



Financial Statements
June 30, 2023

City of Windsor Heights

Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-wide Financial Statement	
Exhibit A – Statement of Activities and Net Position – Cash Basis	14
Governmental Funds Financial Statement	
Exhibit B – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	15
Governmental Funds Financial Statement	
Exhibit C - Reconciliation of the Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	16
Proprietary Funds	
Exhibit D – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.....	17
Notes to Financial Statements	18
Other Information	
Schedule 1 – Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Cash Basis – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	31
Notes to Other Information – Budgetary Reporting.....	32
Schedule 2 - City's Proportionate Share of IPERS Net Pension Liability	33
Schedule 3 - IPERS Contributions.....	33
Notes to Other Information – Pension Liability	34
Supplementary Information	
Schedule 4 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds.....	35
Schedule 5 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Enterprise Funds	36
Schedule 6 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances – Capital Project Funds.....	37
Schedule 7 – Schedule of Indebtedness	39
Schedule 8 –Schedule of Receipts by Source and Disbursements by Function-All Governmental Funds.....	40
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 <i>Government Auditing Standards</i>	41
Schedule of Findings and Responses	43

Name	Title	Term Expires
Mike Jones	Mayor	January 2026
Susan Skeries	Mayor, Pro Tem	January 2024
Threase Harms	Council Member	January 2024
Joseph Jones	Council Member	January 2026
Michael Libbie	Council Member	January 2026
Lauren Campbell	Council Member	January 2026
Adam Plagge	City Administrator	Indefinite
Adam Strait	City Clerk	Indefinite
Matt Brick	Attorney	Indefinite



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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, (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Qualified Opinion on the Governmental Activities and the Aggregate Remaining Funds

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and the Aggregate Remaining Funds of the City, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with the cash basis of accounting as described in Note 1 to the financial statements.

Unmodified Opinions on the Business-Type Activities and Each Major Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the City as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with the cash basis of accounting as described in Note 1 to the financial statements.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Local Option Sales Tax Fund	Unmodified
Urban Renewal Tax Increment Financing Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Storm Water	Unmodified
Aggregate Remaining Funds	Qualified

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on the Governmental Activities and Aggregate Remaining Funds

Management has not included the financial data for a legally separate component unit in the City's financial statements. Accounting principles applicable to the City's cash basis of accounting require the financial data for the component unit to be reported with the financial data for the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The amount by which this departure would affect the cash, net position, receipts, and expenditures of the governmental activities and aggregate remaining funds has not been determined.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting used in the preparation of the financial statements. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the years ended June 30, 2022, 2021, and 2020 (which are not presented herein) and expressed unmodified and qualified opinions on those financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information. The financial statements for the six years ended June 30, 2019 (which are not presented herein) were audited by other auditors who expressed unmodified and qualified 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 Schedule 4 through 8, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Officials, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of IPERS Net Pension Liability, the Schedule of IPERS Contributions, and the Notes to Other Information – Pension Liability, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, on our consideration of the City's 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 solely 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 effectiveness of the City's 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's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
February 22, 2024

The City of Windsor Heights, Iowa, 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, 2023. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

2023 Financial Highlights

Receipts of the City's governmental activities decreased \$791,128 from fiscal year 2022 to fiscal year 2023, due mostly to decreases in Capital Grants and Contributions. Property tax revenue remained consistent with an increase of \$8,705.

Disbursements of the City's governmental activities decreased \$1,284,593 from fiscal year 2022 to fiscal year 2023. The decrease in disbursements was primarily due to a decrease in spending on Capital Projects. Business type expenditures decreased \$120,108 because of a decrease in spending in the Storm Water Fund relating to the Flood Reduction Study expenses in fiscal year 2022.

The City's total cash basis net position decreased \$924,603 from fiscal year 2022 to fiscal year 2023. Of this amount, the assets of the governmental activities decreased \$1,195,000 and the assets of the business-type activities increased \$270,397.

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 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.

Supplementary and Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and provides detailed information about the nonmajor governmental funds.

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 the question.

The Cash Basis Statement of Activities and Net Position present 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.

Governmental funds account for most of the City's basic services and are funded primarily through tax revenues. The City's proprietary funds account for the enterprise funds. Enterprise funds are used to report business-type activities.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities - Governmental Activities and Business-type (Proprietary) Activities.

Governmental Activities include:

Public Safety – includes police operations, civil service, emergency management, fire protection, ambulance service and building inspections.

Public Works – includes roads, sidewalks, equipment, street lighting, traffic safety and snow removal.

Culture and Recreation – includes library services and parks and recreation.

Community and Economic Development – includes community betterment, economic development and planning and zoning.

General Government – includes mayor, city council, city administrator, city clerk, elections, legal services, city hall, insurance, and general administration.

Debt Service – includes general obligation and tax increment financing debt.

Capital Projects – includes sidewalks, right of way acquisition, street improvements, community services campus, storm water, golf course and park improvement projects.

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

Business-type Activities include the sewer utility, solid waste utility, and a storm water utility.

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

Governmental Activities

For the year ended June 30, 2023, the City's governmental activities were funded as follows:

Receipts of the City's governmental activities decreased to \$9,664,498 from fiscal year 2022 to fiscal year 2023. Tax increment financing increased \$56,348. Property tax revenue remained consistent with an increase of \$8,705.

Disbursements of the City's governmental activities decreased \$1,284,593 from fiscal year 2022 to fiscal year 2023. Capital Projects decreased \$1,600,839. The following Capital Projects were in process during fiscal year 2023: University Avenue and 68th Street North.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2023	2022
Program Receipts:		
Charges for service	\$ 703,948	\$ 1,131,979
Operating grants and contributions	1,140,192	1,101,692
Capital grants and contributions	19,563	809,860
General Receipts:		
Property tax	3,623,685	3,614,980
Tax increment financing	1,946,007	1,889,659
Other taxes	317,434	334,330
Local option sales tax	1,384,052	1,509,449
Commercial/industrial tax replacement	97,150	47,984
Unrestricted interest on investments	432,467	15,693
Total receipts	9,664,498	10,455,626
Public safety	2,971,381	2,850,390
Public works	738,974	716,360
Culture and recreation	422,155	309,073
Community and economic development	28,454	8,208
General government	836,193	788,405
Debt service	3,145,318	3,153,793
Capital projects	2,717,023	4,317,862
Total disbursements	10,859,498	12,144,091
Change in Cash Basis Net Position Before Transfers	(1,195,000)	(1,688,465)
Transfers, Net	-	(1,985)
Change in Cash Basis Net Position	(1,195,000)	(1,690,450)
Cash Basis Net Position Beginning of Year	15,387,811	17,078,261
Cash Basis Net Position End of Year	\$ 14,192,811	\$ 15,387,811

Business-type Activities

For the year ended June 30, 2023, the City's business-type activities receipts and disbursements were as follows:

Changes in Cash Basis Net Position of Business-Type Activities

	Year Ended June 30,	
	2023	2022
Receipts:		
Program receipts:		
Charges for service:		
Storm water	\$ 380,502	\$ 387,305
Solid waste	337,529	329,015
General receipts:		
Unrestricted interest on investments	54,928	-
Miscellaneous	-	116
Total receipts	<u>772,959</u>	<u>716,436</u>
Program Disbursements:		
Storm water	119,699	283,438
Solid waste	366,760	331,446
Sewer utility	16,103	7,786
Total program disbursements	<u>502,562</u>	<u>622,670</u>
Transfers, Net	<u>-</u>	<u>1,985</u>
Change in Cash Basis Net Position	270,397	95,751
Cash Basis Net Position Beginning of Year	<u>1,712,505</u>	<u>1,616,754</u>
Cash Basis Net Position End of Year	<u>\$ 1,982,902</u>	<u>\$ 1,712,505</u>

Receipts of the City's business-type activities increased \$56,523 from fiscal year 2022 to fiscal year 2023. Charges for services increased by \$1,711. Unrestricted interest on investments increased by \$54,928 due to the City receiving higher interest rates during fiscal year 2023.

Disbursements for business-type activities decreased \$120,108. The decrease was due to an increased spending in fiscal year 2022 in the Storm Water Fund for the Flood Reduction Study.

Individual Major Fund Analysis

As the City of Windsor Heights completed the year, its governmental funds reported a combined fund balance of \$14,164,043, a decrease of \$1,223,768. 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 \$1,409,300 from the prior year to \$2,525,637. This was due to a large transfer of funds to the Capital Projects funds which relates to the Colby Park Project.
- The Special Revenue Fund, Local Option Sales Tax cash balance is \$514,491. The city is required to use this money for the specific purpose of fifty percent property tax relief and fifty percent other purposes as determined by the Council.
- The Special Revenue Fund, Tax Increment Financing Fund decreased \$316,155 from the prior year to \$375,159. This fund balance is required to be used for tax increment funded projects.
- The Capital Projects Fund cash balance increased \$1,022,678 to \$7,959,667, in part due to a transfer from the General fund relating to the Colby Park Project.
- The Debt Service Fund cash balance increased \$33,035 to \$450,403.

Individual Major Business Type Fund Analysis

- The Enterprise, Storm Water Fund cash balance increased \$302,467 to \$1,571,866, due primarily to charges for service receipts exceeding disbursements during fiscal year 2023.

Budgetary Highlights

For the year ended June 30, 2023, total actual receipts were \$43,307 over the final budget while total actual disbursements were \$7,578,235 under the final budget.

Debt Outstanding

On June 30, 2023, the City had \$10,660,000 of general obligation bonds and capital loan notes outstanding, compared to \$13,485,000 of bonds and notes outstanding at the end of last year.

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 \$10,660,000 is below the City's constitutional debt limit of approximately \$20,000,000.

Economic Factors and Next Year's Budget and Rates

The City of Windsor Heights' elected and appointed officials considered many factors when setting the fiscal year 2024 budget, tax rates and fees charged for various City activities. Two of those factors are the economy and rising inflation. The City's costs for services continue to rise even during times of extremely low growth.

Council budget goals for fiscal year 2024 included seeking 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 focus on capital improvements for an aging infrastructure, to analyze staff levels and labor costs and also to evaluate user rates.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City's Finance Director at 1145 66th Street Suite 1, Windsor Heights, IA 50324, or email rswisher@windsorheights.org.

Rachelle Swisher
Finance Director



Basic Financial Statements
June 30, 2023

City of Windsor Heights

City of Windsor Heights
Exhibit A – Statement of Activities and Net Position – Cash Basis
As of and for the Year Ended June 30, 2023

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 2,971,381	\$ 445,370	\$ 17,930	\$ -	\$ (2,508,081)	\$ -	\$ (2,508,081)
Public works	738,974	6,514	722,734	-	(9,726)	-	(9,726)
Culture and recreation	422,155	140,103	-	-	(282,052)	-	(282,052)
Community and economic development	28,454	-	-	-	(28,454)	-	(28,454)
General government	836,193	111,961	40,000	-	(684,232)	-	(684,232)
Debt service	3,145,318	-	-	-	(3,145,318)	-	(3,145,318)
Capital projects	2,717,023	-	359,528	19,563	(2,337,932)	-	(2,337,932)
Total governmental activities	10,859,498	703,948	1,140,192	19,563	(8,995,795)	-	(8,995,795)
Business-type activities:							
Storm Water	119,699	380,502	-	-	-	260,803	260,803
Solid Waste	366,760	337,529	-	-	-	(29,231)	(29,231)
Sewer	16,103	-	-	-	-	(16,103)	(16,103)
Total business-type activities	502,562	718,031	-	-	-	215,469	215,469
Total	\$ 11,362,060	\$ 1,421,979	\$ 1,140,192	\$ 19,563	(8,995,795)	215,469	(8,780,326)
General Receipts and Transfers:							
Property tax levied for:							
General purposes					2,880,817	-	2,880,817
Debt service					742,868	-	742,868
Tax increment financing					1,946,007	-	1,946,007
Other taxes					317,434	-	317,434
Local option sales tax					1,384,052	-	1,384,052
Commerical/industrial tax replacement					97,150	-	97,150
Unrestricted interest on investments					432,467	54,928	487,395
Total general receipts and transfers					7,800,795	54,928	7,855,723
Change in Cash Basis Net Position					(1,195,000)	270,397	(924,603)
Cash Basis Net Position Beginning of Year					15,387,811	1,712,505	17,100,316
Cash Basis Net Position End of Year					\$ 14,192,811	\$ 1,982,902	\$ 16,175,713
Cash Basis Net Position							
Restricted:							
Employee benefits					\$ 1,173,708	\$ -	\$ 1,173,708
Economic development					375,159	-	375,159
Capital projects					7,959,667	-	7,959,667
Debt service					450,403	-	450,403
Road improvements					1,124,204	-	1,124,204
Property tax relief					257,246	-	257,246
Other purposes					298,019	-	298,019
Unrestricted					2,554,405	1,982,902	4,537,307
Total cash basis net position					\$ 14,192,811	\$ 1,982,902	\$ 16,175,713

City of Windsor Heights

Exhibit B – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Governmental Funds

As of and for the Year Ended June 30, 2023

	General	Special Revenue Local Option Sales Tax	Urban Renewal Tax Incremental Financing	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:							
Property tax	\$ 2,052,838	\$ -	\$ -	\$ -	\$ 742,868	\$ 827,979	\$ 3,623,685
Tax increment financing	-	-	1,946,007	-	-	-	1,946,007
Other City tax	316,249	1,384,052	-	-	500	685	1,701,486
Licenses and permits	43,657	-	-	-	-	-	43,657
Use of money and property	139,385	-	33,830	181,446	17,147	60,659	432,467
Intergovernmental	111,605	-	2,443	379,091	19,403	744,363	1,256,905
Charges for service	409,251	-	-	19,664	-	9,151	438,066
Miscellaneous	213,624	-	-	331	-	8,270	222,225
Total receipts	3,286,609	1,384,052	1,982,280	580,532	779,918	1,651,107	9,664,498
Disbursements:							
Current:							
Public safety	2,343,462	-	-	-	-	627,919	2,971,381
Public works	-	-	-	-	-	738,974	738,974
Culture and recreation	403,748	-	-	7,932	-	10,475	422,155
Community and economic development	28,454	-	-	-	-	-	28,454
General government	767,287	-	-	-	-	97,674	864,961
Debt service:							
Principal	-	-	-	-	2,825,000	-	2,825,000
Interest and fiscal charges	-	-	-	-	320,318	-	320,318
Capital projects	12,023	-	-	2,705,000	-	-	2,717,023
Total disbursements	3,554,974	-	-	2,712,932	3,145,318	1,475,042	10,888,266
Excess (Deficiency) of Receipts Over (Under) Disbursements	(268,365)	1,384,052	1,982,280	(2,132,400)	(2,365,400)	176,065	(1,223,768)
Other Financing Sources (Uses):							
Transfers in	188,700	-	-	3,155,078	2,398,435	-	5,742,213
Transfers out	(1,598,000)	(1,845,778)	(2,298,435)	-	-	-	(5,742,213)
Total other financing sources (uses)	(1,409,300)	(1,845,778)	(2,298,435)	3,155,078	2,398,435	-	-
Net Change in Cash Balances	(1,677,665)	(461,726)	(316,155)	1,022,678	33,035	176,065	(1,223,768)
Cash Balances Beginning of Year	4,203,302	976,217	691,314	6,936,989	417,368	2,162,621	15,387,811
Cash Balances End of Year	\$ 2,525,637	\$ 514,491	\$ 375,159	\$ 7,959,667	\$ 450,403	\$ 2,338,686	\$ 14,164,043
Cash Basis Fund Balances							
Restricted							
Employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,173,708	\$ 1,173,708
Economic development	-	-	375,159	-	-	-	375,159
Capital projects	-	-	-	7,959,667	-	-	7,959,667
Debt service	-	-	-	-	450,403	-	450,403
Road improvements	-	-	-	-	-	1,124,204	1,124,204
Property tax relief	-	257,246	-	-	-	-	257,246
Other purposes	-	257,245	-	-	-	40,774	298,019
Unassigned	2,525,637	-	-	-	-	-	2,525,637
Total cash basis fund balances	\$ 2,525,637	\$ 514,491	\$ 375,159	\$ 7,959,667	\$ 450,403	\$ 2,338,686	\$ 14,164,043

City of Windsor Heights

Exhibit C – Reconciliation of the Statement of Cash Receipts, Disbursements, and Changes in Cash Balances Governmental Funds As of and for the Year Ended June 30, 2023

Total Governmental Funds Cash Balances	\$ 14,164,043
Amounts Reported for Governmental Activities in the Statement of Activities and Net Position - Cash Basis are Different Because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of deductibles. The assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Position - Cash Basis	<u>28,768</u>
Cash Basis Net Position of Governmental Activities	<u>\$ 14,192,811</u>
Change in Cash Balances	\$ (1,223,768)
Amounts Reported for Governmental Activities in the Statement of Activities and Net Position - Cash Basis are Different Because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of deductibles. The change in cash balances of the Internal Service Fund is reported with governmental activities in the Statement of Activities and Net Position - Cash Basis	<u>28,768</u>
Change in Cash Basis Net Position of Governmental Activities	<u>\$ (1,195,000)</u>

City of Windsor Heights

Exhibit D – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Proprietary Funds

As of and for the Year Ended June 30, 2023

	Enterprise Funds			Governmental Activities Internal Service Funds
	Storm Water	Nonmajor	Total	
Operating Receipts:				
Charges for service	\$ 380,502	\$ 337,529	\$ 718,031	\$ 260,986
Operating Disbursements:				
Business-type activities:				
Salaries and wages	68,819	-	68,819	-
Employee benefits and costs	5,738	-	5,738	-
Contractual services	29,074	382,863	411,937	232,218
Commodities	11,367	-	11,367	-
Total operating disbursements	114,998	382,863	497,861	232,218
Excess of Operating Receipts Over (under) Operating Disbursements	265,504	(45,334)	220,170	28,768
Non-Operating Receipts (Disbursements):				
Use of money and property	41,664	13,264	54,928	-
Capital outlay	(4,701)	-	(4,701)	-
Net Change in Cash Balances	302,467	(32,070)	270,397	28,768
Cash Balances Beginning of Year	1,269,399	443,106	1,712,505	-
Cash Balances End of Year	\$ 1,571,866	\$ 411,036	\$ 1,982,902	\$ 28,768
Cash Basis Fund Balances				
Unrestricted	\$ 1,571,866	\$ 411,036	\$ 1,982,902	\$ 28,768

Note 1 - Significant Accounting Policies

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

Reporting Entity

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

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: E911 Joint Service Board, Des Moines Metropolitan Transit Authority, Metro Waste Authority, Metropolitan Des Moines Sister Cities Commission, Metropolitan Advisory Council, BRAVO, Convention and Visitor's Bureau, Metropolitan Planning Organization, MPO Transportation Technical Committee, ICON Water Trails, Stormwater Advisory, Metro West Housing, and the Bicycle/Pedestrian Roundtable.

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:

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

Unrestricted net position consists of assets not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources 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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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 Local Option Sales Tax Fund is used to account for funds used for property tax relief and other council designated projects.

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

Capital Project

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.

Debt Service

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the 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 operation and maintenance of the City's storm sewer system.

The City also reports the following internal service fund:

An Internal Service Fund is utilized to account for the costs of partial self-funding provided to departments on a cost-reimbursement basis.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the cash basis of accounting, 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.

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.

When both restricted or unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

Property Tax Receipts

Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The tax levy is divided into two billings. The first billing is mailed on July 1 and the second billing is mailed on January 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending three months after the tax bill mailing. On these dates (September 30 and March 31), the bill becomes delinquent, and penalties and interest may be assessed by the government.

Fund Equity

The City classifies fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable - The nonspendable classification contains amounts legally or contractually required to be maintained intact.

Restricted - Restricted amounts contain restraints on their use externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed - Committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority. The highest level of decision-making authority is the City Council, and it takes an ordinance to establish a fund balance commitment.

Assigned - Amounts intended to be used for specific purposes are assigned as needed by the City Administrator. Assignments should not cause deficits in the unassigned fund balance.

Unassigned - Unassigned fund balance is the residual classification for the general fund.

When committed, assigned, and unassigned resources are available for use, it is the government's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Note 2 - Cash and Investments

The City's deposits in banks at June 30, 2023, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$13,525,481 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.

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.

Note 3 - Bonds Payable

A summary of changes in general obligation bonds for the year ended June 30, 2023, are as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental Activities					
Publicly placed					
General obligation bonds	\$ 2,240,000	\$ -	\$ 350,000	\$ 1,890,000	\$ 360,000
Direct borrowings					
General obligation bonds	11,245,000	-	2,475,000	8,770,000	910,000
Total	<u>\$ 13,485,000</u>	<u>\$ -</u>	<u>\$ 2,825,000</u>	<u>\$ 10,660,000</u>	<u>\$ 1,270,000</u>

Annual debt service requirements to maturity for general obligation bonds and direct borrowings and placements are as follows:

Years Ending June 30,	Governmental activities General Obligation Bonds	
	Principal	Interest
2024	\$ 1,270,000	\$ 252,708
2025	1,305,000	223,344
2026	1,330,000	192,924
2027	1,370,000	161,107
2028	1,395,000	128,068
2029-2033	3,455,000	266,943
2034-2035	535,000	18,837
	<u>\$ 10,660,000</u>	<u>\$ 1,243,931</u>

Note 4 - Pension and Retirement Benefits

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

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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:

- 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 at age 55, and may retire any time 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 years of service greater than 22 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.

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 2023, pursuant to the required rate, Regular members contributed 6.29% of payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 were \$220,691.

Net Pension Liability - At June 30, 2023, the City disclosed a liability for its proportionate share of the collective net pension liability (asset) totaled \$(215,782). The collective net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2022 the City's proportion was -0.005711%, which was an decrease of 0.370968% from its proportion measured as of June 30, 2021.

Actuarial Assumptions - The total pension liability (asset) in the June 30, 2022 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 percent per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 percent compounded annually, net of investment expense including inflation.
Wage growth (effective June 30, 2017)	3.25 percent per annum, based on 2.60 percent inflation and 0.65 percent real wage inflation.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2007 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 Employee and Healthy Annuitant Tables with MP-2021 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real rate of Return</u>
Domestic Equity	22.00 %	3.57 %
Core Plus Fixed Income	20.00 %	1.66 %
International Equity	17.50 %	4.79 %
Private Equity/Debt	13.00 %	7.57 %
Private Real Assets	8.50 %	3.55 %
Global smart beta equity	6.00 %	4.16 %
Private Credit	8.00 %	3.63 %
Public Credit	4.00 %	3.77 %
Cash	1.00 %	0.77 %
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) 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 (asset).

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 (asset) calculated using the discount rate of 7.00% percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percent lower (6.00%) or 1-percent higher (8.00%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability (asset)	\$ 737,882	\$ (215,782)	\$ (1,052,867)

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.

Note 5 - Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for plan members are \$260 for single coverage and \$650 for family coverage. For the year ended June 30, 2023, the City contributed \$267,553 and the plan members eligible for benefits contributed \$17,537 to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

Note 6 - Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 232,224
Sick leave	16,994
	<u>\$ 249,218</u>

This liability has been computed based on the rates of pay in effect as of June 30, 2023.

Note 7 - Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 188,700
Capital Projects	General Fund	1,598,000
	Special Revenue: Local Option Sales Tax	1,557,078
		<u>3,155,078</u>
Debt Service	Special Revenue: Local Option Sales Tax	100,000
	Urban Renewal Tax Increment	
	Financing	<u>2,298,435</u>
		<u>2,398,435</u>
		<u>\$ 5,742,213</u>

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

Note 8 - 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 800 members include various governmental entities through 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, 2023 were \$90,821.

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, the 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. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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.

Note 9 - Employee Health Insurance Plan

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self-funds between \$398 per single coverage and \$977 per family coverage. Administrative service fees premiums are paid monthly from the City's operating funds to a separate account administered by EBS. During the year ended June 30, 2023, the City paid \$232,218 to the account. At June 30, 2023, the account balance was \$28,768.

Note 10 - Commitments

The City had active construction projects at June 30, 2023. At year end the City's commitments with contractors are as follows:

Project	Total Contract	Payments-to- Date	Remaining Commitment
University Avenue	\$ 6,066,798	\$ 6,036,798	\$ 30,000
68th Street	1,922,231	483,756	1,438,475
2023 PCC Patching	456,196	416,718	39,478
Public Safety Parking Lot	228,282	142,428	85,854
2023 HMA Resurfacing	176,111	152,419	23,692

Note 11 - Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Note 12 - Subsequent Events

Management has evaluated subsequent events through February 22, 2023, the date on which the financial statements were available to be issued.

Note 13 - Prospective Accounting Changes

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, issued June 2022, will be effective for the City beginning with its fiscal year ending after June 30, 2024. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, issued June 2022, will be effective for the City beginning with its fiscal year ending after June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

GASB Statement No. 102, *Certain Risk Disclosures*, issued December 2023, will be effective for the City beginning with its fiscal year ending June 30, 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

The City's management has not yet determined the effect these statements will have on the City's financial statements.



Other Information
June 30, 2023

City of Windsor Heights

City of Windsor Heights

Schedule 1 – Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Cash Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year Ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Receipts						
Property tax	\$ 3,623,685	\$ -	\$ 3,623,685	\$ 3,615,235	\$ 3,615,235	\$ 8,450
Tax increment financing	1,946,007	-	1,946,007	2,023,310	2,023,310	(77,303)
Other City tax	1,701,486	-	1,701,486	1,192,846	1,192,846	508,640
Licenses and permits	43,657	-	43,657	216,000	216,000	(172,343)
Use of money and property	432,467	54,928	487,395	9,212	9,212	478,183
Intergovernmental	1,256,905	-	1,256,905	1,865,447	1,865,447	(608,542)
Charges for service	438,066	718,031	1,156,097	1,246,500	1,246,500	(90,403)
Miscellaneous	222,225	-	222,225	225,600	225,600	(3,375)
Total receipts	9,664,498	772,959	10,437,457	10,394,150	10,394,150	43,307
Disbursements						
Public safety	2,971,381	-	2,971,381	3,330,315	3,355,315	383,934
Public works	738,974	-	738,974	914,410	914,410	175,436
Culture and recreation	422,155	-	422,155	474,090	484,090	61,935
Community and economic development	28,454	-	28,454	298,372	298,372	269,918
General government	864,961	-	864,961	897,355	963,355	98,394
Debt service	3,145,318	-	3,145,318	3,145,518	3,145,518	200
Capital projects	2,717,023	-	2,717,023	9,129,991	9,129,991	6,412,968
Business-type activities	-	502,562	502,562	649,244	649,244	146,682
Total disbursements	10,888,266	502,562	11,390,828	18,839,295	18,940,295	7,549,467
Excess (Deficiency) of Receipts over (Under) Disbursements	(1,223,768)	270,397	(953,371)	(8,445,145)	(8,546,145)	7,592,774
Balances Beginning of Year	15,387,811	1,712,505	17,100,316	15,121,888	15,121,888	1,978,428
Balances End of Year	\$ 14,164,043	\$ 1,982,902	\$ 16,146,945	\$ 6,676,743	\$ 6,575,743	\$ 9,571,202

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. 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 Fund, and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there was one budget amendment.

City of Windsor Heights
Schedule 2 - City's Proportionate Share of IPERS Net Pension Liability
Schedule 3 - IPERS Contributions
June 30, 2023

Fiscal Year Ended	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the net Pension Liability (Asset)	City's Covered-Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2023	-0.005711%	\$ (215,782)	\$ 2,280,186	-9.46%	91.41%
2022	0.365257%	(1,260,966)	2,131,611	-59.16%	100.81%
2021	0.009526%	669,203	1,982,664	33.75%	82.90%
2020	0.007604%	440,325	2,092,654	21.04%	85.45%
2019	0.009384%	593,854	1,976,327	30.05%	83.62%
2018	0.010344%	689,039	1,945,606	35.42%	82.21%
2017	0.011386%	716,583	2,053,293	34.90%	81.82%
2016	0.006576%	324,880	1,885,191	17.23%	85.19%
2015	0.003399%	134,802	1,974,123	6.83%	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.

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered-Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 220,691	\$ 220,691	\$ -	\$ 2,360,210	9.35%
2022	213,160	213,160	-	2,280,186	9.35%
2021	203,725	203,725	-	2,131,611	9.56%
2020	197,652	197,652	-	1,982,664	9.97%
2019	208,053	208,053	-	2,092,654	9.94%
2018	187,983	187,983	-	1,976,327	9.51%
2017	185,075	185,075	-	1,945,606	9.51%
2016	195,228	195,228	-	2,053,293	9.51%
2015	182,997	182,997	-	1,885,191	9.71%
2014	169,654	169,654	-	1,974,123	8.59%

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study.

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements after a demographic assumption study dated June 28, 2018.

- 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, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



Supplementary Information
June 30, 2023

City of Windsor Heights

City of Windsor Heights
Schedule 4 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2023

	Special Revenue				
	Road Use Tax	Employee Benefit Tax	Police Trust	Police Forfeiture	Total
Receipts					
Property tax	\$ -	\$ 827,979	\$ -	\$ -	\$ 827,979
Other City tax	-	685	-	-	685
Use of money and property	33,409	26,930	305	15	60,659
Intergovernmental	722,734	21,629	-	-	744,363
Charges for services	-	-	9,148	3	9,151
Special assessments	-	-	-	-	-
Miscellaneous	6,514	1,756	-	-	8,270
Total receipts	762,657	878,979	9,453	18	1,651,107
Disbursements					
Current:					
Public safety	-	618,771	9,148	-	627,919
Public works	576,944	162,030	-	-	738,974
Culture and recreation	-	10,475	-	-	10,475
General government	-	97,674	-	-	97,674
Total disbursements	576,944	888,950	9,148	-	1,475,042
Net Change in Cash Balances	185,713	(9,971)	305	18	176,065
Cash Balances Beginning of Year	938,491	1,183,679	37,186	3,265	2,162,621
Cash Balances End of Year	\$ 1,124,204	\$ 1,173,708	\$ 37,491	\$ 3,283	\$ 2,338,686
Cash Basis Fund Balances					
Restricted					
Road improvements	\$ 1,124,204	\$ -	\$ -	\$ -	\$ 1,124,204
Employee benefits	-	1,173,708	-	-	1,173,708
Other	-	-	37,491	3,283	40,774
Total cash basis fund balances	\$ 1,124,204	\$ 1,173,708	\$ 37,491	\$ 3,283	\$ 2,338,686

City of Windsor Heights
Schedule 5 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Enterprise Funds
As of and for the Year Ended June 30, 2023

	Non-major Enterprise Funds			
	Solid Waste	Water	Sewer	Total
Operating Receipts				
Charges for service	\$ 337,529	\$ -	\$ -	\$ 337,529
Operating Disbursements				
Contractual services	366,760	-	16,103	382,863
Excess of Operating Receipts over Operating Disbursements	(29,231)	-	(16,103)	(45,334)
Non-Operating Receipts				
Use of money and property	13,264	-	-	13,264
Net Change in Cash Balances	(15,967)	-	(16,103)	(32,070)
Cash Balances Beginning of Year	418,323	4,147	20,636	443,106
Cash Balances End of Year	\$ 402,356	\$ 4,147	\$ 4,533	\$ 411,036
Cash Basis Fund Balances				
Unrestricted	\$ 402,356	\$ 4,147	\$ 4,533	\$ 411,036

City of Windsor Heights

Schedule 6 – Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Capital Project Funds

As of and for the Year Ended June 30, 2023

	Colby Park	Trail Connection	University Avenue Redesign	TIF Project Advance	2020 Street Projects	73rd Street	Capital Equipment	Future Street Projects
Receipts								
Use of money and property	\$ 5,899	\$ -	\$ 80,502	\$ 6,972	\$ 31,907	\$ 10,458	\$ 3,933	\$ 33,908
Intergovernmental	-	-	19,563	-	-	-	-	-
Charges for service	-	-	-	-	-	-	19,664	-
Miscellaneous	-	-	-	-	-	-	331	-
Total receipts	5,899	-	100,065	6,972	31,907	10,458	23,928	33,908
Disbursements								
Operating:								
Culture and recreation	-	-	-	-	-	-	7,932	-
Capital projects	258,303	-	64,938	-	60,132	102,560	173,269	-
Total disbursements	258,303	-	64,938	-	60,132	102,560	181,201	-
Excess (Deficiency) of Receipts over (Under) Disbursements	(252,404)	-	35,127	6,972	(28,225)	(92,102)	(157,273)	33,908
Other Financing Sources (Uses)								
Transfers in	1,715,500	-	-	15,000	-	80,000	345,000	2,000,000
Transfers out	-	-	(1,000,000)	-	(1,000,000)	-	-	(2,541,720)
Total other financing sources (uses)	1,715,500	-	(1,000,000)	15,000	(1,000,000)	80,000	345,000	(541,720)
Net Change in Cash Balances	1,463,096	-	(964,873)	21,972	(1,028,225)	(12,102)	187,727	(507,812)
Cash Balances Beginning of Year	37,979	144,849	1,634,235	265,388	1,288,876	638,423	1,227,163	1,340,548
Cash Balances End of Year	\$ 1,501,075	\$ 144,849	\$ 669,362	\$ 287,360	\$ 260,651	\$ 626,321	\$ 1,414,890	\$ 832,736

City of Windsor Heights
Schedule 6 – Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Capital Project Funds
As of and for the Year Ended June 30, 2023

	ARPA	68th Street	2023 HMA Overlay	2023 PCC Patching	PS Parking Lot	Dog Park	Total
Receipts							
Use of money and property	\$ -	\$ 7,867	\$ -	\$ -	\$ -	\$ -	\$ 181,446
Intergovernmental	359,528	-	-	-	-	-	379,091
Charges for service	-	-	-	-	-	-	19,664
Miscellaneous	-	-	-	-	-	-	331
Total receipts	359,528	7,867	-	-	-	-	580,532
Disbursements							
Operating:							
Culture and recreation	-	-	-	-	-	-	7,932
Capital projects	705,733	609,154	176,970	450,949	102,992	-	2,705,000
Total disbursements	705,733	609,154	176,970	450,949	102,992	-	2,712,932
Excess (Deficiency) of Receipts over (Under) Disbursements	(346,205)	(601,287)	(176,970)	(450,949)	(102,992)	-	(2,132,400)
Other Financing Sources (Uses)							
Transfers in	-	2,461,720	215,110	507,196	272,272	85,000	7,696,798
Transfers out	-	-	-	-	-	-	(4,541,720)
Total other financing sources (uses)	-	2,461,720	215,110	507,196	272,272	85,000	3,155,078
Net Change in Cash Balances	(346,205)	1,860,433	38,140	56,247	169,280	85,000	1,022,678
Cash Balances Beginning of Year	359,528	-	-	-	-	-	6,936,989
Cash Balances End of Year	\$ 13,323	\$ 1,860,433	\$ 38,140	\$ 56,247	\$ 169,280	\$ 85,000	\$ 7,959,667

City of Windsor Heights
Schedule 7 – Schedule of Indebtedness
Year Ended June 30, 2023

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds									
Refunding general obligation bonds, series 2016A	7/6/2016	2.25 - 2.50%	\$ 1,405,000	\$ 745,000	\$ -	\$ 115,000	\$ 630,000	\$ 17,725	\$ -
Refunding general obligation bonds, Series 2016B	7/6/2016	2.00 - 2.70%	2,815,000	1,495,000	-	235,000	1,260,000	35,283	-
General obligation bonds, series 2020A	4/20/2020	2.37%	8,150,000	6,590,000	-	690,000	5,900,000	156,183	-
General obligation bonds, series 2020B	4/20/2020	2.34%	7,500,000	4,655,000	-	1,785,000	2,870,000	108,927	-
Total General Obligation Bonds				<u>\$ 13,485,000</u>	<u>\$ -</u>	<u>\$ 2,825,000</u>	<u>\$ 10,660,000</u>	<u>\$ 318,118</u>	<u>\$ -</u>

City of Windsor Heights
Schedule 8 – Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Ten Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Receipts										
Property tax	\$ 3,623,685	\$ 3,614,980	\$ 3,545,958	\$ 3,849,642	\$ 3,901,943	\$ 3,594,045	\$ 3,197,421	\$ 2,962,772	\$ 3,038,004	\$ 2,726,951
Tax increment financing	1,946,007	1,889,659	2,182,532	2,185,734	1,810,081	1,860,987	1,796,370	1,718,679	1,748,793	1,732,283
Other City tax	1,701,486	1,843,779	1,074,480	1,146,698	306,218	314,193	301,496	293,174	62	472
Licenses and permits	43,657	91,078	44,607	53,670	46,992	73,268	96,844	64,216	343,088	336,307
Use of money and property	432,467	15,693	3,361	17,959	17,468	10,787	6,369	3,656	3,422	2,120
Intergovernmental	1,256,905	1,959,536	954,108	773,339	782,456	758,588	741,352	963,701	669,535	909,330
Charges for service	438,066	480,413	402,024	355,723	285,381	318,337	284,307	293,125	276,886	316,160
Miscellaneous	222,225	560,488	488,175	514,576	1,675,054	2,727,089	1,220,959	455,949	474,178	494,830
Total receipts	\$ 9,664,498	\$ 10,455,626	\$ 8,695,245	\$ 8,897,341	\$ 8,825,593	\$ 9,657,294	\$ 7,645,118	\$ 6,755,272	\$ 6,553,968	\$ 6,518,453
Disbursements										
Current										
Public safety	\$ 2,971,381	\$ 2,850,390	\$ 2,951,209	\$ 2,927,951	\$ 3,312,738	\$ 3,422,336	\$ 2,836,785	\$ 2,669,403	\$ 2,477,262	\$ 2,454,983
Public works	738,974	716,360	651,918	624,210	678,988	629,805	602,489	585,306	553,845	679,175
Health and social services	-	-	-	-	-	3,000	3,000	3,000	3,000	3,000
Culture and recreation	422,155	309,073	335,435	292,587	430,289	444,058	416,245	434,507	360,225	379,790
Community and economic development	28,454	8,208	40,469	19,149	34,594	7,294	146,556	84,471	53,035	51,022
General government	864,961	788,405	824,796	792,957	721,902	681,356	625,730	675,891	580,879	555,344
Debt service	3,145,318	3,153,793	3,231,311	1,599,655	1,606,670	3,328,472	5,843,987	1,960,398	1,878,699	1,643,286
Capital projects	2,717,023	4,317,862	7,506,543	1,557,053	1,357,405	2,593,964	746,292	768,828	2,368,916	1,537,829
Total disbursements	\$ 10,888,266	\$ 12,144,091	\$ 15,541,681	\$ 7,813,562	\$ 8,142,586	\$ 11,110,285	\$ 11,221,084	\$ 7,181,804	\$ 8,275,861	\$ 7,304,429



**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
City of Windsor Heights, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 (City), as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 22, 2024. In our report, we issued a qualified opinion on the governmental activities and aggregate remaining funds because the statements did not include a blended component unit of the City. Our report expressed unmodified opinions on the business-type activities and each major fund. The statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2023, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part III of the accompanying Schedule of Findings and Responses. 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.

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
February 22, 2024

Part I: Findings Related to the Financial Statements:

Material Weaknesses

2023-001 Preparation of Financial Statements and Adjusting Entries

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition: As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, we proposed material entries as part of our audit procedures.

Cause: We recognize that with a limited number of office employees, preparation of the financial statements is difficult.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. In addition, adjustments were posted to the City's general ledger as part of the audit process.

Recommendation: We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

Views of Responsible Officials: All regular financial reports are handled by the Finance Director, but the Auditor handles the year-end reporting during the audit process. The adjusting entries that were part of the audit have been processed.

2023-002 Segregation of Duties

Criteria: Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition: The City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursement functions.

Cause: The City has limited time and staffing constraints due to employee turnover.

Effect: Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation: We recommend that City staff review operating procedures in order to obtain the maximum internal controls possible.

Views of Responsible Officials: The City's ability to approve journal entries prior to posting is not an available function of our accounting software. All correcting journal entries are approved by the City Administrator after being processed.

Part II: Findings and Questioned Costs for Federal Awards

Single audit did not apply for fiscal year 2023.

Part III: Other Findings Related to Statutory Reporting:

2023-IA-A Certified Budget – Disbursements during year ended June 30, 2023, did not exceed the amounts budgeted.

2023-IA-B Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2023-IA-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2023-IA-D Business Transactions – No business transactions between the City and City officials or employees were noted.

2023-IA-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2023-IA-F 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 that the coverage is adequate for current operations.

2023-IA-G Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

2023-IA-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- 2023-IA-I Revenue Bonds and Notes** – No instances of noncompliance with the revenue bond and note resolutions were noted.
- 2023-IA-J Annual Urban Renewal Report** – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1, 2022.
- 2023-IA-K Tax Increment Financing** – The Special Revenue Tax Increment Financing Fund properly disbursed payments for TIF loans. Also, the City properly completed the Tax Increment Debt Certificate forms to request TIF property taxes.
- 2023-IA-L Notice of Public Hearing for Public Improvements**– The City did not publish a notice of the public hearing for the 2023 PCC Patching project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – Before entering into a contract for a public improvement with an estimated cost in excess of \$100,000, the City Council should hold a public hearing and publish notice of the hearing at least four but not more than twenty days prior to the hearing.

Views of Responsible Officials – We will publish the appropriate notice in the future, as required.