



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

November 9, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Windsor Heights, Iowa.

The City's receipts totaled \$10,030,578 for the year ended June 30, 2011, a 35.7% increase over the prior year. The receipts included \$858,182 from charges for service, \$586,647 from operating grants, contributions and restricted interest, \$183,857 from capital grants, contributions and restricted interest, \$2,565,082 in property tax, \$1,724,469 from tax increment financing, \$68,980 from PPEL from school districts, \$1,721 from unrestricted interest on investments, \$254,980 from franchise fees, \$6,025 from other general receipts and \$3,780,635 from note proceeds. The significant increase in receipts is due primarily to note proceeds received during the fiscal year, offset by refunding \$430,000 of general obligation bonds.

Disbursements for the year totaled \$7,974,597, a 30.3% decrease from the prior year, and included \$2,236,921 for public safety, \$2,099,516 for debt service and \$1,177,079 for capital projects. Disbursements for business type activities totaled \$439,848. The decrease in disbursements is due primarily to construction of the community/events center and street resurfacing projects in the prior fiscal year, offset by refunding \$430,000 of general obligation bonds during the current fiscal year.

A copy of the audit report is available for review in the City Finance Officer's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1120-0728-B00F.pdf>.

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

**JUNE 30, 2011**

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**City of Windsor Heights**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Sullivan	Mayor	Jan 2014
Charlene Butz	Council Member	Jan 2012
Steve Peterson	Council Member	Jan 2012
Betty Glover	Council Member	Jan 2014
David Jenison	Council Member	Jan 2014
Diana Willits	Council Member	Jan 2014
Marketa George Oliver	City Administrator/Clerk	Indefinite
Carrie Kruse	City Treasurer	Indefinite
Matt Brick	Attorney	Indefinite

**City of Windsor Heights**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Windsor Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2011, 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 October 27, 2011 on our consideration of the City of Windsor Heights' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 27, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 42.4%, or approximately \$2,835,000, from fiscal year 2010 to fiscal year 2011. The increase in receipts was primarily due to note proceeds received during the fiscal year.
- Disbursements of the City's governmental activities decreased 29.6%, or approximately \$3,165,000, from fiscal year 2010 to fiscal year 2011. The decrease in disbursements was primarily due to the construction of a community/events center and street resurfacing projects in the prior fiscal year.
- The City's total cash basis net assets increased 119.7%, or approximately \$2,056,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$2,023,500 and the assets of the business type activities increased approximately \$32,500.

### **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 Statement of Activities and Net Assets. 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.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other 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 U.S. generally accepted accounting principles. 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets 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, solid waste and storm water collection systems. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) 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 Colby Park TIF and Hickman Road TIF. 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.

- 2) 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 Sewer Fund is considered to be a major fund of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

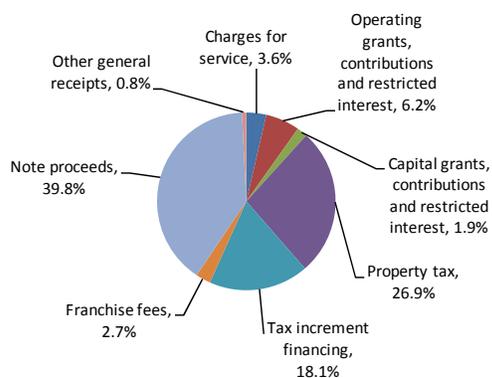
## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As described in Note 13 on page 27, beginning governmental activities net assets increased and business type activities net assets decreased \$12,867 to reclassify the City's Solid Waste activity from the General Fund to a separate Enterprise, Solid Waste Fund. In addition, beginning governmental activities net assets and the beginning cash balance of the Special Revenue funds were restated to include activity for the Windsor Heights Fire Fighter's Association, a component unit, pursuant to Governmental Accounting Standards Board (GASB) Statements No. 14 and 39. To enhance comparability, all amounts presented for fiscal year 2010 in this discussion and analysis were restated, where applicable, to reflect these changes as if the changes had been made in the prior year.

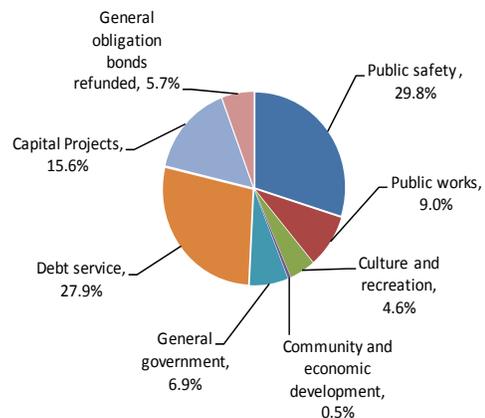
Net assets may serve over time as a useful indicator of financial position. The City's cash basis net assets of governmental activities increased from a year ago, increasing \$2,023,438 to \$3,775,991. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2011	Restated 2010
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 346,192	\$ 284,261
Operating grants, contributions and restricted interest	586,647	877,713
Capital grants, contributions and restricted interest	183,857	563,573
General receipts:		
Property tax	2,565,082	2,703,573
Tax increment financing	1,724,469	1,809,398
Franchise fees	254,980	209,293
Unrestricted interest on investments	1,320	4,186
Note proceeds	3,780,635	-
Other general receipts	75,005	231,151
Total receipts	<u>9,518,187</u>	<u>6,683,148</u>
<b>Disbursements:</b>		
Public safety	2,236,921	2,102,371
Public works	681,226	929,914
Health and social services	2,500	100
Culture and recreation	346,520	308,454
Community and economic development	37,777	12,535
General government	523,210	594,043
Debt service	2,099,516	1,891,171
Capital projects	1,177,079	4,861,461
General obligation bonds refunded	430,000	-
Total disbursements	<u>7,534,749</u>	<u>10,700,049</u>
Change in cash basis net assets before transfers	1,983,438	(4,016,901)
Transfers, net	40,000	341,807
Change in cash basis net assets	2,023,438	(3,675,094)
Cash basis net assets beginning of year, as restated	1,752,553	5,427,647
Cash basis net assets end of year	<u>\$ 3,775,991</u>	<u>\$ 1,752,553</u>

**Receipts by Source**



**Disbursements by Function**



Total governmental activities receipts for the fiscal year were \$9,518,187 compared to \$6,683,148 last year. The cost of all governmental activities this year was \$7,534,749 compared to \$10,700,049 last year. The increase in receipts was due to the City receiving proceeds from a

note agreement during the year. The decrease in disbursements was primarily the result of the construction of the community/events center and street resurfacing projects in the prior year. This decrease was offset by an increase in debt service payments during fiscal year 2011 for the refunding of general obligation bonds.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2011	Restated 2010
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 37,370	95,019
Water	15,000	20,000
Storm water	148,413	108,497
Solid waste	311,207	271,650
Operating grants	-	62,808
General receipts:		
Miscellaneous	-	148,072
Unrestricted interest on investments	401	278
Total receipts	<u>512,391</u>	<u>706,324</u>
Disbursements:		
Sewer	31,255	99,418
Water	-	227,950
Storm water	123,004	125,852
Solid waste	285,589	284,517
Total disbursements	<u>439,848</u>	<u>737,737</u>
Change in cash basis net assets before transfers	72,543	(31,413)
Transfers, net	<u>(40,000)</u>	<u>(341,807)</u>
Change in cash basis net assets	32,543	(373,220)
Cash basis net assets beginning of year, as restated	<u>(35,594)</u>	<u>337,626</u>
Cash basis net assets end of year	<u>\$ (3,051)</u>	<u>(35,594)</u>

Total business type activities receipts for the fiscal year were \$512,391 compared to \$706,324 last year, a decrease of \$193,933, or 27.5%. Total disbursements were \$439,848 compared to \$737,737 in the prior year, a decrease of \$297,889, or 40.4%. The decrease in receipts is due, in part, to a decrease in sewer receipts from the prior year due to the completion of a sewer project and related reimbursement from the Urbandale-Windsor Heights Sanitary Sewer District. The decrease in business-type activities disbursements was due to the City completing sewer and water mains work in fiscal year 2010.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Windsor Heights completed the year, its governmental funds reported a combined fund balance of \$3,775,991, an increase of \$2,023,438 from last year's total of \$1,752,553. 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 \$2,360,869, or 136%, over the prior year to \$4,097,281. While receipts decreased 16.3%, disbursements also decreased 8.4%. The primary reason for the increase in the fund balance was due to the City issuing debt to pay off an internal loan made between the General Fund and the Special Revenue, Urban Renewal Tax Increment Fund. The proceeds from the debt were transferred during fiscal year 2011 to the General Fund, significantly increasing the cash balance. This increase was offset by a transfer from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund to correct an error in posting PPEL receipts in the current and prior years.

- The Special Revenue, Employee Benefits Fund cash balance increased \$127,958, or 131.8%, over the prior year to \$30,902. Receipts increased 203.3% while disbursements decreased 3.1%. The increase in cash balance is largely attributable to the City collecting more from the employee benefits levy and a transfer of funds from the General Fund. The City plans to repay the General Fund with future employee benefit levy collections.
- The Special Revenue, Police Pension Fund cash balance decreased \$40,349, or 14.2%, from the prior year. Receipts decreased \$946, due primarily to a decrease in interest rates, and pension payments decreased \$5,466, or 11.8%, in fiscal year 2011. This is due to a coding error in the prior year which caused the City to report thirteen monthly payments in fiscal year 2010 as compared to eleven payments in the current fiscal year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$276,203 over the prior year to \$(445,853). Receipts decreased \$84,929 in fiscal year 2011 while disbursements increased \$132,051. The City experienced a drop in tax increment financing collections as a result of a decrease in valuations in the current year. The increase in disbursements is a result of planting and landscaping at the new Community Center, payments for financial advisory services related to the issuance of debt to pay off the internal loan from the General Fund and the payment of a \$120,000 economic development grant during fiscal year 2011. The increased balance is also due to a transfer from the General Fund during fiscal year 2011 to correct an error in posting PPEL receipts in the current and prior years.
- The Debt Service Fund cash balance decreased \$22,454, or 80.7%, from the prior year. Receipts decreased \$418,876 due to a decrease in property tax collections and bond and note principal and interest payments increased \$208,345, or 11.0%, in fiscal year 2011.
- The Capital Projects, Colby Park TIF Fund cash balance was \$16,761 at the end of fiscal year 2011, a decrease of \$375,110 from the prior year. The Fund's disbursements outpaced collections as the community/events center improvements project drew to an end.
- The Capital Projects, Hickman Road TIF Fund cash balance was \$(194,825) at the end of fiscal year 2011, a decrease of \$371,306 from the prior year. The Fund made payments for engineering and demolition costs in preparation for a large road project which will begin in fiscal year 2012.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The following are the reasons for significant changes in cash balances of the major business type fund from the prior year.

- The Sewer Fund cash balance increased \$6,115 to \$114,920, due primarily to receipts slightly outpacing disbursements in the current year. No significant projects were undertaken for the Sewer Fund in fiscal year 2011.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The amendments were approved on October 25, 2010 and December 20, 2010. The first amendment increased disbursements, primarily for work budgeted in the prior fiscal year which was not invoiced and paid for until fiscal year 2011. The second amendment resulted in an increase in other financing sources and debt service disbursements for the refunding of debt and funds to repay an internal loan from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund.

The City's receipts were less than budgeted due to a combination of reasons. However, the primary reason was budgeting for the receipt of grant funds for the Hickman Road project in fiscal year 2011 which were not received until fiscal year 2012. Another driving factor was a \$175,000 reduction in TIF collections.

Total disbursements were \$2,738,243 less than the amended budget. Actual disbursements for the capital projects function were \$1,587,921 less than the amended budget due to the timing of the Hickman Road project bid letting and associated costs coming in fiscal year 2012 rather than fiscal year 2011. Actual disbursements for the debt service function were \$443,973 less than the amended budget. This was due to the City budgeting for the refunding of general obligation debt in the debt service function while the budget statement reports the payments to refund the debt as an "other financing use".

### **DEBT ADMINISTRATION**

At June 30, 2011, the City had \$12,820,000 of general obligation bonds and notes outstanding, compared to \$11,045,000 of bonds and notes outstanding at the end of last year.

During the year ended June 30, 2011, the City issued \$3,360,000 of capital loan notes to repay an internal loan made from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund. The City also issued \$440,000 of capital loan notes to refund the remaining balance on the general obligation bonds, Series 1997A. These increases were offset by scheduled payments on existing debt and the refunding of the Series 1997A general obligation bonds.

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 \$12,820,000 is significantly below the City's constitutional debt limit of approximately \$20,147,000.

### **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 2012 budget. The Windsor Heights City Council has always tried to keep a steady tax rate. However, we are at the statutory limit of \$8.10 per \$1,000 of taxable valuation for the fiscal year 2012 budget. The Windsor Heights community and City Council have been very aggressive in attracting new businesses and industry into Windsor Heights and we believe this will produce results in the near future. There is an expected decrease in property values for fiscal year 2012 which will likely lead to an increase in levy rates. However, with the offsetting value decrease, an average taxpayer is expected to pay roughly the same or only slightly more than in fiscal year 2011.

### **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 Finance Officer at Windsor Heights City Hall, 1133 66<sup>th</sup> Street, Windsor Heights, Iowa, 50324, or by phone at (515) 279-3662.

## **Basic Financial Statements**

City of Windsor Heights

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 2,236,921	237,981	29,628	-
Public works	681,226	-	476,946	9,535
Health and social services	2,500	-	-	-
Culture and recreation	346,520	80,752	55,686	-
Community and economic development	37,777	-	-	-
General government	523,210	15,734	24,387	-
Debt service	2,099,516	-	-	-
Capital projects	1,177,079	11,725	-	174,322
Total governmental activities	7,104,749	346,192	586,647	183,857
Business type activities:				
Water	-	15,000	-	-
Sewer	31,255	37,370	-	-
Storm water	123,004	148,413	-	-
Solid waste	285,589	311,207	-	-
Total business type activities	439,848	511,990	-	-
Total primary government	\$ 7,544,597	858,182	586,647	183,857
<b>Component Unit:</b>				
Windsor Heights Foundation	\$ 12,853	-	16,916	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
PPEL from school districts				
Unrestricted interest on investments				
Franchise fees				
Hotel/motel tax				
Note proceeds (including premium of \$4,504, net of discount of \$20,160 and issuance costs of \$3,709)				
General obligation bonds refunded				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Windsor Heights Foundation
(1,969,312)	-	(1,969,312)	-
(194,745)	-	(194,745)	-
(2,500)	-	(2,500)	-
(210,082)	-	(210,082)	-
(37,777)	-	(37,777)	-
(483,089)	-	(483,089)	-
(2,099,516)	-	(2,099,516)	-
(991,032)	-	(991,032)	-
(5,988,053)	-	(5,988,053)	-
-	15,000	15,000	-
-	6,115	6,115	-
-	25,409	25,409	-
-	25,618	25,618	-
-	72,142	72,142	-
(5,988,053)	72,142	(5,915,911)	-
-	-	-	4,063
\$ 2,288,445	-	2,288,445	-
276,637	-	276,637	-
1,724,469	-	1,724,469	-
68,980	-	68,980	-
1,320	401	1,721	140
254,980	-	254,980	-
3,525	-	3,525	-
3,780,635	-	3,780,635	-
(430,000)	-	(430,000)	-
2,500	-	2,500	-
40,000	(40,000)	-	-
8,011,491	(39,599)	7,971,892	140
2,023,438	32,543	2,055,981	4,203
1,752,553	(35,594)	1,716,959	42,814
\$ 3,775,991	(3,051)	3,772,940	47,017
\$ 12,045	-	12,045	-
5,359	-	5,359	-
382,254	-	382,254	47,017
3,376,333	(3,051)	3,373,282	-
\$ 3,775,991	(3,051)	3,772,940	47,017

City of Windsor Heights

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue			Urban Renewal Tax Increment
	General	Employee Benefits	Police Pension	
Receipts:				
Property tax	\$ 1,578,158	710,287	-	-
Tax increment financing	-	-	-	1,724,469
Other city tax	3,525	-	-	-
Licenses and permits	292,831	-	-	-
Use of money and property	13,045	37	513	-
Intergovernmental	123,821	-	-	-
Charges for service	167,513	-	-	-
Miscellaneous	118,085	19,879	-	-
Total receipts	2,296,978	730,203	513	1,724,469
Disbursements:				
Operating:				
Public safety	1,636,810	507,828	40,862	-
Public works	55,283	160,244	-	-
Health and social services	2,500	-	-	-
Culture and recreation	316,535	16,017	-	13,968
Community and economic development	4,794	-	-	32,983
General government	438,787	80,645	-	3,778
Debt service	-	-	-	-
Capital projects	-	-	-	143,090
Total disbursements	2,454,709	764,734	40,862	193,819
Excess (deficiency) of receipts over (under) disbursements	(157,731)	(34,531)	(40,349)	1,530,650
Other financing sources (uses):				
Note proceeds (including premium of \$4,504, net of discount of \$20,160 and issuance costs of \$3,709)	-	-	-	3,339,840
General obligation bonds refunded	-	-	-	-
Operating transfers in	3,443,002	162,489	-	597,437
Operating transfers out	(926,902)	-	-	(5,191,724)
Sale of capital assets	2,500	-	-	-
Total other financing sources (uses)	2,518,600	162,489	-	(1,254,447)
Net change in cash balances	2,360,869	127,958	(40,349)	276,203
Cash balances beginning of year, as restated	1,736,412	(97,056)	285,018	(722,056)
Cash balances end of year	\$ 4,097,281	30,902	244,669	(445,853)
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	-	-	-
Debt service	-	-	-	-
Other purposes	-	30,902	244,669	-
Unassigned	4,097,281	-	-	(445,853)
Total cash basis fund balances	\$ 4,097,281	30,902	244,669	(445,853)

See notes to financial statements.

Capital Projects				
Debt Service	Colby Park TIF	Hickman Road TIF	Nonmajor	Total
276,637	-	-	-	2,565,082
-	-	-	-	1,724,469
-	-	-	-	3,525
-	-	-	-	292,831
-	-	21	199	13,815
-	174,141	-	470,283	768,245
-	-	-	45,380	212,893
-	-	-	16,228	154,192
276,637	174,141	21	532,090	5,735,052
-	-	-	51,421	2,236,921
-	-	-	465,699	681,226
-	-	-	-	2,500
-	-	-	-	346,520
-	-	-	-	37,777
-	-	-	-	523,210
2,099,516	-	-	-	2,099,516
-	549,251	371,327	113,411	1,177,079
2,099,516	549,251	371,327	630,531	7,104,749
(1,822,879)	(375,110)	(371,306)	(98,441)	(1,369,697)
440,795	-	-	-	3,780,635
(430,000)	-	-	-	(430,000)
1,789,630	-	-	166,976	6,159,534
-	-	-	(908)	(6,119,534)
-	-	-	-	2,500
1,800,425	-	-	166,068	3,393,135
(22,454)	(375,110)	(371,306)	67,627	2,023,438
27,813	391,871	176,481	(45,930)	1,752,553
5,359	16,761	(194,825)	21,697	3,775,991
-	-	-	12,045	12,045
5,359	-	-	-	5,359
-	16,761	-	89,922	382,254
-	-	(194,825)	(80,270)	3,376,333
5,359	16,761	(194,825)	21,697	3,775,991

City of Windsor Heights

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Charges for service	\$ 37,370	474,620	511,990
Operating disbursements:			
Business type activities	31,255	387,603	418,858
Excess of operating receipts over operating disbursements	6,115	87,017	93,132
Non-operating receipts (disbursements):			
Interest on investments	-	401	401
Capital outlay	-	(20,990)	(20,990)
Net non-operating receipts (disbursements)	-	(20,589)	(20,589)
Excess of receipts over disbursements	6,115	66,428	72,543
Operating transfers out	-	(40,000)	(40,000)
Net change in cash balances	6,115	26,428	32,543
Cash balances beginning of year, as restated	108,805	(144,399)	(35,594)
Cash balances end of year	\$ 114,920	(117,971)	(3,051)
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 114,920	(117,971)	(3,051)

See notes to financial statements.

City of Windsor Heights

Notes to Financial Statements

June 30, 2011

**(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 services are provided to citizens by the Des Moines Water Works.

A. Reporting Entity

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

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 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 Windsor Heights Fire Fighter's Association was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the Association is to assist the City's Fire Department in the performance of its responsibilities to the citizens of Windsor Heights. The financial transactions of this component unit have been blended into the Special Revenue Funds.

Discretely Presented Component Unit - The Windsor Heights Foundation was organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose of the Association 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 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 each governing body. The members make contributions toward the budget of the Organization. During the year ended June 30, 2011, the City paid the 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 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, 2011, the City paid the Metro Waste Authority \$56,350 for the Curb-It Program.

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 each member was \$4,794 during the year ended June 30, 2011.

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 and BRAVO.

### B. 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 service.

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

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 not meeting the definition of the preceding categories. 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 enterprise 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:

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 Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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 Colby Park TIF Fund is used to account for all resources used in the acquisition and construction of the Colby Park improvement project.

The Hickman Road TIF Fund is utilized to account for all resources used in the acquisition and construction of the Hickman Road project.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. 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 U.S. generally accepted accounting principles.

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.

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

#### D. 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 imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 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 \$2,000,159 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.

**(3) Bonds and Note Payable**

General Obligation Bonds and Notes

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,520,000	560,081	2,080,081
2013	1,590,000	484,958	2,074,958
2014	1,535,000	425,395	1,960,395
2015	945,000	366,140	1,311,140
2016	1,010,000	333,378	1,343,378
2017-2021	3,460,000	1,198,433	4,658,433
2022-2026	1,855,000	561,886	2,416,886
2027-2028	905,000	76,040	981,040
Total	\$ 12,820,000	4,006,311	16,826,311

General Obligation Refunding Notes

On February 1, 2011, the City issued \$440,000 of general obligation refunding notes with an interest rate of 2.00% per annum. These were issued to refund general obligation bonds, Series 1997A dated March 1, 1997.

The City refunded the bonds to reduce its total debt service payments by approximately \$30,400 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$24,300.

**(4) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

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 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual 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, 2011, 2010 and 2009 were \$154,989, \$141,277 and \$129,249, respectively, equal to the required contributions for each year.

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 at retirement or disability and 25 percent of the monthly salary at 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%. This 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 increases as a result of inflation.

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

Total pension obligation at July 1, 2011	\$ 494,521
Net assets available for benefits as of June 30, 2011	<u>244,669</u>
Unfunded pension benefit obligation	<u>\$ 249,852</u>

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

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 31 active and 1 retired members in the plan.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for plan members are \$415 for single coverage, \$786 for employee-child(ren), \$850 for employee-spouse and \$1,274 for family coverage. For the year ended June 30, 2011, the City contributed \$313,919 and plan members eligible for benefits contributed \$25,225.

**(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 vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 99,000
Sick leave	<u>127,000</u>
Total	<u>\$ 226,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Urban Renewal	
	Tax Increment	\$ 3,402,094
	Capital Projects:	
	Missing Link Trail	908
	Enterprise:	
	Water	15,000
	Storm Water	25,000
		<u>3,443,002</u>
Special Revenue:		
Employee Benefits	General	162,489
Urban Renewal Tax Increment	General	597,437
Road Use Tax	General	166,976
		<u>926,902</u>
Debt Service	Special Revenue:	
	Urban Renewal	
	Tax Increment	1,789,630
		<u>1,789,630</u>
<b>Total</b>		<u>\$ 6,159,534</u>

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

**(8) Economic Development Grant**

On December 23, 2009, the City entered into an agreement with Grale, L.L.C. to provide the Developer a \$120,000 grant to carry out economic development activities within the City's urban renewal area. During the year ended June 30, 2011, the City disbursed \$120,000 under the agreement.

**(9) Construction Commitments**

During the year ended June 30, 2011, the City entered into construction contracts for a Hickman Road improvement project. Unpaid contract commitments as of June 30, 2011 totaled \$1,787,250 and will be paid as work on the project progresses. The project will be funded through various grants.

**(10) 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 645 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 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2011 was \$61,192.

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 in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event 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, 2011, 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. 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 casualty 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 worker's 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.

#### **(11) 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.

**(12) Deficit Balances**

The Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$445,853 at June 30, 2011. The deficit will be eliminated through transfers and future tax increment financing collections.

The Capital Projects, Hickman Road TIF and 73<sup>rd</sup> Street Resurfacing Funds had deficit balances of \$194,825 and \$80,270, respectively, at June 30, 2011. The deficits will be eliminated through transfers and future tax increment financing collections.

The Enterprise, Water and Storm Water Funds had deficit balances of \$27,564 and \$103,158, respectively, at June 30, 2011. The deficits will be eliminated through transfers and future collections from adjusted storm water rates.

**(13) Restatements**

Beginning governmental activities net assets and the beginning cash balance of the Special Revenue funds were restated to include activity for the Windsor Heights Fire Fighter’s Association, a component unit, pursuant to Governmental Accounting Standards Board (GASB) Statements No. 14 and 39.

The beginning governmental and business type activities net assets were restated to reclassify the City’s solid waste activity from the General Fund to a separate Enterprise, Solid Waste Fund.

	Governmental Activities	Business Type Activities
Cash basis net assets June 30, 2010, as previously reported	\$ 1,716,361	(22,727)
To report the Windsor Heights Fire Fighter's Association, a component unit, in accordance with GASB Statements No. 14 and 39	23,325	-
To reclassify solid waste activity from the General Fund to the Enterprise, Solid Waste Fund	12,867	(12,867)
Cash basis net assets July 1, 2010	\$ 1,752,553	(35,594)

	General	Special Revenue, Windsor Heights Fire Fighter's Association	Enterprise, Solid Waste
Cash basis fund balances June 30, 2010, as previously reported	\$ 1,723,545	-	-
To report the Windsor Heights Fire Fighter's Association, a component unit, in accordance with GASB Statements No. 14 and 39	-	23,325	-
To reclassify solid waste activity from the General Fund to the Enterprise, Solid Waste Fund	12,867	-	(12,867)
Cash basis fund balances July 1, 2010	\$ 1,736,412	23,325	(12,867)

**City of Windsor Heights**

**Required Supplementary Information**

City of Windsor Heights

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 2,565,082	-	-	2,565,082
Tax increment financing	1,724,469	-	-	1,724,469
Other city tax	3,525	-	-	3,525
Licenses and permits	292,831	-	-	292,831
Use of money and property	13,815	401	23	14,193
Intergovernmental	768,245	-	-	768,245
Charges for service	212,893	511,990	-	724,883
Miscellaneous	154,192	-	16,228	137,964
Total receipts	5,735,052	512,391	16,251	6,231,192
Disbursements:				
Public safety	2,236,921	-	17,876	2,219,045
Public works	681,226	-	-	681,226
Health and social services	2,500	-	-	2,500
Culture and recreation	346,520	-	-	346,520
Community and economic development	37,777	-	-	37,777
General government	523,210	-	-	523,210
Debt service	2,099,516	-	-	2,099,516
Capital projects	1,177,079	-	-	1,177,079
Business type activities	-	439,848	-	439,848
Total disbursements	7,104,749	439,848	17,876	7,526,721
Excess (deficiency) of receipts over (under) disbursements	(1,369,697)	72,543	(1,625)	(1,295,529)
Other financing sources (uses), net	3,393,135	(40,000)	-	3,353,135
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,023,438	32,543	(1,625)	2,057,606
Balances beginning of year, as restated	1,752,553	(35,594)	23,325	1,693,634
Balances end of year	\$ 3,775,991	(3,051)	21,700	3,751,240

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
2,530,273	2,530,273	34,809
1,900,000	1,645,000	79,469
333,722	333,722	(330,197)
53,843	53,843	238,988
600	600	13,593
2,823,299	3,071,239	(2,302,994)
1,104,381	1,104,381	(379,498)
219,900	219,900	(81,936)
<u>8,966,018</u>	<u>8,958,958</u>	<u>(2,727,766)</u>
2,184,643	2,334,643	115,598
911,341	911,341	230,115
2,600	2,600	100
338,195	348,314	1,794
131,800	131,800	94,023
554,610	554,610	31,400
2,103,489	2,543,489	443,973
2,625,000	2,765,000	1,587,921
577,167	673,167	233,319
<u>9,428,845</u>	<u>10,264,964</u>	<u>2,738,243</u>
(462,827)	(1,306,006)	10,477
-	3,820,000	(466,865)
(462,827)	2,513,994	(456,388)
1,834,662	1,834,662	(141,028)
<u>1,371,835</u>	<u>4,348,656</u>	<u>(597,416)</u>

City of Windsor Heights

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 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 \$836,119. The budget amendments are reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.

**Other Supplementary Information**

City of Windsor Heights

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue			Windsor Heights Fire Fighter's Association
	Road Use Tax	Police Trust	Police Forfeiture	
Receipts:				
Use of money and property	\$ -	8	8	23
Intergovernmental	470,283	-	-	-
Charges for service	-	28,121	17,259	-
Miscellaneous	-	-	-	16,228
Total receipts	<u>470,283</u>	<u>28,129</u>	<u>17,267</u>	<u>16,251</u>
Disbursements:				
Operating:				
Public safety	-	2,580	30,965	17,876
Public works	465,699	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>465,699</u>	<u>2,580</u>	<u>30,965</u>	<u>17,876</u>
Excess (deficiency) of receipts over (under) disbursements	<u>4,584</u>	<u>25,549</u>	<u>(13,698)</u>	<u>(1,625)</u>
Other financing sources (uses):				
Operating transfers in	166,976	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>166,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	171,560	25,549	(13,698)	(1,625)
Cash balances beginning of year, as restated	(159,515)	2,783	26,687	23,325
Cash balances end of year	<u>\$ 12,045</u>	<u>28,332</u>	<u>12,989</u>	<u>21,700</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ 12,045	-	-	-
Other purposes	-	28,332	12,989	21,700
Unassigned	-	-	-	-
Total cash basis fund balances	<u>\$ 12,045</u>	<u>28,332</u>	<u>12,989</u>	<u>21,700</u>

See accompanying independent auditor's report.

Capital Projects			
73rd Street	Missing	Equipment	
Resurfacing	Link	Reserve	Total
	Trail		
-	-	160	199
-	-	-	470,283
-	-	-	45,380
-	-	-	16,228
-	-	160	532,090
-	-	-	51,421
-	-	-	465,699
-	-	113,411	113,411
-	-	113,411	630,531
-	-	(113,251)	(98,441)
-	-	-	166,976
-	(908)	-	(908)
-	(908)	-	166,068
-	(908)	(113,251)	67,627
(80,270)	908	140,152	(45,930)
(80,270)	-	26,901	21,697
-	-	-	12,045
-	-	26,901	89,922
(80,270)	-	-	(80,270)
(80,270)	-	26,901	21,697

**City of Windsor Heights**

## City of Windsor Heights

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise			Total
	Water	Storm Water	Solid Waste	
Operating receipts:				
Charges for service	\$ 15,000	148,413	311,207	474,620
Operating disbursements:				
Business type activities	-	102,014	285,589	387,603
Excess of operating receipts over operating disbursements	15,000	46,399	25,618	87,017
Non-operating receipts (disbursements):				
Interest on investments	401	-	-	401
Capital outlay	-	(20,990)	-	(20,990)
Net non-operating receipts (disbursements)	401	(20,990)	-	(20,589)
Excess of receipts over disbursements	15,401	25,409	25,618	66,428
Operating transfers out	(15,000)	(25,000)	-	(40,000)
Net change in cash balances	401	409	25,618	26,428
Cash balances beginning of year, as restated	(27,965)	(103,567)	(12,867)	(144,399)
Cash balances end of year	\$ (27,564)	(103,158)	12,751	(117,971)
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ (27,564)	(103,158)	12,751	(117,971)

See accompanying independent auditor's report.

City of Windsor Heights  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
General obligation bonds, series 1997A	Mar 1, 1997	5.20%	\$ 950,000
General obligation bonds, series 1997B	Mar 1, 1997	6.75	1,775,000
General obligation bonds, series 1999A	Sep 1, 1999	5.00-5.30	1,580,000
Capital loan notes, series 2002	Mar 1, 2002	4.35-4.65	1,810,000
Capital loan notes, series 2007A	Apr 1, 2007	3.65-3.80	1,500,000
General obligation bonds, series 2008A	Jun 1, 2008	3.65-4.20	1,980,000
General obligation bonds, series 2008B	Jun 1, 2008	4.50-6.20	3,805,000
Capital loan notes, series 2009A	Apr 22, 2009	1.80-2.15	570,000
Capital loan notes, series 2009B	Apr 27, 2009	2.25-2.50	1,175,000
Capital loan notes, series 2011A	Feb 1, 2011	1.00-4.15	3,360,000
Refunding capital loan notes, series 2011B	Feb 1, 2011	2.00	440,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
430,000	-	430,000	-	15,466
325,000	-	325,000	-	21,938
880,000	-	120,000	760,000	46,182
1,430,000	-	10,000	1,420,000	65,565
1,120,000	-	140,000	980,000	41,647
1,905,000	-	75,000	1,830,000	74,690
3,590,000	-	125,000	3,465,000	205,190
320,000	-	250,000	70,000	6,005
1,045,000	-	490,000	555,000	24,900
-	3,360,000	-	3,360,000	-
-	440,000	60,000	380,000	2,933
<b>\$ 11,045,000</b>	<b>3,800,000</b>	<b>2,025,000</b>	<b>12,820,000</b>	<b>504,516</b>

City of Windsor Heights  
 Bond and Note Maturities  
 June 30, 2011

Year Ending June 30,	Series 1999A		Series 2002		Series 2007A		General Obligation Series 2008A	
	Issued Sept 1, 1999		Issued Mar 1, 2002		Issued Apr 1, 2007		Issued Jun 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	5.20%	\$ 130,000	4.45%	\$ 100,000	3.65%	\$ 145,000	3.65%	\$ 75,000
2013	5.25	145,000	4.55	700,000	3.70	155,000	3.65	80,000
2014	5.25	150,000	4.65	620,000	3.70	160,000	3.65	80,000
2015	5.30	155,000	-	-	3.75	165,000	3.65	85,000
2016	5.30	180,000	-	-	3.75	175,000	3.65	90,000
2017	-	-	-	-	3.80	180,000	3.65	90,000
2018	-	-	-	-	-	-	3.75	95,000
2019	-	-	-	-	-	-	3.80	100,000
2020	-	-	-	-	-	-	3.90	105,000
2021	-	-	-	-	-	-	4.00	110,000
2022	-	-	-	-	-	-	4.00	115,000
2023	-	-	-	-	-	-	4.05	120,000
2024	-	-	-	-	-	-	4.05	125,000
2025	-	-	-	-	-	-	4.10	130,000
2026	-	-	-	-	-	-	4.15	135,000
2027	-	-	-	-	-	-	4.20	145,000
2028	-	-	-	-	-	-	4.20	150,000
Total		<u>\$ 760,000</u>		<u>\$1,420,000</u>		<u>\$ 980,000</u>		<u>\$1,830,000</u>

Year Ending June 30,	Series 2011A		Series 2011B		Total
	Issued Feb 1, 2011		Issued Feb 1, 2011		
	Interest Rates	Amount	Interest Rates	Amount	
2012	1.00%	\$ 250,000	2.00%	\$ 70,000	1,520,000
2013	1.20	300,000	2.00	75,000	1,590,000
2014	1.50	310,000	2.00	75,000	1,535,000
2015	1.85	315,000	2.00	80,000	945,000
2016	2.65	330,000	2.00	80,000	1,010,000
2017	2.95	340,000	-	-	775,000
2018	3.45	355,000	-	-	625,000
2019	3.60	370,000	-	-	655,000
2020	3.95	385,000	-	-	685,000
2021	4.15	405,000	-	-	720,000
2022	-	-	-	-	335,000
2023	-	-	-	-	350,000
2024	-	-	-	-	370,000
2025	-	-	-	-	390,000
2026	-	-	-	-	410,000
2027	-	-	-	-	440,000
2028	-	-	-	-	465,000
Total		<u>\$3,360,000</u>		<u>\$ 380,000</u>	<u>12,820,000</u>

See accompanying independent auditor's report.

Bonds/Notes					
Series 2008B		Series 2009A		Series 2009B	
Issued Jun 1, 2008		Issued Apr 22, 2009		Issued Apr 27, 2009	
Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount
4.50%	\$ 125,000	2.15%	\$ 70,000	2.50%	\$ 555,000
4.70	135,000		-		-
5.40	140,000		-		-
5.40	145,000		-		-
5.40	155,000		-		-
5.40	165,000		-		-
5.50	175,000		-		-
5.60	185,000		-		-
5.70	195,000		-		-
5.80	205,000		-		-
5.90	220,000		-		-
6.00	230,000		-		-
6.00	245,000		-		-
6.10	260,000		-		-
6.10	275,000		-		-
6.20	295,000		-		-
6.20	315,000		-		-
	<u>\$3,465,000</u>		<u>\$ 70,000</u>		<u>\$ 555,000</u>

City of Windsor Heights

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Eight Years

	2011	2010	2009	2008
<b>Receipts:</b>				
Property tax	\$ 2,565,082	2,703,573	2,778,548	2,215,440
Tax increment financing	1,724,469	1,809,398	1,645,515	1,568,689
Other city tax	3,525	209,293	287,013	316,789
Licenses and permits	292,831	40,964	38,357	75,189
Use of money and property	13,815	6,786	78,651	65,332
Intergovernmental	768,245	1,441,286	422,362	515,629
Charges for service	212,893	514,927	370,278	377,556
Miscellaneous	154,192	228,551	309,957	297,258
<b>Total</b>	<b>\$ 5,735,052</b>	<b>6,954,778</b>	<b>5,930,681</b>	<b>5,431,882</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 2,236,921	2,102,371	2,048,175	1,819,876
Public works	681,226	1,214,431	1,023,955	914,916
Health and social services	2,500	100	2,500	-
Culture and recreation	346,520	308,454	370,797	328,954
Community and economic development	37,777	12,535	8,085	225
General government	523,210	594,043	570,123	456,932
Debt service	2,099,516	1,891,171	3,538,565	1,459,425
Capital projects	1,177,079	4,861,461	2,890,523	966,570
<b>Total</b>	<b>\$ 7,104,749</b>	<b>10,984,566</b>	<b>10,452,723</b>	<b>5,946,898</b>

See accompanying independent auditor's report.

2007	2006	2005	2004
2,160,668	2,149,157	2,076,718	1,886,664
1,620,769	1,447,527	1,294,382	1,097,352
306,032	307,581	7,221	13,781
79,458	40,333	118,060	117,595
58,023	40,451	17,216	7,887
783,396	409,501	410,168	428,617
331,869	120,478	216,612	195,406
283,318	205,438	289,254	154,295
<u>5,623,533</u>	<u>4,720,466</u>	<u>4,429,631</u>	<u>3,901,597</u>

2,100,540	1,622,875	1,648,134	1,457,408
885,629	629,928	690,381	535,010
-	75,125	78,574	85,529
238,776	468,146	337,121	247,442
14,933	23,354	33,301	51,813
479,658	375,537	395,866	385,077
1,300,176	1,744,032	1,180,503	1,141,875
1,191,250	138,719	36,480	369,251
<u>6,210,962</u>	<u>5,077,716</u>	<u>4,400,360</u>	<u>4,273,405</u>

**City of Windsor Heights**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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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:

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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 27, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 of Windsor Heights' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Windsor Heights' internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 deficiencies described in the Schedule of Findings as items (A) through (C) to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings as items (D) and (E) to be significant deficiencies.

## 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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 of Windsor Heights' responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 27, 2011

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) 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 all data input and output and custody and control over assets.
  - (2) Cash – preparation of bank reconciliations, signing checks and recording cash. There is no evidence of independent review of the bank reconciliations. In addition, two individuals have access to one change drawer at the City rather than each individual having a drawer they are solely responsible for.
  - (3) Investments – detailed record keeping, custody and reconciling.
  - (4) Receipts – collecting, depositing, posting and reconciling.
  - (5) Disbursements – purchasing, processing invoices, disbursing, recording and reconciling.
  - (6) Payroll – recordkeeping, preparation, distribution and custody of undistributed warrants.
  - (7) Debt – recordkeeping, debt payment processing and reconciling.

In addition, duties of accounting personnel are not rotated in their absence.

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.

For the Windsor Heights Foundation, one person handles and records collections, prepares deposits, 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.

Responses:

City – City staff has already worked to identify various processes to address some of the segregation of duties. For example, in addition to the review and approval process that the Council goes through on each check, the Mayor will now be reviewing the bank statement reconciliation documentation monthly. Additionally, City staff will review each of the subcategories under segregation of duties with the appropriate Council committees to make recommendations to the full Council.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2011

Windsor Heights Fire Fighter's Association – We will segregate duties to the extent possible with limited volunteers. We currently provide bank statements to the entire Association on a monthly basis. Additionally, we will implement a process of having both the Treasurer and another member on the Board review, initial and date a bank reconciliation each month.

Windsor Heights Foundation – We will continue to segregate duties to the extent possible with limited, volunteer personnel. It should be noted, however, that though one person (Board President) handles and records collections, and prepares deposits, the Treasurer keeps a record of collections and deposits, prepares checks and reconciles the bank account. Both the President and Treasurer are required, by Board action, to sign all checks.

Conclusion – Responses accepted.

- (B) Utility Billings and Reconciliations – The City has a contract with Des Moines Water Works for the provision and billing of water services. In addition, Des Moines Water Works performs the billing and collection services for the City's solid waste, sewer and storm water enterprise functions. The City does not have procedures in place to identify what should be collected for solid waste, sewer and storm water charges each billing period and to reconcile expected collections to actual collections. This should be done through obtaining billing reports and delinquent account listings from Des Moines Water Works each billing period and reconciling collections, billings and delinquent accounts for the period. In addition, Des Moines Water Works charges a \$3,300 monthly fee which is withheld from payments to the City.

Recommendations – The City should establish procedures to ensure the proper amount of garbage, recycling, sewer and storm water are collected, including reconciling billings, collections and delinquent accounts for each billing cycle. The City should remit a check to Des Moines Water Works for the monthly service fee rather than allowing it to be withheld from collections.

Response – City staff will work with Des Moines Water Works staff to create a reconciliation report and to change the way the payment of the monthly service fee is handled.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified a material payment recorded in error to the Police Pension Fund, material PPEL payments incorrectly recorded in the General Fund and material activity of the City's component units omitted from the financial statements. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure all receipts, disbursements and component unit activity is properly recorded in the City's financial statements.

Response – Both the Police Pension Fund and PPEL payments have been corrected. Component units have not previously been included in the City's financial statements and only determined in the current fiscal year to be material. Staff will review how similarly-situated cities handle this and work to develop and recommend policies regarding the component unit activity.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2011

Conclusion – Response accepted.

- (D) Information System – The City does not have a written disaster recovery plan for its computer system or written policies regarding password security and storing back-up tapes at an off-site location.

Recommendation – The City should develop a written disaster recovery plan and written policies addressing password security and requiring off-site storage of back-up tapes.

Response – The City will commit a disaster recovery plan and policies regarding password security to paper and explore off-site storage options.

Conclusion – Response accepted.

- (E) Receipts – An independent person does not open the mail and prepare an initial listing of collections.

An independent review of receipts coding is not performed.

Recommendation – An independent person should open the mail and prepare an initial listing of receipts. This listing should periodically be reconciled to deposits by an independent person. An independent person should periodically review receipts for proper coding.

Response – Front counter staff will now open the mail and scan checks to a predetermined and segregated email address that can be accessed and spot checked by a third party. Additionally, the Mayor will be reviewing the bank statement reconciliation documentation monthly.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2011

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hy-Vee	Coffee for public works staff, snacks and supplies for Police Chief’s retirement, breakfast for crew after storm clean-up	\$ 234

According to the Attorney General’s opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City should determine and document the public purpose served by these disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures establishing the public benefit, including the requirement for proper documentation.

Response – The City has written policies for personnel, purchasing and City code that address review and approval requirements for all purchases. The breakfast purchase refers to a purchase made for volunteer/paid per call firefighters who helped with clean up after a large storm to help restore the City to normal operations more quickly. City staff and elected officials will continue to scrutinize invoices for accuracy and to ensure that the public good for an expenditure is present and documented prior to purchase. In addition, City staff will work with elected officials to implement the auditor’s recommendations for strengthening our purchasing policies.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No transactions between the City and City officials and employees were noted.
- (5) 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.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, the publication did not include the purpose of the claims approved for payment as required by Chapter 372.13(6) of the Code of Iowa.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2011

Recommendation – The City should publish the purpose of claims as required.

Response – City staff will seek direction from City Council related to this requirement.

Conclusion – Response acknowledged. The City should comply with Chapter 372.13(6) of the Code of Iowa and publish the purpose for claims.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Tax Increment Financing (TIF) Receipts – Chapter 403.19(7) of the Code of Iowa provides the City may receive the portion of taxes for a school district's Physical Plant and Equipment Levy (PPEL) to pay principal and interest on debt issued by the City to finance urban renewal projects if the debt was issued prior to July 1, 2001.

The City directly billed two school districts for the PPEL amounts to be remitted for fiscal year 2011 and prior years rather than certifying the amounts to the County Auditor for collection in the manner prescribed by the Code of Iowa.

For fiscal years 2002 through 2011, the PPEL receipts were incorrectly credited to the General Fund rather than the Special Revenue, Urban Renewal Tax Increment Fund. As of June 30, 2011, the City transferred \$597,437 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund to correct the posting of PPEL receipts for fiscal years 2002 through 2011.

Recommendation – In the future, the City should certify the PPEL amounts to be collected to the County Auditor in the manner prescribed by the Code of Iowa rather than billing the school districts directly. The City should decertify \$597,437 of TIF debt, using Form 3, to reduce TIF indebtedness outstanding for the TIF overpayments resulting from the above errors.

Response – City staff met with County Auditor staff regarding the PPEL billing method. County staff indicated that the County does not bill the school district(s) directly, but provides the information for the City to bill the school district(s). The City will decertify the \$597,437 collected in PPEL funds from the school districts on the 2011 Tax Increment Certification of the County. Moving forward, there are no more PPEL billings to be submitted to the school districts. The PPEL can only be requested if the money is needed to pay debt service on certain qualifying bonds. Beginning in fiscal year 2013, the City no longer has qualifying debt that exceeds the TIF revenue collected from within the school districts.

Conclusion – Response accepted.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2011

- (9) Tax Increment Financing (TIF) Indebtedness Certification and Disbursements - Chapter 403.19 of the Code of Iowa provides a municipality shall certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

Chapter 403.19(2) of the Code of Iowa states, in part, "That portion of the taxes each year...shall be allocated to and when collected be paid into a special fund of the municipality to pay the principal of and interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed, or otherwise, including bonds issued under the authority of section 403.9, subsection 1, incurred by the municipality to finance or refinance, in whole or in part, an urban renewal project within the area."

The governing body approval date was not included on the certification for the two 2010 debt issues as required by Chapter 403.19(5) (a) of the Code of Iowa.

The 2010 certification includes \$137,254 of projected costs for "applicable services provided within the TIF districts". Based on a review of TIF Indebtedness Certifications prior to fiscal year 2011, it appears similar projected costs were certified prior to fiscal year 2011.

During the year ended June 30, 2011, the City paid \$74,015 of expenses directly from the Special Revenue, Urban Renewal Tax Increment Fund and transferred \$62,254 from this fund to the General Fund for "support of salaries and benefits related to TIF activities". These expenses and transfers have not been certified as TIF debt.

The City also paid \$120,000 in economic development grants to a local business directly from the Special Revenue, Urban Renewal Tax Increment Fund. This grant, while representing a TIF obligation of the City, has not been certified as TIF debt.

Recommendation - Although the City is not required to use the TIF certification forms, all elements required by the Code of Iowa and needed by the County Auditor to correctly divide taxes must be provided, including governing body approval dates.

The City should consult TIF legal counsel to determine the propriety of the City's TIF certifications which included projected costs and the amount of TIF debt to be certified or decertified, if any, from the December 2006 certification to the most recent certification.

The City should develop a method to clearly account for advances to another fund to be expended for TIF qualified costs and ensure those TIF qualified costs are approved by the City Council as TIF debt and certified to the County Auditor in a timely manner as TIF debt so taxes can be divided and the TIF debt can be repaid.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2011

Response – City staff has met with County staff to identify any incomplete or inaccurate items on the TIF Indebtedness Certification Forms and will take action to correct those items. Additionally, based on direction from our auditors and discussion with TIF legal counsel, the City is creating an “Urban Renewal Advance Fund” to enable clearer tracking of expenditures, which will then be certified as indebtedness to the County in arrears as opposed to the projected costs being listed on the certification. Staff will file paperwork with the County to decertify “projected costs” and certify the actual costs during the 2011 Tax Increment Indebtedness Certification filing. Staff has also corrected the date in the 2010 filing that was referenced above. Also, the City’s TIF legal counsel has developed some standardized resolutions for staff to use in order to provide additional documentation for certifying the TIF expenses.

Conclusion – Response accepted.

- (10) Debt Service Fund – The City budgeted a transfer of \$1,809,807 to the Debt Service Fund from the Special Revenue, Urban Renewal Tax Increment Fund. However, only \$1,789,630 was transferred from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund, \$20,177 less than needed to cover the budgeted debt payments.

Recommendation – The City should transfer \$20,177 from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund to pay the budgeted debt payment or decertify \$20,177 of TIF indebtedness, thereby reducing the amount of future TIF collections needed for this TIF debt.

Response – The City will decertify this TIF debt in the 2011 filing, per auditor direction.

Conclusion – Response accepted.

- (11) Financial Condition – The City had deficit balances in the following funds at June 30, 2011:

Special Revenue:	
Urban Renewal Tax Increment	\$ 445,853
Capital Projects:	
Hickman Road TIF	194,825
73 <sup>rd</sup> Street Resurfacing	80,270
Enterprise:	
Water	27,564
Storm Water	103,158

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

Response – The deficit in the Enterprise, Water Fund will be eliminated by a transfer. The City adjusted storm water rates last year and will review rates and expenditures again during the budget process. The Capital Projects Fund, 73<sup>rd</sup> Street Resurfacing deficit will also be eliminated by transfers. Both the Special Revenue, Urban Renewal Tax Increment Fund and the Capital Projects, Hickman Road TIF Fund deficits will be eliminated by transfers and future tax collections.

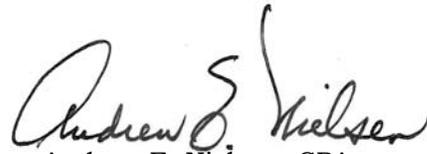
Conclusion – Response accepted.

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City of Windsor Heights  
Staff

This audit was performed by:

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Lesley R. Geary, CPA, Senior Auditor II  
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