

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

**JUNE 30, 2017**

CITY OF WINDSOR HEIGHTS

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**CITY OF WINDSOR HEIGHTS**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Diana Willits. ....	Mayor.....	Jan 2018
Steve Peterson. ....	Mayor, Pro Tem.....	Jan 2018
Threase Harms.....	Council Member. ....	Jan 2020
Betty Glover.....	Council Member. ....	Jan 2018
Zachary Bales-Henry.....	Council Member. ....	Jan 2020
Tony Timm. ....	Council Member. ....	Jan 2018
Elizabeth Hansen . ....	City Administrator.....	Jun 2019
Marcia Woodke. ....	City Clerk.....	Indefinite
Matt Brick. ....	Attorney.....	Indefinite



## MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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West Des Moines, Iowa 50266

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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2017, 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2017, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting as 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 nine 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 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 6 through 11 and 34 through 40 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 December 15, 2017 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  
December 15, 2017

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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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 115.9%, or approximately \$7,882,000, from fiscal year 2016 to fiscal year 2017. The increase in receipts was primarily due to the receipt of \$6,937,000 in bond proceeds.
- Disbursements of the City's governmental activities increased 56.2%, or approximately \$4,039,000, from fiscal year 2016 to fiscal year 2017. The increase in disbursements was primarily due to debt service payments.
- The City's total cash basis net position increased 52.2%, or \$3,608,518, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased \$3,484,173 and the cash basis net position of the business type activities increased \$124,345.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY' S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

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

The Cash Basis Statement of Activities and Net Position presents the City's 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, Police Pension 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 Water, 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 \$3,484,173 to \$9,772,288. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 1,333,398	\$ 703,581
Operating grants, contributions and restricted interest	716,400	629,142
Capital grants, contributions and restricted interest	100,591	237,660
General receipts:		
Property tax	3,197,421	2,962,772
Tax increment financing	1,796,370	1,718,679
Other taxes	414,464	413,276
Unrestricted interest on investments	6,303	3,584
Bond proceeds	6,937,000	43,000
Bond premiums	98,139	-
Other general receipts	80,171	86,578
Total receipts	<u>14,680,257</u>	<u>6,798,272</u>
Disbursements:		
Public safety	2,836,785	2,669,403
Public works	602,489	585,306
Health and social services	3,000	3,000
Culture and recreation	416,245	434,507
Community and economic development	146,556	84,471
General government	625,730	675,891
Debt service	5,843,987	1,960,398
Capital projects	746,292	768,828
Total disbursements	<u>11,221,084</u>	<u>7,181,804</u>
Change in cash basis net position before transfers	3,459,173	(383,532)
Transfers, net	<u>25,000</u>	<u>15,000</u>
Change in cash basis net position	3,484,173	(368,532)
Cash basis net position beginning of year	<u>6,288,115</u>	<u>6,656,647</u>
Cash basis net position end of year	<u>\$ 9,772,288</u>	<u>\$ 6,288,115</u>

Total governmental activities receipts for the fiscal year were \$14,680,257 compared to \$6,798,272 last year. The cost of all governmental activities this year was \$11,221,084 compared to \$7,181,804 last year. The increase in receipts was due to the City receiving \$6,937,000 in bond receipts. The increase in disbursements was primarily due to debt service payments.

The City increased property tax rates for fiscal year 2017 an average of 3.9%. This increase contributed to the increase in the City's property tax receipts approximately \$235,000 in fiscal year 2017. Based on increases in the total assessed valuation and increased property tax rates, property tax receipts are budgeted to increase an additional \$404,000 next year.

The cost of all governmental activities this year was approximately \$11.221 million compared to approximately 7.182 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 9.071 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,333,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$817,000). 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, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$1,570,000 to approximately \$2,150,000, principally due to receiving grant proceeds to complete the City Hall renovation project.

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Changes in Cash Basis Net Position of Business Type Activities

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	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 64,032	\$ 45,698
Water	15,000	15,000
Storm water	324,781	312,597
Solid waste	355,777	352,166
Operating grants, contributions and restricted interest	2,050	-
General receipts:		
Unrestricted interest on investments	1,216	-
Total receipts	762,856	725,461
Disbursements:		
Sewer	66,464	38,187
Storm water	238,776	230,662
Solid waste	308,271	290,977
Total disbursements	613,511	559,826
Change in cash basis net position before transfers	149,345	165,635
Transfers, net	(25,000)	(15,000)
Change in cash basis net position	124,345	150,635
Cash basis net position beginning of year	618,223	467,588
Cash basis net position end of year	\$ 742,568	\$ 618,223

Total business type activities receipts for the fiscal year were \$762,856 compared to \$725,461 last fiscal year, an increase of \$37,395, or 5.2%. Total disbursements were \$613,511 compared to \$559,826 in the prior fiscal year, an increase of \$53,685, or 9.6%. The increase in disbursements is due to increased capital outlay 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 \$9,772,288, an increase of \$3,484,173 from last year’s total of \$6,288,115. The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$685,898, or 18.2%, from the prior year to \$4,448,358. Receipts increased 24.3% and disbursements increased 1.7%. The primary reason for the increase in fund balance was due to an increase in miscellaneous receipts of \$603,616.
- The Special Revenue, Employee Benefits fund cash balance increased \$157,342 over the prior year to \$626,217. Receipts increased 10.6% while disbursements decreased 3.8%. The increase in cash balance is due to an increase in the employee benefits levy offset by a decrease in disbursements. The City levied more based on anticipated increases in health insurance premiums.
- The Special Revenue, Police Pension Fund cash balance decreased \$101 from the prior year. Receipts and disbursements totals for the year were similar to the prior year. The decrease in the cash balance is due to the City's payment of benefits to the two individuals covered under the plan.
- The Special Revenue, Urban Renewal Tax Increment Financing Fund cash balance increased \$12,485 from the prior year. Receipts increased \$77,691, or 4.5% from the prior year.
- The Debt Service Fund cash balance increased \$1,722,243 from the prior year. Receipts increased \$5,827,305 due to an increase in property tax and \$5,270,000 in bond receipts. Disbursements increased \$3,883,589, or 198.1%, from the prior year.

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

- The Enterprise, Storm Water Fund cash balance increased \$88,055 to \$454,625, due primarily to charges for service receipts exceeding disbursements during fiscal year 2017.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on April 17, 2017. The amendment increased receipts \$357,845 and disbursements \$5,809,193. Disbursements increased in many areas with debt service and capital projects accounting for the majority of the increase.

The City's total receipts were \$240,436 more than the amended budget, primarily due to amounts budgeted for miscellaneous receipts.

Total disbursements were \$2,348,887 less than the amended budget. Actual disbursements for the business type activities function were \$79,283 less than the amended budget due to budgeting for certain expenses which did not occur. Actual disbursements for the public safety function were \$736,100 less than the amended budget. Actual disbursements for debt service were \$34,537 more than the amended budget. Capital projects were \$1,370,042 below the amended budget.

#### **DEBT ADMINISTRATION**

At June 30, 2017, the City had \$11,575,375 of general obligation bonds and capital loan notes outstanding, compared to \$10,122,425 of bonds and notes outstanding at the end of last year.

Debt increased \$1,452,950 as a result of the issuance of \$6,980,000 in new 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 \$11,575,375 is below the City's constitutional debt limit of approximately \$19,832,000.

## **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 2018 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 2018 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 Treasurer at Windsor Heights City Hall, 1145 66<sup>th</sup> Street, Suite 1, Windsor Heights, Iowa 50324 or by phone at (515)279-3662.

**City of Windsor Heights**

## **Basic Financial Statements**

**CITY OF WINDSOR HEIGHTS**

**Cash Basis Statement of Activities and Net Position**

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Primary Government				
Governmental activities:				
Public safety	\$ 2,836,785	\$ 1,140,531	\$ 51,313	\$ -
Public works	602,489	-	610,965	-
Health and social services	3,000	-	-	-
Culture and recreation	416,245	183,965	51,993	-
Community and economic development	146,556	-	-	-
General government	625,730	8,902	2,129	-
Debt service	5,843,987	-	-	-
Capital projects	746,292	-	-	100,591
Total governmental activities	<u>11,221,084</u>	<u>1,333,398</u>	<u>716,400</u>	<u>100,591</u>
Business type activities:				
Water	-	15,000	-	-
Sewer	66,464	64,032	-	-
Storm water	238,776	324,781	2,050	-
Solid Waste	308,271	355,777	-	-
Total business type activities	<u>613,511</u>	<u>759,590</u>	<u>2,050</u>	<u>-</u>
Total primary government	<u>\$ 11,834,595</u>	<u>\$ 2,092,988</u>	<u>\$ 718,450</u>	<u>\$ 100,591</u>
<b>Component Unit</b>				
Windsor Heights Foundation	<u>\$ 36,103</u>	<u>\$ -</u>	<u>\$ 50,835</u>	<u>\$ -</u>
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Other taxes				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds				
Bond premiums				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Windsor Heights Foundation
\$ (1,644,941)	\$ -	\$ (1,644,941)	\$ -
8,476	-	8,476	-
(3,000)	-	(3,000)	-
(180,287)	-	(180,287)	-
(146,556)	-	(146,556)	-
(614,699)	-	(614,699)	-
(5,843,987)	-	(5,843,987)	-
(645,701)	-	(645,701)	-
<u>(9,070,695)</u>	<u>-</u>	<u>(9,070,695)</u>	<u>-</u>
-	15,000	15,000	-
-	(2,432)	(2,432)	-
-	88,055	88,055	-
-	47,506	47,506	-
<u>-</u>	<u>148,129</u>	<u>148,129</u>	<u>-</u>
<u>(9,070,695)</u>	<u>148,129</u>	<u>(8,922,566)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,732</u>
2,832,824	-	2,832,824	-
364,597	-	364,597	-
1,796,370	-	1,796,370	-
301,496	-	301,496	-
112,968	-	112,968	-
6,303	1,216	7,519	44
6,937,000	-	6,937,000	-
98,139	-	98,139	-
80,171	-	80,171	-
25,000	(25,000)	-	-
<u>12,554,868</u>	<u>(23,784)</u>	<u>12,531,084</u>	<u>44</u>
3,484,173	124,345	3,608,518	14,688
6,288,115	618,223	6,906,338	22,183
<u>\$ 9,772,288</u>	<u>\$ 742,568</u>	<u>\$ 10,514,856</u>	<u>\$ 36,871</u>
\$ 1,291,168	\$ -	\$ 1,291,168	\$ -
3,441,825	-	3,441,825	-
744,315	-	744,315	36,871
<u>4,294,980</u>	<u>742,568</u>	<u>5,037,548</u>	<u>-</u>
<u>\$ 9,772,288</u>	<u>\$ 742,568</u>	<u>\$ 10,514,856</u>	<u>\$ 36,871</u>

**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, 2017

	General	Employee Benefits	Special Police Pension
Receipts:			
Property tax	\$ 1,762,980	\$ 1,015,695	\$ -
Tax increment financing	-	-	-
Other city tax	291,472	6,322	-
Licenses and permits	96,844	-	-
Use of money and property	6,303	-	30
Intergovernmental	75,359	36,434	-
Charges for service	277,367	-	-
Miscellaneous	1,018,583	23,438	-
Total receipts	<u>3,528,908</u>	<u>1,081,889</u>	<u>30</u>
Disbursements:			
Operating:			
Public safety	2,092,284	600,362	50,131
Public works	-	147,827	-
Health and social services	3,000	-	-
Culture and recreation	390,379	25,866	-
Community and economic development	27,014	-	-
General government	525,238	100,492	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>3,037,915</u>	<u>874,547</u>	<u>50,131</u>
Excess (deficiency) of receipts over (under) disbursements	<u>490,993</u>	<u>207,342</u>	<u>(50,101)</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Bond premiums	-	-	-
Transfers in	194,905	-	50,000
Transfers out	-	(50,000)	-
Total other financing sources (uses)	<u>194,905</u>	<u>(50,000)</u>	<u>50,000</u>
Change in cash balances	685,898	157,342	(101)
Cash balances beginning of year	<u>3,762,460</u>	<u>468,875</u>	<u>12,951</u>
Cash balances end of year	<u>\$ 4,448,358</u>	<u>\$ 626,217</u>	<u>\$ 12,850</u>
<b>Cash Basis Fund Balances (Deficits)</b>			
Restricted for:			
Streets	\$ -	\$ -	\$ -
Debt service	-	-	-
Other purposes	-	626,217	12,850
Unassigned	4,448,358	-	-
Total cash basis fund balances (deficits)	<u>\$ 4,448,358</u>	<u>\$ 626,217</u>	<u>\$ 12,850</u>

See notes to financial statements.

<u>Revenue</u>			
<u>Urban Renewal Tax Increment Financing</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 364,597	\$ 54,149	\$ 3,197,421
1,796,370	-	-	1,796,370
-	3,702	-	301,496
-	-	-	96,844
-	-	36	6,369
-	10,982	618,577	741,352
-	-	6,940	284,307
-	-	178,938	1,220,959
<u>1,796,370</u>	<u>379,281</u>	<u>858,640</u>	<u>7,645,118</u>
-	-	94,008	2,836,785
-	-	454,662	602,489
-	-	-	3,000
-	-	-	416,245
31,185	-	88,357	146,556
-	-	-	625,730
-	5,843,987	-	5,843,987
-	-	746,292	746,292
<u>31,185</u>	<u>5,843,987</u>	<u>1,383,319</u>	<u>11,221,084</u>
<u>1,765,185</u>	<u>(5,464,706)</u>	<u>(524,679)</u>	<u>(3,575,966)</u>
-	5,727,000	1,210,000	6,937,000
-	79,064	19,075	98,139
-	1,380,885	341,657	1,967,447
<u>(1,752,700)</u>	<u>-</u>	<u>(139,747)</u>	<u>(1,942,447)</u>
<u>(1,752,700)</u>	<u>7,186,949</u>	<u>1,430,985</u>	<u>7,060,139</u>
12,485	1,722,243	906,306	3,484,173
<u>1,377,002</u>	<u>292,116</u>	<u>374,711</u>	<u>6,288,115</u>
<u>\$ 1,389,487</u>	<u>\$ 2,014,359</u>	<u>\$ 1,281,017</u>	<u>\$ 9,772,288</u>
\$ -	\$ -	\$ 1,291,168	\$ 1,291,168
1,389,487	2,014,359	37,979	3,441,825
-	-	105,248	744,315
-	-	(153,378)	4,294,980
<u>\$ 1,389,487</u>	<u>\$ 2,014,359</u>	<u>\$ 1,281,017</u>	<u>\$ 9,772,288</u>

## 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, 2017

	Enterprise		
	Storm Water	Nonmajor	Total
Operating receipts:			
Charges for service	\$ 324,781	\$ 434,809	\$ 759,590
Use of money and property	-	1,216	1,216
	<u>324,781</u>	<u>436,025</u>	<u>760,806</u>
Operating disbursements:			
Business type activities	<u>132,675</u>	<u>374,735</u>	<u>507,410</u>
Excess of operating receipts over operating disbursements	<u>192,106</u>	<u>61,290</u>	<u>253,396</u>
Non-operating (disbursements):			
Intergovernmental	2,050	-	2,050
Capital outlay	(106,101)	-	(106,101)
Net non-operating (disbursements)	<u>(104,051)</u>	<u>-</u>	<u>(104,051)</u>
Excess of receipts over disbursements	88,055	61,290	149,345
Transfers out	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Change in cash balances	88,055	36,290	124,345
Cash balances beginning of year	<u>366,570</u>	<u>251,653</u>	<u>618,223</u>
Cash balances end of year	<u>\$ 454,625</u>	<u>\$ 287,943</u>	<u>\$ 742,568</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	<u>\$ 454,625</u>	<u>\$ 287,943</u>	<u>\$ 742,568</u>

See notes to financial statements.

# CITY OF WINDSOR HEIGHTS

## Notes to Financial Statements

June 30, 2017

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

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

#### *Blended Component Unit*

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

#### *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.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

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

##### A. Reporting Entity - 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 and BRAVO.

##### 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. 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.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

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

##### B. Basis of Presentation - Continued

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for the tax levy and disbursements for employee benefits.

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

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

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.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

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

##### C. Measurement Focus and Basis of Accounting - Continued

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

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

Proprietary funds distinguish operating receipts and disbursements from 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, 2017, disbursements exceeded the amounts budgeted in the debt service functions.

#### (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2017 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.

**CITY OF WINDSOR HEIGHTS**

Notes to Financial Statements - Continued

June 30, 2017

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$501,701 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, 2017, the City had investments in certificates of deposit valued at \$213,726.

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, 2017 is as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities				
General obligation bonds and notes	<u>\$10,122,425</u>	\$6,980,000	\$5,527,050	<u>\$11,575,375</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,937,470	\$ 279,603	\$ 2,217,073
2019	1,772,905	245,340	2,018,245
2020	1,805,000	208,232	2,013,232
2021	1,295,000	167,438	1,462,438
2022	500,000	133,030	633,030
2023-2027	2,665,000	501,705	3,166,705
2028-2032	1,380,000	173,585	1,553,585
2033	220,000	8,800	228,800
Total	<u>\$11,575,375</u>	<u>\$1,717,733</u>	<u>\$13,293,108</u>

General Obligation Bonds and Notes

The City issued \$1,405,000 general obligation refunding bonds, Series 2016A on July 16, 2016 to pay the costs to current refund on July 7, 2016 \$1,420,000 of the outstanding General Obligation Bonds, Series 2008A, maturing 2017 through 2028 and issued \$2,765,000 taxable General Obligation Refunding Bonds, Series 2016B to current refund on July 7, 2016 \$2,765,000 of the outstanding taxable General Obligation Bonds, Series 2008B dated June 1, 2008, maturing 2017 through 2028.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

#### (3) Bonds and Notes Payable - Continued

The City issued \$1,210,000 General Obligation Bonds, Series 2017A on June 20, 2017 for the purpose of paying the costs of constructing street, sidewalk, water system, sanitary sewer system and storm water drainage improvements (the Project).

The City issued \$1,550,000 Refunding General Obligation Bonds, Series 2017B on June 20, 2017 for the purpose of paying the costs, to that extent, of current refunding the City's taxable General Obligation Refunding Capital Loan Notes, Series 2011A, dated February 1, 2011.

#### (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 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 age 55. 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.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

#### (4) Pension Plans - Continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$185,076.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$716,583 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the City's proportion was .0113864%, which was an increase of .004811% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$185,966, \$520,980 and \$262,797, respectively.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

#### (4) Pension Plans - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

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

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

**CITY OF WINDSOR HEIGHTS**

Notes to Financial Statements - Continued

June 30, 2017

**(4) Pension Plans - Continued**

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$1,808,753	\$716,583	\$(204,385)

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, 2017, the City has one eligible police officer and one eligible spouse. Both are retired and are receiving benefits.

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

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

#### (4) Pension Plans - Continued

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, 2017	<u>16,958</u>
Unfunded pension benefit obligation	<u>\$ 223,147</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 emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

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

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 30 active and no retired members in the plan.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-fo basis. The most recent active member monthly premiums for plan members are \$479 for single coverage, \$906 for employee-child(ren), \$980 for employee-spouse and \$1,469 for family coverage. For the year ended June 30, 2017, the City contributed \$408,002 and plan members eligible for benefits contributed \$16,862.

#### (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, 2017 no employees were eligible for sick leave payout as it requires 20 years of service. The City's approximate liability for earned vacation payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

**CITY OF WINDSOR HEIGHTS**

Notes to Financial Statements - Continued

June 30, 2017

**(6) Compensated Absences - Continued**

Type of Benefit	Amount
Vacation	\$ 66,786

This liability has been computed based on rates of pay in effect as of June 30, 2017.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment Financing	\$ 116,095
	Emergency Fund	53,810
	Enterprise:	
	Nonmajor Enterprise Funds	25,000
		194,905
Special Revenue: Police Pension	Special Revenue: Employee Benefits	50,000
Debt Service	Special Revenue: Urban Renewal Tax Increment Financing	1,380,885
Capital Projects	Special Revenue: Urban Renewal Tax Increment Financing	255,720
Capital Projects: Sunset Terrace	Special Revenue: Road Use Tax	75,000
Capital Projects: Hickman Road TIF	Capital Projects: 73 <sup>rd</sup> /Hickman	10,937
Total		\$ 1,967,447

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

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

On December 19, 2011, the City entered into an agreement with We Can Build It, LLC (Company). Under this agreement, the Company agreed to a minimum assessment on the property located at 6500 University Avenue of \$4,090,050. The Company also agreed to provide the City with at least \$90,000 in property tax per year and the City agreed to rebate the Company any property tax paid over \$90,000 within 15 days of payment to the

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

#### **(8) Tax Increment Financing Redevelopment Agreement - Continued**

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, 2017, the City paid \$50,500 under this agreement.

#### **(9) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 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, 2017 were \$65,254.

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, 2017

#### **(9) 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.

#### **(10) 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. \$2,558,102 in principal remains outstanding at June 30, 2017.

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. \$7,038,996 in principal remains outstanding at June 30, 2017.

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. \$6,765,000 in principal remains outstanding at June 30, 2017.

**CITY OF WINDSOR HEIGHTS**

Notes to Financial Statements - Continued

June 30, 2017

**(11) Interfund Loans**

The detail of interfund loans at June 30, 2017 is as follows:

Due from	Due to	Amount
Special Revenue:	General	\$ 185,395
Urban Renewal Tax Increment Financing	Capital Projects:	
	Tax Increment Financing Project Advance	138,750
	Hickman Road TIF	<u>515,520</u>
Total		<u>\$ 839,665</u>

The loans represent amounts paid from the General Fund, Capital Projects, Tax Increment Financing Project Advance and Hickman Road TIF funds for costs associated with the City's urban renewal projects. The loans will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Financing Fund as receipts become available. No reimbursements occurred during the year ended June 30, 2017.

**(12) Commitments**

The City has entered into various construction contracts totaling approximately \$2,426,410. The unpaid contract balances as of June 30, 2017 totaled approximately \$2,025,332 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, 2017, the City paid the Organization \$4,860.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority (the Authority). The Authority Board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint governmental body is to provide for the disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2017, the City paid the Metro Waste Authority \$81,624 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 \$27,014 during the year ended June 30, 2017.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

#### **(13) Development Agreements**

In September 2016, the City entered into an agreement with a developer. The agreement calls for property tax rebates of 70% of the tax increment value of the property over a ten year period, not to exceed \$2,000,000. The agreement is contingent on the property achieving a minimum assessed value of \$7,500,000. In addition to the tax rebates, the agreement calls for a forgivable loan from the City to the developer of \$250,000.

#### **(14) Deficit Balances**

The Capital Projects, Hickman Road TIF, City Hall Public Safety, Equipment Reserve, 63<sup>rd</sup>/Hickman Streetscape, and HUB had deficit balances of \$269,051, \$53,443, \$161,026, \$271,277 and \$19,755, respectively, at June 30, 2017. The deficits will be eliminated through transfers of future tax increment financing collections.

The Enterprise, Water Fund had a deficit balance of \$997 at June 30, 2017. The deficit will be eliminated through future collections or transfers.

#### **(15) 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.

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, 2017, the City abated \$37,597 of property tax under the urban renewal and economic development projects.

#### **(16) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

## CITY OF WINDSOR HEIGHTS

### Notes to Financial Statements - Continued

June 30, 2017

**(17) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

**(18) Subsequent Events**

Management has evaluated subsequent events through December 15, 2017, the date on which the financial statements were available to be issued.

## **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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total
<b>Receipts:</b>				
Property tax	\$ 3,197,421	\$ -	\$ -	\$ 3,197,421
Tax increment financing	1,796,370	-	-	1,796,370
Other city tax	301,496	-	-	301,496
Licenses and permits	96,844	-	-	96,844
Use of money and property	6,369	1,216	17	7,568
Intergovernmental	741,352	2,050	-	743,402
Charges for service	284,307	759,590	-	1,043,897
Miscellaneous	1,220,959	-	17,132	1,203,827
<b>Total receipts</b>	<b>7,645,118</b>	<b>762,856</b>	<b>17,149</b>	<b>8,390,825</b>
<b>Disbursements:</b>				
Public safety	2,836,785	-	17,621	2,819,164
Public works	602,489	-	-	602,489
Health and social services	3,000	-	-	3,000
Culture and recreation	416,245	-	-	416,245
Community and economic development	146,556	-	-	146,556
General government	625,730	-	-	625,730
Debt service	5,843,987	-	-	5,843,987
Capital projects	746,292	-	-	746,292
Business type activities	-	613,511	-	613,511
<b>Total disbursements</b>	<b>11,221,084</b>	<b>613,511</b>	<b>17,621</b>	<b>11,816,974</b>
Excess (deficiency) of receipts over (under) disbursements	(3,575,966)	149,345	(472)	(3,426,149)
Other financing sources (uses), net	7,060,139	(25,000)	-	7,035,139
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources uses	3,484,173	124,345	(472)	3,608,990
Balances beginning of year	6,288,115	618,223	23,904	6,882,434
Balances end of year	\$ 9,772,288	\$ 742,568	\$ 23,432	\$ 10,491,424

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 3,190,619	\$ 3,190,619	\$ 6,802
1,852,210	1,852,210	(55,840)
325,497	325,497	(24,001)
56,700	56,700	40,144
2,160	2,160	5,408
782,016	788,916	(45,514)
1,045,094	1,342,034	(298,137)
538,248	592,253	611,574
7,792,544	8,150,389	240,436
3,256,554	3,555,264	736,100
717,442	723,162	120,673
3,000	3,000	-
402,384	429,344	13,099
149,248	149,248	2,692
659,265	687,265	61,535
1,699,647	5,809,450	(34,537)
776,334	2,116,334	1,370,042
692,794	692,794	79,283
8,356,668	14,165,861	2,348,887
(564,124)	(6,015,472)	(2,589,323)
-	5,637,264	(1,397,875)
(564,124)	(378,208)	(3,987,198)
6,856,637	6,856,637	(25,797)
\$ 6,292,513	\$ 6,478,429	\$ (4,012,995)

## CITY OF WINDSOR HEIGHTS

### Notes To Other Information - Budgetary Reporting

June 30, 2017

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 \$5,809,193. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the debt service function.

**CITY OF WINDSOR HEIGHTS**

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	.011386%	.006576%	.003399%
City's proportionate share of the net pension liability	\$ 717	\$ 325	\$ 135
City's covered-employee payroll	\$ 2,031	\$ 1,979	\$ 1,974
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.30%	16.42%	6.84%
IPERS' net position as a percentage of the total pension liability	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 185	193	183	169
Contributions in relation to the statutorily required contribution	<u>(185)</u>	<u>(193)</u>	<u>(183)</u>	<u>(169)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,959	2,031	1,979	1,974
Contributions as a percentage of covered-employee payroll	9.44%	9.50%	9.25%	8.56%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
167	157	155	141	129	115
(167)	(157)	(155)	(141)	(129)	(115)
-	-	-	-	-	-
1,879	1,860	1,930	1,878	1,657	1,513
8.89%	8.44%	8.03%	7.51%	7.79%	7.60%

## CITY OF WINDSOR HEIGHTS

### Notes to Other Information - Pension Liability

Year ended June 30, 2017

#### 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.

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

#### Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% 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.

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, 2017

	Special Revenue			
	Road Use	Police Trust	Police Forfeiture	Emergency Fund
<b>Receipts:</b>				
Property tax	\$ -	\$ -	\$ -	\$ 54,149
Use of money and property	-	17	2	-
Intergovernmental	603,338	-	-	1,943
Charges for service	-	6,940	-	-
Miscellaneous	7,627	-	-	-
Total receipts	<u>610,965</u>	<u>6,957</u>	<u>2</u>	<u>56,092</u>
<b>Disbursements:</b>				
Operating:				
Public safety	-	9,165	602	-
Public works	454,662	-	-	-
Community and economic development	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>454,662</u>	<u>9,165</u>	<u>602</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	156,303	(2,208)	(600)	56,092
<b>Other financing sources (uses):</b>				
Bond proceeds	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(75,000)	-	-	(53,810)
Total other financing sources (uses)	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>(53,810)</u>
Change in cash balances	81,303	(2,208)	(600)	2,282
Cash balances (deficits) beginning of year	<u>454,752</u>	<u>27,350</u>	<u>1,133</u>	<u>53,859</u>
Cash balances (deficits) end of year	<u>\$ 536,055</u>	<u>\$ 25,142</u>	<u>\$ 533</u>	<u>\$ 56,141</u>
<b>Cash Basis Fund Balances (Deficits)</b>				
Restricted for:				
Streets	\$ 536,055	\$ -	\$ -	\$ -
Debt service	-	-	-	-
Other purposes	-	25,142	533	56,141
Unassigned	-	-	-	-
Total cash basis fund balances (deficits)	<u>\$ 536,055</u>	<u>\$ 25,142</u>	<u>\$ 533</u>	<u>\$ 56,141</u>

See accompanying independent auditor's report.

		Capital Projects					
Miscellaneous Fines ATE	Windsor Heights Fire Fighter's Association	63 <sup>rd</sup> /Hickman Streetscape	2017/18 Capital Project	Colby Park TIF	Hickman Road TIF	73 <sup>rd</sup> / Hickman	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	17	-	-	-	-	-	-
-	-	13,296	-	-	-	-	-
-	-	-	-	-	-	-	-
66,884	17,132	-	-	-	-	-	-
66,884	17,149	13,296	-	-	-	-	-
66,620	17,621	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,806	58,473	-	-	-	-
66,620	17,621	5,806	58,473	-	-	-	-
264	(472)	7,490	(58,473)	-	-	-	-
-	-	-	605,000	-	-	-	-
-	-	-	9,582	-	-	-	-
-	-	-	57,600	-	10,937	-	-
-	-	-	-	-	-	(10,937)	-
-	-	-	672,182	-	10,937	(10,937)	-
264	(472)	7,490	613,709	-	10,937	(10,937)	-
-	23,904	(278,767)	-	37,979	(279,988)	10,937	-
\$ 264	\$ 23,432	\$ (271,277)	\$ 613,709	\$ 37,979	\$ (269,051)	\$ -	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	37,979	-	-	-
-	23,432	-	-	-	-	-	-
264	-	(271,277)	613,709	-	(269,051)	-	-
\$ 264	\$ 23,432	\$ (271,277)	\$ 613,709	\$ 37,979	\$ (269,051)	\$ -	-

**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, 2017

	Capital Projects			
	2017A Street Project	City Hall Public Safety	HUB	Tax Increment Financing Project Advance
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Miscellaneous	87,295	-	-	-
Total receipts	<u>87,295</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community and economic development	-	-	-	88,357
Capital projects	611,173	-	-	70,840
Total disbursements	<u>611,173</u>	<u>-</u>	<u>-</u>	<u>159,197</u>
Excess (deficiency) of receipts over (under) disbursements	(523,878)	-	-	(159,197)
Other financing sources (uses):				
Bond proceeds	605,000	-	-	-
Bond premium	9,493	-	-	-
Transfers in	75,000	-	-	198,120
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>689,493</u>	<u>-</u>	<u>-</u>	<u>198,120</u>
Change in cash balances	165,615	-	-	38,923
Cash balances (deficits) beginning of year	589,498	(53,443)	(19,755)	(31,722)
Cash balances (deficits) end of year	<u>\$ 755,113</u>	<u>\$ (53,443)</u>	<u>\$ (19,755)</u>	<u>\$ 7,201</u>
<b>Cash Basis Fund Balances (Deficits)</b>				
Restricted for:				
Streets	\$ 755,113	\$ -	\$ -	\$ -
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	<u>-</u>	<u>(53,443)</u>	<u>(19,755)</u>	<u>7,201</u>
Total cash basis fund balances (deficits)	<u>\$ 755,113</u>	<u>\$ (53,443)</u>	<u>\$ (19,755)</u>	<u>\$ 7,201</u>

See accompanying independent auditor's report.

Equipment Reserve	Total
\$ -	\$ 54,149
-	36
-	618,577
-	6,940
-	178,938
-	858,640
-	94,008
-	454,662
-	88,357
-	746,292
-	1,383,319
-	(524,679)
-	1,210,000
-	19,075
-	341,657
-	(139,747)
-	1,430,985
-	906,306
(161,026)	374,711
<u>\$ (161,026)</u>	<u>\$ 1,281,017</u>
\$ -	\$ 1,291,168
-	37,979
-	105,248
(161,026)	(153,378)
<u>\$ (161,026)</u>	<u>\$ 1,281,017</u>

## 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, 2017

	Enterprise			Total
	Solid Waste	Water	Sewer	
Operating receipts:				
Charges for service	\$ 355,777	\$ 15,000	\$ 64,032	\$ 434,809
Use of money and property	-	1,216	-	1,216
Total receipts	<u>355,777</u>	<u>16,216</u>	<u>64,032</u>	<u>436,025</u>
Operating disbursements:				
Business type activities	<u>308,271</u>	-	66,464	<u>374,735</u>
Excess of operating receipts over operating disbursements	47,506	16,216	(2,432)	61,290
Operating transfers (out)	<u>-</u>	<u>(15,000)</u>	<u>(10,000)</u>	<u>(25,000)</u>
Net change in cash balances	47,506	1,216	(12,432)	36,290
Cash balances beginning of year	<u>231,952</u>	<u>(2,213)</u>	<u>21,914</u>	<u>251,653</u>
Cash balances end of year	<u>\$ 279,458</u>	<u>\$ (997)</u>	<u>\$ 9,482</u>	<u>\$ 287,943</u>
<b>Cash Basis Fund Balances</b>				
Unrestricted	<u>\$ 279,458</u>	<u>\$ (997)</u>	<u>\$ 9,482</u>	<u>\$ 287,943</u>

See accompanying independent auditor's report.

**City of Windsor Heights**

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**CITY OF WINDSOR HEIGHTS**

Schedule of Indebtedness

Year ended June 30, 2017

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes:			
Capital loan notes, Series 2007A	Apr 1, 2007	3.80%	\$ 1,500,000
General obligation bonds, Series 2008A	Jun 1, 2008	3.65 - 4.20%	\$ 1,980,000
General obligation bonds, Series 2008B	Jun 1, 2008	5.40 - 6.20%	3,805,000
Refunding capital loan notes, Series 2011A	Feb 1, 2011	3.45 - 4.15%	3,360,000
Refunding capital loan notes, Series 2012A	May 24, 2012	1.20%	1,375,000
Capital loan notes, Series 2013A	Jun 1, 2013	1.00 - 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	1.50 - 2.50%	1,405,000
Refunding general obligation bonds, Series 2016B	Jul 6, 2016	1.75 - 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

\* Amount issued includes \$43,000 good faith deposit received in the fiscal year ended June 30, 2016.

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
\$ 180,000	\$ -	\$ 180,000	\$ -	\$ 6,840	\$ -
1,420,000	-	1,420,000	-	5,699	-
2,765,000	-	2,765,000	-	16,384	-
1,855,000	-	340,000	1,515,000	67,612	-
510,000	-	255,000	255,000	5,610	-
225,000	-	70,000	155,000	2,195	-
270,000	-	60,000	210,000	5,967	-
2,860,000	-	130,000	2,730,000	87,220	-
37,425	-	12,050	25,375	1,305	-
-	1,405,000	100,000	1,305,000	26,474	-
-	2,815,000	195,000	2,620,000	53,329	-
-	1,210,000	-	1,210,000	-	-
-	1,550,000	-	1,550,000	-	-
<u>\$10,122,425</u>	<u>\$ 6,980,000 *</u>	<u>\$ 5,527,050</u>	<u>\$ 11,575,375</u>	<u>\$ 278,635</u>	<u>\$ -</u>

**CITY OF WINDSOR HEIGHTS**

Bond and Note Maturities

June 30, 2017

Year Ending June 30,	Refunding Capital Loan Notes Series 2011A		Refunding Capital Loan Notes Series 2012A		General Capital Loan Notes Series 2013A	
	Issued February 1, 2011		Issued May 24, 2012		Issued June 1, 2013	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2018	3.45%	\$ 355,000	1.20%	\$ 255,000	1.00%	\$ 75,000
2019	3.60	370,000		-	1.15	80,000
2020	3.95	385,000		-		-
2021	4.15	405,000		-		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
2029		-		-		-
2030		-		-		-
2031		-		-		-
2032		-		-		-
2033		-		-		-
<b>Total</b>		<u>\$ 1,515,000</u>		<u>\$ 255,000</u>		<u>\$ 155,000</u>

See accompanying independent auditor's report.

Obligation Bonds and Notes								
Capital Loan Notes Series 2014		Capital Loan Notes Series 2014A		Capital Loan Notes Series 2014B		Refunding General Obligation Bonds Series 2016A		
Issued May 15 , 2014		Issued January 6, 2014		Issued September 10 , 2014		Issued July 6, 2016		
Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Amount
2.50%	\$ 65,000	2.00%	\$ 135,000	3.49%	\$ 12,470	1.50%	\$ 110,000	
2.50	70,000	2.00	135,000	3.49	12,905	1.50	110,000	
2.50	75,000	2.00	140,000	-	-	2.00	110,000	
-	-	2.10	145,000	-	-	2.00	115,000	
-	-	2.30	150,000	-	-	2.00	115,000	
-	-	2.50	155,000	-	-	2.25	115,000	
-	-	2.65	155,000	-	-	2.25	120,000	
-	-	2.85	165,000	-	-	2.25	125,000	
-	-	3.00	170,000	-	-	2.50	125,000	
-	-	3.20	175,000	-	-	2.50	130,000	
-	-	3.50	180,000	-	-	2.50	130,000	
-	-	3.60	190,000	-	-		-	
-	-	4.00	195,000	-	-		-	
-	-	4.00	205,000	-	-		-	
-	-	4.00	215,000	-	-		-	
-	-	4.00	220,000	-	-		-	
	<u>\$ 210,000</u>		<u>\$ 2,730,000</u>		<u>\$ 25,375</u>		<u>\$ 1,305,000</u>	

## CITY OF WINDSOR HEIGHTS

## Bond and Note Maturities - Continued

June 30, 2017

Year Ending June 30,	General Obligation Bonds and Notes							Total
	Refunding General Obligation Bonds Series 2016B		General Obligation Bonds Series 2017A		Refunding General Obligation Bonds Series 2017B			
	Issued July 6, 2016		Issued June 20, 2017		Issued June 20, 2017			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2018	1.75%	\$ 215,000	2.00%	\$ 340,000	1.35%	\$ 375,000	\$ 1,937,470	
2019	1.75	220,000	2.00	390,000	1.55	385,000	1,772,905	
2020	1.85	225,000	2.00	480,000	1.75	390,000	1,805,000	
2021	1.85	230,000	-	-	2.00	400,000	1,295,000	
2022	1.85	235,000	-	-	-	-	500,000	
2023	2.00	235,000	-	-	-	-	505,000	
2024	2.15	240,000	-	-	-	-	515,000	
2025	2.25	245,000	-	-	-	-	535,000	
2026	2.45	250,000	-	-	-	-	545,000	
2027	2.55	260,000	-	-	-	-	565,000	
2028	2.70	265,000	-	-	-	-	575,000	
2029	-	-	-	-	-	-	190,000	
2030	-	-	-	-	-	-	195,000	
2031	-	-	-	-	-	-	205,000	
2032	-	-	-	-	-	-	215,000	
2033	-	-	-	-	-	-	220,000	
Total		<u>\$ 2,620,000</u>		<u>\$ 1,210,000</u>		<u>\$ 1,550,000</u>	<u>\$ 11,575,375</u>	

See accompanying independent auditor's report.

**City of Windsor Heights**

**CITY OF WINDSOR HEIGHTS**

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

For the last ten years

	2017	2016	2015	2014
<b>Receipts:</b>				
Property tax	\$ 3,197,421	\$ 2,962,772	\$ 3,038,004	\$ 2,726,951
Tax increment financing	1,796,370	1,718,679	1,748,793	1,732,283
Other city tax	301,496	293,174	62	472
Licenses and permits	96,844	64,216	343,088	336,307
Use of money and property	6,369	3,656	3,422	2,120
Intergovernmental	741,352	963,701	669,535	909,330
Charges for service	284,307	293,125	276,886	316,160
Miscellaneous	1,220,959	455,949	474,178	494,830
<b>Total</b>	<b>\$ 7,645,118</b>	<b>\$ 6,755,272</b>	<b>\$ 6,553,968</b>	<b>\$ 6,518,453</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 2,836,785	\$ 2,669,403	\$ 2,477,262	\$ 2,454,983
Public works	602,489	585,306	553,845	679,175
Health and social services	3,000	3,000	3,000	3,000
Culture and recreation	416,245	434,507	360,225	379,790
Community and economic development	146,556	84,471	53,035	51,022
General government	625,730	675,891	580,879	555,344
Debt service	5,843,987	1,960,398	1,878,699	1,643,286
Capital projects	746,292	768,828	2,368,916	1,537,829
<b>Total</b>	<b>\$ 11,221,084</b>	<b>\$ 7,181,804</b>	<b>\$ 8,275,861</b>	<b>\$ 7,304,429</b>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
\$ 2,506,807	\$ 2,570,857	\$ 2,565,082	\$ 2,703,573	\$ 2,778,548	\$ 2,215,440
1,785,128	1,776,154	1,724,469	1,809,398	1,645,515	1,568,689
772	1,348	3,525	209,293	287,013	316,789
293,260	276,280	292,831	40,964	38,357	75,189
1,399	2,126	13,815	6,786	78,651	65,332
487,284	2,266,797	768,245	1,441,286	422,362	515,629
286,173	262,831	212,893	514,927	370,278	377,556
285,475	176,594	154,192	228,551	309,957	297,258
<u>\$ 5,646,298</u>	<u>\$ 7,332,987</u>	<u>\$ 5,735,052</u>	<u>\$ 6,954,778</u>	<u>\$ 5,930,681</u>	<u>\$ 5,431,882</u>
\$ 2,212,816	\$ 2,177,783	\$ 2,236,921	\$ 2,102,371	\$ 2,048,175	\$ 1,819,876
621,834	613,361	681,226	1,214,431	1,023,955	914,916
3,000	3,000	2,500	100	2,500	-
375,312	418,659	346,520	308,454	370,797	328,954
157,090	155,196	37,777	12,535	8,085	225
526,002	516,691	523,210	594,043	570,123	456,932
1,445,175	2,080,081	2,099,516	1,891,171	3,538,565	1,459,425
206,700	2,398,341	1,177,079	4,861,461	2,890,523	966,570
<u>\$ 5,547,929</u>	<u>\$ 8,363,112</u>	<u>\$ 7,104,749</u>	<u>\$10,984,566</u>	<u>\$10,452,723</u>	<u>\$ 5,946,898</u>

**City of Windsor Heights**



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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2017. 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-17 and II-C-17 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-B-17 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Windsor Heights' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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, 2017 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  
December 15, 2017

**CITY OF WINDSOR HEIGHTS**

Schedule of Findings

Year ended June 30, 2017

**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) A material weakness in internal control over financial reporting was 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, 2017

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

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

###### II-A-17     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 important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City.

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

Duties of accounting personnel are not rotated in their absence.

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

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

## CITY OF WINDSOR HEIGHTS

### Schedule of Findings - Continued

Year ended June 30, 2017

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

##### II-A-17 Segregation of Duties - Continued

For the Windsor Heights Foundation, one person has the ability to record collections, prepare, sign and mail checks and reconcile the bank account.

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.

##### Responses

City - The City has adopted and implemented the following changes:

Cash - While there is a necessity for more than one person to have access to the change drawer, the City has a separate person count the drawer out and verify the funds with the cash register receipt prior to the deposit of funds weekly.

Investments - The City will implement a policy requiring two signatures to cash out any CDs.

Receipts - The City has implemented a new procedure to have all checks receipted into the City placed on a spreadsheet by the Staff Accountant prior to distribution to departments for coding. The Deputy Clerk verifies each check, then posts and deposits the receipts. The Clerk then reconciles each bank, thus separating the duties.

Disbursements - The City has implemented a new procedure to have invoices entered and processed by the Staff Accountant who then issues checks. Checks are then reviewed and signed by the Clerk and one other authorized signer, thus separating the duties.

Payroll - The City has changed the payroll process. New employees and pay rate changes are entered by the Clerk. The Deputy Clerk does payroll and issues distribution warrants. The Clerk then processes the ACH through the bank to pay the Employees. The Mayor and Deputy Clerk both sign the ACH payroll warrant sheets.

## CITY OF WINDSOR HEIGHTS

### Schedule of Findings - Continued

Year ended June 30, 2017

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

##### II-A-17 Segregation of Duties - Continued

Windsor Heights Fire Fighter's Association - We will review internal control procedures in an effort to obtain the maximum internal control possible. We currently have the Treasurer and the President of the Association review monthly bank statements and reconciliations and have both sign off on the bank reconciliations each month. All money spent is voted on majority vote at Association meetings held the beginning of each month.

Windsor Heights Foundation - All general incoming mail is opened by City Hall staff. The Foundation President picks up the mail, takes any checks to Bankers Trust so they can be deposited and recorded by our board member employed at Bankers Trust. Most checks payable to the Foundation are sent directly to the Windsor Heights Bankers Trust branch, c/o Windsor Heights Foundation to the attention of the board member in self-directed envelopes.

The board member records and deposits the contributions, and generates the thank you letters. The board member then emails a summary of the deposits and contributions to the treasurer, president, and chair of fundraising committee.

The Treasurer prepares expense checks and signs the checks, gives them to the President who also signs them and mails them. The Treasurer reconciles the bank account.

Control procedures will be reviewed to obtain the maximum internal control possible.

Conclusion - Response accepted.

##### II-B-17 Code of Ordinances

Criteria - An effective internal control system provides for internal control related to authorization to sign checks.

Condition - It was noted on page 48 of the Code of Ordinances that the Finance Director was authorized to sign checks.

Cause - The Code of Ordinances was not revised when the Finance Director title was changed to Assistant City Clerk.

Effect - This condition does not reflect the title change of the authorized check signer.

Recommendation - The Code of Ethics should be amended to reflect the correct titles of all authorized check signers.

Response - The Code of Ordinances will be amended to reflect the correct check signers.

Conclusion - Response accepted.

**CITY OF WINDSOR HEIGHTS**

Schedule of Findings - Continued

Year ended June 30, 2017

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

II-C-17     Cancellation and Approval of Payment Invoices

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

Condition - Most 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.

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

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

## CITY OF WINDSOR HEIGHTS

### Schedule of Findings - Continued

Year ended June 30, 2017

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

III-A-17 Certified Budget - Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response - The City conducted an end of year budget amendment in accord with Iowa law. The excess was due to debt issuance costs on new bond issues.

Conclusion - Response accepted.

III-B-17 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-17 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-17 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-E-17 City Council Minutes - Except as noted, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes by City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. The late publishing date found was due to newspaper error.

Recommendation - All minutes should be published within 15 days of the meeting.

Response - The City will continue to publish minutes within 15 days of the meeting.

Conclusion - Response accepted.

III-F-17 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.

III-G-17 Bonds and Notes - No instances of non-compliance with the bond and note resolutions were noted.

**CITY OF WINDSOR HEIGHTS**

Schedule of Findings - Continued

Year ended June 30, 2017

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

III-H-17 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.

III-I-17 Financial Condition - The City had deficit balances in the following funds at June 30, 2017:

Capital Projects	
Hickman Road TIF	\$ 269,051
63 <sup>rd</sup> /Hickman Streetscape	\$ 271,277
Equipment Reserve	\$ 161,026
City Hall Public Safety	\$ 53,443
HUB	\$ 19,755
Enterprise Fund - Water	\$ 997

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

Response - For the Hickman Road projects, the TIF project advance and the HUB, the City will plan to do an internal TIF loan to bring these funds to a zero balance and utilize some of the reserves currently in the TIF account from the sale of land.

For the equipment reserve and City Hall public safety building, the City will plan to do a resolution to utilize funds from General Fund reserves to bring these funds to a zero balance.

Conclusion - Response accepted.