

City of Windsor Heights, Iowa

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

June 30, 2009

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**City of Windsor Heights, Iowa
OFFICIALS**

Term expires

MAYOR AND MEMBERS OF CITY COUNCIL

Jerry Sullivan, Mayor

December 31, 2009

MEMBERS OF CITY COUNCIL

Flo Hunter, Council Member

December 31, 2009

Carole Tillotson, Council Member

December 31, 2009

Diana Willits, Council Member

December 31, 2009

Steve Peterson, Council Member

December 31, 2011

Charlene Butz, Council Member

December 31, 2011

CITY ADMINISTRATOR/CLERK

Marketa George Oliver

Indefinite

CITY TREASURER

Colleen Pingrey

December 31, 2009

CITY ATTORNEY

Matt Brick

Indefinite

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the contents page of this report. These financial statements are the responsibility of the City of Windsor Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2010 on our consideration of the City of Windsor Heights' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the basic financial statements for the year ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The basic financial statements for the four years ended June 30, 2007 (none of which are presented herein) were audited by other auditors whose report dated July 22, 2008 stated that they expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
March 16, 2010

**CITY OF WINDSOR HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

This discussion and analysis is intended to be an easily readable analysis of the City of Windsor Heights's financial activities for the fiscal year ended June 30, 2009 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

2009 Financial Highlights

- As of June 30, 2009 the City had fund balances on hand of \$5,404,342 in governmental fund types, down from \$8,172,036 in FY 2008, yet still up from \$2,870,285 in FY 2007 and \$1,945,651 in FY 2006. The reason for this change is the expenditures on capital projects.
- As of June 30, 2009, the City had \$337,626 on hand in proprietary funds, decreasing from \$435,249 in FY 2008; \$411,359 in FY 2007 and \$448,254 in FY 2006. The decrease is from increased expenditures in stormwater and sewer areas and when revenues are received in the sewer area.
- Debt Service accounted for the largest portion of the City's disbursements in FY 2009 (33.85%), largely due to a bond refunding, which meant that a sizeable amount of debt was paid off and re-issued for a more favorable rate. Capital Projects accounted for the second largest portion of the City's disbursements in FY 2009 (27.65%). Public Safety accounted for the next largest portion (19.59%) of the City's total disbursements and 58.09% of the City's total General Fund disbursements, slightly up from the 56.67% of FY 2008.
- Property Taxes of \$2,778,548 accounted for the largest portion (46.85%) of the City's receipts up from \$2,215,440 in FY 2008; \$2,160,668 in FY 2007; \$2,149,157 in FY 2006 and \$2,076,718 in FY 2005. This is due to the Council policy decision in the prior year to issue bonds for major capital investment, with a portion of the debt service payment coming from the general obligation property tax debt service levy. TIF receipts accounted for the next largest portion (27.75%) at \$1,645,515 in FY 2009, an increase from \$1,568,689 in FY 2008, \$1,620,769 in FY 2007; \$1,447,527 in FY 2006 and \$1,294,382 in FY 2005.

Report Layout – Using this report

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

Basis of Accounting

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities - Statement of Activities

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

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

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

Revenue Sources

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

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

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

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

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

Expenditure Program Areas

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

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

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

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

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

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

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

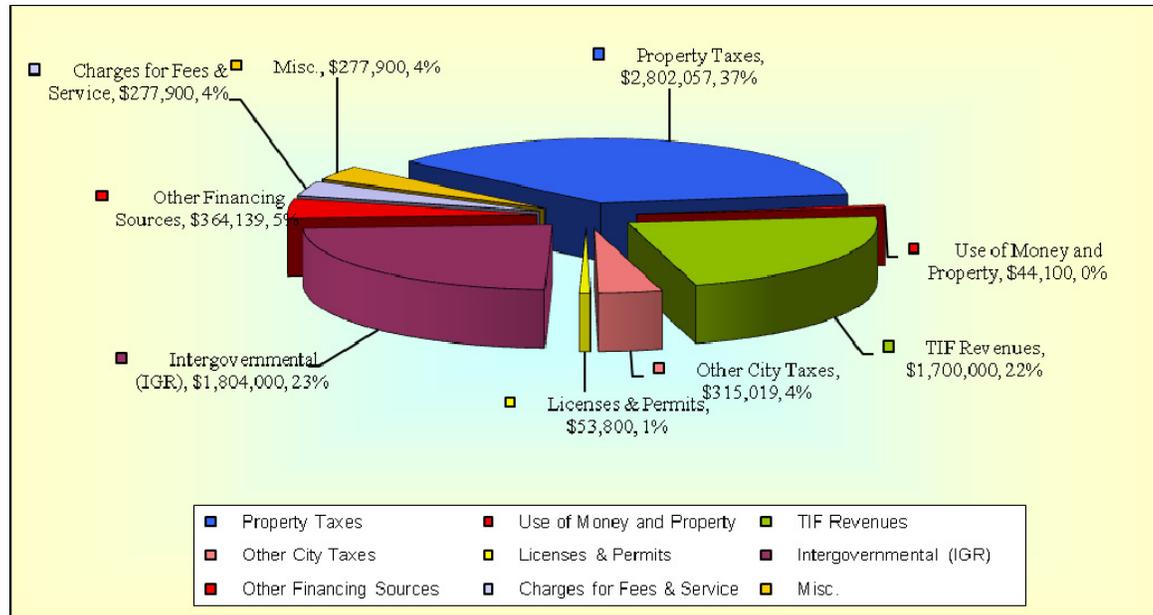
Debt Service - This category includes general, TIF and road use debt service.

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

Major Governmental Fund Analysis

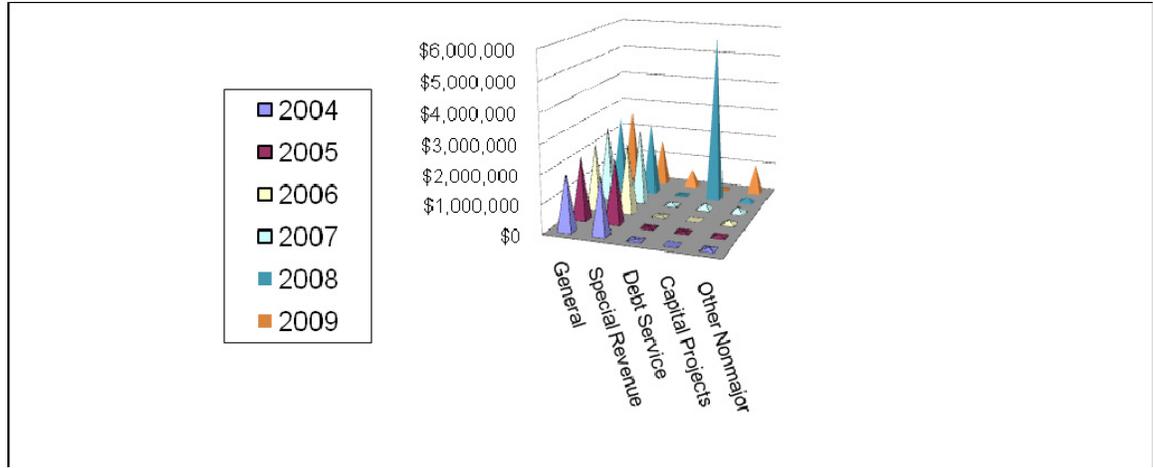
For the year ended June 30, 2009, the City's governmental activities were budgeted as follows:

Sources of Funds for Governmental Activities



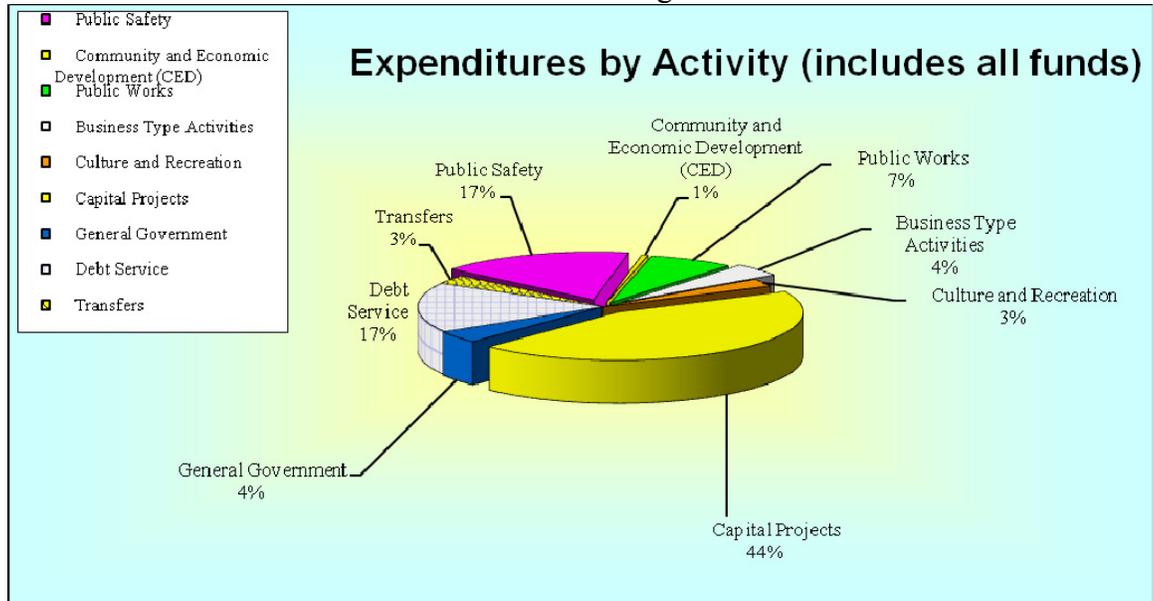
In actuality, total receipts in FY 2009 were \$9,672,844, which is a decrease from \$13,260,925 in FY 2008; yet an increase over the total receipts of \$5,623,533 in 2007. This is largely due to the issuance of bonds in 2008 and 2009. General fund receipts (excluding transfers) were \$2,589,750, a slight decrease from the \$2,665,673 in FY 2008, and slight increase from \$2,548,687 in FY 2007. TIF fund property tax receipts were \$1,645,515 in FY 09, up from \$1,568,689 in FY 2008 and \$1,620,769, FY 2007. There was an increase of \$19,384 over the FY 2008 collection of \$547,593 in property tax revenues collected for FICA, IPERS and other employee benefits, making the total collection for FY 2009 the sum of \$566,977.

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



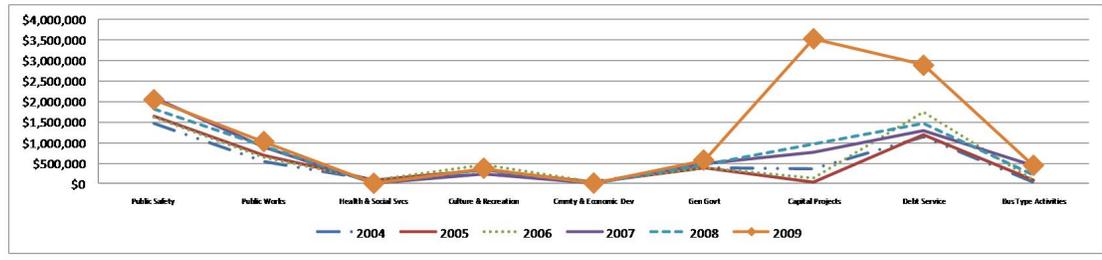
Expenditure Picture

Uses of Funds in Governmental Activities – as budgeted for FY 2009

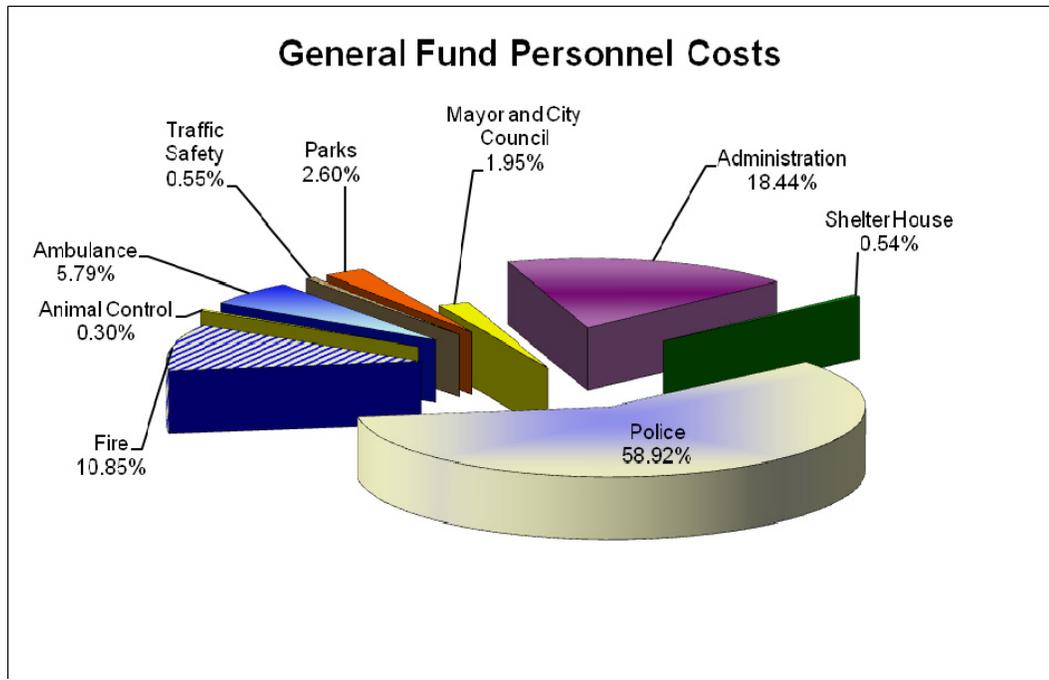


With a few exceptions, operating governmental program disbursements remain fairly consistent. In FY 2009, capital projects expenditures increased dramatically, as did debt service. The increase in debt service expenditure was due to a bond refunding.

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



The largest expenditure in the City’s budget remains salaries. The largest part of the general fund salary allocations goes to the police department. General fund salaries, as budgeted in FY 09, are distributed as shown in the following graph.



Major Business-type Fund Analysis

For the year ended June 30, 2009, the City's business-type activities receipts and disbursements remained a minimal, yet growing part of the budget. The City has shifted sanitary sewer and stormwater to enterprise functions. Further, the City continues the practice of purchasing equipment directly out of the capital equipment fund, instead of budgeting for it in department budgets and then transferring money from that fund to cover the expenditures.

Budgetary Highlights

City Council approved one budget amendment during the year.

Capital Assets and Debt Administration

As of June 30, 2009 the City had fund balances on hand of \$5,404,342 in governmental fund types, much less than the \$8,172,036 in FY 2008. This is due to the expenditures on capital projects/investments. The City had \$337,626 in proprietary funds, less than the \$435,249 in FY 2008; \$411,359 in FY 2007 and \$448,254 in FY 2006. (Please note that a main reason for this significant change in proprietary reserve levels is due to the timing of a large (\$150,000 plus) payment in the sewer fund, which was received in August, 2009, shortly after the end of the 2009 fiscal year. However, it should be noted that there continues to be a substantial deficit (more than \$76,000) in the stormwater fund.)

Debt Outstanding

As of year-end, the City had \$12,370,000 in debt outstanding compared to \$13,470,000 in FY 2008 and \$8,675,000 in FY 2007. The reason for the increase between 2007 and 2008 is the issuance of a bond in 2008 for the Colby Park and Hickman Road projects.

Economic Factors

Property taxes represent approximately 41% of total program resources excluding other financing sources. TIF revenues comprised nearly 29% of revenues. Fees and charges for services and licenses and permits comprised approximately 1.38% of the City's revenues, up from .79% in FY 2008. Miscellaneous Revenue comprises approximately 5.47% of the FY 09 revenues. Miscellaneous revenues include fines and penalties, donations, sale of merchandise and special events.

The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

The bulk of the City's budget is driven by personnel costs. The City employs 29, regular, full-time employees, or roughly 5.93 employees per thousand residents, which is slightly below the national average of 6.13 for cities providing comparable services. The City also employs regular "part-time" employees, who serve as the crossing guard at Clive Elementary and police officers. Of the 29 FTE's, 15 are in the Police Department; 6 in Public Works; 1 in Building Inspections; 3 in Fire; 1 in Parks and Recreation; and 3 in Administration. Approximately thirty paid per call employees comprise the remainder of the employees in the Fire Department.

Following is a table comparing receipts and disbursements for governmental funds from 2005 through 2009. As you can see, the City continues to improve its infrastructure

through capital projects. The City has always carried a very healthy general fund reserve which has enabled lingering deficit balances in the TIF funds (which is used for debt service, capital projects and economic development projects) and the stormwater fund. In the near future, it will be necessary to evaluate how long this can be sustained before the TIF and Stormwater funds begin repaying its interfund debt. Economic conditions remained fairly consistent in FY 2009, however should they not remain at current levels, additional evaluation will need to be conducted as to what appropriate action needs to be taken to continue to protect the City's reserve levels.

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

Receipts	2005	2006	2007	2008	2009
Property Taxes	\$2,076,718	\$2,149,157	\$2,160,668	\$2,215,440	\$2,778,548
Tax Increment Financing collections	\$1,294,382	\$1,447,527	\$1,620,769	\$1,568,689	\$1,645,515
Other city tax	\$7,221	\$307,581	\$306,032	\$316,789	\$287,013
Licenses and permits	\$118,060	\$40,333	\$79,458	\$75,189	\$38,357
Use of Money & Property	\$17,216	\$40,451	\$58,023	\$65,332	\$78,651
Intergovernmental	\$410,168	\$409,501	\$783,396	\$515,629	\$422,362
Charges for Service	\$216,612	\$120,478	\$331,869	\$377,556	\$370,278
Miscellaneous	\$289,254	\$205,438	\$283,318	\$297,258	\$309,957
Total Receipts	\$4,429,631	\$4,720,466	\$5,623,533	\$5,431,882	\$5,930,681
Disbursements					
Public Safety	\$1,648,134	\$1,622,875	\$2,100,540	\$1,819,876	\$2,048,175
Public Works	\$690,381	\$629,928	\$885,629	\$914,916	\$1,023,955
Health & Social Services	\$78,574	\$75,125	\$0	\$0	\$2,500
Culture and Recreation	\$337,121	\$468,146	\$238,776	\$328,954	\$370,797
Community & Economic Dev.	\$33,301	\$23,354	\$14,933	\$225	\$8,085
General Government	\$395,866	\$375,537	\$479,658	\$456,932	\$570,123
Debt Service	\$1,180,503	\$1,744,032	\$1,300,176	\$1,459,425	\$3,538,565
Capital Projects	\$36,480	\$138,719	\$1,191,250	\$966,570	\$2,890,523
Total Disbursements	\$4,400,360	\$5,077,716	\$6,210,962	\$5,946,898	\$10,452,723
Excess (deficiency) of receipts over (under) disbursement	\$29,271	(\$357,250)	(\$587,429)	(\$515,016)	(\$4,522,042)
Other financing sources	\$40,140	\$763,781	\$1,512,063	\$5,816,767	\$1,754,348
Net changes in cash balances	\$69,411	\$406,531	\$924,634	\$5,301,751	(\$2,767,694)
Balance - beginning of the year*	\$1,469,709	\$1,539,120	\$1,945,651	\$2,870,285	\$8,172,036
Balance - end of year*	\$1,539,120	\$1,945,651	\$2,870,285	\$8,172,036	\$5,404,342

*Balances adjusted to include Police Pension.

Following is a table comparing receipts and disbursements for proprietary (business activities) funds from 2005 through 2009. These funds remain strong with good reserves,

with the exception of the stormwater fund, which has a negative balance. Staff will work over the next year to create recommendations to the Council to eliminate this deficit, which was caused by two large capital projects.

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

Receipts	2005	2006	2007	2008	2009
Use of Money and Property	\$1,085	\$2,310	\$0	\$0	\$17,475
Intergovernmental					\$4,129
Charges for Service	\$97,592	\$129,195	\$149,690	\$152,739	\$338,076
Total Receipts	\$98,677	\$131,505	\$149,690	\$152,739	\$359,680
Disbursements					
Business type activities	\$66,554	\$89,186	\$167,225	\$118,849	\$442,303
Debt Service	\$11,960	\$13,811	\$9,360	\$0	\$0
Total Disbursements	\$78,514	\$102,997	\$176,585	\$118,849	\$442,303
Excess (deficiency) of receipts over (under) disbursement	\$20,163	\$28,508	(\$26,895)	\$33,890	(\$82,623)
Other financing sources	(\$40,140)	(\$10,000)	(\$10,000)	(\$10,000)	(\$15,000)
Net changes in cash balances	(\$19,977)	\$18,508	(\$36,895)	\$23,890	(\$97,623)
Balance - beginning of the year	\$449,723	\$429,746	\$448,254	\$411,359	\$435,249
Balance - end of year	\$429,746	\$448,254	\$411,359	\$435,249	\$337,626

Next year's budget and rates

For the year ending June 30, 2010 the general fund has been budgeted fairly consistent with this year. The overall tax levy rate is set to decrease in 2010, due to the decrease in general obligation debt service levy needed to pay for a portion of the 2008 bonds that are not yet covered by TIF revenues.

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

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Administrator or Chief Financial Officer at 1133 66th Street, Windsor Heights, IA 50324 or telephone 515/279-3662.



Marketa George Oliver
City Administrator



Carrie Brannen
Chief Financial Officer

BASIC FINANCIAL STATEMENTS

City of Windsor Heights, Iowa
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the year ended June 30, 2009

	<u>Disbursements</u>	<u>Program receipts</u>		
		<u>Charges for service</u>	<u>Operating grants, contributions, and restricted interest</u>	<u>Capital grants, contributions, and restricted interest</u>
FUNCTIONS/PROGRAMS				
Governmental activities				
Public safety	\$ 2,048,175	\$ 361,676	\$ 1,707	\$ -
Public works	1,023,955	95,189	405,805	-
Health and social services	2,500	-	-	-
Culture and recreation	370,797	-	-	-
Community and economic development	8,085	150	-	-
General government	570,123	600	-	-
Debt service	3,538,565	-	-	-
Capital projects	<u>2,890,523</u>	<u>-</u>	<u>-</u>	<u>14,850</u>
Total governmental activities	<u>10,452,723</u>	<u>457,615</u>	<u>407,512</u>	<u>14,850</u>
Business type activities				
Water	-	135,236	-	-
Sewer	257,115	93,258	-	-
Storm water	<u>185,188</u>	<u>109,582</u>	<u>4,129</u>	<u>-</u>
Total business type activities	<u>442,303</u>	<u>338,076</u>	<u>4,129</u>	<u>-</u>
Total primary government	<u>\$10,895,026</u>	<u>\$ 795,691</u>	<u>\$ 411,641</u>	<u>\$ 14,850</u>
GENERAL RECEIPTS				
Property tax levied for				
General purposes				
Tax increment financing				
Debt service				
Other city tax				
Unrestricted interest on investments				
Bond proceeds, net of discount				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
NET ASSETS, beginning of year				
NET ASSETS, end of year				
CASH BASIS NET ASSETS				
Restricted				
Streets				
Employee benefits				
Capital projects				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements.

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

<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>
\$(1,684,792)	\$ -	\$(1,684,792)
(522,961)	-	(522,961)
(2,500)	-	(2,500)
(370,797)	-	(370,797)
(7,935)	-	(7,935)
(569,523)	-	(569,523)
(3,538,565)	-	(3,538,565)
<u>(2,875,673)</u>	<u>-</u>	<u>(2,875,673)</u>
<u>(9,572,746)</u>	<u>-</u>	<u>(9,572,746)</u>
-	135,236	135,236
-	(163,857)	(163,857)
-	<u>(71,477)</u>	<u>(71,477)</u>
-	<u>(100,098)</u>	<u>(100,098)</u>
<u>(9,572,746)</u>	<u>(100,098)</u>	<u>(9,672,844)</u>
2,170,191	-	2,170,191
1,645,515	-	1,645,515
608,357	-	608,357
287,013	-	287,013
78,651	17,475	96,126
1,739,348	-	1,739,348
260,977	-	260,977
15,000	<u>(15,000)</u>	<u>-</u>
<u>6,805,052</u>	<u>2,475</u>	<u>6,807,527</u>
<u>(2,767,694)</u>	<u>(97,623)</u>	<u>(2,865,317)</u>
<u>8,172,036</u>	<u>435,249</u>	<u>8,607,285</u>
<u>\$5,404,342</u>	<u>\$ 337,626</u>	<u>\$5,741,968</u>
\$ (68,528)	\$ -	\$ (68,528)
784,902	-	784,902
3,559,873	-	3,559,873
<u>1,128,095</u>	<u>337,626</u>	<u>1,465,721</u>
<u>\$5,404,342</u>	<u>\$ 337,626</u>	<u>\$5,741,968</u>

City of Windsor Heights, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the year ended June 30, 2009

	<u>General</u>	<u>Special revenue Urban renewal TIF</u>	<u>Debt service</u>
RECEIPTS			
Property tax	\$1,603,214	\$ -	\$ 608,357
Tax increment financing collections	-	1,645,515	-
Other city tax	287,013	-	-
Licenses and permits	38,357	-	-
Use of money and property	25,170	3,354	-
Intergovernmental	4,850	-	-
Charges for services	370,278	-	-
Miscellaneous	260,868	-	-
Total receipts	<u>2,589,750</u>	<u>1,648,869</u>	<u>608,357</u>
DISBURSEMENTS			
Operating			
Public safety	1,457,353	-	-
Public works	297,027	-	-
Health and social services	2,500	-	-
Culture and recreation	255,876	87,624	-
Community and economic development	3,728	4,357	-
General government	491,960	-	-
Debt service	-	-	3,538,565
Capital projects	506	64,898	-
Total disbursements	<u>2,508,950</u>	<u>156,879</u>	<u>3,538,565</u>
Excess (deficiency) of receipts over (under) disbursements	<u>80,800</u>	<u>1,491,990</u>	<u>(2,930,208)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	1,745,000
Bond discount	-	-	(5,652)
Operating transfers in	180,763	-	1,302,860
Operating transfers out	(299,850)	(1,588,577)	(112,000)
Total other financing sources (uses)	<u>(119,087)</u>	<u>(1,588,577)</u>	<u>2,930,208</u>
Net change in cash balances	(38,287)	(96,587)	-
CASH BALANCES (DEFICIT), beginning of year	<u>1,684,884</u>	<u>(450,374)</u>	<u>-</u>
CASH BALANCES (DEFICIT), end of year	<u>\$1,646,597</u>	<u>\$ (546,961)</u>	<u>\$ -</u>
CASH BASIS FUND BALANCES (DEFICIT)			
Unreserved			
General fund	\$1,646,597	\$ -	\$ -
Special revenue funds	-	(546,961)	-
Capital project funds	-	-	-
Total cash basis fund balances (deficit)	<u>\$1,646,597</u>	<u>\$ (546,961)</u>	<u>\$ -</u>

See Notes to Financial Statements.

Capital projects			
Colby Park	Hickman Road	Other nonmajor	Total
\$ -	\$ -	\$ 566,977	\$ 2,778,548
-	-	-	1,645,515
-	-	-	287,013
-	-	-	38,357
-	37,000	13,127	78,651
10,000	-	407,512	422,362
-	-	-	370,278
-	-	49,089	309,957
<u>10,000</u>	<u>37,000</u>	<u>1,036,705</u>	<u>5,930,681</u>
-	-	590,822	2,048,175
-	-	726,928	1,023,955
-	-	-	2,500
-	-	27,297	370,797
-	-	-	8,085
-	-	78,163	570,123
-	-	-	3,538,565
<u>1,799,651</u>	<u>1,021,572</u>	<u>3,896</u>	<u>2,890,523</u>
<u>1,799,651</u>	<u>1,021,572</u>	<u>1,427,106</u>	<u>10,452,723</u>
<u>(1,789,651)</u>	<u>(984,572)</u>	<u>(390,401)</u>	<u>(4,522,042)</u>
-	-	-	1,745,000
-	-	-	(5,652)
396,937	-	183,376	2,063,936
-	-	(48,509)	(2,048,936)
<u>396,937</u>	<u>-</u>	<u>134,867</u>	<u>1,754,348</u>
(1,392,714)	(984,572)	(255,534)	(2,767,694)
<u>1,615,739</u>	<u>4,205,898</u>	<u>1,115,889</u>	<u>8,172,036</u>
\$ <u>223,025</u>	\$ <u>3,221,326</u>	\$ <u>860,355</u>	\$ <u>5,404,342</u>
\$ -	\$ -	\$ -	\$ 1,446,597
-	-	744,833	397,872
<u>223,025</u>	<u>3,221,326</u>	<u>115,522</u>	<u>3,559,873</u>
\$ <u>223,025</u>	\$ <u>3,221,326</u>	\$ <u>860,355</u>	\$ <u>5,404,342</u>

See Notes to Financial Statements.

City of Windsor Heights, Iowa
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS**
 As of and for the year ended June 30, 2009

	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>
OPERATING RECEIPTS			
Charges for services	\$ <u>135,236</u>	\$ <u>202,840</u>	\$ <u>338,076</u>
OPERATING DISBURSEMENTS			
Business type activities	<u>—</u>	<u>442,303</u>	<u>442,303</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>135,236</u>	<u>(239,463)</u>	<u>(104,227)</u>
NONOPERATING RECEIPTS			
Interest on investments	17,475	—	17,475
Intergovernmental	<u>—</u>	<u>4,129</u>	<u>4,129</u>
Total nonoperating receipts	<u>17,475</u>	<u>4,129</u>	<u>21,604</u>
Excess (deficiency) of receipts over (under) disbursements	152,711	(235,334)	(82,623)
OTHER FINANCING (USES)			
Operating transfers out	<u>(10,000)</u>	<u>(5,000)</u>	<u>(15,000)</u>
Net change in cash balances	142,711	(240,334)	(97,623)
CASH BALANCE , beginning of year	<u>353,803</u>	<u>81,446</u>	<u>435,249</u>
CASH BALANCE (DEFICIT) , end of year	\$ <u>496,514</u>	\$ <u>(158,888)</u>	\$ <u>337,626</u>
CASH BASIS FUND BALANCE (DEFICIT) , unreserved	\$ <u>496,514</u>	\$ <u>(158,888)</u>	\$ <u>337,626</u>

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

For financial reporting purposes, the City of Windsor Heights has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

In 1998, the City joined with fifteen cities and counties to perpetuate the Des Moines Area Metropolitan Planning Organization to plan and coordinate the transportation activities for the metropolitan area. The Organization's board consists of a representative from each governing body. The members make contributions toward the budget of the Organization. During the year ended June 30, 2009, the City paid Des Moines Area Metropolitan Planning Organization \$2,935.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority (the Authority). The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2009 the City paid the Metro Waste Authority \$60,229 for the Curb It Program.

In March 2002, the City, in conjunction with four other cities, created the West Homeowner Emergency Loan Program for housing rehabilitation within their respective communities. Each member has equal representation on the management committee. The cost to each member was \$-0- during the year ended June 30, 2009.

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

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Government-wide Financial Statement

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

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

Fund Financial Statements

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

Special Revenue

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Debt Service Fund

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

Capital Projects

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

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

The City reports the following major proprietary funds:

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

Measurement Focus and Basis of Accounting

The City of Windsor Heights maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

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

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in culture and recreation, general government, and debt service functions.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

NOTE 2 CASH AND POOLED INVESTMENTS (continued)

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,531,806 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

Police Pension Fund

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

NOTE 3 TAX INCREMENT FINANCING

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

NOTE 4 GENERAL OBLIGATION BONDS AND NOTES

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

<u>Year ending June 30</u>	<u>General Obligation Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,325,000	\$ 566,172
2011	1,595,000	508,478
2012	1,265,000	447,808
2013	1,285,000	404,183
2014	1,225,000	346,060
2015-2019	2,300,000	1,180,386
2020-2024	1,670,000	742,870
2025-2028	<u>1,705,000</u>	<u>242,306</u>
Total	<u>\$12,370,000</u>	<u>\$4,438,263</u>

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION AND RETIREMENT BENEFITS

IPERS

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

Most regular plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$129,249, \$115,190 and \$103,308, respectively, equal to the required contributions for each year.

Police Pension

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

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

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

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

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

The latest actuarial valuation was made July 1, 2006. The standardized measure of the unfunded pension obligation is as follows:

Total pension obligation at July 1, 2006	\$ 639,125
Net assets available for benefits at June 30, 2009	<u>334,388</u>
Estimated underfunded pension benefit obligations	<u>\$ 304,737</u>

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

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

NOTE 6 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate sick leave hours for subsequent use or payment of up to 1,200 hours upon separation from employment at age 62 or older. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences for vacation hours, and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the general fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 154,200
Sick leave	<u>222,000</u>
Total	<u>\$ 376,200</u>

The liability has been computed based on rates of pay in effect as of June 30, 2009.

NOTE 7 CONTRACTUAL COMMITMENTS

The City has entered into construction contracts totaling \$1,169,696 for construction projects. As of June 30, 2009, costs of \$1,105,628 have been incurred on the projects. The balance of the contracts of \$64,068 will be paid as the projects progress.

NOTE 8 RELATED PARTY TRANSACTIONS

The City had no business transactions between the City and City officials during the year ended June 30, 2009.

NOTE 9 RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with whose 577 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 operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

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

NOTE 9 RISK MANAGEMENT (continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were \$49,896.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to the \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

NOTE 10 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>					<u>Total</u>
	<u>General</u>	<u>Road use</u>	<u>Equipment reserve</u>	<u>Debt service</u>	<u>Colby Park</u>	
General	\$ -	\$ 71,376	\$ -	\$ 31,537	\$ 196,937	\$ 299,850
Employee benefits	48,509	-	-	-	-	48,509
Urban renewal tax increment	117,254	-	-	1,271,323	200,000	1,588,577
Water	10,000	-	-	-	-	10,000
Storm water	5,000	-	-	-	-	5,000
Debt service	-	-	112,000	-	-	112,000
	<u>\$ 180,763</u>	<u>\$ 71,376</u>	<u>\$ 112,000</u>	<u>\$ 1,302,860</u>	<u>\$ 396,937</u>	<u>\$ 2,063,936</u>

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

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

NOTE 11 DEFICIT FUND BALANCE

As of June 30, 2009, funds with deficit balances were as follows:

Road use	\$ 68,528
Police trust	881
Urban Renewal TIF	546,961
Sewer	82,411
Storm water	<u>76,477</u>
	<u>\$ 775,258</u>

The deficit balances will be eliminated through future property tax and charges for service of the respective funds.

NOTE 12 USE OF ESTIMATES

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

NOTE 13 CONTINGENCIES

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

NOTE 14 EDUCATION FACILITY REVENUE BONDS

The City issued the following educational facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely by the borrower to the lender. The bond principal and interest do not constitute liabilities of the City of Windsor Heights.

<u>Date of issue</u>	<u>Amount</u>	<u>Project</u>
December, 2003	\$4,000,000	Sacred Heart School
March, 2005	\$6,500,000	Drake University
July, 2007	\$3,600,000	Salisbury House
December, 2007	\$7,500,000	Dowling High School

NOTE 15 SUBSEQUENT EVENTS

In September 2009, the City entered into an agreement with confluence to provide professional service to develop the Hickman Road Master Plan for \$40,000.

REQUIRED SUPPLEMENTARY INFORMATION

City of Windsor Heights, Iowa
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
Year ended June 30, 2009

	Governmental funds actual	Proprietary funds actual	Total
RECEIPTS			
Property taxes	\$ 2,778,548	\$ -	\$ 2,778,548
Tax increment financing collections	1,645,515	-	1,645,515
Other city tax	287,013	-	287,013
Licenses and permits	38,357	-	38,357
Use of money and property	78,651	17,475	96,126
Intergovernmental	422,362	4,129	426,491
Charges for services	370,278	338,076	708,354
Miscellaneous	309,957	-	309,957
Total receipts	<u>5,930,681</u>	<u>359,680</u>	<u>6,290,361</u>
DISBURSEMENTS			
Public safety	2,048,175	-	2,048,175
Public works	1,023,955	-	1,023,955
Health and social services	2,500	-	2,500
Culture and recreation	370,797	-	370,797
Community and economic development	8,085	-	8,085
General government	570,123	-	570,123
Debt service	3,538,565	-	3,538,565
Capital projects	2,890,523	-	2,890,523
Business type activities	-	442,303	442,303
Total disbursements	<u>10,452,723</u>	<u>442,303</u>	<u>10,895,026</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,522,042)</u>	<u>(82,623)</u>	<u>(4,604,665)</u>
OTHER FINANCING SOURCES (USES), net			
Excess of receipts and other financing sources over disbursements and other financing uses	<u>1,754,348</u>	<u>(15,000)</u>	<u>1,739,348</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>(2,767,694)</u>	<u>(97,623)</u>	<u>(2,865,317)</u>
BALANCES, beginning of year	<u>8,172,036</u>	<u>435,249</u>	<u>8,607,285</u>
BALANCES, end of year	<u>\$ 5,404,342</u>	<u>\$ 337,626</u>	<u>\$ 5,741,968</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to total variance</u>
<u>Original</u>	<u>Final</u>	
\$ 2,744,051	\$ 2,744,051	\$ 34,497
1,700,000	1,700,000	(54,485)
314,331	314,331	(27,318)
53,800	53,800	(15,443)
44,100	44,100	52,026
1,804,000	1,804,000	(1,377,509)
646,500	746,500	(38,146)
277,900	277,900	32,057
<u>7,584,682</u>	<u>7,684,682</u>	<u>(1,394,321)</u>
1,998,293	2,168,188	120,013
870,472	1,300,125	276,170
—	2,500	—
303,669	342,297	(28,500)
120,000	120,000	111,915
483,645	533,645	(36,478)
1,914,359	1,924,359	(1,614,206)
5,230,000	5,230,000	2,339,477
518,343	762,050	319,747
<u>11,438,781</u>	<u>12,383,164</u>	<u>1,488,138</u>
<u>(3,854,099)</u>	<u>(4,698,482)</u>	<u>93,817</u>
—	—	1,739,348
<u>(3,854,099)</u>	<u>(4,698,482)</u>	<u>1,833,165</u>
<u>7,005,034</u>	<u>7,005,034</u>	<u>1,602,251</u>
<u>\$ 3,150,935</u>	<u>\$ 2,306,552</u>	<u>\$3,435,416</u>

City of Windsor Heights, Iowa
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$944,383. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation, general government, and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

City of Windsor Heights, Iowa
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Nonmajor Governmental Funds
As of and for the year ended June 30, 2009

	<u>Special revenue</u>				
	<u>Road use</u>	<u>Police trust</u>	<u>Police preforfeiture fund</u>	<u>Employee benefits</u>	<u>Police pension</u>
RECEIPTS					
Property tax	\$ -	\$ -	\$ -	\$ 554,977	\$ 12,000
Use of money and property	-	13	170	4,429	6,866
Intergovernmental	405,805	-	-	-	-
Miscellaneous	109	-	36,955	12,025	-
Total receipts	<u>405,914</u>	<u>13</u>	<u>37,125</u>	<u>571,431</u>	<u>18,866</u>
DISBURSEMENTS					
Operating					
Public safety	-	4,586	65,683	419,959	46,650
Public works	586,345	-	-	140,583	-
Culture and recreation	-	-	-	3,587	-
General government	-	-	-	78,163	-
Capital projects	-	-	-	-	-
Total disbursements	<u>586,345</u>	<u>4,586</u>	<u>65,683</u>	<u>642,292</u>	<u>46,650</u>
(Deficiency) of receipts (under) disbursements	<u>(180,431)</u>	<u>(4,573)</u>	<u>(28,558)</u>	<u>(70,861)</u>	<u>(27,784)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	71,376	-	-	-	-
Operating transfers (out)	-	-	-	(48,509)	-
Total other financing sources (uses)	<u>71,376</u>	<u>-</u>	<u>-</u>	<u>(48,509)</u>	<u>-</u>
Net change in cash balances	(109,055)	(4,573)	(28,558)	(119,370)	(27,784)
CASH BALANCES , beginning of year	<u>40,527</u>	<u>3,692</u>	<u>57,017</u>	<u>570,765</u>	<u>362,172</u>
CASH BALANCES (DEFICIT) , end of year	<u>\$ (68,528)</u>	<u>\$ (881)</u>	<u>\$ 28,459</u>	<u>\$ 451,395</u>	<u>\$ 334,388</u>
CASH BASIS FUND BALANCES (DEFICIT)					
Unreserved					
Special revenue funds	\$ (68,528)	\$ (881)	\$ 28,459	\$ 451,395	\$ 334,388
Capital project fund	-	-	-	-	-
Total cash basis fund balances (deficit)	<u>\$ (68,528)</u>	<u>\$ (881)</u>	<u>\$ 28,459</u>	<u>\$ 451,395</u>	<u>\$ 334,388</u>

Capital projects		
Missing Link Trail	Equipment reserve	Total
\$ -	\$ -	\$ 566,977
-	1,649	13,127
1,707	-	407,512
-	-	49,089
<u>1,707</u>	<u>1,649</u>	<u>1,036,705</u>
-	53,944	590,822
-	-	726,928
-	23,710	27,297
-	-	78,163
<u>3,896</u>	<u>-</u>	<u>3,896</u>
<u>3,896</u>	<u>77,654</u>	<u>1,427,106</u>
<u>(2,189)</u>	<u>(76,005)</u>	<u>(390,401)</u>
-	112,000	183,376
<u>-</u>	<u>-</u>	<u>(48,509)</u>
<u>-</u>	<u>112,000</u>	<u>134,867</u>
(2,189)	35,995	(255,534)
<u>3,097</u>	<u>78,619</u>	<u>1,115,889</u>
\$ <u>908</u>	\$ <u>114,614</u>	\$ <u>860,355</u>
\$ -	\$ -	\$ 744,833
<u>908</u>	<u>114,614</u>	<u>115,522</u>
\$ <u>908</u>	\$ <u>114,614</u>	\$ <u>860,355</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, 2009

	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Storm water</u>	<u>Total</u>
OPERATING RECEIPTS			
Charges for services	\$ 93,258	\$ 109,582	\$ 202,840
OPERATING DISBURSEMENTS			
Business type activities	<u>257,115</u>	<u>185,188</u>	<u>442,303</u>
(Deficiency) of operating receipts (under) operating disbursements	<u>(163,857)</u>	<u>(75,606)</u>	<u>(239,463)</u>
NONOPERATING RECEIPTS			
Intergovernmental	<u>—</u>	<u>4,129</u>	<u>4,129</u>
(Deficiency) of receipts (under) disbursements	<u>(163,857)</u>	<u>(71,477)</u>	<u>(235,334)</u>
OTHER FINANCING (USES)			
Operating transfers (out)	<u>—</u>	<u>(5,000)</u>	<u>(5,000)</u>
Total other financing (uses)	<u>—</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net change in cash balances	(163,857)	(76,477)	(240,334)
CASH BALANCE , beginning of year	<u>81,446</u>	<u>—</u>	<u>81,446</u>
CASH (DEFICIT) , end of year	\$ <u>(82,411)</u>	\$ <u>(76,477)</u>	\$ <u>(158,888)</u>
CASH BASIS FUND (DEFICIT) , unreserved	\$ <u>(82,411)</u>	\$ <u>(76,477)</u>	\$ <u>(158,888)</u>

City of Windsor Heights, Iowa
SCHEDULE OF INDEBTEDNESS
For the year ended June 30, 2009

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General Obligation Notes 73 rd Street Bridge 73 rd Street Improvements 63 rd Street Widening Projects	May 22, 1996	5.50 to 5.60%	\$ 700,000
1997A Street Project University Avenue Reconstruction 71 st and 72 nd Street Turnarounds	March 12, 1997	5.20%	950,000
1997B Urban Renewal Project	March 12, 1997	6.75%	1,775,000
1999A University Avenue Street Widening and Improvements	August 30, 1999	5.10 to 5.30%	1,580,000
1999B Urban Renewal Project	August 30, 1999	7.00 to 7.10%	2,295,000
1999C Refunding Bonds	August 30, 1999	5.05 to 5.10%	1,020,000
Capital Loan Notes - 2002 series	February 18, 2002	4.25 to 4.65%	1,810,000
Capital Loan Notes - 2005 series	August 1, 2005	6.15%	550,000
Capital Loan Notes - 2007 series	April 1, 2007	3.60 to 3.80%	1,500,000
2008A Urban Renewal Project	June 1, 2008	3.65 to 4.20%	1,980,000
2008B Urban Renewal Project	June 1, 2008	4.50 to 6.20%	3,805,000
Capital Loan Notes - 2009A series	April 22, 2009	1.70 to 2.15%	570,000
Capital Loan Notes - 2009B series	April 27, 2009	2.00 to 2.50%	1,175,000
Total			

See accompanying independent auditor's report.

Schedule 3

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>
\$ 265,000	\$ —	\$ 265,000	\$ —	\$ 15,549
545,000	—	60,000	485,000	28,280
800,000	—	165,000	635,000	53,499
1,105,000	—	110,000	995,000	57,603
1,320,000	—	1,320,000	—	93,430
440,000	—	440,000	—	18,854
1,605,000	—	150,000	1,455,000	72,778
220,000	—	110,000	110,000	10,046
1,385,000	—	130,000	1,255,000	51,221
1,980,000	—	—	1,980,000	77,428
3,805,000	—	95,000	3,710,000	214,865
—	570,000	—	570,000	—
<u>—</u>	<u>1,175,000</u>	<u>—</u>	<u>1,175,000</u>	<u>—</u>
<u>\$13,470,000</u>	<u>\$1,745,000</u>	<u>\$2,845,000</u>	<u>\$12,370,000</u>	<u>\$ 693,553</u>

City of Windsor Heights, Iowa
BOND AND NOTE MATURITIES
June 30, 2009

GENERAL OBLIGATION NOTES

Year ending June 30	University Avenue Reconstruction 71 and 72 Street Turnarounds 1997A <u>Issued March 12, 1997</u>		Urban Renewal Project 1997B <u>Issued March 12, 1997</u>		Series 1999A University Avenue Street Widening and Improvements <u>Issued August 30, 1999</u>		Series 2002 Capital Loan Notes <u>Issued February 18, 2002</u>	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	5.20%	\$ 55,000	6.75%	\$ 310,000	5.10%	\$ 115,000	4.25%	\$ 25,000
2011	5.20%	60,000	6.75%	325,000	5.15%	120,000	4.35%	10,000
2012	5.20%	65,000		—	5.20%	130,000	4.45%	100,000
2013	5.20%	70,000		—	5.25%	145,000	4.55%	700,000
2014	5.20%	75,000		—	5.25%	150,000	4.65%	620,000
2015	5.20%	80,000		—	5.30%	155,000		—
2016	5.20%	80,000		—	5.30%	180,000		—
2017		—		—		—		—
2018		—		—		—		—
2019		—		—		—		—
2020		—		—		—		—
2021		—		—		—		—
2022		—		—		—		—
2023		—		—		—		—
2024		—		—		—		—
2025		—		—		—		—
2026		—		—		—		—
2027		—		—		—		—
2028		—		—		—		—
Totals		<u>\$ 485,000</u>		<u>\$ 635,000</u>		<u>\$ 995,000</u>		<u>\$1,455,000</u>

See accompanying independent auditor's report.

**City of Windsor Heights, Iowa
BOND AND NOTE MATURITIES (continued)
June 30, 2009**

GENERAL OBLIGATION NOTES (continued)

Year ending June 30	Series 2005 Capital Loan Notes Issued August 1, 2005		Series 2007A Capital Loan Note Issued April 1, 2007		Series 2008A Urban Renewal Project Issued June 1, 2008		Series 2008B Urban Renewal Project Issued June 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	6.15%	\$ 110,000	3.60%	\$ 135,000	3.65%	\$ 75,000	4.50%	\$ 120,000
2011		—	3.65%	140,000	3.65%	75,000	4.50%	125,000
2012		—	3.65%	145,000	3.65%	75,000	4.50%	125,000
2013		—	3.70%	155,000	3.65%	80,000	4.70%	135,000
2014		—	3.70%	160,000	3.65%	80,000	5.40%	140,000
2015		—	3.75%	165,000	3.65%	85,000	5.40%	145,000
2016		—	3.75%	175,000	3.65%	90,000	5.40%	155,000
2017		—	3.80%	180,000	3.65%	90,000	5.40%	165,000
2018		—		—	3.75%	95,000	5.50%	175,000
2019		—		—	3.80%	100,000	5.60%	185,000
2020		—		—	3.90%	105,000	5.70%	195,000
2021		—		—	4.00%	110,000	5.80%	205,000
2022		—		—	4.00%	115,000	5.90%	220,000
2023		—		—	4.05%	120,000	6.00%	230,000
2024		—		—	4.05%	125,000	6.00%	245,000
2025		—		—	4.10%	130,000	6.10%	260,000
2026		—		—	4.15%	135,000	6.10%	275,000
2027		—		—	4.20%	145,000	6.20%	295,000
2028		—		—	4.20%	150,000	6.20%	315,000
Totals		<u>\$ 110,000</u>		<u>\$1,255,000</u>		<u>\$1,980,000</u>		<u>\$3,710,000</u>

**City of Windsor Heights, Iowa
BOND AND NOTE MATURITIES (continued)
June 30, 2009**

GENERAL OBLIGATION NOTES (continued)

Year ending June 30	Series 2009A Capital Loan Notes Issued April 22, 2009		Series 2009B Capital Loan Notes Issued April 27, 2009		Total General Obligations
	Interest Rates	Amount	Interest Rates	Amount	
2010	1.70%	\$ 250,000	2.00%	\$ 130,000	\$ 1,325,000
2011	1.80%	250,000	2.25%	490,000	1,595,000
2012	2.15%	70,000	2.50%	555,000	1,265,000
2013		—		—	1,285,000
2014		—		—	1,225,000
2015		—		—	630,000
2016		—		—	680,000
2017		—		—	435,000
2018		—		—	270,000
2019		—		—	285,000
2020		—		—	300,000
2021		—		—	315,000
2022		—		—	335,000
2023		—		—	350,000
2024		—		—	370,000
2025		—		—	390,000
2026		—		—	410,000
2027		—		—	440,000
2028		—		—	465,000
Totals		\$ 570,000		\$1,175,000	\$12,370,000

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Windsor Heights, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed on the contents page of this report and have issued our report thereon dated March 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

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 matter that 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
March 16, 2010

**City of Windsor Heights
SCHEDULE OF FINDINGS
Year ended June 30, 2009**

Part I—Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE

No matters regarding noncompliance relative to the financial statements were reported.

MATERIAL WEAKNESSES

No matters were noted.

Part II—Other Findings Related to Statutory Reporting

II-A-09 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in culture and recreation, general government, and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “public monies may not be expended or encumbered excepted 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

We will review the budget activity more closely in the future to be sure that amendments are adequate.

Conclusion

Response accepted.

II-B-09 QUESTIONABLE DISBURSEMENTS

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 TRAVEL EXPENSE

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

II-D-09 BUSINESS TRANSACTIONS

We noted no business transactions between the City and City officials or employees during the year.

II-E-09 BOND COVERAGE

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2009

Part II—Other Findings Related to Statutory Reporting (continued)

II-F-09 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-G-09 COUNCIL MINUTES

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

II-I-09 FINANCIAL CONDITION

The following funds had a deficit balances at June 30, 2009:

Road use	\$ (68,528)
Police trust	(881)
Urban Renewal TIF	(546,961)
Sewer	(82,411)
Storm water	<u>(76,477)</u>
	\$ <u>(775,258)</u>

Recommendation

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

Response

The deficit balances will be eliminated through future property tax receipts and charges for services of the respective funds.

Conclusion

Response accepted.