the amended budget. Capital projects were \$1,073,516 below the amended budget.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$11,649,068 of general obligation bonds and capital loan notes outstanding, compared to \$12,970,000 of bonds and notes outstanding at the end of last year.

During the year ended June 30, 2015, the City issued the general obligation capital loan notes Series 2014B.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$11,927,018, including the remaining portion of the tax increment financing redevelopment agreement of \$277,950, is below the City's constitutional debt limit of approximately \$18,950,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Windsor Heights' elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget. The City Council will need to review areas for potential budget reductions impacting the General Fund to help offset the future decrease in General Fund revenues related to the commercial property tax reform passed in 2015. Although the City Council chose not to levy for the police pension fund in fiscal year 2016, they will need to discuss possible alternatives in future years.

Council budget goals for fiscal year 2016 included programs to spur redevelopment; enhancing emergency, 24-hour Fire/EMS response; adding staff for investigations; and marketing and branding the City. Following the City's strategic planning session in 2015, the City will seek to collaborate with other organizations anytime the City can realize a savings while improving the effectiveness and efficiency of a particular service/operation. The City's costs for services continue to rise even during times of extremely low or negative growth with the Consumer Price Index (CPI). The City will need to continue to plan and account for State and Federal mandates and their corresponding economic impact on the City, such as the recent TIF legislation and the Affordable Care Act.

Two main areas the City will focus on in the near future include capital improvements for an aging infrastructure and the increased labor costs. The City was able to balance its 2016 budget while lowering the tax rate through a high level of staff, Council and citizen participation. For this trend to continue it will take continuous planning and involvement along with the ability to mitigate and control any unexpected mandates.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show 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 Treasurer at Windsor Heights City Hall, 1145 66th Street, Suite 1, Windsor Heights, Iowa, 50324 or by phone at (515) 279-3662.

BASIC FINANCIAL STATEMENTS

City of Windsor Heights, Iowa
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and for the year ended June 30, 2015

FUNCTIONS/PROGRAMS	Program receipts			
	Disbursements	Charges for service	Operating grants, contributions, and restricted interest	Capital grants, contributions, and restricted interest
Primary Government				
Governmental activities				
Public safety	\$2,477,262	\$ 608,790	\$ 21,574	\$ -
Public works	553,845	-	505,355	-
Health and social services	3,000	-	-	-
Culture and recreation	360,225	151,219	217	-
Community and economic development	53,035	-	-	-
General government	580,879	-	38	-
Debt service	1,878,699	-	-	-
Capital projects	<u>2,368,916</u>	<u>-</u>	<u>-</u>	<u>103,107</u>
Total governmental activities	<u>8,275,861</u>	<u>760,009</u>	<u>527,184</u>	<u>103,107</u>
Business type activities				
Water	2,768	-	-	-
Sewer	48,059	57,398	-	-
Storm water	142,935	310,270	-	-
Solid waste	<u>296,627</u>	<u>348,928</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>490,389</u>	<u>716,596</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$8,766,250</u>	<u>\$1,476,605</u>	<u>\$ 527,184</u>	<u>\$ 103,107</u>
Component Unit				
Windsor Heights Foundation	<u>\$ 8,244</u>	<u>\$ -</u>	<u>\$ 10,873</u>	<u>\$ -</u>
GENERAL RECEIPTS AND TRANSFERS				
Property and other city tax levied for				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Franchise fees				
Hotel/motel tax				
Proceeds from capital loan note				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
CASH BASIS NET POSITION				
Restricted				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See Notes to Financial Statements.

<u>Net (disbursements) receipts and changes in cash basis net assets</u>			<u>Component Unit</u>
<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>	<u>Windsor Heights Foundation</u>
\$(1,846,898)	\$ —	\$(1,846,898)	\$ —
(48,490)	—	(48,490)	—
(3,000)	—	(3,000)	—
(208,789)	—	(208,789)	—
(53,035)	—	(53,035)	—
(580,841)	—	(580,841)	—
(1,878,699)	—	(1,878,699)	—
(2,265,809)	—	(2,265,809)	—
<u>(6,885,561)</u>	<u>—</u>	<u>(6,885,561)</u>	<u>—</u>
—	(2,768)	(2,768)	—
—	9,339	9,339	—
—	167,335	167,335	—
—	52,301	52,301	—
<u>—</u>	<u>226,207</u>	<u>226,207</u>	<u>—</u>
<u>(6,885,561)</u>	<u>226,207</u>	<u>(6,659,354)</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>2,629</u>
2,795,301	—	2,795,301	—
294,990	—	294,990	—
1,748,793	—	1,748,793	—
3,288	253	3,541	15
272,027	—	272,027	—
62	—	62	—
61,336	—	61,336	—
49,207	—	49,207	2,625
50,000	(50,000)	—	—
<u>5,275,004</u>	<u>(49,747)</u>	<u>5,225,257</u>	<u>2,640</u>
(1,610,557)	176,460	(1,434,097)	5,269
<u>8,267,204</u>	<u>291,128</u>	<u>8,558,332</u>	<u>19,776</u>
<u>\$6,656,647</u>	<u>\$ 467,588</u>	<u>\$7,124,235</u>	<u>\$ 25,045</u>
\$1,331,927	\$ —	\$1,331,927	\$ —
1,727,121	—	1,727,121	—
565,324	—	565,324	25,045
<u>3,032,275</u>	<u>467,588</u>	<u>3,499,863</u>	<u>—</u>
<u>\$6,656,647</u>	<u>\$ 467,588</u>	<u>\$7,124,235</u>	<u>\$ 25,045</u>

City of Windsor Heights, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
As of and for the year ended June 30, 2015

	<u>Special revenue</u>			
	<u>General</u>	<u>Employee Benefits</u>	<u>Police Pension</u>	<u>Urban Renewal Tax Increment Financing</u>
RECEIPTS				
Property tax	\$1,807,207	\$ 935,807	\$ —	\$ —
Tax increment financing	—	—	—	1,748,793
Other city tax	62	—	—	—
Licenses and permits	343,088	—	—	—
Use of money and property	3,288	38	53	—
Intergovernmental	8,786	—	—	—
Charges for services	268,544	—	—	—
Miscellaneous	428,135	21,550	—	—
Total receipts	<u>2,859,110</u>	<u>957,395</u>	<u>53</u>	<u>1,748,793</u>
DISBURSEMENTS				
Operating				
Public safety	1,838,604	571,978	48,401	—
Public works	14,415	156,602	—	—
Health and social services	3,000	—	—	—
Culture and recreation	326,690	33,535	—	—
Community and economic development	25,716	—	—	—
General government	485,557	85,299	—	—
Debt service	—	—	—	—
Capital projects	—	—	—	630
Total disbursements	<u>2,693,982</u>	<u>847,414</u>	<u>48,401</u>	<u>630</u>
Excess (deficiency) of receipts over (under) disbursements	<u>165,128</u>	<u>109,981</u>	<u>(48,348)</u>	<u>1,748,163</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital loan note	—	—	—	—
Operating transfers in	75,000	—	—	—
Operating transfers out	(20,139)	(25,000)	—	(2,721,691)
Total other financing sources (uses)	<u>54,861</u>	<u>(25,000)</u>	<u>—</u>	<u>(2,721,691)</u>
CHANGE IN CASH BALANCES	219,989	84,981	(48,348)	(973,528)
CASH BALANCES (DEFICITS), beginning of year	<u>3,619,678</u>	<u>314,868</u>	<u>106,167</u>	<u>2,360,419</u>
CASH BALANCES (DEFICITS), end of year	<u>\$3,839,667</u>	<u>\$ 399,849</u>	<u>\$ 57,819</u>	<u>\$1,386,891</u>
CASH BASIS FUND BALANCES (DEFICITS)				
Restricted for				
Streets	\$ —	\$ —	\$ —	\$ —
Debt service	—	—	—	1,386,891
Other purposes	—	399,849	57,819	—
Unassigned	<u>3,839,667</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total cash basis fund balances (deficits)	<u>\$3,839,667</u>	<u>\$ 399,849</u>	<u>\$ 57,819</u>	<u>\$1,386,891</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects 2014A Street Project</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 294,990	\$ —	\$ 52,287	\$3,090,291
—	—	—	1,748,793
—	—	—	62
—	—	—	343,088
—	—	43	3,422
—	—	608,462	617,248
—	—	8,342	276,886
—	—	24,493	474,178
<u>294,990</u>	<u>—</u>	<u>693,627</u>	<u>6,553,968</u>
—	—	18,279	2,477,262
—	—	382,828	553,845
—	—	—	3,000
—	—	—	360,225
—	—	27,319	53,035
—	—	10,023	580,879
1,878,699	—	—	1,878,699
—	<u>1,848,719</u>	<u>519,567</u>	<u>2,368,916</u>
<u>1,878,699</u>	<u>1,848,719</u>	<u>958,016</u>	<u>8,275,861</u>
(1,583,709)	(1,848,719)	(264,389)	(1,721,893)
—	—	61,336	61,336
1,571,894	—	1,182,840	2,829,734
—	—	(12,904)	(2,779,734)
<u>1,571,894</u>	<u>—</u>	<u>1,231,272</u>	<u>111,336</u>
(11,815)	(1,848,719)	966,883	(1,610,557)
<u>314,066</u>	<u>2,904,394</u>	<u>(1,352,388)</u>	<u>8,267,204</u>
\$ <u>302,251</u>	\$ <u>1,055,675</u>	\$ <u>(385,505)</u>	\$ <u>6,656,647</u>
\$ —	\$1,055,675	\$ 276,252	\$1,331,927
302,251	—	37,979	1,727,121
—	—	107,656	565,324
—	—	(807,392)	3,032,275
\$ <u>302,251</u>	\$ <u>1,055,675</u>	\$ <u>(385,505)</u>	\$ <u>6,656,647</u>

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, 2015

	<u>Enterprise</u>			
	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Nonmajor</u>	<u>Total</u>
OPERATING RECEIPTS				
Charges for services	\$ 348,928	\$ 310,270	\$ 57,398	\$ 716,596
OPERATING DISBURSEMENTS				
Business type activities	<u>296,627</u>	<u>138,415</u>	<u>50,827</u>	<u>485,869</u>
Excess of operating receipts over operating disbursements	<u>52,301</u>	<u>171,855</u>	<u>6,571</u>	<u>230,727</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Interest on investments	-	-	253	253
Capital outlay	<u>-</u>	<u>(4,520)</u>	<u>-</u>	<u>(4,520)</u>
Net nonoperating receipts (disbursements)	<u>-</u>	<u>(4,520)</u>	<u>253</u>	<u>(4,267)</u>
Excess of receipts over disbursements	52,301	167,335	6,824	226,460
OPERATING TRANSFERS OUT	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>
CHANGE IN CASH BALANCES	52,301	142,335	(18,176)	176,460
CASH BALANCES , beginning of year	<u>118,462</u>	<u>142,300</u>	<u>30,366</u>	<u>291,128</u>
CASH BALANCES , end of year	<u>\$ 170,763</u>	<u>\$ 284,635</u>	<u>\$ 12,190</u>	<u>\$ 467,588</u>
CASH BASIS FUND BALANCES				
Unrestricted	<u>\$ 170,763</u>	<u>\$ 284,635</u>	<u>\$ 12,190</u>	<u>\$ 467,588</u>

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Windsor Heights is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1941 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer, solid waste and storm water utilities for its citizens. Water service is provided to citizens by the Des Moines Water Works.

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.

These financial statements include the City of Windsor Heights (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit

The Windsor Heights Fire Fighter's Association (Association) is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. The Association was organized under Chapter 504A of the Code of Iowa as a nonprofit corporation. The purpose of the Association is to assist the City's Fire Department in the performance of its responsibilities to the citizens of the City. The financial transactions of this component unit have been blended into the Special Revenue Funds.

Discretely Presented Component Unit

The Windsor Heights Foundation (Foundation) was organized as a nonprofit entity under Chapter 504A of the Code of Iowa. The purpose of the Foundation is to solicit funds to be administered and expended solely for the charitable use and direct benefit of the City and its citizens. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

In 1998, the City joined with fifteen cities and counties to perpetuate the Des Moines Area Metropolitan Planning Organization (Organization) to plan and coordinate the transportation activities for the metropolitan area. The Organization's Board consists of a representative from the governing body of each member city. The members make contributions toward the budget of the Organization. During the year ended June 30, 2015, the City paid the Organization \$4,860.

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 governmental 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, 2015, the City paid the Metro Waste Authority \$90,031 for the Curb It Program.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

In March 2002, the City, in conjunction with four other cities, created the Metro Home Improvement Program for housing rehabilitation within their respective communities. Each member has equal representation on the management committee. The cost to the City was \$25,716 during the year ended June 30, 2015.

The City participates in several jointly governed organizations that provide goods or 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 or appoint representatives to the following Boards: Polk County Assessor's Conference Board, Joint County/Municipal Disaster Services and Emergency Planning Administration for Polk County, E911 Joint Service Board, Central Iowa Regional Drinking Water Commission, Des Moines Metropolitan Transit Authority, Walnut Creek Watershed Management Authority, Metropolitan Des Moines Sister Cities Commission and BRAVO.

Basis of Presentation

Government-wide Financial Statement

The statement of activities and net position – cash basis 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The statement of activities and net position – cash basis presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The statement of activities and net position – cash basis 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.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and 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 not paid from other funds.

Special Revenue

The Employee Benefits Fund is used to account for the tax levy and disbursements for employee benefits, such as health insurance, pension, etc.

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

The Urban Renewal Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

Debt Service Fund

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

Capital Projects

The Capital Projects, 2014A Street Project Fund is used to account for receipts and disbursement for street projects.

The City reports the following major proprietary funds:

The Enterprise, Storm Water Fund accounts for the receipts and disbursement of the storm water system.

The Enterprise, Solid Waste Fund accounts for the receipts and disbursements of the solid waste system.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The City 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 position 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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.

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the general government function.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$500,530 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

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

NOTE 3 BONDS AND NOTES PAYABLE

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,526,643	\$ 433,738	\$ 1,960,381
2017	1,302,050	397,606	1,699,656
2018	1,167,470	360,884	1,528,354
2019	952,905	326,815	1,279,720
2020	900,000	293,453	1,193,453
2021-2025	2,935,000	1,019,888	3,954,888
2026-2030	2,225,000	378,188	2,603,188
2031-2033	640,000	51,800	691,800
Total	<u>\$11,649,068</u>	<u>\$3,262,372</u>	<u>\$14,911,440</u>

NOTE 4 PENSION PLAN

Plan Description

IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLAN (continued)

Pension Benefits (continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$182,997.

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

NOTE 4 PENSION PLAN (continued)

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows and Collective Inflows of Resources Related to Pensions

At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$134,802. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the City's proportionate share:

	June 30		Change
	2014	2013	
City's proportionate share	0.003399%	0.012189%	-0.008790%

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$47,670, \$200,079 and \$460,758, respectively.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

NOTE 4 PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$1,035,310</u>	<u>\$ 134,802</u>	<u>\$ (624,522)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

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

NOTE 4 PENSION PLAN (continued)

Chapter 410 Police Pension Plan

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 50 percent of the monthly salary upon retirement or disability and 25 percent of the monthly salary upon death.

The City has two eligible police officers. Both 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 Statement No. 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.

The most recent actuarial valuation was made July 1, 2011. The standardized measure of the unfunded pension obligation is as follows:

Total pension obligation at July 1, 2014	\$ 388,889
Net position available for benefits as of June 30, 2015	<u>57,819</u>
Unfunded pension benefit obligation	<u>\$ 331,070</u>

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

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 28 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would 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 benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for plan members are \$414 for single coverage, \$783 for employee-child(ren), \$847 for employee-spouse and \$1,269 for family coverage. For the year ended June 30, 2015, the City contributed \$351,693 and plan members eligible for benefits contributed \$23,178.

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

NOTE 6 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. At June 30, 2015 no employees were eligible for sick leave payout as it requires 20 years of service. The City's approximate liability for earned vacation payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ <u>115,000</u>

The liability has been computed based on rates of pay in effect as of June 30, 2015.

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits	\$ 25,000
	Enterprise: Storm Water	25,000
	Nonmajor Enterprise funds	<u>25,000</u>
		<u>75,000</u>
Debt Service	Capital Projects: Nonmajor Governmental funds	12,904
	Special Revenue: Urban Renewal Tax Increment Financing	<u>1,558,990</u>
		<u>1,571,894</u>
Nonmajor Governmental Funds	Special Revenue: Urban Renewal Tax Increment Financing	1,162,701
	General	20,139
		<u>1,182,840</u>
Total		<u>\$2,816,830</u>

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

NOTE 8 TAX INCREMENT FINANCING REDEVELOPMENT AGREEMENT

On December 19, 2011, the City entered into an agreement with We Can Build It, LLC (Company). Under this agreement, the Company agreed to a minimum assessment on the property located at 6500 University Avenue of \$4,090,050. The Company also agreed to provide the City with at least \$90,000 in property tax per year and the City agreed to rebate the Company any property tax paid over \$90,000 within 15 days of payment to the City through June 30, 2018. The City estimates the annual payments will be \$92,650 throughout the term of the agreement. During the year ended, June 30, 2015, the City made no disbursements under this agreement.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 9 RISK MANAGEMENT

The City is a member of 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 whose 727 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.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$63,060.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

NOTE 9 RISK MANAGEMENT (continued)

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. 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.

NOTE 10 INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$15,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

The City has also issued \$7,500,000 in revenue bonds under the provisions of Chapter 419 of the Code of Iowa for the ChildServe Inc. Project. The funds will be used to construct and equip a therapy and clinic addition and make other renovations and improvements at the ChildServe Inc. campus. The bonds and related interest are payable solely from the pledge of the revenues, and the bond principal and interest do not constitute liabilities of the City.

On April 24, 2015, the City also issued \$7,795,000 in revenue and refunding bonds under the provisions of Chapter 419 of the Code of Iowa for the ChildServe Inc. Project. The funds will be used to refund series 2006 bonds and to renovate and make improvements to two existing facilities and construction of a connecting building. The bonds and related interest are payable solely from the pledge of the revenues, and the bond principal and interest do not constitute liabilities of the City.

NOTE 11 INTERFUND LOANS

The detail of interfund loans at June 30, 2015 is as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Special Revenue:	General	\$ 301,490
Urban Renewal Tax Increment Financing	Capital Projects:	
	Tax Increment Financing Project Advance	138,750
	Hickman Road TIF	<u>515,520</u>
Total		<u>\$ 955,760</u>

The loans represent amounts paid from the General Fund, Capital Projects, Tax Increment Financing Project Advance and Hickman Road TIF funds for costs associated with the City's urban renewal projects. The loans will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Financing Fund as receipts become available. No reimbursements occurred during the year ended June 30, 2015.

NOTE 12 CONSTRUCTION COMMITMENT

The City has entered into various construction contracts totaling approximately \$1,104,664. The unpaid contract balances as of June 30, 2015 totaled approximately \$542,000 which will be paid as work on the projects progress.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 DEFICIT BALANCES

The Capital Projects, Tax Increment Financing Project Advance, Hickman Road TIF, City Hall Public Safety, Equipment Reserve, and 63rd/Hickman Streetscape had deficit balances of \$81,951, \$506,711, \$53,443, \$161,026, and \$4,261, respectively, at June 30, 2015. The deficits will be eliminated through transfers of future tax increment financing collections.

OTHER 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, 2015

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total</u>
RECEIPTS				
Property taxes	\$3,038,004	\$ -	\$ -	\$3,038,004
Tax increment financing	1,748,793	-	-	1,748,793
Other city tax	62	-	-	62
Licenses and permits	343,088	-	-	343,088
Use of money and property	3,422	253	15	3,660
Intergovernmental	669,535	-	-	669,535
Charges for services	276,886	716,596	-	993,482
Miscellaneous	474,178	-	12,661	461,517
Total receipts	<u>6,553,968</u>	<u>716,849</u>	<u>12,676</u>	<u>7,258,141</u>
DISBURSEMENTS				
Public safety	2,477,262	-	7,279	2,469,983
Public works	553,845	-	-	553,845
Health and social services	3,000	-	-	3,000
Culture and recreation	360,225	-	-	360,225
Community and economic development	53,035	-	-	53,035
General government	580,879	-	-	580,879
Debt service	1,878,699	-	-	1,878,699
Capital projects	2,368,916	-	-	2,368,916
Business type activities	-	490,389	-	490,389
Total disbursements	<u>8,275,861</u>	<u>490,389</u>	<u>7,279</u>	<u>8,758,971</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,721,893)</u>	<u>226,460</u>	<u>5,397</u>	<u>(1,500,830)</u>
OTHER FINANCING SOURCES (USES), net				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>111,336</u>	<u>(50,000)</u>	<u>-</u>	<u>61,336</u>
BALANCES, beginning of year	<u>8,267,204</u>	<u>291,128</u>	<u>18,062</u>	<u>8,540,270</u>
BALANCES, end of year	<u>\$6,656,647</u>	<u>\$ 467,588</u>	<u>\$ 23,459</u>	<u>\$7,100,776</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to total variance</u>
<u>Original</u>	<u>Final</u>	
\$ 2,987,302	\$ 2,987,302	\$ 50,702
1,768,000	1,768,000	(19,207)
301,729	301,729	(301,667)
75,000	75,000	268,088
1,200	1,200	2,460
527,929	527,929	141,606
1,040,000	1,040,000	(46,518)
300,000	300,000	161,517
<u>7,001,160</u>	<u>7,001,160</u>	<u>256,981</u>
2,528,119	2,629,119	159,136
663,735	663,735	109,890
3,100	3,100	100
402,219	462,219	101,994
256,000	256,000	202,965
509,500	563,000	(17,879)
1,881,130	1,881,130	2,431
3,090,000	3,394,000	1,025,084
696,600	696,600	206,211
<u>10,090,403</u>	<u>10,548,903</u>	<u>1,789,932</u>
<u>(3,089,243)</u>	<u>(3,547,743)</u>	<u>2,046,913</u>
<u>3,090,000</u>	<u>3,055,000</u>	<u>(2,993,664)</u>
<u>757</u>	<u>(492,743)</u>	<u>(946,751)</u>
<u>8,225,104</u>	<u>8,225,104</u>	<u>315,166</u>
<u>\$ 8,225,861</u>	<u>\$ 7,732,361</u>	<u>\$ (631,585)</u>

City of Windsor Heights, Iowa
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
June 30, 2015

The budgetary comparison is presented 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 the blended and discretely presented component units. 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. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$458,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the general government function.

City of Windsor Heights, Iowa
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Other Information

	<u>June 30</u> <u>2015</u>
City's proportion of the net pension liability	.003399%
City's proportionate share of the net pension liability	\$135
City's total payroll	\$1,979
City's proportionate share of the net pension liability as a percentage of its total payroll	6.82%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to required supplementary information - pension liability.

City of Windsor Heights, Iowa
SCHEDULE OF CITY CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Other Information

	<u>Year ended June 30</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 183	\$ 169	\$ 167	\$ 157
Contributions in relation to the statutorily required contribution	____ (183)	____ (169)	____ (167)	____ (157)
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____
City's total payroll	\$1,979	\$1,974	\$1,879	\$1,860
Contributions as a percentage of total payroll	9.25%	8.56%	8.89%	8.44%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
2011	2010	2009	2008	2007	2006
\$ 155	\$ 141	\$ 129	\$ 115	\$ 103	\$ 101
____ (155)	____ (141)	____ (129)	____ (115)	____ (103)	____ (101)
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$1,930	\$1,878	\$1,657	\$1,513	\$1,446	\$1,178
8.03%	7.51%	7.79%	7.60%	7.12%	8.57%

City of Windsor Heights, Iowa
NOTES TO OTHER INFORMATION – PENSION LIABILITY
Year ended June 30, 2015

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

City of Windsor Heights, Iowa
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES (DEFICITS)
Nonmajor Governmental Funds
As of and for the year ended June 30, 2015

	<u>Special revenue</u>				Windsor Heights Fire Fighter's Association
	<u>Road Use</u>	<u>Police Trust</u>	<u>Police Forfeiture</u>	<u>Emergency Fund</u>	
RECEIPTS					
Property tax	\$ -	\$ -	\$ -	\$ 52,287	\$ -
Use of money and property	-	14	14	-	15
Intergovernmental	505,355	-	-	-	-
Charges for service	-	8,342	683	-	-
Miscellaneous	1,313	-	-	-	12,661
Total receipts	<u>506,668</u>	<u>8,356</u>	<u>697</u>	<u>52,287</u>	<u>12,676</u>
DISBURSEMENTS					
Operating					
Public safety	-	1,000	10,000	-	7,279
Public works	382,828	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>382,828</u>	<u>1,000</u>	<u>10,000</u>	<u>-</u>	<u>7,279</u>
Excess (deficiency) of receipts over (under) disbursements	<u>123,840</u>	<u>7,356</u>	<u>(9,303)</u>	<u>52,287</u>	<u>5,397</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital loan note	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	123,840	7,356	(9,303)	52,287	5,397
CASH BALANCES (DEFICITS), beginning of year	<u>152,412</u>	<u>22,099</u>	<u>11,758</u>	<u>-</u>	<u>18,062</u>
CASH BALANCES (DEFICITS), end of year	<u>\$ 276,252</u>	<u>\$ 29,455</u>	<u>\$ 2,455</u>	<u>\$ 52,287</u>	<u>\$ 23,459</u>
CASH BASIS FUND BALANCES (DEFICITS)					
Restricted for					
Streets	\$ 276,252	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
Other purposes	-	29,455	2,455	52,287	23,459
Unassigned	-	-	-	-	-
Total cash basis fund balances (deficits)	<u>\$ 276,252</u>	<u>\$ 29,455</u>	<u>\$ 2,455</u>	<u>\$ 52,287</u>	<u>\$ 23,459</u>

See accompanying independent auditor's report

Capital projects

<u>63rd/ Hickman Streetscape</u>	<u>Colby Park TIF</u>	<u>Hickman Road TIF</u>	<u>73rd/ Hickman</u>	<u>City Hall Public Safety</u>	<u>Tax Increment Financing Project Advance</u>	<u>Equipment Reserve</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,287
-	-	-	-	-	-	-	43
-	-	85,471	17,636	-	-	-	608,462
-	-	-	-	-	-	-	9,025
-	-	-	-	9,836	-	-	23,810
-	-	85,471	17,636	9,836	-	-	693,627
-	-	-	-	-	-	-	18,279
-	-	-	-	-	-	-	382,828
-	-	-	-	-	27,319	-	27,319
-	-	-	-	10,023	-	-	10,023
4,261	-	36,605	37,595	157,743	54,632	228,731	519,567
4,261	-	36,605	37,595	167,766	81,951	228,731	958,016
(4,261)	-	48,866	(19,959)	(157,930)	(81,951)	(228,731)	(264,389)
-	-	-	-	-	-	61,336	61,336
-	-	-	20,139	-	1,162,701	-	1,182,840
-	-	-	-	-	-	(12,904)	(12,904)
-	-	-	20,139	-	1,162,701	48,432	1,231,272
(4,261)	-	48,866	180	(157,930)	(81,951)	(180,299)	966,883
-	37,979	(555,577)	(180)	104,487	(1,162,701)	19,273	(1,352,388)
<u>\$ (4,261)</u>	<u>\$ 37,979</u>	<u>\$ (506,711)</u>	<u>\$ -</u>	<u>\$ (53,443)</u>	<u>\$ (81,951)</u>	<u>\$ (161,026)</u>	<u>\$ (385,505)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,252
-	37,979	-	-	-	-	-	37,979
-	-	-	-	-	-	-	107,656
(4,261)	-	(506,711)	-	(53,443)	(81,951)	(161,026)	(807,392)
<u>\$ (4,261)</u>	<u>\$ 37,979</u>	<u>\$ (506,711)</u>	<u>\$ -</u>	<u>\$ (53,443)</u>	<u>\$ (81,951)</u>	<u>\$ (161,026)</u>	<u>\$ (385,505)</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, 2015

	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS			
Charges for services	\$ -	\$ 57,398	\$ 57,398
OPERATING DISBURSEMENTS			
Business type activities	<u>2,768</u>	<u>48,059</u>	<u>50,827</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(2,768)</u>	<u>9,339</u>	<u>6,571</u>
NONOPERATING RECEIPTS			
Interest on investments	<u>253</u>	<u>-</u>	<u>253</u>
Net nonoperating receipts (disbursements)	<u>253</u>	<u>-</u>	<u>253</u>
Excess (deficiency) of receipts over (under) disbursements	(2,515)	9,339	6,824
Operating transfers (out)	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net change in cash balances	(2,515)	(15,661)	(18,176)
CASH BALANCE , beginning of year	<u>302</u>	<u>30,064</u>	<u>30,366</u>
CASH BALANCE , end of year	\$ <u>(2,213)</u>	\$ <u>14,403</u>	\$ <u>12,190</u>
CASH BASIS FUND BALANCES , unrestricted	\$ <u>(2,213)</u>	\$ <u>14,403</u>	\$ <u>12,190</u>

City of Windsor Heights, Iowa
SCHEDULE OF INDEBTEDNESS
For the year ended June 30, 2015

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General obligation bonds and notes			
Capital loan notes, series 2007A	April 1, 2007	3.75-3.80%	\$1,500,000
General obligation bonds, series 2008A	June 1, 2008	3.65-4.20%	1,980,000
General obligation bonds, series 2008B	June 1, 2008	5.40-6.20%	3,805,000
Capital loan notes, series 2011A	February 1, 2011	2.65-4.15%	3,360,000
Refunding capital loan notes, series 2011B	February 1, 2011	2.00%	440,000
Refunding capital loan notes, series 2012A	May 24, 2012	0.75-1.20%	1,375,000
Capital loan notes, series 2013A	July 1, 2013	0.50-1.15%	950,000
Capital loan notes, series 2014	May 15, 2014	2.50%	325,000
Capital loan notes, series 2014A	January 6, 2014	2.00-4.00%	3,090,000
Capital loan notes, series 2014B	September 10, 2014	3.49%	61,336
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>
\$ 520,000	\$ —	\$ 165,000	\$ 355,000	\$ 19,590
1,595,000	—	85,000	1,510,000	63,375
3,065,000	—	145,000	2,920,000	180,035
2,500,000	—	315,000	2,185,000	82,185
160,000	—	80,000	80,000	3,200
1,010,000	—	250,000	760,000	8,985
705,000	—	230,000	475,000	4,480
325,000	—	—	325,000	5,142
3,090,000	—	100,000	2,990,000	128,803
<u>—</u>	<u>61,336</u>	<u>12,268</u>	<u>49,068</u>	<u>636</u>
<u>\$12,970,000</u>	<u>\$ 61,336</u>	<u>\$1,382,268</u>	<u>\$11,649,068</u>	<u>\$ 496,431</u>

City of Windsor Heights, Iowa
BOND AND NOTE MATURITIES
June 30, 2015

GENERAL OBLIGATION BONDS/NOTES

Year ending June 30	Series 2007A Issued April 1, 2007		Series 2008A Issued June 1, 2008		Series 2008B Issued June 1, 2008		Series 2011A Issued Feb 1, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.75%	175,000	3.65%	\$ 90,000	5.40%	\$ 155,000	2.65%	\$ 330,000
2017	3.80%	180,000	3.65%	90,000	5.40%	165,000	2.95%	340,000
2018		—	3.75%	95,000	5.50%	175,000	3.45%	355,000
2019		—	3.80%	100,000	5.60%	185,000	3.60%	370,000
2020		—	3.90%	105,000	5.70%	195,000	3.95%	385,000
2021		—	4.00%	110,000	5.80%	205,000	4.15%	405,000
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		—
2029		—		—		—		—
2030		—		—		—		—
2031		—		—		—		—
2032		—		—		—		—
2033		—		—		—		—
Totals		<u>\$ 355,000</u>		<u>\$1,510,000</u>		<u>\$2,920,000</u>		<u>\$2,185,000</u>

Year ending June 30	Series 2011B Issued Feb 1, 2011		Series 2012A Issued May 24, 2012		Series 2013A Issued July 1, 2013		Series 2014A Issued Jan 6, 2014	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	2.00%	\$ 80,000	0.75%	\$ 250,000	0.50%	\$ 250,000	2.00%	\$ 130,000
2017		—	1.00%	255,000	0.75%	70,000	2.00%	130,000
2018		—	1.20%	255,000	1.00%	75,000	2.00%	135,000
2019		—		—	1.15%	80,000	2.00%	135,000
2020		—		—		—	2.00%	140,000
2021		—		—		—	2.10%	145,000
2022		—		—		—	2.30%	150,000
2023		—		—		—	2.50%	155,000
2024		—		—		—	2.65%	155,000
2025		—		—		—	2.85%	165,000
2026		—		—		—	3.00%	170,000
2027		—		—		—	3.20%	175,000
2028		—		—		—	3.50%	180,000
2029		—		—		—	3.60%	190,000
2030		—		—		—	4.00%	195,000
2031		—		—		—	4.00%	205,000
2032		—		—		—	4.00%	215,000
2033		—		—		—	4.00%	220,000
Totals		<u>\$ 80,000</u>		<u>\$ 760,000</u>		<u>\$ 475,000</u>		<u>\$2,990,000</u>

See accompanying independent auditor's report.

City of Windsor Heights, Iowa
BOND AND NOTE MATURITIES(continued
June 30, 2015

GENERAL OBLIGATION BONDS/NOTES (continued)

Year ending June 30	Series 2014		Series 2014B		Amount
	Interest Rates	Amount	Interest Rates	Amount	
2016	2.50%	\$ 55,000	3.49%	\$ 11,643	\$ 1,526,643
2017	2.50%	60,000	3.49%	12,050	1,302,050
2018	2.50%	65,000	3.49%	12,470	1,167,470
2019	2.50%	70,000	3.49%	12,905	952,905
2020	2.50%	75,000		-	900,000
2021		-		-	865,000
2022		-		-	485,000
2023		-		-	505,000
2024		-		-	525,000
2025		-		-	555,000
2026		-		-	580,000
2027		-		-	615,000
2028		-		-	645,000
2029		-		-	190,000
2030		-		-	195,000
2031		-		-	205,000
2032		-		-	215,000
2033		-		-	220,000
Totals		\$ <u>325,000</u>		\$ <u>49,068</u>	\$ <u>11,649,068</u>

See accompanying independent auditor's report.

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

	Year ended June 30			
	2015	2014	2013	2012
RECEIPTS				
Property tax	\$3,038,004	\$2,726,951	\$2,506,807	\$2,570,857
Tax increment financing	1,748,793	1,732,283	1,785,128	1,776,154
Other city tax	62	472	772	1,348
Licenses and permits	343,088	336,307	293,260	276,280
Use of money and property	3,422	2,120	1,399	2,126
Intergovernmental	669,535	909,330	487,284	2,266,797
Charges for service	276,886	316,160	286,173	262,831
Miscellaneous	<u>474,178</u>	<u>494,830</u>	<u>285,475</u>	<u>176,594</u>
Total receipts	<u>\$6,553,968</u>	<u>\$6,518,453</u>	<u>\$5,646,298</u>	<u>\$7,332,987</u>
DISBURSEMENTS				
Operating				
Public safety	\$2,477,262	\$2,454,983	\$2,212,816	\$2,177,783
Public works	553,845	679,175	621,834	613,361
Health and social services	3,000	3,000	3,000	3,000
Culture and recreation	360,225	379,790	375,312	418,659
Community and economic development	53,035	51,022	157,090	155,196
General government	580,879	555,344	526,002	516,691
Debt service	1,878,699	1,643,286	1,445,175	2,080,081
Capital projects	<u>2,368,916</u>	<u>1,537,829</u>	<u>206,700</u>	<u>2,398,341</u>
Total disbursements	<u>\$8,275,861</u>	<u>\$7,304,429</u>	<u>\$5,547,929</u>	<u>\$8,363,112</u>

Schedule 5

Year ended June 30					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$2,565,082	\$ 2,703,573	\$ 2,778,548	\$2,215,440	\$2,160,668	\$2,149,157
1,724,469	1,809,398	1,645,515	1,568,689	1,620,769	1,447,527
3,525	209,293	287,013	316,789	306,032	307,581
292,831	40,964	38,357	75,189	79,458	40,333
13,815	6,786	78,651	65,332	58,023	40,451
768,245	1,441,286	422,362	515,629	783,396	409,501
212,893	514,927	370,278	377,556	331,869	120,478
<u>154,192</u>	<u>228,551</u>	<u>309,957</u>	<u>297,258</u>	<u>283,318</u>	<u>205,438</u>
<u>\$5,735,052</u>	<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>
\$2,236,921	\$ 2,102,371	\$ 2,048,175	\$1,819,876	\$2,100,540	\$1,622,875
681,226	1,214,431	1,023,955	914,916	885,629	629,928
2,500	100	2,500	-	-	75,125
346,520	308,454	370,797	328,954	238,776	468,146
37,777	12,535	8,085	225	14,933	23,354
523,210	594,043	570,123	456,932	479,658	375,537
2,099,516	1,891,171	3,538,565	1,459,425	1,300,176	1,744,032
<u>1,177,079</u>	<u>4,861,461</u>	<u>2,890,523</u>	<u>966,570</u>	<u>1,191,250</u>	<u>138,719</u>
<u>\$7,104,749</u>	<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>

See accompanying independent auditor's report.



**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**

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, 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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 17, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Windsor Heights' internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 of Windsor Heights' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Windsor Heights' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Windsor Heights' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Windsor Heights' 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 the Findings

The City of Windsor Heights' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Windsor Heights' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 17, 2015

**City of Windsor Heights
SCHEDULE OF FINDINGS
Year ended June 30, 2015**

Part I - Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

I-A-15 SEGREGATION OF DUTIES

One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City.

- (1) Accounting and information system - performance of all general accounting functions, including recording journal entries, controlling data input and output and custody and control over assets.
- (2) Cash - preparation of bank reconciliations, signing checks and recording cash. In addition, two individuals have access to one change drawer at the City rather than each individual having a change drawer they are solely responsible for.
- (3) Investments - detailed record keeping, custody and reconciling.
- (4) Receipts - depositing, posting and reconciling.
- (5) Disbursements - purchasing, processing invoices, disbursing and recording.
- (6) Payroll - recordkeeping, preparation, distribution and custody of undistributed warrants.
- (7) Debt - recordkeeping, debt payment processing and reconciling.

Duties of accounting personnel are not rotated in their absence.

In addition, an independent person does not enter payroll rates and independent review of the rates is not performed.

For the Windsor Heights Fire Fighter's Association, one person handles and records collections, prepares deposits, prepares, signs and mails checks and reconciles the bank account. The Association does not use prenumbered receipts for the collection of donations and other receipts.

For the Windsor Heights Foundation, one person records collections, prepares, signs and mails checks and reconciles the bank account.

Recommendation

We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Association and the Foundation should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015

INTERNAL CONTROL DEFICIENCIES (continued)

I-A-15 SEGREGATION OF DUTIES (continued)

Responses

City - The City will continue to review internal control procedures in an effort to obtain the maximum internal control possible given the limited number of staff and elected officials.

Windsor Heights Fire Fighter's Association - We will review internal control procedures in an effort to obtain the maximum internal control possible. We currently have the Treasurer and another Board Member of the Association review monthly bank statements and reconciliations and have both members sign off on the bank reconciliations each month.

Windsor Heights Foundation - All incoming mail is opened by City Hall staff. The Foundation President picks up the mail, records the contributions and deposits them, emails the list to the Treasurer who generates thank you letters which are then processed and mailed out by another Board member. The Treasurer prepares and signs the checks, gives them to the President who also signs them and mails them. The Treasurer reconciles the bank account. Control procedures will be reviewed to obtain the maximum internal control possible.

Conclusions

Responses accepted.

I-B-15 RECEIPTS

An independent reconciliation of recorded receipts to an initial listing of receipts is not performed. Deposit summaries do not always contain sufficient detail to trace specific receipts to supporting documentation.

Recommendation

An independent person should periodically reconcile recorded receipts to an initial listing. Deposit information should be maintained in sufficient detail to allow tracing to supporting documentation for each receipt.

Response

The City will continue to work to periodically have an independent person review and reconcile recorded receipts to the initial listing as well as maintain sufficient detail to trace receipts to supporting documentation. The City will work on a policy to ensure there is an independent person reviewing a list of all recorded receipts and that person to provide a reconciliation to match what is entered with supporting documentation.

Conclusion

Response accepted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015

Part II – Other Findings Related to Required Statutory Reporting

II-A-15 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation

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

Response

The City conducted an end of year budget amendment in accord with Iowa law. The excess was due to the requirement of forecasting the remaining two months of the budget while preparing to meet the State's requirement.

Conclusion

Response accepted.

II-B-15 QUESTIONABLE DISBURSEMENTS

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

II-C-15 TRAVEL EXPENSE

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 BUSINESS TRANSACTIONS

No transactions between the City and City officials and employees were noted.

II-E-15 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 ensure the coverage is adequate for current operations.

City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015

Part II – Other Findings Related to Required Statutory Reporting (continued)

II-F-15 CITY COUNCIL MINUTES

Except as noted, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, the publications did not always include the purpose of the claims approved for payment as required by Chapter 372.13(6) of the Code of Iowa. A summary of all receipts, and in one instance tested was not published within 15 days of the meeting.

Recommendation

All minutes should be published within 15 days of the meeting and the purpose of claims and a summary of receipts should be published as required.

Response

The City will publish minutes within 15 days of the meeting. The recommendation to publish the purpose of claims will again be discussed at the Council level along with the publishing of a summary of receipts.

Conclusion

Response accepted.

II-G-15 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.

II-H-15 ANNUAL URBAN RENEWAL REPORT

The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

**City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015**

Part II – Other Findings Related to Required Statutory Reporting (continued)

II-I-15 FINANCIAL CONDITION

The City had deficit balances in the following funds at June 30, 2015:

Capital Projects	
Hickman Road TIF	\$506,711
Equipment Reserve	\$161,026
Tax Increment Financing Project Advance	\$81,951
City Hall Public Safety	\$53,443
63 rd /Hickman Streetscape	\$4,261

Recommendation

The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response

The City will investigate alternatives to eliminate these deficits.

Conclusion

Response accepted.