

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

**JUNE 30, 2019**

**CITY OF WINDSOR HEIGHTS**

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**CITY OF WINDSOR HEIGHTS**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Burgess.....	Mayor.....	Jan 2022
Mike Jones.....	Mayor, Pro Tem.....	Jan 2022
Threase Harms.....	Council Member.....	Jan 2020
Joseph Jones.....	Council Member.....	Jan 2022
Zachary Bales-Henry.....	Council Member.....	Jan 2020
Michael Loffredo.....	Council Member.....	Jan 2022
Elizabeth Hansen.....	City Administrator (Ended June 30, 2019).....	
Travis Cooke.....	City Clerk.....	Indefinite
Matt Brick.....	Attorney.....	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

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

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

## Opinions

### *Basis for Qualified Opinion on the Governmental Activities and the Aggregate Remaining Fund Information*

The financial statements do not include financial data for two of the City's legally separate component units, the City of Windsor Heights Volunteer Fire Department Association and the Windsor Heights Foundation. The amounts by which this omission would affect the receipts, disbursements and cash balances of the governmental activities and the aggregate remaining fund information has not been determined.

### *Qualified Opinion*

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on the Governmental Activities and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, the financial position of the governmental activities and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2019, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, and each major fund of the City of Windsor Heights as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights' basic financial statements. The financial statements for the seven years ended June 30, 2016 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 36 through 42 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2019 on our consideration of the City of Windsor Heights' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Windsor Heights' internal control over financial reporting and compliance.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
November 21, 2019

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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, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2019 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 8.44%, or approximately \$814,000, from fiscal year 2018 to fiscal year 2019. The decrease in receipts was primarily due to the reduction of charges for service of approximately \$960,000.
- Disbursements of the City's governmental activities decreased 26.7%, or approximately \$2,955,000, from fiscal year 2018 to fiscal year 2019. The decrease in disbursements was primarily due to decrease in debt service payments and capital projects.
- The City's total cash basis net position increased 8.2%, or approximately \$826,000, from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities increased approximately \$685,000 and the cash basis net position of the business type activities increased approximately \$141,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds, capital project 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

- 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 and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Funds. 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 Sewer, Storm Water and Solid Waste Funds. The Storm Water 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**

Net position may serve over time as a useful indicator of financial position. The City's cash basis net position of governmental activities increased from a year ago, increasing \$684,544 to \$9,418,927. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

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Changes in Cash Basis Net Position of Governmental Activities

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	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 1,854,853	\$ 2,814,600
Operating grants, contributions and restricted interest	735,403	737,746
Capital grants, contributions and restricted interest	-	108,856
General receipts:		
Property tax	3,810,940	3,612,794
Tax increment financing	1,810,081	1,860,988
Other taxes	297,220	295,444
Commercial and industrial replacement	57,859	120,921
Grants and contributions not restricted to special purpose	21,870	10,638
Unrestricted interest on investments	17,215	29
Bond proceeds	1,536	-
Other general receipts	120,153	79,147
Total receipts	8,827,130	9,641,134
Disbursements:		
Public safety	3,312,738	3,409,557
Public works	678,988	629,805
Health and social services	-	3,000
Culture and recreation	430,289	444,058
Community and economic development	34,594	7,294
General government	721,902	681,356
Debt service	1,606,670	3,328,472
Capital projects	1,357,405	2,593,964
Total disbursements	8,142,586	11,097,506
Change in cash basis net position before transfers	684,544	(1,456,372)
Transfers, net	-	441,899
Change in cash basis net position	684,544	(1,014,473)
Cash basis net position beginning of year	8,734,383	9,748,856
Cash basis net position end of year	\$ 9,418,927	\$ 8,734,383

The 2018 amounts have been restated to remove the Windsor Heights Fire Department Fire Association since that Association is not included with the 2019 financial statements.

Total governmental activities receipts for the fiscal year were \$8,827,130 compared to \$9,641,134 last year. The cost of all governmental activities this year was \$8,142,586 compared to \$11,097,506 last year. The decrease in receipts was due to the City receiving approximately \$960,000 less in charges for service. The decrease in disbursements was primarily due to decreased debt service payments and capital projects.

The City increased property tax rates for fiscal year 2019 an average of 5.5%. This increase contributed to the increase in the City's property tax receipts of approximately \$198,000 in fiscal year 2019. Based on increases in the total assessed valuation and increased property tax rates, property tax receipts are budgeted to increase an additional \$247,000 next year.

The cost of all governmental activities this year was approximately \$8.143 million compared to approximately \$11.110 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$5.552 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,855,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$735,000). The City paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2019 from approximately \$3,662,000 to approximately \$2,590,000, principally due to receiving decreased charges for service.

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Changes in Cash Basis Net Position of Business Type Activities

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	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 62,337	\$ 77,470
Water	-	324,735
Storm water	339,018	345,099
Solid waste	354,900	363,503
General receipts:		
Miscellaneous	-	95,918
Total receipts	756,255	1,206,725
Disbursements:		
Sewer	82,069	105,087
Storm water	200,323	198,359
Solid waste	332,694	315,356
Total disbursements	615,086	618,802
Change in cash basis net position before transfers	141,169	587,923
Transfers, net	-	(441,899)
Change in cash basis net position	141,169	146,024
Cash basis net position beginning of year	888,592	742,568
Cash basis net position end of year	\$ 1,029,761	\$ 888,592

Total business type activities receipts for the fiscal year were \$756,255 compared to \$1,206,725 last fiscal year, a decrease of \$450,470, or 37.3%. Total disbursements were \$615,086 compared to \$618,802 in the prior fiscal year, a decrease of \$3,716, or 0.6%. The decrease in receipts is due to decreased water receipts during the current fiscal year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Windsor Heights completed the year, its governmental funds reported a combined fund balance of \$9,418,927, an increase of \$684,543 from last year’s total of \$8,734,384. The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The General Fund cash balance decreased \$187,278, or 4.2%, from the prior year to \$4,246,023. Receipts decreased 15.3% and disbursements decreased 6.4%. The primary reason for the decrease in fund balance was due to an increase in public safety disbursements of \$215,977.
- The Special Revenue, Employee Benefits fund cash balance increased \$43,744 over the prior year to \$855,099. Receipts increased 9.7% while disbursements increased 25.3%. The increase in cash balance is primarily due to an increase in property tax receipts.
- The Special Revenue, Urban Renewal Tax Increment Financing Fund cash balance decreased \$170,166 from the prior year. Receipts decreased \$50,906, or 2.7% from the prior year.
- The Capital Projects Fund cash balance decreased \$287,503 from the prior year. Disbursements on Street Projects accounted for most of the decrease.
- The Debt Service Fund cash balance increased \$16,346 from the prior year. Receipts increased \$45,148 due to an increase in property tax. Disbursements decreased \$1,721,802, or 51.7%, from the prior year.

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

- The Enterprise, Storm Water Fund cash balance increased \$138,695 to \$668,116, due primarily to charges for service receipts exceeding disbursements during fiscal year 2019.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on June 17, 2019. The amendment increased receipts \$1,295,858 and disbursements \$1,826,805. Disbursements increased in many areas with capital projects accounting for the majority of the increase.

The City's total receipts were \$804,991 less than the amended budget, primarily due to amounts budgeted for miscellaneous receipts.

Total disbursements were \$2,062,994 less than the amended budget. Actual disbursements for the business type activities function were \$165,858 less than the amended budget due to budgeting for certain expenses which did not occur. Actual disbursements for the public safety function were \$217,523 less than the amended budget. Actual disbursements for community and economic development were \$153,256 less than the amended budget. Capital projects were \$1,238,795 below the amended budget.

### **DEBT ADMINISTRATION**

At June 30, 2019, the City had \$7,075,000 of general obligation bonds and capital loan notes outstanding, compared to \$8,477,906 of bonds and notes outstanding at the end of last year.

Debt decreased \$1,402,906 as a result of the redemption of 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 \$7,075,000 is below the City's constitutional debt limit of approximately \$21,913,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Windsor Heights' elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's costs for services continue to rise even during times of extremely low growth.

Council budget goals for fiscal year 2020 included programs to spur redevelopment and marketing the City. The City will seek to collaborate with other organizations any time the City can realize a savings while improving the effectiveness and efficiency of a particular program or service. The City will continue to plan for State and Federal mandates, such as removal of traffic enforcement devices, revenues related to commercial property tax reform and the Affordable Care Act.

The City will continue to focus on capital improvements for an aging infrastructure, to analyze staff levels and labor costs and also to evaluate user rates on a quarterly basis.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk at Windsor Heights City Hall, 1145 66<sup>th</sup> Street, Suite 1, Windsor Heights, Iowa 50324 or by phone at (515)279-3662.

## **Basic Financial Statements**

**CITY OF WINDSOR HEIGHTS**

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 3,312,738	\$ 1,700,447	\$ 67,023	\$ -
Public works	678,988	-	654,034	-
Culture and recreation	430,289	147,625	5,154	-
Community and economic development	34,594	-	-	-
General government	721,902	6,781	9,192	-
Debt service	1,606,670	-	-	-
Capital projects	1,357,405	-	-	-
Total governmental activities	<u>8,142,586</u>	<u>1,854,853</u>	<u>735,403</u>	<u>-</u>
Business type activities:				
Sewer	82,069	62,337	-	-
Storm water	200,323	339,018	-	-
Solid Waste	332,694	354,900	-	-
Total business type activities	<u>615,086</u>	<u>756,255</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 8,757,672</u>	<u>\$ 2,611,108</u>	<u>\$ 735,403</u>	<u>\$ -</u>

**General Receipts and Transfers:**

- Property and other city tax levied for:
  - General purposes
  - Debt service
- Tax increment financing
- Other taxes
- Commercial/industrial tax replacement
- Grants and contributions not restricted to specific purposes
- Unrestricted interest on investments
- Bond proceeds
- Miscellaneous

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year, as restated

Cash basis net position end of year

**Cash Basis Net Position**

- Restricted:
  - Streets
  - Debt service
  - Other purposes
- Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (1,545,268)	\$ -	\$ (1,545,268)
(24,954)	-	(24,954)
(277,510)	-	(277,510)
(34,594)	-	(34,594)
(705,929)	-	(705,929)
(1,606,670)	-	(1,606,670)
(1,357,405)	-	(1,357,405)
(5,552,330)	-	(5,552,330)
-	(19,732)	(19,732)
-	138,695	138,695
-	22,206	22,206
-	141,169	141,169
(5,552,330)	141,169	(5,411,161)
3,113,830	-	3,113,830
797,110	-	797,110
1,810,081	-	1,810,081
297,220	-	297,220
57,859	-	57,859
21,870	-	21,870
17,215	-	17,215
1,536	-	1,536
120,153	-	120,153
6,236,874	-	6,236,874
684,544	141,169	825,713
8,734,383	888,592	9,622,975
\$ 9,418,927	\$ 1,029,761	\$ 10,448,688
\$ 771,610	\$ -	\$ 771,610
498,666	-	498,666
4,326,487	-	4,326,487
3,822,164	1,029,761	4,851,925
\$ 9,418,927	\$ 1,029,761	\$ 10,448,688

**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, 2019

	Special Revenue			
	General	Employee Benefit Tax	Urban Renewal Tax Increment Financing	Capital Equipment Fund
<b>Receipts:</b>				
Property tax	\$ 1,993,826	\$ 1,114,246	\$ -	\$ -
Tax increment financing	-	-	1,810,081	-
Other city tax	297,220	5,660	-	-
Licenses and permits	46,992	-	-	-
Use of money and property	17,115	101	-	-
Intergovernmental	126,215	17,863	-	-
Charges for service	285,381	-	-	-
Miscellaneous	1,592,872	55,991	-	-
Total receipts	<u>4,359,621</u>	<u>1,193,861</u>	<u>1,810,081</u>	<u>-</u>
<b>Disbursements:</b>				
Operating:				
Public safety	2,433,588	807,567	-	54,716
Public works	97	180,970	-	-
Culture and recreation	372,590	42,932	-	14,767
Community and economic development	27,712	-	6,882	-
General government	575,787	105,648	-	40,467
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>3,409,774</u>	<u>1,137,117</u>	<u>6,882</u>	<u>109,950</u>
Excess (deficiency) of receipts over (under) disbursements	<u>949,847</u>	<u>56,744</u>	<u>1,803,199</u>	<u>(109,950)</u>
<b>Other financing sources (uses):</b>				
Bond proceeds	-	-	-	-
Transfers in	118,326	-	-	1,204,115
Transfers out	(1,255,451)	(13,000)	(1,973,365)	-
Total other financing sources (uses)	<u>(1,137,125)</u>	<u>(13,000)</u>	<u>(1,973,365)</u>	<u>1,204,115</u>
Change in cash balances	(187,278)	43,744	(170,166)	1,094,165
Cash balances beginning of year, as restated	<u>4,433,301</u>	<u>811,355</u>	<u>1,047,191</u>	<u>179,202</u>
Cash balances end of year	<u>\$ 4,246,023</u>	<u>\$ 855,099</u>	<u>\$ 877,025</u>	<u>\$ 1,273,367</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Streets	-	-	-	-
Other purposes	-	855,099	877,025	1,273,367
Unassigned	4,246,023	-	-	-
Total cash basis fund balances	<u>\$ 4,246,023</u>	<u>\$ 855,099</u>	<u>\$ 877,025</u>	<u>\$ 1,273,367</u>

See notes to financial statements.

Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
\$ -	\$ 793,772	\$ 99	\$ 3,901,943
-	-	-	1,810,081
-	3,338	-	306,218
-	-	-	46,992
-	-	252	17,468
-	10,535	627,843	782,456
-	-	-	285,381
-	-	26,191	1,675,054
-	807,645	654,385	8,825,593
-	-	16,867	3,312,738
-	-	497,921	678,988
-	-	-	430,289
-	-	-	34,594
-	-	-	721,902
-	1,606,670	-	1,606,670
1,357,405	-	-	1,357,405
1,357,405	1,606,670	514,788	8,142,586
(1,357,405)	(799,025)	139,597	683,007
1,536	-	-	1,536
1,068,366	815,371	66,675	3,272,853
-	-	(31,037)	(3,272,853)
1,069,902	815,371	35,638	1,536
(287,503)	16,346	175,235	684,543
1,136,182	482,320	644,833	8,734,384
\$ 848,679	\$ 498,666	\$ 820,068	\$ 9,418,927
\$ -	\$ 498,666	\$ -	\$ 498,666
-	-	771,610	771,610
1,272,538	-	48,458	4,326,487
(423,859)	-	-	3,822,164
\$ 848,679	\$ 498,666	\$ 820,068	\$ 9,418,927

## 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, 2019

	Enterprise		
	Storm Water	Nonmajor	Total
Operating receipts:			
Charges for service	\$ 339,018	\$ 417,237	\$ 756,255
Total operating receipts	<u>339,018</u>	<u>417,237</u>	<u>756,255</u>
Operating disbursements:			
Business type activities	<u>142,622</u>	<u>414,763</u>	<u>557,385</u>
Total disbursements	<u>142,622</u>	<u>414,763</u>	<u>557,385</u>
Excess of operating receipts over operating disbursements	<u>196,396</u>	<u>2,474</u>	<u>198,870</u>
Non-operating (disbursements):			
Capital projects	<u>(57,701)</u>	<u>-</u>	<u>(57,701)</u>
Net non-operating (disbursements)	<u>(57,701)</u>	<u>-</u>	<u>(57,701)</u>
Excess of receipts over disbursements	138,695	2,474	141,169
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	138,695	2,474	141,169
Cash balances beginning of year	<u>529,421</u>	<u>359,171</u>	<u>888,592</u>
Cash balances end of year	<u>\$ 668,116</u>	<u>\$ 361,645</u>	<u>\$ 1,029,761</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	<u>668,116</u>	<u>361,645</u>	<u>1,029,761</u>
Total cash basis fund balances	<u>\$ 668,116</u>	<u>\$ 361,645</u>	<u>\$ 1,029,761</u>

See notes to financial statements.

# CITY OF WINDSOR HEIGHTS

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies

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

#### A. Reporting Entity

For financial reporting purposes, the City of Windsor Heights has included all funds, organizations, agencies, boards, commissions and authorities, except for the Windsor Heights Fire Fighters Association and the Windsor Heights Foundation. 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). The component units discussed below are not included in the City's reporting entity.

#### *Excluded Blended Component Unit*

The Windsor Heights Fire Fighter's Association (Association) is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. The Association was organized under Chapter 504A of the Code of Iowa as a nonprofit corporation. The purpose of the Association is to assist the City's Fire Department in the performance of its responsibilities to the citizens of the City. The financial transactions of this component unit have not been presented because the information was not made available.

#### *Excluded Discretely Presented Component Unit*

The Windsor Heights Foundation (Foundation) was organized as a nonprofit entity under Chapter 504A of the Code of Iowa. The purpose of the Foundation is to solicit funds to be administered and expended solely for the charitable use and direct benefit of the City and its citizens. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is not presented in these financial statements because the information was not made available.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (1) Summary of Significant Accounting Policies - Continued

##### Jointly Governed Organizations

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 the following boards and commissions: Polk County Assessor's Conference Board, Joint County/Municipal Disaster Services and Emergency Planning Administration for Polk County, E911 Joint Service Board, Central Iowa Regional Drinking Water Commission, Des Moines Metropolitan Transit Authority, Walnut Creek Watershed Management Authority, Metropolitan Des Moines Sister Cities Commission, Metropolitan Advisory Council, BRAVO and Neighborhood Finance Commission and West Des Moines School District.

##### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

The Cash Basis Statement of Activities and Net Position 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (1) Summary of Significant Accounting Policies - Continued

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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.

The Capital Equipment fund is utilized to account for the financing of equipment purchased by the departments of the City.

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

#### B. Basis of Presentation - Continued

The Capital Projects Fund is utilized in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

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.

The City reports the following major proprietary fund:

The Enterprise, Storm Water Fund accounts for the receipts and disbursement of the storm water 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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (1) Summary of Significant Accounting Policies - Continued

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, no disbursements exceeded the amounts budgeted.

#### (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2019 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 ensure 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 \$516,685 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

At June 30, 2019, the City had investments in certificates of deposit valued at \$215,279.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (2) Cash and Pooled Investments - Continued

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

#### (3) Bonds and Notes Payable

A summary of changes in general obligation bonds and notes for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities				
General obligation bonds and notes	\$8,477,906	\$ -	\$1,402,906	\$7,075,000

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,420,000	\$ 224,265	\$ 1,644,265
2021	890,000	150,630	1,040,630
2022	500,000	133,030	633,030
2023	505,000	122,932	627,932
2024	515,000	113,770	628,770
2025-2029	2,410,000	362,188	2,772,188
2030-2033	835,000	85,200	920,200
Total	\$ 7,075,000	\$ 1,192,015	\$ 8,267,015

#### (4) Pension Plans

##### **Iowa Public Employees' Retirement System (IPERS)**

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

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (4) Pension Plans - Continued

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

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

#### **Iowa Public Employees' Retirement System (IPERS)**

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

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

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (4) Pension Plans - Continued

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$207,731.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$593,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was .0093842%, which was a decrease of .000960% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$197,498, \$291,025 and \$429,133, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increases (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

**CITY OF WINDSOR HEIGHTS**

Notes to Financial Statements - Continued

June 30, 2019

**(4) Pension Plans - Continued**

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$1,782,456	\$593,854	\$(402,047)

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (4) Pension Plans - Continued

IPERS Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

#### 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% of the monthly salary upon retirement or disability and 60% of any increase in the pension benefits for the rank at which the member retired. A spouse beneficiary receives 50% of the full benefits.

As of June 30, 2019, the City has one eligible spouse who is retired and is receiving benefits.

Presented below is the total pension benefit obligation of the City for this pension plan. The amount is based on a standardized measurement established by GASB Statement No. 5, which is the actuarial present value of credited projected benefits. This method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date by the plan participants and is adjusted for the effect of projected salary increases. A variety of significant actuarial assumptions are used to determine the standardized measure, including:

1. The present value of future pension payments was computed using a discount rate of 3.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.

The most recent actuarial valuation was made August 16, 2017. The standardized measure of the unfunded pension obligation is as follows:

Total pension obligation at August 16, 2017	\$ 240,105
Net position available for benefits as of June 30, 2019	<u>34,047</u>
Unfunded pension benefit obligation	<u>\$ 206,058</u>

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

#### Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death, or an unforeseeable

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (5) Other Postemployment Benefits (OPEB) - Continued

emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

Plan Description - The City operates a single-employer retiree benefit plan with provides medical/prescription drug benefits for employees, retirees and their spouses. There are 29 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the full premium for the medical/prescription drug benefits while employees pay a portion of the premium. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit STS plan on a pay-as-you-go basis. The most recent active member monthly premiums for plan members are \$555 for single coverage, \$1,032 for employee-child(ren), \$1,116 for employee-spouse and \$1,600 for family coverage. For the year ended June 30, 2019, the City contributed \$372,860 and plan members eligible for benefits contributed \$55,715.

#### (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. At June 30, 2019 4 employees were eligible for sick leave payout as it requires 20 years of service. The City's approximate liability for earned vacation payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 134,196
Sick leave	<u>59,724</u>
	<u>\$ 193,920</u>

This liability has been computed based on rates of pay in effect as of June 30, 2019.

#### (7) Early Retirement

Windsor heights adopted an early retirement plan for employees who were 55 or older and had a minimum of 30 years service with the City. Those electing that option would have the City to continue to pay it's portion of the employees health care insurance until November 28, 2019.

One employee retired early under that Plan. The City's cost of that employees insurance was \$11,148 for the FY ending 6/30/19.

The program closed 7/1/14.

**CITY OF WINDSOR HEIGHTS**

Notes to Financial Statements - Continued

June 30, 2019

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment Financing	\$ 117,289
	Police Pension	<u>1,037</u>
		118,326
Special Revenue:	Special Revenue:	
Police Pension	Employee Benefits	13,000
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment Financing	815,371
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment Financing	1,034,832
	General Fund	<u>33,534</u>
		1,068,366
Special Revenue:	General Fund	
Capital Equipment Fund		1,174,115
	Special Revenue:	
	Road Use Tax	<u>30,000</u>
		1,204,115
Special Revenue:	Special Revenue:	
Road Use Tax	Urban Renewal Tax Increment Financing	5,873
	General Fund	<u>47,802</u>
		<u>53,675</u>
Total		<u><u>\$ 3,272,853</u></u>

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

**(9) Tax Increment Financing Redevelopment Agreement**

On December 19, 2011, the City entered into an agreement with We Can Build It, LLC (Company). Under this agreement, the Company agreed to a minimum assessment on the property located at 6500 University Avenue of \$4,090,050. The Company also agreed to provide the City with at least \$90,000 in property tax per year and the City agreed to rebate the Company any property tax paid over \$90,000 within 15 days of payment to the City through June 30, 2018. Effective December 8, 2014, We Can Build It, LLC sold the property to JKoester Properties, LLC. The City estimates the annual payments will be \$140,000 throughout the term of the agreement. During the year ended, June 30, 2019, the City paid \$53,506 under this agreement.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### **(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 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2019 were \$63,879.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### (10) Risk Management - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation in the amount of \$1,000,000. 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 issued the following educational facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely by the borrower to the lender. The bond principal and interest do not constitute liabilities of the City of Windsor Heights.

In July, 2007, the City issued \$3,600,000 in revenue bonds under the provisions of Chapter 419 of the Code of Iowa for the Salisbury House Project. The bonds and related interest are payable from the pledge of the revenues, and the bond principal and interest do not constitute liabilities of the City. \$1,801,153 in principal remains outstanding at June 30, 2019.

On March 4, 2013, the City has also issued \$7,500,000 in revenue bonds, Series 2013 Project Fund under the provisions of Chapter 419 of the Code of Iowa for the ChildServe Inc. Project. The funds will be used to construct and equip a therapy and clinic addition and make other renovations and improvements at the ChildServe Inc. campus. The bonds and related interest are payable solely from the pledge of the revenues, and the bond principal and interest do not constitute liabilities of the City. \$6,547,992 in principal remains outstanding at June 30, 2019.

On April 24, 2015, the City also issued \$7,795,000 in revenue and refunding bonds, Series 2015A, under the provisions of Chapter 419 of the Code of Iowa for the ChildServe Inc. Project. The funds will be used to refund series 2006 bonds and to renovate and make improvements to two existing facilities and construction of a connecting building. The bonds and related interest are payable solely from the pledge of the revenues, and the bond principal and interest do not constitute liabilities of the City. \$5,825,000 in principal remains outstanding at June 30, 2019.

On May 23, 2019, the City also issued \$4,000,000 in revenue bonds, Series 2019 (taxable) under the provisions of Chapter 419 of the Code of Iowa for the ChildServe Inc. Project. The bonds and related interest are payable from the pledge of the revenues, and the bond principal and interest do not constitute liabilities of the City. Loan advances of \$76,727 represents the principal outstanding at June 30, 2019.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

#### **(12) Commitments**

The City has entered into various construction contracts totaling approximately \$2,642,370. The unpaid contract balances as of June 30, 2019 totaled approximately \$89,073 which will be paid as work on the projects progress.

In 1998, the City joined with fifteen cities and counties to perpetuate the Des Moines Area Metropolitan Planning Organization (Organization) to plan and coordinate the transportation activities for the metropolitan area. The Organization's Board consists of a representative from the governing body of each member city. The members make contributions toward the budget of the Organization. During the year ended June 30, 2019, the City paid the Organization \$4,953.

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 disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2019, the City paid the Metro Waste Authority \$69,396 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 the City was \$27,512 during the year ended June 30, 2019.

#### **(13) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

##### City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, the City abated \$63,822 of property tax under the urban renewal and economic development projects.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2019

**(14) Deficit Balance**

The Enterprise Water Fund had a deficit balance of \$997 at June 30, 2019. The deficit was carried over from prior years. The deficit will be eliminated in future transfers.

**(15) Prior Period Adjustments**

The City has elected not to include the component units of the Windsor Heights Foundation and the Windsor Heights Fire Fighter's Association. Accordingly, the Governmental Fund and Governmental Activity beginning cash balances were decreased by \$26,813.

**(16) Litigation**

The City is subject to pending litigation seeking compensatory damages. The probability of loss, if any, is undeterminable.

**(17) Subsequent Events**

Management has evaluated subsequent events through November 21, 2019, the date on which the financial statements were available to be issued.

**(18) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**City of Windsor Heights**

## **Other 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  
Other Information  
Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total
<b>Receipts:</b>			
Property tax	\$ 3,901,943	\$ -	\$ 3,901,943
Tax increment financing	1,810,081	-	1,810,081
Other city tax	306,218	-	306,218
Licenses and permits	46,992	-	46,992
Use of money and property	17,468	-	17,468
Intergovernmental	782,456	-	782,456
Charges for service	285,381	756,255	1,041,636
Miscellaneous	1,675,054	-	1,675,054
Total receipts	<u>8,825,593</u>	<u>756,255</u>	<u>9,581,848</u>
<b>Disbursements:</b>			
Public safety	3,312,738	-	3,312,738
Public works	678,988	-	678,988
Health and social services	-	-	-
Culture and recreation	430,289	-	430,289
Community and economic development	34,594	-	34,594
General government	721,902	-	721,902
Debt service	1,606,670	-	1,606,670
Capital projects	1,357,405	-	1,357,405
Business type activities	-	615,086	615,086
Total disbursements	<u>8,142,586</u>	<u>615,086</u>	<u>8,757,672</u>
Excess (deficiency) of receipts over (under) disbursements	683,007	141,169	824,176
Other financing sources (uses), net	<u>1,536</u>	-	<u>1,536</u>
Excess of receipts and other financing sources over disbursements and other financing sources uses	684,543	141,169	825,712
Balances beginning of year	<u>8,734,384</u>	<u>888,592</u>	<u>9,622,976</u>
Balances end of year	<u>\$ 9,418,927</u>	<u>\$ 1,029,761</u>	<u>\$ 10,448,688</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Total Variance
Original	Final	
\$ 3,838,117	\$ 3,838,117	\$ 63,826
1,871,627	1,871,627	(61,546)
298,705	298,705	7,513
70,900	70,900	(23,908)
3,500	3,500	13,968
737,126	827,539	(45,083)
1,116,959	1,116,959	(75,323)
1,154,048	2,359,492	(684,438)
9,090,982	10,386,839	(804,991)
3,007,556	3,530,261	217,523
707,700	789,036	110,048
3,000	3,000	3,000
407,651	523,283	92,994
150,350	187,850	153,256
731,744	801,376	79,474
1,608,716	1,608,716	2,046
1,596,200	2,596,200	1,238,795
780,944	780,944	165,858
8,993,861	10,820,666	2,062,994
97,121	(433,827)	(1,258,003)
-	1,323,271	1,321,735
97,121	889,444	63,732
10,972,913	10,972,913	1,349,937
<u>\$11,070,034</u>	<u>\$ 11,862,357</u>	<u>\$ 1,413,669</u>

## CITY OF WINDSOR HEIGHTS

### Notes To Other Information - Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,826,805. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, no disbursements exceeded the amounts budgeted.

**CITY OF WINDSOR HEIGHTS**  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
For the Last Five Fiscal Years\*  
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	.0093842%	.0103440%	.011386%	.006576%	.003399%
City's proportionate share of the net pension liability	\$ 594	\$ 689	\$ 717	\$ 325	\$ 135
City's covered payroll	\$ 1,978	\$ 1,959	\$ 2,031	\$ 1,979	\$ 1,974
City's proportionate share of the net pension liability as a percentage of its covered payroll	30.03%	35.17%	35.30%	16.42%	6.84%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

**CITY OF WINDSOR HEIGHTS**

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 208	188	185	193
Contributions in relation to the statutorily required contribution	<u>(208)</u>	<u>(188)</u>	<u>(185)</u>	<u>(193)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,096	1,978	1,959	2,031
Contributions as a percentage of covered payroll	9.92%	9.50%	9.44%	9.50%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
183	169	167	157	155	141
(183)	(169)	(167)	(157)	(155)	(141)
-	-	-	-	-	-
1,979	1,974	1,879	1,860	1,930	1,878
9.25%	8.56%	8.89%	8.44%	8.03%	7.51%

## CITY OF WINDSOR HEIGHTS

### Notes to Other Information - Pension Liability

Year ended June 30, 2019

#### Changes of benefit terms:

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

#### Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2019:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (Unfunded Actuarial Liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

## **Supplementary Information**

**CITY OF WINDSOR HEIGHTS**

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

As of and for the year ended June 30, 2019

	Road Use Tax	Police Pension	Police Trust	Special Police Forfeiture
<b>Receipts:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	245	-	6
Intergovernmental	627,843	-	-	-
Miscellaneous	26,191	-	-	-
Total receipts	654,034	245	-	3
<b>Disbursements:</b>				
Operating:				
Public safety	-	13,509	3,358	-
Public works	497,921	-	-	-
Total disbursements	497,921	13,509	3,358	-
Excess (deficiency) of receipts over (under) disbursements	156,113	(13,263)	(3,358)	6
<b>Other financing sources (uses):</b>				
Transfers in	53,675	13,000	-	-
Transfers out	(30,000)	(1,037)	-	-
Total other financing sources (uses)	23,675	11,963	-	-
Net change in cash balances	179,788	(1,300)	(3,358)	6
Cash balances beginning of year, as restated	591,821	35,347	15,302	536
Cash balances end of year	\$771,609	\$ 34,047	\$ 11,944	\$ 542
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ 771,609	\$ -	\$ -	\$ -
Other purposes	-	34,047	11,944	542
Total cash basis fund balances	\$ 771,609	\$ 34,047	\$ 11,944	\$ 542

See accompanying independent auditor's report.

Revenue		
Emergency Fund	Miscellaneous Fines ATE	Total
\$ 99	\$ -	\$ 99
-	-	252
-	-	627,843
-	-	26,191
99	-	654,385
-	-	16,867
-	-	497,921
-	-	514,788
99	-	139,597
-	-	66,675
-	-	(31,037)
-	-	35,638
99	-	175,235
1,562	265	644,833
\$ 1,661	\$ 265	\$ 820,068
\$ -	\$ -	\$ 771,610
1,661	265	48,458
\$ 1,661	\$ 265	\$ 820,068

## CITY OF WINDSOR HEIGHTS

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

As of and for the year ended June 30, 2019

	Enterprise Funds			
	Solid Waste	Water	Sewer	Total
Operating receipts:				
Charges for service	\$ 354,900	\$ -	\$ 62,337	\$ 417,237
Total receipts	354,900	-	62,337	417,237
Operating disbursements:				
Business type activities	332,694	-	82,069	414,763
Total disbursements	332,694	-	82,069	414,763
Excess (deficiency) of operating receipts over (under) operating disbursements	22,206	-	(19,732)	2,474
Non-operating receipts (disbursements)				
Miscellaneous	-	-	-	-
Total non-operating receipts(disbursements)	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	22,206	-	(19,732)	2,474
Operating transfers out	-	-	-	-
Net change in cash balances	22,206	-	(19,732)	2,474
Cash balances (deficits) beginning of year	327,605	(997)	32,563	359,171
Cash balances (deficits) end of year	\$ 349,811	\$ (997)	\$ 12,831	\$ 361,645
<b>Cash Basis Fund Balances (Deficits)</b>				
Unrestricted	\$ 349,811	\$ (997)	\$ 12,831	\$ 361,645
Total cash basis fund balances (deficits)	\$ 349,811	\$ (997)	\$ 12,831	\$ 361,645

See accompanying independent auditor's report.

**City of Windsor Heights**

**CITY OF WINDSOR HEIGHTS**

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances (Deficits)  
Capital Project Funds

As of and for the year ended June 30, 2019

	Colby Park	Trail Connection	2014A Street Project	2017/18 Street Projects
Receipts - Miscellaneous	\$ -	\$ -	\$ -	\$ -
Disbursements	-	-	-	202,158
Excess (deficiency) of receipts over (under) disbursements	-	-	-	(202,158)
Other financing sources (uses):				
Bond proceeds	-	-	1,536	-
Transfers in	-	160,000	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	160,000	1,536	-
Change in cash balances	-	160,000	1,536	(202,158)
Cash balances (deficits) beginning of year	37,979	-	508,672	60,675
Cash balances (deficits) end of year: Restricted	<u>\$ 37,979</u>	<u>\$ 160,000</u>	<u>\$ 510,208</u>	<u>\$(262,833)</u>
<b>Cash Basis Fund Balances (Deficits)</b>				
Restricted	\$ 37,979	\$ 160,000	\$ 510,208	\$ -
Unassigned	-	-	-	(262,833)
Total cash basis fund balances (deficits)	<u>\$ 37,979</u>	<u>\$ 160,000</u>	<u>\$ 510,208</u>	<u>\$(262,833)</u>

See accompanying independent auditor's report.

University Avenue Redesign	2018 HMA Project	2018 PCC Patching Project	Tax Increment Financing Project Advance	Equipment Reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
375,939	427,548	213,401	104,825	33,534	1,357,405
(375,939)	(427,548)	(213,401)	(104,825)	(33,534)	(1,357,405)
-	-	-	-	-	1,536
500,000	-	-	374,832	33,534	1,068,366
-	-	-	-	-	-
500,000	-	-	374,832	33,534	1,069,902
124,061	(427,548)	(213,401)	270,007	-	(287,503)
(106,910)	565,139	353,225	(222)	(161,026)	1,136,182
\$ 17,151	\$ 137,591	\$ 139,824	\$ 269,785	\$ (161,026)	\$ 848,679
\$ 17,151	\$ 137,591	\$ 139,824	\$ 269,785	\$ -	\$1,272,538
-	-	-	-	(161,026)	(423,859)
\$ 17,151	\$ 137,591	\$ 139,834	\$ 269,785	\$ (161,026)	\$ 848,679

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**CITY OF WINDSOR HEIGHTS**

Schedule of Indebtedness

Year ended June 30, 2019

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes:			
Capital loan notes, Series 2013A	Jun 1, 2013	1.15%	950,000
Capital loan notes, Series 2014	May 15, 2014	2.50%	325,000
Capital loan notes, Series 2014A	Jan 6, 2014	2.00 - 4.00%	3,090,000
Capital loan notes, Series 2014B	Sep 10, 2014	3.49%	61,336
Refunding general obligation bonds, Series 2016A	Jul 6, 2016	2.00 - 2.50%	1,405,000
Refunding general obligation bonds, Series 2016B	Jul 6, 2016	1.85 - 2.70%	2,815,000
General obligation bonds, Series 2017A	Jun 20, 2017	2.00%	1,210,000
Refunding general obligation bonds, Series 2017B	Jun 20, 2017	1.35 - 2.00%	1,550,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 80,000	\$ -	\$ 80,000	\$ -	\$ 920	\$ -
145,000	-	70,000	75,000	2,750	-
2,595,000	-	135,000	2,460,000	81,920	-
12,906	-	12,906	-	450	-
1,195,000	-	110,000	1,085,000	26,175	-
2,405,000	-	220,000	2,185,000	51,898	-
870,000	-	390,000	480,000	17,400	-
1,175,000	-	385,000	790,000	20,793	-
<u>\$ 8,477,906</u>	<u>\$ -</u>	<u>\$ 1,402,906</u>	<u>\$ 7,075,000</u>	<u>\$202,306</u>	<u>\$ -</u>

**CITY OF WINDSOR HEIGHTS**

Bond and Note Maturities

June 30, 2019

Year Ending June 30,	Capital Loan Notes Series 2014 <u>Issued May 15, 2014</u>		Capital Loan Notes Series 2014A <u>Issued January 6, 2014</u>		General Refunding General Obligation Bonds Series 2016A <u>Issued July 6, 2016</u>	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2020	2.50%	\$ 75,000	2.00%	140,000	2.00%	110,000
2021		-	2.10	145,000	2.00	115,000
2022		-	2.30	150,000	2.00	115,000
2023		-	2.50	155,000	2.25	115,000
2024		-	2.65	155,000	2.25	120,000
2025		-	2.85	165,000	2.25	125,000
2026		-	3.00	170,000	2.50	125,000
2027		-	3.20	175,000	2.50	130,000
2028		-	3.50	180,000	2.50	130,000
2029		-	3.60	190,000		-
2030		-	4.00	195,000		-
2031		-	4.00	205,000		-
2032		-	4.00	215,000		-
2033		-	4.00	220,000		-
Total		<u>\$ 75,000</u>		<u>\$ 2,460,000</u>		<u>\$1,085,000</u>

See accompanying independent auditor's report.

Obligation Bonds and Notes						
Refunding General Obligation Bonds Series 2016B <u>Issued July 6, 2016</u>		General Obligation Bonds Series 2017A <u>Issued June 20, 2017</u>		Refunding General Obligation Bonds Series 2017B <u>Issued June 20, 2017</u>		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.85%	\$ 225,000	2.00%	\$ 480,000	1.75%	\$ 390,000	\$1,420,000
1.85	230,000		-	2.00	400,000	890,000
1.85	235,000		-		-	500,000
2.00	235,000		-		-	505,000
2.15	240,000		-		-	515,000
2.25	245,000		-		-	535,000
2.45	250,000		-		-	545,000
2.55	260,000		-		-	565,000
2.70	265,000		-		-	575,000
	-		-		-	190,000
	-		-		-	195,000
	-		-		-	205,000
	-		-		-	215,000
	-		-		-	220,000
	<u>\$2,185,000</u>		<u>\$ 480,000</u>		<u>\$ 790,000</u>	<u>\$7,075,000</u>

See accompanying independent auditor's report.

**CITY OF WINDSOR HEIGHTS**

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

For the last ten years

	2019	2018	2017	2016
<b>Receipts:</b>				
Property tax	\$ 3,901,943	\$ 3,594,046	\$ 3,197,421	\$ 2,962,772
Tax increment financing	1,810,081	1,860,987	1,796,370	1,718,679
Other city tax	306,218	314,193	301,496	293,174
Licenses and permits	46,992	73,268	96,844	64,216
Use of money and property	17,468	10,787	6,369	3,656
Intergovernmental	782,456	758,588	741,352	963,701
Charges for service	285,381	318,337	284,307	293,125
Miscellaneous	1,675,054	2,727,089	1,220,959	455,949
<b>Total</b>	<b>\$ 8,825,593</b>	<b>\$ 9,657,295</b>	<b>\$ 7,645,118</b>	<b>\$ 6,755,272</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 3,312,738	\$ 3,422,336	\$ 2,836,785	\$ 2,669,403
Public works	678,988	629,805	602,489	585,306
Health and social services	-	3,000	3,000	3,000
Culture and recreation	430,289	444,058	416,245	434,507
Community and economic development	34,594	7,294	146,556	84,471
General government	721,902	681,356	625,730	675,891
Debt service	1,606,670	3,328,472	5,843,987	1,960,398
Capital projects	1,357,405	2,593,964	746,292	768,828
<b>Total</b>	<b>\$ 8,142,586</b>	<b>\$ 11,110,285</b>	<b>\$ 11,221,084</b>	<b>\$ 7,181,804</b>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
\$ 3,038,004	\$ 2,726,951	\$ 2,506,807	\$ 2,570,857	\$ 2,565,082	\$ 2,703,573
1,748,793	1,732,283	1,785,128	1,776,154	1,724,469	1,809,398
62	472	772	1,348	3,525	209,293
343,088	336,307	293,260	276,280	292,831	40,964
3,422	2,120	1,399	2,126	13,815	6,786
669,535	909,330	487,284	2,266,797	768,245	1,441,286
276,886	316,160	286,173	262,831	212,893	514,927
474,178	494,830	285,475	176,594	154,192	228,551
<u>\$ 6,553,968</u>	<u>\$ 6,518,453</u>	<u>\$ 5,646,298</u>	<u>\$ 7,332,987</u>	<u>\$ 5,735,052</u>	<u>\$ 6,954,778</u>
\$ 2,477,262	\$ 2,454,983	\$ 2,212,816	\$ 2,177,783	\$ 2,236,921	\$ 2,102,371
553,845	679,175	621,834	613,361	681,226	1,214,431
3,000	3,000	3,000	3,000	2,500	100
360,225	379,790	375,312	418,659	346,520	308,454
53,035	51,022	157,090	155,196	37,777	12,535
580,879	555,344	526,002	516,691	523,210	594,043
1,878,699	1,643,286	1,445,175	2,080,081	2,099,516	1,891,171
2,368,916	1,537,829	206,700	2,398,341	1,177,079	4,861,461
<u>\$ 8,275,861</u>	<u>\$ 7,304,429</u>	<u>\$ 5,547,929</u>	<u>\$ 8,363,112</u>	<u>\$ 7,104,749</u>	<u>\$10,984,566</u>

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**



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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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Windsor Heights' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item II-A-19, II-B-19 and II-C-19 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 deficiency described in the accompanying Schedule of Findings as item II-D-19 and II-E-19 to be a 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 which 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 Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 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

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

#### Purpose of this Report

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

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.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
November 21, 2019

**CITY OF WINDSOR HEIGHTS**

Schedule of Findings

Year ended June 30, 2019

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

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

## CITY OF WINDSOR HEIGHTS

### Schedule of Findings - Continued

Year ended June 30, 2019

#### **Part II: Findings Related to the Financial Statements:**

##### **INTERNAL CONTROL DEFICIENCIES:**

###### II-A-19 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - One individual in the City has control over cash receipts, bank deposits, posting cash receipts to the cash receipts journal and reconciling the bank accounts.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, handling of the cash receipts, depositing, posting and bank reconciling duties will be separated and spread among several employees and the City Council will also start reviewing and tracing all deposits to the cash receipts journal posting. We plan to implement these changes as soon as new staff is hired.

Conclusion - Response accepted.

###### 11-B-19 Financial Reporting

Criteria - A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

## CITY OF WINDSOR HEIGHTS

### Schedule of Findings - Continued

Year ended June 30, 2019

#### **Part II: Findings Related to the Financial Statements - Continued:**

##### II-B-19 Financial Reporting - (Continued)

Condition - Upon starting the audit, the financial records did not equal the total of the cash and investments. As a result, we found the following:

- a) The variance had to be determined.
- b) Several mispostings were found.
- c) Various beginning balances had to be restated due to the corrections.
- d) Two checks were paid with only one signature.

Cause - Due to the lack of staff, there resulted a serious deficiency in internal control.

Effect - The lack of internal controls resulted in erroneous financial statements.

Recommendation - The City should, as soon as possible, hire competent staff. This would include a City Administrator, Finance Director, and other support staff.

Response - We will commence replacing staff as soon as possible. The City has hired a Finance Director who will begin work on December 2, 2019. This will help eliminate the minor financial processing issues referenced in the report. An Interim City Administrator has been working full time since July 15, 2019. The City has begun the search process for new permanent City Administrator and expect to have the position filled around April 1, 2020.

Conclusion - Response accepted.

##### II-C-19 Cancellation and Approval of Payment Invoices

Criteria - An effective internal control system provides for internal controls over the payment of City disbursements.

Condition - A few disbursement invoices were not approved for payment and no disbursement invoices were cancelled with a paid stamp.

Cause - Policies have not been established and procedures have not been established to prevent improper payments or cancellation to prevent duplicate payments.

Effect - This condition could result in improper or duplicate payments.

Recommendation - All disbursement invoices should be initialed for approval by the department head responsible for the expense. All disbursement invoices should be stamped with a paid stamp showing date, check number and account number being charged.

##### Cancellation and Approval of Payment Invoices - Continued

Response - We have changed our procedures to ensure all invoices are initialed when coded for payment and are all marked paid.

Conclusion - Response accepted.

**CITY OF WINDSOR HEIGHTS**

Schedule of Findings - Continued

Year ended June 30, 2019

**Part II: Findings Related to the Financial Statements - Continued:**

II-D-19 Payroll Tax Deposits

Criteria - Federal regulations prescribe the dates in which payroll tax deposits are required to be remitted.

Condition - Timely Federal tax deposits were not made in the second quarter of calendar year 2019 and a significant amount of tax deposits were overpaid when the tax was paid.

Cause - An error was made in determining the correct amount of tax to deposit.

Effect - The City could be subject to penalties for untimely tax deposits.

Recommendation - All tax deposits should be made according to Internal Revenue Service regulations.

Response - We will implement procedures to insure payroll tax deposits are made according to the required regulations.

Conclusion - Response accepted.

II-E-19 Budget

Criteria - When amending the budget, the final budget numbers for transfers should balance.

Condition - When the budget was amended, the transfers in were increased without increasing transfers out.

Cause - An error was made in not increasing transfers out.

Effect - An out of balance budget in relation to transfers was published and filed and budgeted ending cash balances would have been overstated..

Recommendation - The budget should be double checked and approved by a second person before being published and filed.

Response - We will implement procedures to insure that when amending the budget, changes in budgeted transfers in equals transfers out.

Conclusion - Response accepted.

**Part II: Findings Related to the Financial Statements - Continued:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

## CITY OF WINDSOR HEIGHTS

### Schedule of Findings - Continued

Year ended June 30, 2019

#### **Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-19 Certified Budget - Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- III-B-19 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-19 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-19 Business Transactions - There were no business transactions between the City and City officials or employees.
- III-E-19 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.
- III-F-19 City Council Minutes - Except as noted, no transactions were found that we believe should have been approved in the City Council minutes but were not.
- III-G-19 Depository Resolution
- Criteria - Chapter 12C.2 of the Code of Iowa requires City approval by resolution of all depositories used by the City.
- Condition - The depository resolution has not been updated since January 2016.
- Cause - Through oversight and staff changes, the depository resolution was not updated.
- Effect - Three months were examined during the audit with all three months balances in excess of the resolution on file.
- Recommendation - The City should review its deposit requirements each January and pass a new resolution annually setting the deposit limits in alignment with the City's needs.
- Response - We will approve a new resolution annually.
- Conclusion - Response accepted.
- III-H-19 Bonds and Notes - No instances of non-compliance with the bond and note resolutions were noted.
- III-I-19 Annual Urban Renewal Report - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

**CITY OF WINDSOR HEIGHTS**

Schedule of Findings - Continued

Year ended June 30, 2019

**Part III: Other Findings Related to Required Statutory Reporting - Continued:**

III-J-19     Financial Condition - The following funds had deficit balances at June 30, 2019.

Enterprise		
	Water fund	\$ 997
Capital Projects		
	2017/2018 Street Projects	\$ 262,833
	Equipment Reserve	\$ 161,026

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound position.

Response - This deficits were carried over from a prior year. The deficits will be eliminated in future transfers.

Conclusion - Response accepted.

III-K-19     Fund transfer classification - The council approved a resolution to transfer a significant amount of ATE fines to a fund for street repair. The funds were transferred into a special revenue fund established for the purchase of capital equipment.

Recommendation - The funds should be moved to a capital project fund designated for street repair.

Response - We will setup a capital project fund for street repair and move the funds accordingly.

Conclusion - Response accepted.

III-L-19     Unclaimed Property - Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer's Office annually. The City did not remit these obligations as required.

Recommendation - The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer's Office as required.

Response - The outstanding checks will be reviewed annually by the City Clerk and any items over two years old will be remitted to the State Treasurer's Office.

Conclusion - Response accepted.