

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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

November 9, 2012

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$9,371,629 for the year ended June 30, 2012, a 6.6% decrease from the prior year. The receipts included \$971,389 from charges for service, \$650,281 from operating grants, contributions and restricted interest, \$1,706,169 from capital grants, contributions and restricted interest, \$2,570,857 in property tax levied by the City, \$81,752 of property tax from the physical plant and equipment levy (PPEL) collected by school districts, \$1,776,154 from tax increment financing, \$1,640 from unrestricted interest on investments, \$243,900 from franchise fees, \$1,348 from other general receipts and \$1,368,139 from note proceeds.

Disbursements for the year totaled \$10,246,905, a 28.5% increase over the prior year, and included \$2,398,341 for capital projects, \$2,177,783 for public safety and \$2,080,081 for debt service. Disbursements for business type activities totaled \$563,793. The increase in disbursements is due primarily to refunding \$1,320,000 of general obligation capital loan notes, improvements to Hickman Road and street resurfacing projects in the current fiscal year.

A copy of the audit report is available for review in the City Finance Officer's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1220-0728-B00F.pdf>.

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**CITY OF WINDSOR HEIGHTS**

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

**JUNE 30, 2012**

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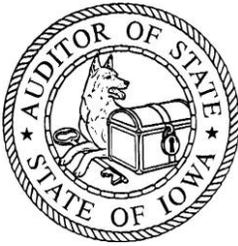
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**City of Windsor Heights**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2012)</b>		
Jerry Sullivan	Mayor	Jan 2014
Charlene Butz	Council Member	Jan 2012
Steve Peterson	Council Member	Jan 2012
Betty Glover	Council Member	Jan 2014
David Jenison	Council Member	Jan 2014
Diana Willits	Council Member	Jan 2014
Marketa George Oliver	City Administrator/Clerk	Indefinite
Carrie Kruse	City Treasurer	Indefinite
Matt Brick	Attorney	Indefinite
<b>(After January 2012)</b>		
Jerry Sullivan	Mayor	Jan 2014
Betty Glover	Council Member	Jan 2014
David Jenison	Council Member	Jan 2014
Diana Willits	Council Member	Jan 2014
Dave Burgess	Council Member	Jan 2016
Charlene Butz	Council Member	Jan 2016
Marketa George Oliver	City Administrator/Clerk	(Resigned July 2012)
Josh Heggen (Appointed July 2012)	Interim City Administrator	Indefinite
Carrie Kruse	Chief Financial Officer	Indefinite
Matt Brick	Attorney	Indefinite

**City of Windsor Heights**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Windsor Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2012, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2012 on our consideration of the City of Windsor Heights' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on these financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Height's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information 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.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2012

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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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 8.6%, or approximately \$817,000, from fiscal year 2011 to fiscal year 2012. The decrease in receipts was primarily due to a decrease in note proceeds received during the fiscal year compared to the prior fiscal year, offset by an increase in grant receipts for the Hickman Road project.
- Disbursements of the City's governmental activities increased 28.5%, or approximately \$2,148,000, from fiscal year 2011 to fiscal year 2012. The increase in disbursements was primarily due to refunding \$1,320,000 of general obligation capital loan notes, improvements to Hickman Road and street resurfacing projects in the current fiscal year.
- The City's total cash basis net assets decreased 23.2%, or approximately \$875,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$917,000 and the assets of the business type activities increased approximately \$42,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer, 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, such as Hickman Road TIF. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

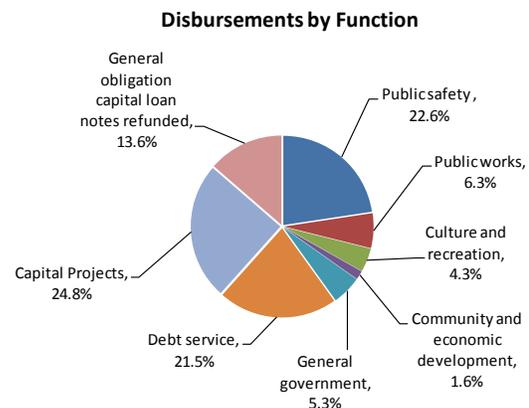
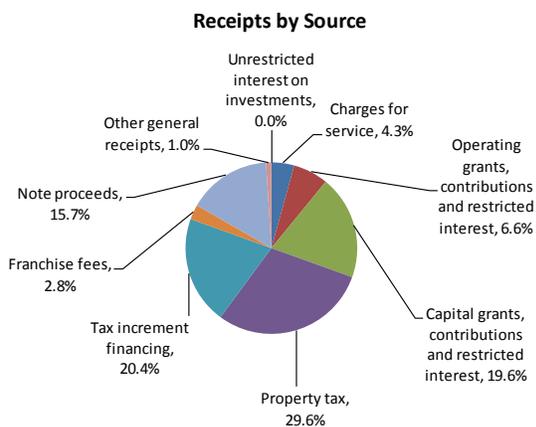
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains separate Enterprise Funds to provide separate information for the Water, Sewer, Storm Water and Solid Waste Funds. The Enterprise, Sewer Fund is considered to be a major fund of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash basis net assets of governmental activities decreased from a year ago, decreasing \$916,986 to \$2,859,005. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 376,033	346,192
Operating grants, contributions and restricted interest	575,281	586,647
Capital grants, contributions and restricted interest	1,706,169	183,857
General receipts:		
Property tax	2,570,857	2,565,082
Tax increment financing	1,776,154	1,724,469
Franchise fees	243,900	254,980
Unrestricted interest on investments	1,493	1,320
Note proceeds	1,368,139	3,780,635
Other general receipts	83,100	75,005
Total receipts	8,701,126	9,518,187
Disbursements:		
Public safety	2,177,783	2,236,921
Public works	613,361	681,226
Health and social services	3,000	2,500
Culture and recreation	418,659	346,520
Community and economic development	155,196	37,777
General government	516,691	523,210
Debt service	2,080,081	2,099,516
Capital projects	2,398,341	1,177,079
General obligation capital loan notes refunded	1,320,000	430,000
Total disbursements	9,683,112	7,534,749
Change in cash basis net assets before transfers	(981,986)	1,983,438
Transfers, net	65,000	40,000
Change in cash basis net assets	(916,986)	2,023,438
Cash basis net assets beginning of year	3,775,991	1,752,553
Cash basis net assets end of year	\$ 2,859,005	\$ 3,775,991



Total governmental activities receipts for the fiscal year were \$8,701,126 compared to \$9,518,187 last year. The cost of all governmental activities this year was \$9,683,112 compared to \$7,534,749 last year. The decrease in receipts was due to the City receiving more note proceeds in the prior fiscal year compared to the current fiscal year. This decrease was offset by an increase in grant receipts received for the Hickman Road improvements in fiscal year 2012. The increase in disbursements was primarily due to refunding general obligation capital loan notes, Hickman Road improvement and street resurfacing projects.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 33,183	37,370
Water	42,417	15,000
Storm water	197,059	148,413
Solid waste	322,697	311,207
Operating grants, contributions and restricted interest:	-	-
Save Our Sewers from Urbandale-Windsor Heights		
Sanitary Sewer District	75,000	-
General receipts:		
Unrestricted interest on investments	147	401
Total receipts	<u>670,503</u>	<u>512,391</u>
Disbursements:		
Sewer	119,782	31,255
Water	-	-
Storm water	141,871	123,004
Solid waste	302,140	285,589
Total disbursements	<u>563,793</u>	<u>439,848</u>
Change in cash basis net assets before transfers	106,710	72,543
Transfers, net	<u>(65,000)</u>	<u>(40,000)</u>
Change in cash basis net assets	41,710	32,543
Cash basis net assets beginning of year	<u>(3,051)</u>	<u>(35,594)</u>
Cash basis net assets end of year	<u>\$ 38,659</u>	<u>(3,051)</u>

Total business type activities receipts for the fiscal year were \$670,503 compared to \$512,391 last fiscal year, an increase of \$158,112, or 30.9%. Total disbursements were \$563,793 compared to \$439,848 in the prior fiscal year, an increase of \$123,945, or 28.2%. The increase in receipts and disbursements is due, in part, to a \$75,000 contribution from the Urbandale-Windsor Heights Sanitary Sewer District to fund sewer improvements for residents. Additionally, storm water receipts grew due to a rate change implemented for commercial customers during fiscal year 2012.

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

As the City of Windsor Heights completed the year, its governmental funds reported a combined fund balance of \$2,859,005, a decrease of \$916,986 from last year's total of \$3,775,991. The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The General Fund cash balance decreased \$258,171, or 6.3%, from the prior year to \$3,839,110. While receipts increased 2.8%, disbursements decreased 2.0%. The primary reason for the decrease in fund balance was due to the City transferring funds to various Capital Projects Funds and to the Special Revenue, Road Use Tax Fund to reimburse that fund for street department disbursements which exceeded the amount of road use tax receipts.

- The Special Revenue, Employee Benefits Fund cash balance increased \$44,011 over the prior year to \$74,913. Receipts increased 20% while disbursements increased 9.5%. The increase in cash balance is due to an increase in the employee benefits levy.
- The Special Revenue, Police Pension Fund cash balance decreased \$44,441, or 18.2%, from the prior year. Receipts decreased \$140 due to a decrease in interest receipts while pension payments increased \$3,952, or 9.7%. The decrease in cash balance is due to the payment of benefits to the two retired police officers.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$546,187 from the prior year to \$(992,040). Receipts increased \$133,437, or 7.7%, over the prior year while disbursements increased \$47,356, or 24.4%, over the prior year. The increase in disbursements is a result of paying for improvements to the Fire Department's driveway and the Police Department's evidence room and payment on a rebate agreement during fiscal year 2012. The decreased balance is also due to the Urban Renewal Tax Increment Fund transferring the necessary amounts to the Debt Service Fund to pay debt obligations. Tax increment financing receipts were not sufficient in the current year to fully fund the transfer.
- The Debt Service Fund cash balance decreased \$5,359, or 100%, from the prior year. Receipts decreased \$234,718 due to a decrease in property tax collections and bond and note principal and interest payments remained steady in fiscal year 2012. The Debt Service Fund also transferred funds to the Special Revenue, Urban Renewal Tax Increment Fund to offset the costs of bond issuance fees and to the Capital Projects, Equipment Reserve Fund to pay for capital equipment purchases.
- The Capital Projects, Hickman Road TIF Fund cash balance was \$(515,563) at the end of fiscal year 2012, a decrease of \$320,738 from the prior year. The Fund made payments for engineering and construction costs for the Hickman Road project in fiscal year 2012, a portion of which was covered by a federal grant.

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

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

- The Enterprise, Sewer Fund cash balance decreased \$36,599 to \$78,321, due primarily to disbursements outpacing receipts in the current year. The City also transferred \$25,000 to the General Fund during the current fiscal year to offset sewer planning costs.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The amendments were approved on December 5, 2011, February 20, 2012 and April 16, 2012. The first amendment increased disbursements, primarily for work budgeted in the prior fiscal year which was not invoiced and paid for until fiscal year 2012. The second amendment resulted in an increase in other financing sources and increased disbursements under a rebate agreement with We Can Build It, LLC. The third amendment increased receipts and disbursements to reflect the note proceeds from the issuance of the \$1,375,000 of general obligation refunding capital loan notes, series 2012A, and the subsequent payment of the remaining balance of the 2002 capital loan notes.

The City's total receipts were \$352,187 less than budgeted, primarily due to anticipating more grant funds for the Hickman Road project in fiscal year 2012 than were received to complete the project.

Total disbursements were \$2,137,899 less than the amended budget. Actual disbursements for the capital projects function were \$415,228 less than the amended budget due to the Hickman Road project being budgeted at a cost higher than what was required to complete the project. Actual disbursements for the debt service function were \$1,320,002 less than the amended budget. This was due to the City budgeting for the refunding of general obligation debt in the debt service function while this outlay is reported as an “other financing use”.

### **DEBT ADMINISTRATION**

At June 30, 2012, the City had \$11,355,000 of general obligation bonds and notes outstanding, compared to \$12,820,000 of bonds and notes outstanding at the end of last year.

During the year ended June 30, 2012, the City issued \$1,375,000 of capital loan notes to refund the remaining balance of the general obligation capital loan notes, Series 2002. These increases were offset by scheduled payments on existing debt and the refunding of the Series 2002 general obligation capital loan notes.

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 \$11,910,900, including the tax increment financing redevelopment agreement of \$555,900, is significantly below the City’s constitutional debt limit of approximately \$20,090,000.

### **ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

The City of Windsor Heights’ elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget. The Windsor Heights City Council has always tried to keep a steady tax rate. However, we are at the statutory limit of \$8.10 per \$1,000 of taxable valuation for the fiscal year 2013 budget. The Windsor Heights community and City Council have been very aggressive in attracting new businesses and industry into Windsor Heights and we believe this will produce results in the near future. There is an expected decrease in property values for fiscal year 2013 which will likely lead to an increase in levy rates. However, with the offsetting value decrease, an average taxpayer is expected to pay roughly the same or only slightly more than in fiscal year 2012.

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

## **Basic Financial Statements**

City of Windsor Heights

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 2,177,783	245,631	60,529	-
Public works	613,361	-	464,359	13,231
Health and social services	3,000	-	-	-
Culture and recreation	418,659	129,118	24,143	-
Community and economic development	155,196	-	-	-
General government	516,691	1,284	26,250	-
Debt service	2,080,081	-	-	-
Capital projects	2,398,341	-	-	1,692,938
Total governmental activities	8,363,112	376,033	575,281	1,706,169
Business type activities:				
Sewer	119,782	33,183	75,000	-
Water	-	42,417	-	-
Storm water	141,871	197,059	-	-
Solid waste	302,140	322,697	-	-
Total business type activities	563,793	595,356	75,000	-
Total primary government	\$ 8,926,905	971,389	650,281	1,706,169
<b>Component Unit:</b>				
Windsor Heights Foundation	\$ 45,438	-	14,748	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
PPEL from school districts				
Unrestricted interest on investments				
Franchise fees				
Hotel/motel tax				
Note proceeds, net of \$6,861 discount				
General obligation capital loan notes refunded				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Windsor Heights Foundation
(1,871,623)	-	(1,871,623)	
(135,771)	-	(135,771)	
(3,000)	-	(3,000)	
(265,398)	-	(265,398)	
(155,196)	-	(155,196)	
(489,157)	-	(489,157)	
(2,080,081)	-	(2,080,081)	
(705,403)	-	(705,403)	
<u>(5,705,629)</u>	<u>-</u>	<u>(5,705,629)</u>	
	(11,599)	(11,599)	
	42,417	42,417	
	55,188	55,188	
	20,557	20,557	
	106,563	106,563	
<u>(5,705,629)</u>	<u>106,563</u>	<u>(5,599,066)</u>	
			<u>(30,690)</u>
\$ 2,528,938	-	2,528,938	-
41,919	-	41,919	-
1,776,154	-	1,776,154	-
81,752	-	81,752	-
1,493	147	1,640	15
243,900	-	243,900	-
1,348	-	1,348	-
1,368,139	-	1,368,139	-
(1,320,000)	-	(1,320,000)	-
65,000	(65,000)	-	-
<u>4,788,643</u>	<u>(64,853)</u>	<u>4,723,790</u>	<u>15</u>
(916,986)	41,710	(875,276)	(30,675)
<u>3,775,991</u>	<u>(3,051)</u>	<u>3,772,940</u>	<u>47,017</u>
<u>\$ 2,859,005</u>	<u>38,659</u>	<u>2,897,664</u>	<u>16,342</u>
\$ 118,813	-	118,813	-
408,685	-	408,685	16,342
<u>2,331,507</u>	<u>38,659</u>	<u>2,370,166</u>	<u>-</u>
<u>\$ 2,859,005</u>	<u>38,659</u>	<u>2,897,664</u>	<u>16,342</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, 2012

	Special Revenue			
	General	Employee Benefits	Police Pension	Urban Renewal Tax Increment
<b>Receipts:</b>				
Property tax	\$ 1,674,750	854,188	-	-
Tax increment financing	-	-	-	1,776,154
Other city tax	1,348	-	-	-
Licenses and permits	276,280	-	-	-
Use of money and property	1,493	20	373	-
Intergovernmental	29,765	-	-	81,752
Charges for service	240,052	-	-	-
Miscellaneous	138,536	21,873	-	-
Total receipts	2,362,224	876,081	373	1,857,906
<b>Disbursements:</b>				
Operating:				
Public safety	1,519,853	569,650	44,814	-
Public works	22,094	163,166	-	-
Health and social services	3,000	-	-	-
Culture and recreation	395,291	23,368	-	-
Community and economic development	30,902	-	-	124,294
General government	435,615	81,076	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	116,881
Total disbursements	2,406,755	837,260	44,814	241,175
Excess (deficiency) of receipts over (under) disbursements	(44,531)	38,821	(44,441)	1,616,731
<b>Other financing sources (uses):</b>				
Note proceeds, net of \$6,861 discount	-	-	-	-
General obligation capital loan notes refunded	-	-	-	-
Operating transfers in	202,254	5,190	-	53,375
Operating transfers out	(415,894)	-	-	(2,216,293)
Total other financing sources (uses)	(213,640)	5,190	-	(2,162,918)
Net change in cash balances	(258,171)	44,011	(44,441)	(546,187)
Cash balances beginning of year	4,097,281	30,902	244,669	(445,853)
Cash balances end of year	\$ 3,839,110	74,913	200,228	(992,040)
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	-	-	-
Other purposes	-	74,913	200,228	-
Unassigned	3,839,110	-	-	(992,040)
Total cash basis fund balances	\$ 3,839,110	74,913	200,228	(992,040)

See notes to financial statements.

Debt Service	Capital Projects		Total
	Hickman Road TIF	Nonmajor	
41,919	-	-	2,570,857
-	-	-	1,776,154
-	-	-	1,348
-	-	-	276,280
-	-	240	2,126
-	1,668,315	486,965	2,266,797
-	-	22,779	262,831
-	-	16,185	176,594
41,919	1,668,315	526,169	7,332,987
-	-	43,466	2,177,783
-	-	428,101	613,361
-	-	-	3,000
-	-	-	418,659
-	-	-	155,196
-	-	-	516,691
2,080,081	-	-	2,080,081
-	2,000,778	280,682	2,398,341
2,080,081	2,000,778	752,249	8,363,112
(2,038,162)	(332,463)	(226,080)	(1,030,125)
1,368,139	-	-	1,368,139
(1,320,000)	-	-	(1,320,000)
2,079,039	11,725	439,979	2,791,562
(94,375)	-	-	(2,726,562)
2,032,803	11,725	439,979	113,139
(5,359)	(320,738)	213,899	(916,986)
5,359	(194,825)	38,458	3,775,991
-	(515,563)	252,357	2,859,005
-	-	118,813	118,813
-	-	133,544	408,685
-	(515,563)	-	2,331,507
-	(515,563)	252,357	2,859,005

**Exhibit C**

## 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, 2012

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Charges for service	\$ 33,183	562,173	595,356
Operating disbursements:			
Business type activities	44,782	444,011	488,793
Excess (deficiency) of operating receipts over (under) operating disbursements	(11,599)	118,162	106,563
Non-operating receipts (disbursements):			
Interest on investments	-	147	147
Save Our Sewers from the Urbandale-Windsor Heights Sanitary Sewer District	75,000	-	75,000
Capital outlay	(75,000)	-	(75,000)
Net non-operating receipts (disbursements)	-	147	147
Excess (deficiency) of receipts over (under) disbursements	(11,599)	118,309	106,710
Operating transfers out	(25,000)	(40,000)	(65,000)
Net change in cash balances	(36,599)	78,309	41,710
Cash balances beginning of year	114,920	(117,971)	(3,051)
Cash balances end of year	\$ 78,321	(39,662)	38,659
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 78,321	(39,662)	38,659

See notes to financial statements.

City of Windsor Heights

Notes to Financial Statements

June 30, 2012

**(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 non-profit corporation. The purpose of the Association is to assist the City's Fire Department in the performance of its responsibilities to the citizens of Windsor Heights. The financial transactions of this component unit have been blended into the Special Revenue Funds.

Discretely Presented Component Unit - The Windsor Heights Foundation (Foundation) was organized as a non-profit 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.

### Jointly Governed Organizations

In 1998, the City joined with fifteen cities and counties to perpetuate the Des Moines Area Metropolitan Planning Organization (Organization) to plan and coordinate the transportation activities for the metropolitan area. The Organization's Board consists of a representative from each governing body. The members make contributions toward the budget of the Organization. During the year ended June 30, 2012, the City paid the Organization \$5,482.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority (the Authority). The Authority Board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint governmental body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2012, the City paid the Metro Waste Authority \$57,918 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 \$25,082 during the year ended June 30, 2012.

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards: Polk County Assessor's Conference Board, Joint County/Municipal Disaster Services and Emergency Planning Administration for Polk County, E911 Joint Service Board, Central Iowa Regional Drinking Water Commission, Des Moines Metropolitan Transit Authority and BRAVO.

### B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual 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, such as health insurance, pension, etc.

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

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

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

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

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

#### E. Budgets and Budgetary Accounting

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

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

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$500,379 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Bonds and Note Payable**

General Obligation Bonds and Notes

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

Year Ending June 30,	Principal	Interest	Total
2013	1,010,000	435,175	1,445,175
2014	1,160,000	406,775	1,566,775
2015	1,195,000	375,125	1,570,125
2016	1,260,000	340,863	1,600,863
2017	1,030,000	300,885	1,330,885
2018-2022	3,275,000	1,055,997	4,330,997
2023-2027	1,960,000	462,315	2,422,315
2028	465,000	25,830	490,830
Total	\$ 11,355,000	3,402,965	14,757,965

General Obligation Refunding Notes

On May 24, 2012, the City issued \$1,375,000 of general obligation refunding notes with interest rates ranging from 0.40-1.20% per annum. The notes were issued to currently refund general obligation capital loan notes, Series 2002, dated March 1, 2002.

Refunding the bonds increased the City's total debt service payments by approximately \$22,300 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$12,200.

**(4) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$157,301, \$154,989 and \$141,277, respectively, equal to the required contributions for each year.

Chapter 410 Police Pension Plan

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

The plan is administered by the City and provides retirement, disability and death benefits. The benefits are established by State statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 50% of the monthly salary at retirement or disability and 25% of the monthly salary at death.

The City has two eligible police officers. Both are retired and are receiving benefits.

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

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

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

Total pension obligation at July 1, 2011	\$ 494,521
Net assets available for benefits as of June 30, 2012	<u>200,228</u>
Unfunded pension benefit obligation	<u>\$ 294,293</u>

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

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

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 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 pay the full premium for the medical/prescription drug benefits while employees pay a portion of the premium.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for plan members are \$417 for single coverage, \$788 for employee-child(ren), \$853 for employee-spouse and \$1,278 for family coverage. For the year ended June 30, 2012, the City contributed \$330,866 and plan members eligible for benefits contributed \$21,198.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate sick leave hours for subsequent use or payment of up to 1,200 hours upon separation from employment at age 62 or older. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 116,000
Sick leave	<u>39,000</u>
Total	<u>\$ 155,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal	
	Tax Increment	\$ 137,254
	Enterprise:	
	Sewer	25,000
	Water	15,000
	Storm Water	25,000
		<u>202,254</u>
Special Revenue:		
Employee Benefits	General	5,190
Road Use Tax	General	289,777
Urban Renewal Tax Increment	Debt Service	53,375
		<u>348,342</u>
Debt Service	Special Revenue:	
	Urban Renewal	
	Tax Increment	2,079,039
Capital Projects:		
Hickman Road TIF	General	11,725
73rd Street Resurfacing	General	80,270
73rd/Hickman	General	28,932
Equipment Reserve	Debt Service	41,000
		<u>161,927</u>
Total		<u>\$ 2,791,562</u>

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. Under the agreement We Can Build It, LLC agrees to a minimum assessment on the property located at 6500 University Avenue of \$4,090,050. We Can Build It, LLC also agrees to provide the City with at least \$90,000 in property tax per year and the City agrees to rebate the Company any property tax paid over \$90,000 within 15 days of payment to the City through June 30, 2018. The City estimates the annual payments will be \$92,650 throughout the term of the agreement. During the year ended, June 30, 2012, the City disbursed \$92,650 under the agreement.

**(9) Construction Commitments**

During the year ended June 30, 2011, the City entered into construction contracts for the Hickman Road improvement project. Unpaid contract commitments as of June 30, 2012 totaled \$47,550 and will be paid as work on the project progresses. The project is funded through various grants.

During the year ended June 30, 2012, the City entered into construction contracts for 2011 road reconstruction projects. Unpaid contract commitments as of June 30, 2012 totaled \$42,993 and will be paid as work on the project progresses.

## **(10) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2012 was \$60,316.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**(11) Industrial Development Revenue Bonds**

The City has issued a total of \$15,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**(12) Deficit Balances**

The Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$992,040 at June 30, 2012. The deficit will be eliminated through future tax increment financing collections.

The Capital Projects, Hickman Road TIF Fund had a deficit balance of \$515,563 at June 30, 2012. The deficit will be eliminated through future proceeds from the sale of land at 63<sup>rd</sup> and Hickman.

The Enterprise, Storm Water Fund had a deficit balance of \$72,970 at June 30, 2012. The deficit will be eliminated through future collections from adjusted storm water rates.

**City of Windsor Heights**

**Other Information**

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 2,570,857	-	-	2,570,857
Tax increment financing	1,776,154	-	-	1,776,154
Other city tax	1,348	-	-	1,348
Licenses and permits	276,280	-	-	276,280
Use of money and property	2,126	147	18	2,255
Intergovernmental	2,266,797	-	-	2,266,797
Charges for service	262,831	670,356	-	933,187
Miscellaneous	176,594	-	14,365	162,229
Total receipts	<u>7,332,987</u>	<u>670,503</u>	<u>14,383</u>	<u>7,989,107</u>
Disbursements:				
Public safety	2,177,783	-	15,732	2,162,051
Public works	613,361	-	-	613,361
Health and social services	3,000	-	-	3,000
Culture and recreation	418,659	-	-	418,659
Community and economic development	155,196	-	-	155,196
General government	516,691	-	-	516,691
Debt service	2,080,081	-	-	2,080,081
Capital projects	2,398,341	-	-	2,398,341
Business type activities	-	563,793	-	563,793
Total disbursements	<u>8,363,112</u>	<u>563,793</u>	<u>15,732</u>	<u>8,911,173</u>
Excess (deficiency) of receipts over (under) disbursements	(1,030,125)	106,710	(1,349)	(922,066)
Other financing sources (uses), net	113,139	(65,000)	-	48,139
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(916,986)	41,710	(1,349)	(873,927)
Balances beginning of year	3,775,991	(3,051)	21,700	3,751,240
Balances end of year	<u>\$ 2,859,005</u>	<u>38,659</u>	<u>20,351</u>	<u>2,877,313</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
2,534,630	2,534,630	36,227
1,715,305	1,715,305	60,849
300,069	300,069	(298,721)
36,601	36,601	239,679
3,350	3,350	(1,095)
2,733,000	2,733,000	(466,203)
782,589	819,089	114,098
199,250	199,250	(37,021)
8,304,794	8,341,294	(352,187)
2,300,365	2,305,179	143,128
631,014	655,399	42,038
3,100	3,100	100
393,026	429,415	10,756
35,000	162,532	7,336
479,970	529,970	13,279
2,080,083	3,400,083	1,320,002
2,792,500	2,813,569	415,228
704,825	749,825	186,032
9,419,883	11,049,072	2,137,899
(1,115,089)	(2,707,778)	1,785,712
-	1,373,375	(1,325,236)
(1,115,089)	(1,334,403)	460,476
3,559,640	3,751,240	-
2,444,551	2,416,837	460,476

City of Windsor Heights

Notes to Other Information – Budgetary Reporting

June 30, 2012

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 units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$1,629,189. The budget amendments are reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.

## **Supplementary Information**

City of Windsor Heights

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

As of and for the year ended June 30, 2012

	Special Revenue			
	Road Use Tax	Police Trust	Police Forfeiture	Windsor Heights Fire Fighter's Association
Receipts:				
Use of money and property	\$ -	11	13	18
Intergovernmental	462,539	-	-	-
Charges for service	-	9,164	13,615	-
Miscellaneous	1,820	-	-	14,365
Total receipts	<u>464,359</u>	<u>9,175</u>	<u>13,628</u>	<u>14,383</u>
Disbursements:				
Operating:				
Public safety	-	20,374	7,360	15,732
Public works	428,101	-	-	-
Capital projects	219,267	-	-	-
Total disbursements	<u>647,368</u>	<u>20,374</u>	<u>7,360</u>	<u>15,732</u>
Excess (deficiency) of receipts over (under) disbursements	(183,009)	(11,199)	6,268	(1,349)
Other financing sources:				
Operating transfers in	289,777	-	-	-
Net change in cash balances	106,768	(11,199)	6,268	(1,349)
Cash balances beginning of year	12,045	28,332	12,989	21,700
Cash balances end of year	<u>\$ 118,813</u>	<u>17,133</u>	<u>19,257</u>	<u>20,351</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ 118,813	-	-	-
Other purposes	-	17,133	19,257	20,351
Total cash basis fund balances	<u>\$ 118,813</u>	<u>17,133</u>	<u>19,257</u>	<u>20,351</u>

See accompanying independent auditor's report.

Capital Projects				
73rd Street Resurfacing	Colby Park TIF	73rd/ Hickman	Equipment Reserve	Total
-	-	-	198	240
-	24,426	-	-	486,965
-	-	-	-	22,779
-	-	-	-	16,185
-	24,426	-	198	526,169
-	-	-	-	43,466
-	-	-	-	428,101
-	3,208	2,431	55,776	280,682
-	3,208	2,431	55,776	752,249
-	21,218	(2,431)	(55,578)	(226,080)
80,270	-	28,932	41,000	439,979
80,270	21,218	26,501	(14,578)	213,899
(80,270)	16,761	-	26,901	38,458
-	37,979	26,501	12,323	252,357
-	-	-	-	118,813
-	37,979	26,501	12,323	133,544
-	37,979	26,501	12,323	252,357

**City of Windsor Heights**

## City of Windsor Heights

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

As of and for the year ended June 30, 2012

	Enterprise			Total
	Water	Storm Water	Solid Waste	
Operating receipts:				
Charges for service	\$ 42,417	197,059	322,697	562,173
Operating disbursements:				
Business type activities	-	141,871	302,140	444,011
Excess of operating receipts over operating disbursements	42,417	55,188	20,557	118,162
Non-operating receipts:				
Interest on investments	147	-	-	147
Excess of receipts over disbursements	42,564	55,188	20,557	118,309
Operating transfers out	(15,000)	(25,000)	-	(40,000)
Net change in cash balances	27,564	30,188	20,557	78,309
Cash balances beginning of year	(27,564)	(103,158)	12,751	(117,971)
Cash balances end of year	\$ -	(72,970)	33,308	(39,662)
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ -	(72,970)	33,308	(39,662)

See accompanying independent auditor's report.

City of Windsor Heights  
Schedule of Indebtedness  
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
General obligation bonds, series 1999A	Sep 1, 1999	5.00-5.30%	\$ 1,580,000
Capital loan notes, series 2002	Mar 1, 2002	4.35-4.65	1,810,000
Capital loan notes, series 2007A	Apr 1, 2007	3.65-3.80	1,500,000
General obligation bonds, series 2008A	Jun 1, 2008	3.65-4.20	1,980,000
General obligation bonds, series 2008B	Jun 1, 2008	4.50-6.20	3,805,000
Capital loan notes, series 2009A	Apr 22, 2009	1.80-2.15	570,000
Capital loan notes, series 2009B	Apr 27, 2009	2.25-2.50	1,175,000
Capital loan notes, series 2011A	Feb 1, 2011	1.00-4.15	3,360,000
Refunding capital loan notes, series 2011B	Feb 1, 2011	2.00	440,000
Refunding capital loan notes, series 2012A	May 24, 2012	0.40-1.20	1,375,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
760,000	-	130,000	630,000	40,003
1,420,000	-	1,420,000	-	65,130
980,000	-	145,000	835,000	36,537
1,830,000	-	75,000	1,755,000	71,953
3,465,000	-	125,000	3,340,000	199,565
70,000	-	70,000	-	1,505
555,000	-	555,000	-	13,875
3,360,000	-	250,000	3,110,000	123,913
380,000	-	70,000	310,000	7,600
-	1,375,000	-	1,375,000	-
<b>\$ 12,820,000</b>	<b>1,375,000</b>	<b>2,840,000</b>	<b>11,355,000</b>	<b>560,081</b>

City of Windsor Heights  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	Series 1999A		Series 2007A		General Obligation Series 2008A	
	Issued Sept 1, 1999		Issued Apr 1, 2007		Issued Jun 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	5.25%	\$ 145,000	3.70%	\$ 155,000	3.65%	\$ 80,000
2014	5.25	150,000	3.70	160,000	3.65	80,000
2015	5.30	155,000	3.75	165,000	3.65	85,000
2016	5.30	180,000	3.75	175,000	3.65	90,000
2017		-	3.80	180,000	3.65	90,000
2018		-		-	3.75	95,000
2019		-		-	3.80	100,000
2020		-		-	3.90	105,000
2021		-		-	4.00	110,000
2022		-		-	4.00	115,000
2023		-		-	4.05	120,000
2024		-		-	4.05	125,000
2025		-		-	4.10	130,000
2026		-		-	4.15	135,000
2027		-		-	4.20	145,000
2028		-		-	4.20	150,000
Total		<u>\$ 630,000</u>		<u>\$ 835,000</u>		<u>\$ 1,755,000</u>

Year Ending June 30,	Series 2012A		
	Issued May 24, 2012		
Interest	Amount	Total	
Rates			
2013	0.40%	\$ 120,000	1,010,000
2014	0.50	245,000	1,160,000
2015	0.60	250,000	1,195,000
2016	0.75	250,000	1,260,000
2017	1.00	255,000	1,030,000
2018	1.20	255,000	880,000
2019		-	655,000
2020		-	685,000
2021		-	720,000
2022		-	335,000
2023		-	350,000
2024		-	370,000
2025		-	390,000
2026		-	410,000
2027		-	440,000
2028		-	465,000
Total		<u>\$ 1,375,000</u>	<u>11,355,000</u>

See accompanying independent auditor's report.

Bonds/Notes					
Series 2008B		Series 2011A		Series 2011B	
Issued Jun 1, 2008		Issued Feb 1, 2011		Issued Feb 1, 2011	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
4.70%	\$ 135,000	1.20%	\$ 300,000	2.00%	\$ 75,000
5.40	140,000	1.50	310,000	2.00	75,000
5.40	145,000	1.85	315,000	2.00	80,000
5.40	155,000	2.65	330,000	2.00	80,000
5.40	165,000	2.95	340,000		-
5.50	175,000	3.45	355,000		-
5.60	185,000	3.60	370,000		-
5.70	195,000	3.95	385,000		-
5.80	205,000	4.15	405,000		-
5.90	220,000		-		-
6.00	230,000		-		-
6.00	245,000		-		-
6.10	260,000		-		-
6.10	275,000		-		-
6.20	295,000		-		-
6.20	315,000		-		-
	<u>\$ 3,340,000</u>		<u>\$ 3,110,000</u>		<u>\$ 310,000</u>

City of Windsor Heights

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

For the Last Nine Years

	2012	2011	2010	2009
<b>Receipts:</b>				
Property tax	\$ 2,570,857	2,565,082	2,703,573	2,778,548
Tax increment financing	1,776,154	1,724,469	1,809,398	1,645,515
Other city tax	1,348	3,525	209,293	287,013
Licenses and permits	276,280	292,831	40,964	38,357
Use of money and property	2,126	13,815	6,786	78,651
Intergovernmental	2,266,797	768,245	1,441,286	422,362
Charges for service	262,831	212,893	514,927	370,278
Miscellaneous	176,594	154,192	228,551	309,957
<b>Total</b>	<b>\$ 7,332,987</b>	<b>5,735,052</b>	<b>6,954,778</b>	<b>5,930,681</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 2,177,783	2,236,921	2,102,371	2,048,175
Public works	613,361	681,226	1,214,431	1,023,955
Health and social services	3,000	2,500	100	2,500
Culture and recreation	418,659	346,520	308,454	370,797
Community and economic development	155,196	37,777	12,535	8,085
General government	516,691	523,210	594,043	570,123
Debt service	2,080,081	2,099,516	1,891,171	3,538,565
Capital projects	2,398,341	1,177,079	4,861,461	2,890,523
<b>Total</b>	<b>\$ 8,363,112</b>	<b>7,104,749</b>	<b>10,984,566</b>	<b>10,452,723</b>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
2,215,440	2,160,668	2,149,157	2,076,718	1,886,664
1,568,689	1,620,769	1,447,527	1,294,382	1,097,352
316,789	306,032	307,581	7,221	13,781
75,189	79,458	40,333	118,060	117,595
65,332	58,023	40,451	17,216	7,887
515,629	783,396	409,501	410,168	428,617
377,556	331,869	120,478	216,612	195,406
297,258	283,318	205,438	289,254	154,295
<u>5,431,882</u>	<u>5,623,533</u>	<u>4,720,466</u>	<u>4,429,631</u>	<u>3,901,597</u>
1,819,876	2,100,540	1,622,875	1,648,134	1,457,408
914,916	885,629	629,928	690,381	535,010
-	-	75,125	78,574	85,529
328,954	238,776	468,146	337,121	247,442
225	14,933	23,354	33,301	51,813
456,932	479,658	375,537	395,866	385,077
1,459,425	1,300,176	1,744,032	1,180,503	1,141,875
966,570	1,191,250	138,719	36,480	369,251
<u>5,946,898</u>	<u>6,210,962</u>	<u>5,077,716</u>	<u>4,400,360</u>	<u>4,273,405</u>

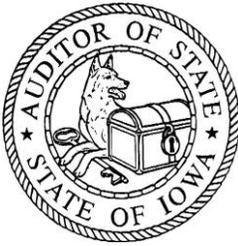
**Schedule 6**

City of Windsor Heights  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expendi- tures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-A-006-4(149)--86-77	\$ 1,219,786
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	11-410, Task 88	1,360
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12-410, Task 82	3,714
			<u>5,074</u>
U.S. Department of Energy:			
Iowa Office of Energy Independence:			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	EECBG 10-3167	18,880
Total			<u>\$ 1,243,740</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Windsor Heights and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 10, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Windsor Heights' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-12 and II-E-12 to be significant deficiencies.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State

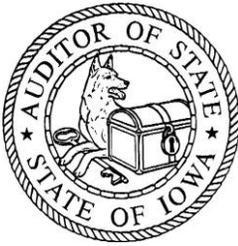


WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2012

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**City of Windsor Heights**



**OFFICE OF AUDITOR OF STATE**  
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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the City of Windsor Heights, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Windsor Heights' major federal program for the year ended June 30, 2012. The City of Windsor Heights' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Windsor Heights' management. Our responsibility is to express an opinion on the City of Windsor Heights' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Windsor Heights' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Windsor Heights' compliance with those requirements.

In our opinion, the City of Windsor Heights complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City of Windsor Heights is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Windsor Heights' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Windsor Heights' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

The City of Windsor Heights' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Windsor Heights' response and, accordingly, we express no opinion on it.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2012

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Windsor Heights did not qualify as a low-risk auditee.

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

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

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

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

For the Windsor Heights Foundation, one person records collections, prepares, signs and mails checks and reconciles the bank account.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Association and the Foundation should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Responses:

City – City staff have already worked to identify processes to address some of the segregation of duties. For example, the City Administrator is now reviewing to make sure all receipts are properly coded and signing off on each deposit journal entry. Staff will continue to work on developing processes to obtain the maximum internal control possible under these circumstances.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

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 another Board Member on the Association review monthly bank statements and reconciliations and have both members sign off on the bank reconciliations each month.

Windsor Heights Foundation – All incoming mail is opened by City Hall staff. They scan the checks. The Foundation President picks up the mail, records the contributions and deposits them, emails the list to the treasurer who generates thank you letters which are then processed and mailed out by another Board member. The Treasurer prepares 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 – Responses accepted.

- II-B-12 Utility Billings and Reconciliations – The City has a contract with Des Moines Water Works for the provision and billing of water service. In addition, Des Moines Water Works performs the billing and collection services for the City's solid waste, sewer and storm water enterprise functions. The City does not have procedures in place to identify expected collections for solid waste, sewer and storm water charges each billing period and to reconcile expected collections to actual collections.

Recommendations – The City should establish procedures to ensure the proper amounts are collected for solid waste, sewer and storm water services. This should be done through obtaining billing reports and delinquent account listings from Des Moines Water Works each billing period and reconciling collections, billings and delinquent accounts for the period.

Response – City staff have already contacted the Des Moines Water Works and developed a monthly reconciliation which will be sent with each month's collections to the City. Staff will make sure this gets implemented as soon as possible.

Conclusion – Response acknowledged. The City should also implement procedures to verify the beginning and ending receivables and the amounts billed and collected included in each monthly reconciliation provided by the Des Moines Water Works.

- II-C-12 Financial Reporting – During the audit, we identified certain disbursements budgeted in one function and recorded in a different function in the City's financial records. Adjustments were subsequently made to properly report the amounts in the City's financial statements consistent with the budget.

Recommendation – The City should implement procedures to ensure all disbursements are properly recorded in the City's financial statements.

Response – Procedures will be implemented to ensure all disbursements are properly recorded in the City's financial statements.

Conclusion – Response accepted.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

II-D-12 Computer System – The City does not have a written disaster recovery plan for its computer system or written policies regarding password security and storing back-up tapes at an off-site location.

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

Response – Although we currently do not have a written policy, back-up tapes are stored offsite. Staff will meet with City Council to get direction on a written policy for disaster recovery and password security.

Conclusion – Response accepted.

II-E-12 Receipts – An independent review of receipt coding is not performed.

Recommendation – An independent person should periodically review receipts for proper coding.

Response – Staff has implemented procedures to have the City Administrator conduct independent reviews and sign off on journal entries of receipts and review receipts for proper coding.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 20.205: Highway Planning and Construction**

**Pass-through Agency Number: STP-A-006-4(149)--86-77**

**Federal Award Year: 2009**

**U.S. Department of Transportation**

**Passed through the Iowa Department of Transportation**

III-A-12 Segregation of Duties over Federal Receipts and Disbursements – The City did not properly segregate duties for deposit, record-keeping and reconciliations for receipts, including those related to federal programs. The City did not properly segregate processing invoices, disbursing, recording and reconciling for disbursements, including those related to federal programs. See item II-A-12.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

**Part IV: Findings Related to Required Statutory Reporting:**

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- IV-B-12 Questionable Disbursements – – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-12 Business Transactions – No transactions between the City and City officials and employees were noted.
- IV-E-12 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.
- IV-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

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

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

Response – The City currently posts claims and descriptions of claims on our city website, at City Hall, Bankers Trust and Hy-Vee. City staff will again seek direction from City Council whether or not to publish descriptions in the newspaper.

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

- IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-12 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Iowa Code Section 403.19. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

We noted the following:

- In November 2011, the City certified tax increment financing (TIF) indebtedness to the County Auditor for invoices and transfers totaling \$544,481 from the Special Revenue, Urban Renewal Tax Increment Fund for project and other miscellaneous costs within the City's urban renewal area. While the City intended these payments to represent loans from the Special Revenue, Urban Renewal Tax Increment Fund for the related TIF projects, the loans were never formally approved by the City Council and, accordingly, do not represent TIF debt which may be certified to the County Auditor. In addition, certain of the certified costs were not supported by invoices.
- The December 2011 certification includes \$434,016 of projected costs for "repayment to general fund for associated costs supporting TIF related activities".
- During the year ended June 30, 2012, the City transferred \$137,254 from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund for "support of salaries and benefits related to TIF activities". Amounts were for estimated or projected costs.
- During the year ended June 30, 2012, the City paid \$32,623 from the Special Revenue, Urban Renewal Tax Increment Fund Advance Account for improvements to the Police Department evidence room. It is unclear how these disbursements meet the definition of an urban renewal project as defined in Chapter 403 of the Code of Iowa.

Recommendation – The City should establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

The City should consult TIF legal counsel to determine the propriety of the City's TIF certifications and disbursements which include projected costs and certain unsupported costs.

Response – Projected costs transferred in FY2012 will be reversed in FY2013 and will not be certified on the FY2012 TIF certification. Staff will develop a method to clearly account for advances to be expended for TIF qualified costs and ensure those TIF qualified costs are approved by the City Council as TIF debt. Staff will develop methods to ensure all TIF disbursements are documented as to how they contribute to urban renewal in the City.

Conclusion – Response accepted.

IV-I-12 Debt Service Fund – The City transferred \$41,000 from the Debt Service Fund to the Capital Projects, Equipment Reserve Fund for capital equipment purchases. The transfer to the Capital Projects, Equipment Reserve Fund for equipment purchases is not an appropriate use of Debt Service Fund resources per Chapter 384.4 of the Code of Iowa.

The City also transferred \$53,375 of note proceeds from the Debt Service Fund to the Special Revenue, Urban Renewal Tax Increment Fund for costs of issuance related to the general obligation refunding capital loan notes dated May 24, 2012. However,

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

the actual costs paid by the Special Revenue, Urban Renewal Tax Increment Fund related to the issuance of this debt were \$23,020, resulting in an excess transfer of \$30,355.

Recommendation – The City should make the necessary corrective transfers to remedy the transfer to the Capital Projects, Equipment Reserve Fund from the Debt Service Fund and the excess transfer to the Special Revenue, Urban Renewal Tax Increment Fund from the Debt Service Fund.

Response – The City will make a corrective transfer for the excess transfer of \$30,355 from the Debt Service Fund to the Special Revenue, Urban Renewal Tax Increment Fund. A public hearing was held for the \$41,000 short-term loan for capital equipment purchases from the General Fund to the Capital Equipment Fund on March 7, 2011. A resolution authorizing the one year interfund loan to be repaid with the debt service levy was also approved on March 7, 2011. By using this method to fund capital equipment purchases, the City is able to save the taxpayers money by avoiding additional interest and fees we would have to pay from taking out a short-term loan with a bank.

Below is from our City attorney advising we are allowed to use the debt service levy to pay internal loans for equipment purchases.

Iowa Code 384.18(1) provides that "A city budget for the current fiscal year may be amended for any of the following purposes:... (c) to permit transfers from the debt service fund... to any other city fund, unless specifically prohibited by state law." Of course, the amendment must be prepared and subject to public hearing just like the original budget, but otherwise, I am unaware of any provision in the state code that specifically disallows this transfer.

Iowa Code 384.4, which sets forth the type of payments that can be made from the Debt Service Fund, provides that a city can certify taxes to be levied from the debt service fund for "payments required to be made from the debt service fund under a loan agreement." See Iowa Code 384.4(d). The purchase of equipment is a debt that requires a loan. The case law interpreting this section notes that, by enacting this fund, "the Legislature intended to give municipal authorities broader latitude in determining the amounts needed to finance their functions and activities. It is a flexible fund..." See *Alexander v. Town of Montezuma*, 51 N.W.2d 456 (Iowa 1952).

Conclusion – Response acknowledged. The City Attorney cites Iowa Code section 384.4(1)(d), which permits property tax to be levied for the Debt Service Fund for "payments required to be made from the debt service fund under a loan agreement." The City Attorney does not identify a specific loan agreement for the equipment purchase, but says an equipment purchase "is a debt that requires a loan." However, there is no evidence simply making an equipment purchase establishes a loan agreement under Iowa Code section 384.24A. While Iowa Code section 384.24A(1) provides flexibility with respect to the contents of a loan agreement, section 384.24A(3) states, "The governing body shall follow substantially the same authorization procedure required for the issuance of general obligation bonds issued for the same purpose to authorize a loan agreement made payable from the debt service fund." The City did not follow the required procedure to authorize a loan agreement payable from the Debt Service Fund.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

If the City wishes to continue to levy property tax without utilizing the required procedure to authorize a loan agreement payable from the Debt Service Fund to save the taxpayers money by avoiding additional interest and fees which accompany a bank loan, the City should consider utilizing Iowa Code section 384.7. This section provides the City may, after receiving approval by the voters, certify property tax of up to sixty-seven and one-half cents per thousand dollars of taxable value each year to be levied for the Capital Improvements Fund for the purpose of accumulating moneys for the financing of specified capital improvements or carrying out a specific capital improvement plan.

IV-J-12 Employee Benefits Levy – Pursuant to Chapter 384.6 of the Code of Iowa, the City levies a tax for payment of costs related to employee benefits and accounts for the levied tax in the Special Revenue, Employee Benefits Fund. Employee benefits payable from this levy are defined in Chapter 545-4.1 of the Iowa Administrative Code. For the period June 2010 through May 2012, the City disbursed a total of \$6,950 from the Special Revenue, Employee Benefits Fund to an employee for reimbursement of tuition costs. Tuition is not a benefit allowed by Chapter 545-4.1 of the Iowa Administrative Code and, therefore, is not an allowable use of the employee benefits levy.

Recommendation – The City should transfer \$6,950 from allowable City funds (likely the General Fund) to the Special Revenue, Employee Benefits Fund to reimburse this fund for the unallowable tuition costs.

Response – The Council approved tuition reimbursements as a wellness incentive that is included in our personnel policies. Cities are allowed to use the employee benefits levy for the City’s contribution of employee wellness programs that are part of a document approved by the City Council.

Conclusion – Response acknowledged. Chapter 545-4.1(10) of the Iowa Administrative Code allows for use of the employee benefits levy for “Employee wellness programs which are a part of, or are included with, a hospital/medical/prescription benefit program or a health and fitness program for employees which is adopted by city council motion, resolution, ordinance or included in a document approved by the city council.” It is unclear how tuition reimbursements for a college degree are part of the City’s health or fitness program. The City should consult legal counsel to determine the disposition of this matter, including the need to reimburse the Special Revenue, Employee Benefits Fund for unallowable use of the levy.

IV-K-12 Public Hearing – Chapter 403.9 of the Code of Iowa requires a public hearing be held prior to the issuance of bonds payable from tax increment financing receipts. Bonds are defined in Chapter 403.17(7) of the Code of Iowa as “any bonds, including refunding bonds, interim certificates, certificates of indebtedness, debentures or other obligations.”

During the year ended June 30, 2012, the City entered into a redevelopment agreement payable from tax increment financing receipts. This agreement appears to meet the definition of an “other obligation” under Chapter 403.17(7) of the Code of Iowa. The required public hearing was not held prior to entering into this agreement.

City of Windsor Heights

Schedule of Findings

Year ended June 30, 2012

Recommendation – The City should comply with Chapter 403.9 of the Code of Iowa when entering into future debt agreements payable from tax increment financing receipts.

Response – We disagree with this comment. Chapter 403.9 of the Code of Iowa refers to the issuance of bonds. Chapter 403.12 of the Code of Iowa gives cities the authority to enter into agreements with no public hearing requirement. The law is not perfectly clear when it comes to the City entering into a rebate agreement. In the future we will consider holding a public hearing when entering into any rebate agreements.

Conclusion – Response acknowledged. Chapter 403.17(7) of the Code of Iowa defines the term “bonds” as including “other obligations”. The redevelopment agreement represents an obligation as defined by this section and, accordingly, the City should comply with public hearing requirements prior to entering into future such agreements.

IV-L-12 Health Insurance – The City purchases health insurance which has a deductible for employees. The City reimburses employees for a portion of the deductible through a self-insured benefit plan. If the plan’s yearly claims do not exceed two percent of the City’s General Fund budget, the City can file a waiver to exempt itself from annual reporting requirements under Chapter 509A.15 of the Code of Iowa.

Although the plan’s yearly claims do not exceed two percent of the General Fund budget, the City has not filed the required waiver with the State of Iowa Insurance Division.

Recommendation – The City should file the required waiver with the Insurance Division.

Response – The City will file a waiver with the Insurance Division.

Conclusion – Response accepted.

IV-M-12 Financial Condition – The City had deficit balances in the following funds at June 30, 2012:

Special Revenue:	
Urban Renewal Tax Increment	\$ 992,040
Capital Projects:	
Hickman Road TIF	515,563
Enterprise:	
Storm Water	72,970

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

Response – The Special Revenue, Urban Renewal Tax Increment Fund deficit will be eliminated as TIF receipts begin to outpace disbursements in future years. The Capital Projects, Hickman Road TIF Fund deficit will be eliminated once the property on Hickman Road is sold. The City has implemented changes to its storm water rates which will eliminate the deficit in the Enterprise, Storm Water Fund over time.

Conclusion – Response accepted.

City of Windsor Heights  
Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Brooke A. Robb, Staff Auditor  
Daniel J. Mikels, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State