

Refunding Issues

M o o d y’s Investors Service “Aa3”

Assuming compliance with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present law and assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”): (i) interest on the Series 2016A Bonds is excludable from gross income of the owners thereof for federal income tax purposes, (ii) interest on the Series 2016A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986; and (iii) interest on the Series 2016A Bonds WILL be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. Interest on the Series 2016B Bonds will be includable in the gross income of the owners thereof for federal income tax purposes. The Series 2016A Bonds will be designated as “qualified tax-exempt obligations”. See “TAX EXEMPTION AND RELATED CONSIDERATIONS” and “TAXABILITY OF INTEREST” herein for a more detailed discussion.

CITY OF WINDSOR HEIGHTS, IOWA

\$1,470,000* General Obligation Refunding Bonds, Series 2016A
\$2,830,000* Taxable General Obligation Refunding Bonds, Series 2016B

BIDS RECEIVED: Monday, May 16, 2016, 11:00 o'clock A.M., Central Time
 AWARD: Monday, May 16, 2016, 6:00 o'clock P.M., Central Time

Dated: Date of Delivery (July 6, 2016)

Principal Due: June 1 as shown on inside front cover

The \$1,470,000* General Obligation Refunding Bonds, Series 2016A (the “Series 2016A Bonds”) and the \$2,830,000* Taxable General Obligation Refunding Bonds, Series 2016B (the “Series 2016B Bonds”) (collectively the “Bonds”) are being issued pursuant to Division III of Chapter 384 of the Code of Iowa, and resolutions to be adopted by the City Council of the City of Windsor Heights, Iowa (the “City”). Proceeds of the Series 2016A Bonds will be used to pay the costs to current refund on July 7, 2016 \$1,420,000 of the outstanding General Obligation Bonds, Series 2008A, dated June 1, 2008, maturing 2017 through 2028 (the “Series 2008A Bonds”); proceeds of the Series 2016B Bonds will be used to pay the costs to current refund on July 7, 2016 \$2,765,000 of the outstanding Taxable General Obligation Bonds, Series 2008B, dated June 1, 2008, maturing 2017 through 2028 (the “Series 2008B Bonds”), (collectively the “Refunded Bonds”). The purchaser of the Bonds agrees to enter into a Loan Agreement with the City pursuant to authority contained in Chapter 384 of the Code of Iowa. The Bonds will be general obligations of the City for which the City will pledge its power to levy direct ad valorem taxes to the repayment of the Bonds.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of the Bonds payable annually on each June, beginning June 1, 2017 and interest on the Bonds, payable initially on December 1, 2016 and thereafter on each June 1 and December 1, will be paid to DTC by the City’s Registrar/Paying Agent, Bankers Trust Company, Des Moines, Iowa (the “Registrar”). DTC will in turn remit such principal and interest to its participants for subsequent disbursements to the beneficial owners of the Bonds as described herein. Interest and principal shall be paid to the registered holder of a Bond as shown on the records of ownership maintained by the Registrar on the 15th day of the month preceding said interest payment date (the “Record Date”).

THE BONDS WILL MATURE AS LISTED ON THE INSIDE FRONT COVER

	<u>Series 2016A Bonds</u>	<u>Series 2016B Bonds</u>
MINIMUM BID:	\$1,459,710	\$2,805,945
GOOD FAITH DEPOSIT:	1% (Required of Purchaser Only)	1% (Required of Purchaser Only)
TAX MATTERS:	Federal: Tax-Exempt State: Taxable See “TAX EXEMPTION AND RELATED CONSIDERATIONS” section for details.	Federal: Taxable State: Taxable See “TAX EXEMPTION AND RELATED CONSIDERATIONS” section for details.

The Bonds are offered for delivery, when, as and if issued and subject to the legal opinions of Ahlers & Cooney, P.C., Bond Counsel, of Des Moines, Iowa, to be furnished upon delivery of the Bonds. The Bonds will be available for delivery through DTC in New York, New York, on or about July 6, 2016. This Preliminary Official Statement will be further supplemented by offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in Rule 15c2-12.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

CITY OF WINDSOR HEIGHTS, IOWA

\$1,470,000* General Obligation Refunding Bonds, Series 2016A

MATURITY:

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2017	\$105,000	2023	\$125,000
2018	115,000	2024	125,000
2019	115,000	2025	125,000
2020	120,000	2026	130,000
2021	120,000	2027	135,000
2022	120,000	2028	135,000

\$2,830,000* Taxable General Obligation Refunding Bonds, Series 2016B

MATURITY:

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2017	\$185,000	2023	\$235,000
2018	210,000	2024	245,000
2019	215,000	2025	255,000
2020	220,000	2026	260,000
2021	225,000	2027	270,000
2022	230,000	2028	280,000

*** PRINCIPAL**

ADJUSTMENT: Preliminary; subject to change. The City reserves the right to increase or decrease the aggregate principal amounts of the Bonds. Such change will be in increments of \$5,000 and may be made in any of the maturities. The purchase prices will be adjusted proportionately to reflect any changes in issue size.

INTEREST: December 1, 2016 and semiannually thereafter.

REDEMPTION: The Bonds due after June 1, 2024 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to prospective bidders. Its primary purpose is to disclose information regarding the Bonds to prospective bidders in the interest of receiving competitive bids in accordance with the TERMS OF OFFERING contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement".

Review Period: This Preliminary Official Statement has been distributed to City staff as well as to prospective bidders for an objective review of its disclosure. Comments, omissions or inaccuracies must be submitted to Independent Public Advisors, LLC at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received. If there are any changes, corrections or additions to the Preliminary Official Statement, prospective bidders will be informed by an addendum at least one business day prior to the sale.

Final Official Statement: Upon award of sale of the Bonds, the legislative body will authorize the preparation of a Final Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the underwriter (the "Syndicate Manager") and syndicate members. Copies of the Final Official Statement will be delivered to the Syndicate Manager within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto were prepared relying on information from the City and other sources, which are believed to be reliable.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of Independent Public Advisors, LLC (the "Financial Advisor") payable entirely by the City, is contingent upon the sale of the issue.

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CITY OF WINDSOR HEIGHTS, IOWA

Mayor and City Council

Diana Willits	Mayor
Steve Peterson	Council Member/ Mayor Pro Tem
Betty Glover	Council Member
Zachary Bales-Henry	Council Member
Threase Harms	Council Member
Tony Timm	Council Member

Administration

Diana Willits, Interim City Administrator
Marcia Woodke, Treasurer

City Attorney

Matt Brick
Des Moines, Iowa

Bond Counsel

Ahlers & Cooney, P.C.
Des Moines, Iowa

Financial Advisor

Independent Public Advisors, LLC
Johnston, Iowa

TERMS OF OFFERING
CITY OF WINDSOR HEIGHTS, IOWA

This section sets forth the description of certain terms of the Bonds as well as the Terms of Offering with which all bidders and bid proposals are required to comply, as follows:

DETAILS OF THE SERIES 2016A BONDS

General Obligation Refunding Bonds, Series 2016A (the “ Series 2016A Bonds”), in the aggregate principal amount of \$1,470,000* to be dated July 6, 2016, in the denomination of \$5,000 or any integral multiples thereof designated by the Purchaser(s) within forty-eight hours of acceptance of the bid, will mature as follows:

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2017	\$105,000	2023	\$125,000
2018	115,000	2024	125,000
2019	115,000	2025	125,000
2020	120,000	2026	130,000
2021	120,000	2027	135,000
2022	120,000	2028	135,000

DETAILS OF THE SERIES 2016B BONDS

Taxable General Obligation Refunding Bonds, Series 2016B (the “Series 2016B Bonds”), in the aggregate principal amount of \$2,830,000* to be dated July 6, 2016, in the denomination of \$5,000 or any integral multiples thereof designated by the Purchaser(s) within forty-eight hours of acceptance of the bid, will mature as follows:

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2017	\$185,000	2023	\$235,000
2018	210,000	2024	245,000
2019	215,000	2025	255,000
2020	220,000	2026	260,000
2021	225,000	2027	270,000
2022	230,000	2028	280,000

PRINCIPAL ADJUSTMENT OF THE BONDS

The City reserves the right to increase or decrease the aggregate principal amounts of the Bonds. However, the maximum par amount of the Series 2016A Bonds will not exceed \$1,700,000. The maximum par amount of the Series 2016B Bonds will not exceed \$3,000,000. Such changes will be in increments of \$5,000 and may be made in any of the maturities. The purchase prices of each respective series will be adjusted proportionately to reflect any changes in issue sizes.

*Preliminary; subject to change.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds due after June 1, 2024 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

INTEREST ON THE BONDS

Interest on the Bonds will be payable on December 1, 2016 and semiannually on the 1st day of each June and December thereafter until the principal on the Bonds is paid in full. Interest and principal shall be paid to the registered holder of a Bond as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

GOOD FAITH DEPOSITS

Good faith deposits in the amount of \$14,700 for the Series 2016A Bonds ("Series 2016A Deposit") and \$28,300 for the Series 2016B Bonds ("Series 2016B Deposit"), collectively (the "Deposits") is required from the lowest bidder only. Each lowest bidder is required to submit such respective deposit payable to the order of the City in the form of either (i) a cashier's check provided to the City or its Financial Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City's Financial Advisor not later than 1:00 P.M. Central Time on the day of sale of the Bonds. If not so received, the bid of the lowest bidder may be rejected and the City may direct the second lowest bidder to submit a deposit and thereafter may award the sale of the Bonds to the same. No interest on the Deposits will accrue to the successful bidder(s) (the "Purchaser(s)"). The Deposits will be applied to the respective purchase prices of the Bonds. In the event a Purchaser(s) fails to honor its accepted bid proposal, the Deposits will be retained by the City.

FORM OF BIDS AND AWARD

All bids shall be unconditional for each series of the Bonds for a price not less than \$1,459,710 for the Series 2016A Bonds and \$2,805,945 for the Series 2016B Bonds, plus accrued interest, if any, and shall specify the rate or rates of interest in conformity to the limitations set forth under the "RATES OF INTEREST" section. Bids must be submitted on or in substantial compliance with the OFFICIAL BID FORM provided by the City.

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (the "TIC") basis assuming compliance with the "GOOD FAITH DEPOSITS" section. The TIC shall be determined by the present value method, i.e., by ascertaining the semiannual rate, compounded semiannually, necessary to discount to present value as of the dated date of the Bonds, the amount payable on each interest payment date and on each stated maturity date or earlier mandatory redemption, so that the aggregate of such amounts will equal the aggregate purchase price offered therefore. The TIC shall be stated in terms of an annual percentage rate and shall be that rate of interest, which is twice the semiannual rate so ascertained (also known as the Canadian Method). The TIC shall be as determined by the Financial Advisor based on the TERMS OF OFFERING and all amendments, and on the bids as submitted. The Financial Advisor's computation of the TIC of each bid shall be controlling. In the event of tie bids for the lowest TIC, the Bonds will be awarded by lot.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause and (iii) reject any bid which the City determines to have failed to comply with the terms herein.

RATES OF INTEREST

The rates of interest specified in the bidder's proposal must conform to the following limitations:

1. For each respective series, each annual maturity must bear the same interest rate. Each annual maturity must bear a single rate of interest from the dated date of the Bonds to the date of maturity.
2. Rates of interest bid must be in multiples of one-eighth or one-twentieth of one percent.
3. For each respective series, each rate of interest specified for Bonds of any annual maturity shall not be less than a rate of interest specified for any earlier maturity. Rates must be level or in ascending order.

RECEIPT OF BIDS

Forms of Bids: Bids must be submitted on or in substantial compliance with the TERMS OF OFFERING and OFFICIAL BID FORM provided by the City or through PARITY® competitive bidding system (the “Internet Bid System”). The City shall not be responsible for malfunction or mistake made by any person, or as a result of the use of an electronic bid or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be accepted after the time specified in the Official Bid Forms as published in this Preliminary Official Statement. The time as maintained by the Internet Bid System shall constitute the official time with respect to all bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the City Hall, 1145 66th Street, Suite 1, Windsor Heights, Iowa 50324.

Electronic Internet Bidding: Electronic internet bids must be submitted through the Internet Bid System. Information about the Internet Bid System may be obtained by calling (212) 404-8102.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the TERMS OF OFFERING and OFFICIAL BID FORM. The City is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the Internet bidding and the Internet Bid System is not an agent of the City. Provisions of the TERMS OF OFFERING and OFFICIAL BID FORM shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Electronic facsimile bids will be received at City Hall, Windsor Heights, Iowa (facsimile number: (515) 279-3664) or the office of the City’s Financial Advisor (515) 259-8193. Electronic facsimile bids will be sealed and treated as sealed bids.

Facsimile Transmissions received after the deadline will be rejected. Bidders electing to submit bids via facsimile transmission bear full responsibility for the transmission of such bid. Neither the City nor its agents shall be responsible for malfunction or mistake made by any person, or as a result of the use of the facsimile facilities or any other means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received. Neither the City nor its agents will assume liability for the inability of the bidder to reach the above named facsimile numbers prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator receiving the bids.

BOOK-ENTRY-ONLY ISSUANCE

The Bonds will be issued by means of a book-entry only system with no physical distribution of Bond certificates made to the public. The Bonds will be issued in fully registered form and one Bond certificate, representing the aggregate principal amount of the Bonds maturing in each year will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The Purchaser(s), as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC.

MUNICIPAL BOND INSURANCE AT OPTION OF THE PURCHASER(S)

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser(s). Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser(s), except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that initial rating fee. Any other rating agency fees shall be the responsibility of the Purchaser(s). Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser(s) shall not constitute cause for failure or refusal by the Purchaser(s) to accept delivery on the Bonds. The City reserves the right in its sole discretion to accept or deny changes to the financing documents requested by the insurer selected by the Purchaser(s).

DELIVERY

The Bonds will be delivered to the Purchaser(s) via Fast Automated Securities Transfer (“FAST”) delivery with the Registrar holding the Bonds on behalf of DTC, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within forty-five days after the sale. Should delivery be delayed beyond sixty days from the date of sale for any reason except failure of performance by the Purchaser(s), the Purchaser(s) may withdraw their bid and thereafter their interest in and liability for the Bonds will cease. When the Bonds are ready for delivery, the City will give the Purchaser(s) five working days notice of the delivery date and the City will expect payment in full on that date, otherwise reserving the right at its option to determine that the Purchaser failed to comply with the offer of purchase.

INFORMATION FROM PURCHASER(S)

The Purchaser(s) will be required to certify to the City immediately after the opening of bids: (i) the initial public offering price of each maturity of the Bonds (not including sales to bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Purchaser(s) will also be required to provide a certificate at closing confirming the information required by this paragraph.

PRELIMINARY OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds. The Preliminary Official Statement when further supplemented with maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the City, shall constitute a Final Official Statement of the City with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”).

By awarding the Bonds to any underwriter or underwriting syndicate submitting an OFFICIAL BID FORM therefore, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Series 2016A Bonds are awarded up to 20 copies of the Final Official Statement, and to the senior managing underwriter of the syndicate to which the Series 2016B Bonds are awarded up to 20 copies of the Final Official Statement to permit each “Participating Underwriter” (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to the Participating Underwriter. Any underwriter executing and delivering an OFFICIAL BID FORM with respect to the Bonds agrees thereby that if its bid is accepted by the City, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CONTINUING DISCLOSURE

In order to assist bidders in complying with paragraph (b)(5) of the Rule, the City will undertake, pursuant to the resolution for the Bonds and the Continuing Disclosure Certificate for the Bonds, to provide certain annual financial information and notices of the occurrence of certain material events. A description of these undertakings is set forth in APPENDIX C of this Preliminary Official Statement. The City will deliver the Continuing Disclosure Certificate at closing, and any failure on the part of the City to deliver the same shall relieve the Purchaser of its obligation to purchase the Bonds.

In the course of filing its annual continuing disclosure in the five years since May 2011, the City did not timely make its annual report filing related to fiscal year ending June 30, 2011. In addition, the City did not timely file material event notices for optional bond redemptions in May of 2012 and in July of 2013, and for a rating downgrade that occurred in April 2012. The City did not file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings.

CUSIP NUMBERS

It is anticipated that Committee on Uniform Security Identification Procedures (“CUSIP”) numbers will be printed on the Bonds and the Purchaser must agree in the bid proposal to pay the cost thereof. In no event will the City, Bond Counsel or Financial Advisor be responsible for the review or express any opinion that the CUSIP numbers are correct. Incorrect CUSIP numbers on said Bonds shall not be cause for the Purchaser to refuse to accept delivery of said Bonds.

BY ORDER OF THE CITY COUNCIL
City of Windsor Heights
1145 66th Street | Suite 1
Windsor Heights, IA 50324

PRELIMINARY OFFICIAL STATEMENT

CITY OF WINDSOR HEIGHTS

\$1,470,000* General Obligation Refunding Bonds, Series 2016A
\$2,830,000* Taxable General Obligation Refunding Bonds, Series 2016B

INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Windsor Heights, Iowa (the “City”) and its issuance of \$1,470,000* General Obligation Refunding Bonds, Series 2016A (the “Series 2016A Bonds”) and the \$2,830,000* Taxable General Obligation Refunding Bonds, Series 2016B (the “Series 2016B Bonds”) (collectively the “Bonds”). This Official Statement has been executed on behalf of the City and its Administrator and may be distributed in connection with the sale of the Bonds authorized therein. Inquiries may be directed to Independent Public Advisors, LLC, 8805 Chambery Blvd, Suite 300, #114, Johnston, Iowa 50131, or by telephoning (515) 259-8193. Information can also be obtained from Ms. Marcia Woodke, Treasurer, City of Windsor Heights, 1145 66th Street, Suite 1, Windsor Heights, Iowa 50324, or by telephoning 515-279-3662.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Division III of Chapter 384 of the Code of Iowa, and resolutions to be adopted by the City Council of the City. Proceeds of the Series 2016A Bonds will be used to pay the costs to current refund on July 7, 2016 \$1,420,000 of the outstanding General Obligation Bonds, Series 2008A, dated June 1, 2008, maturing 2017 through 2028 (the “Series 2008A Bonds”); proceeds of the Series 2016B Bonds will be used to pay the costs to current refund on July 7, 2016 \$2,765,000 of the outstanding Taxable General Obligation Bonds, Series 2008B, dated June 1, 2008, maturing 2017 through 2028 (the “Series 2008B Bonds”), (collectively the “Refunded Bonds”). The Bonds will be general obligations of the City for which the City will pledge its power to levy direct ad valorem taxes to the repayment of the Bonds.

The following bonds (the “Refunded Bonds”) are being refunded:

<u>Series to be Refunded</u>	<u>Refunded Maturities</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
General Obligation Bonds, Series 2008A:	06/01/2017	\$90,000	3.65%	07/07/2016	100%
	06/01/2018	95,000	3.75%	07/07/2016	100%
	06/01/2019	100,000	3.80%	07/07/2016	100%
	06/01/2020	105,000	3.90%	07/07/2016	100%
	06/01/2021	110,000	4.00%	07/07/2016	100%
	06/01/2022	115,000	4.00%	07/07/2016	100%
	06/01/2023	120,000	4.05%	07/07/2016	100%
	06/01/2024	125,000	4.05%	07/07/2016	100%
	06/01/2025	130,000	4.10%	07/07/2016	100%
	06/01/2026	135,000	4.15%	07/07/2016	100%
	06/01/2027	145,000	4.20%	07/07/2016	100%
	06/01/2028	<u>150,000</u>	4.20%	07/07/2016	100%
	Total:		\$1,420,000		

<u>Series to be Refunded</u>	<u>Refunded Maturities</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
Taxable General Obligation Bonds, Series 2008B	06/01/2017	\$165,000	5.40%	07/07/2016	100%
	06/01/2018	175,000	5.50%	07/07/2016	100%
	06/01/2019	185,000	5.60%	07/07/2016	100%
	06/01/2020	195,000	5.70%	07/07/2016	100%
	06/01/2021	205,000	5.80%	07/07/2016	100%
	06/01/2022	220,000	5.90%	07/07/2016	100%
	06/01/2023	230,000	6.00%	07/07/2016	100%
	06/01/2024	245,000	6.00%	07/07/2016	100%
	06/01/2025	260,000	6.10%	07/07/2016	100%
	06/01/2026	275,000	6.10%	07/07/2016	100%
	06/01/2027	295,000	6.20%	07/07/2016	100%
	06/01/2028	<u>315,000</u>	6.20%	07/07/2016	100%
	Total:	\$2,765,000			

The estimated Sources and Uses of the Bonds are as follows:

<u>Sources of Funds</u>	<u>Series 2016A Bonds</u>	<u>Series 2016B Bonds</u>
Par Amount*	\$1,470,000.00	\$2,830,000.00
<u>Uses of Funds</u>		
Bond Redemption	\$1,420,000.00	\$2,765,000.00
Underwriter's Discount	10,290.00	24,055.00
Cost of Issuance & Rounding	<u>39,710.00</u>	<u>40,945.00</u>
Total	\$1,470,000.00	\$2,830,000.00

*Preliminary; subject to change.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds due after June 1, 2024 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

INTEREST ON THE BONDS

Interest on the Bonds will be payable on December 1, 2016 and semiannually on the 1st day of June and December thereafter. Interest and principal shall be paid to the registered holder of a Bond as shown on the records of ownership maintained by the Registrar on the 15th day of the month preceding said interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds are general obligations of the City and the unlimited taxing powers of the City are irrevocably pledged for their payment. Upon issuance of the Bonds, the City will levy taxes for the years and in amounts sufficient to provide 100% of annual principal and interest due. The City is required to levy ad valorem taxes upon all taxable property in the City without limit as to rate or amount sufficient to pay the debt service except to the extent that other monies are deposited in the debt service fund for such purposes.

Nothing in the resolutions authorizing the Bonds prohibits or limits the ability of the City to use legally available moneys other than the proceeds of the general ad valorem property taxes levied as described in the preceding paragraph to pay all or any portion of the principal of or interest on the Bonds. If and to the extent such other legally available moneys are used to pay the principal of or interest on the Bonds, the City may, but shall not be required to, (a) reduce the amount of taxes levied for such purpose, as described in the preceding paragraph; or (b) use proceeds of taxes levied, as described in the preceding paragraph, to reimburse the fund or account from which such other legally available moneys are withdrawn for the amount withdrawn from such fund or account to pay the principal of or interest on the Bonds.

The City's obligation to pay the principal of and interest on the Bonds is on parity with the City's obligation to pay the principal of and interest on any other of its general obligation debt secured by a covenant to levy taxes within the City, including any such debt issued or incurred after the issuance of the Bonds. The resolutions authorizing the Bonds do not restrict the City's ability to issue or incur additional general obligation debt, although issuance of additional general obligation debt is subject to the same constitutional and statutory limitations that apply to the issuance of the Bonds. For a further description of the City's outstanding general obligation debt upon issuance of the Bonds and the annual debt service on the Bonds, see DIRECT DEBT under INDEBTEDNESS herein. For a description of certain constitutional and statutory limits on the issuance of general obligation debt, see DEBT LIMIT under INDEBTEDNESS herein.

BOOK-ENTRY-ONLY ISSUANCE

The information contained in the following paragraphs of this subsection "Book-Entry-Only Issuance" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE." The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing

corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has Standard & Poor’s highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co., nor any other DTC nominee, will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., or such

other nominee as may be requested by an authorized representative of DTC, is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FUTURE FINANCING

The City and other entities issuing obligations on behalf of the City do not reasonably expect to issue additional obligations during the calendar year 2016.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Notes or the City's ability to meet its financial obligations with respect to the Bonds.

DEBT PAYMENT HISTORY

The City knows of no instance in which it has defaulted in the payment of principal or interest on its debt.

LEGAL MATTERS

The Bonds are subject to approval as to certain matters by Ahlers & Cooney, P.C. of Des Moines, Iowa as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine or verify, any of the financial or statistical statements or data contained in this Preliminary Official Statement, and will express no opinion with respect thereto. The FORM OF LEGAL OPINION as set out in APPENDIX A to this Preliminary Official Statement, will be delivered at closing.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering legal opinions, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinions are rendered, or of the future performance of parties to the transaction. Nor does the rendering of opinions guarantee the outcome of any legal dispute that may arise out of the transaction.

There is no Bond trustee or similar person to monitor or enforce the provisions of the resolutions for the Bonds. The owners of the Bonds should, therefore, be prepared to enforce such provisions themselves if the need to do so arises. In the event of a default in the payment of principal or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of

an action in the nature of mandamus requiring the City and certain other public officials to perform the terms of the resolutions for the Bonds) may have to be enforced from year to year. The obligation to pay general ad valorem property taxes is secured by a statutory lien upon the taxed property, but is not an obligation for which a property owner may be held personally liable in the event of a deficiency. The owners of the Bonds cannot foreclose on property within the boundaries of the City or sell such property in order to pay the debt service on the Bonds. See LEVIES AND TAX COLLECTIONS herein, for a description of property tax collection and enforcement.

In addition, the enforceability of the rights and remedies of owners of the Bonds may be subject to limitation as set forth in Bond Counsel's opinions. The opinions will state, in part, that the obligations of the City with respect to the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, to the exercise of judicial discretion in appropriate cases and to the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

TAX MATTERS

With Respect to the Series 2016A Bonds:

Tax Exemptions and Related Considerations: Federal tax law contains a number of requirements and restrictions that apply to the Series 2016A Bonds. These include investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and facilities financed with bond proceeds, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2016A Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2016A Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2016A Bonds.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2016A Bonds is excludable from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations. However, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the federal alternative minimum tax for such corporations.

Prospective purchasers of the Series 2016A Bonds should be aware that ownership of the Series 2016A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2016A Bonds should consult their tax advisors as to collateral federal income tax consequences.

Bank Qualification: In the resolution authorizing the issuance of the Series 2016A Bonds, the City will designate such Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations.

Tax Accounting Treatment of Discount and Premium on Certain Series 2016A Bonds: The initial public offering price of certain Series 2016A Bonds (the "Discount Bonds") may be less than the amount payable on such Series 2016A Bonds at maturity. An amount equal to the difference between the initial public offering price of Discount Bonds (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount allocable to the holding period of such Discount Bonds by the initial purchaser will, upon the disposition

of such Discount Bonds (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series 2016A Bonds described above under “TAX MATTERS”. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of Discount Bonds, taking into account the semi-annual compounding of accrued interest, at the yield to maturity on such Discount Bonds and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of Discount Bonds by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bonds in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bonds were held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Series 2016A Bonds (the “Premium Bonds”) may be greater than the amount of such Series 2016A Bonds at maturity. An amount equal to the difference between the initial public offering price of Premium Bonds (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of Premium Bonds in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of Premium Bonds. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Disclaimer Regarding Federal Tax Discussion: The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner’s particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the Series 2016A Bonds, including the tax consequences under federal, state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

Related Tax Matters: The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2016A Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2016A Bonds until the audit is concluded,

regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2016A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2016A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Current and future legislative proposals, including some that carry retroactive effective dates, if enacted into law, or clarification of the Code may cause interest on the Series 2016A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series 2016A Bonds from realizing the full current benefit of the tax status of such interest. For example, Representative David Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series 2016A Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts and estates in the highest tax bracket, and the Obama Administration proposed legislations that would limit the exclusion from gross income of interest on obligations like the Series 2016A Bonds to some extent for taxpayers whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2016A Bonds. The introduction or enactment of any such legislative proposals or clarification of the Code may also affect, perhaps significantly, the market price for, or marketability of, the Series 2016A Bonds. Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding any pending or proposed tax legislation, as to which Bond Counsel expresses no opinion.

Opinion: Bond Counsel's opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel's opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

With Respect to the Series 2016B Bonds:

Federal Taxability and Related Considerations: The following discussion is a summary of certain Federal income tax consequences relating to the purchase, ownership, and disposition of the Series 2016B Bonds, based on certain relevant provisions of the Code. This discussion does not purport to deal with all aspects of Federal income taxation that may affect particular investors in light of their individual circumstances, and is limited to investors who hold the Series 2016B Bonds as capital assets under Section 1221 of the Code, which generally means property held for investment. Prospective investors, particularly those subject to special rules, should consult their tax advisors regarding the consequences of purchasing, owning, and disposing of the Series 2016B Bonds for Federal income tax purposes, and for State and local tax purposes.

In general, interest on the Series 2016B Bonds is includable in the gross income of the owners thereof as ordinary interest income for Federal income tax purposes.

Not Qualified Tax-Exempt Obligations: The City will NOT designate the Series 2016B Bonds as "qualified tax- exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

STATE TAXABILITY

Interest on the Bonds is not exempt from present state of Iowa income taxes. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of such state and local taxes.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are executive, regulatory and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. One such proposal is the American Jobs Act of 2011 (S.1549) (the "Jobs Act") which was introduced in the Senate on September 13, 2011 at the request of President Obama. If enacted in its current form, the Jobs Act could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the Bonds. In addition, on September 29, 2011, President Obama submitted to Congress a legislative proposal entitled the "Debt Reduction Act of 2011" (the "Reduction Act"). If enacted, as proposed, the Reduction Act would require the Office of Management and Budget to establish a steadily declining ratio for debt as a percentage of Gross Domestic Product and would impose a penalty in the event that Congress failed to meet the requirements, including automatic sequestration of spending and the reduction in the value of certain tax incentives, including interest on tax-exempt municipal Bonds, potentially (in the extreme) eliminating the exemption from taxation that tax-exempt municipal Bonds held at the time of issuance.

It cannot be predicted whether or in what form any such proposals might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. It is possible that further legislation will be proposed or introduced that could result in changes in the way that tax exemption is calculated, or whether interest on certain securities are exempt from taxation at all. Prospective purchasers should consult with their own tax advisors regarding the Jobs Act and/or the Reduction Act and any other pending or proposed federal income tax legislation. The likelihood of the Jobs Act or the Reduction Act being enacted or whether the currently proposed terms of the Jobs Act and/or the Reduction Act will be altered or removed during the legislative process cannot be reliably predicted.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

RATING

The Bonds have an unsecured rating of 'Aa3' by Moody's Investors Service (Moody's). In addition, Moody's currently rates the City's outstanding unsecured General Obligation Debt as 'Aa3'. Such ratings reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from the respective rating agency. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of the ratings may have an effect on the market price of the Bonds.

INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS SHOULD BE AWARE THAT THERE ARE CERTAIN INVESTMENT CONSIDERATIONS ASSOCIATED WITH THE BONDS. EACH PROSPECTIVE PURCHASER OF THE BONDS IS ENCOURAGED TO READ THIS PRELIMINARY OFFICIAL STATEMENT IN ITS ENTIRETY, AND TO GIVE PARTICULAR ATTENTION TO THE CONSIDERATIONS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE AND THE MARKET PRICE ON THE BONDS. THE FOLLOWING STATEMENTS REGARDING CERTAIN INVESTMENT CONSIDERATIONS SHOULD NOT BE CONSIDERED A COMPLETE DESCRIPTION OF ALL CONSIDERATIONS IN THE DECISION TO PURCHASE THE BONDS.

Additional Indebtedness: The City reserves the right to issue additional bonds payable from the same sources and ranking on a parity with each series of the Bonds.

Investment Rating: The rating assigned to the Bonds by Moody's Investors Service, Inc. (the "Rating Agency") reflects only the Rating Agency's view of the likelihood the Bondholders will receive payments of interest when due and principal on the Bonds on their respective maturity dates. There is no assurance that the rating will remain for any given period of time or that the rating will not be lowered, suspended or withdrawn by the Rating Agency if, in the Rating Agency's judgment, circumstances so warrant based upon factors prevailing at the time. The lowering, suspension or withdrawal of the investment rating initially assigned to the Bonds could adversely affect the market price and the market for the Bonds.

Secondary Market: Although the City anticipates that the Underwriter(s) will make a market for the Bonds, such market making may be discontinued at any time. There can be no assurance that there will be a secondary market for the Bonds, and the absence of such could result in investors not being able to resell their Bonds should they need or wish to do so.

Redemption of Bonds: The Bonds due after June 1, 2024 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. The redemption of the Bonds prior to their stated maturity may subject Bondholders to the risk of reinvestment at a time when comparable returns are not available.

FINANCIAL ADVISOR

The City has retained Independent Public Advisors, LLC, Johnston, Iowa as financial advisor (the "Financial Advisor") in connection with the preparation of the issuance of the Bonds. In preparing the Preliminary Official Statement, the Financial Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. Independent Public Advisors, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other Participating Underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the resolution authorizing the issuance of the Bonds and the Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth as APPENDIX C to this Preliminary Official Statement.

In the course of filing its annual continuing disclosure in the five years since May 2011, the City did not timely make its annual report filing related to fiscal year ending June 30, 2011. In addition, the City did not timely file material event notices for optional bond redemptions in May of 2012 and in July of 2013, and for a rating downgrade that occurred in April 2012. The City did not file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings.

CERTIFICATION

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. I have reviewed the information contained within the Preliminary Official Statement prepared on behalf of the City of Windsor Heights, Iowa, by Independent Public Advisors, LLC., Johnston, Iowa, and said Preliminary Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of \$1,470,000* General Obligation Refunding Bonds, Series 2016A, or \$2,830,000* Taxable General Obligation Refunding Bonds, Series 2016B.

CITY OF WINDSOR HEIGHTS, IOWA
/s/ Marcia Woodke, Treasurer

*Preliminary; subject to change.

PROPERTY VALUES

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs all County Auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The assessments finalized as of January 1 of each year are applied to the following fiscal year. The 2015 final Actual Values were adjusted by the Polk County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2015, the Taxable Value rollback rate was 55.6259% of Actual Value for residential property; 46.1068% of Actual Value for agricultural property; 90% of Actual Value for commercial, industrial, and railroad property, 86.25% of Actual Value for multiresidential property, and 100% of Actual Value for utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for most classes of property to 3% annually; utility taxable valuation growth is limited to 8%. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

1/1/2015 VALUATIONS (Taxes payable July 1, 2016 through June 30, 2017)

	100% <u>Actual Value</u>	Taxable Value <u>(With Rollback)</u>
Residential	\$306,536,227	\$168,720,293
Commercial	32,972,536	25,636,822
Industrial	0	0
Multiresidential	5,950,247	4,889,735
Railroad	0	0
Utilities w/o Gas & Electric	571,849	571,849
Gross valuation	\$346,030,859	\$199,818,699
Less military exemption	<u>(521,338)</u>	<u>(521,338)</u>
Net valuation	\$345,509,521	\$199,297,361
TIF increment (used to compute debt service levies and constitutional debt limit)	\$46,953,860	\$46,799,260
Taxed separately		
Ag. Land & Buildings	\$0	\$0
Utilities – Gas & Electric	\$4,173,294	\$2,569,782

2015 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY¹

	<u>Taxable Valuation</u>	<u>Percent Total</u>
Residential	\$168,720,293	83.365%
Ag. Land & Ag. Buildings	\$0	0.000%
Commercial, Industrial, Other, Railroad & Utility	26,208,671	12.950%
Multiresidential	4,889,735	2.416%
Utilities – Gas & Electric	<u>2,569,782</u>	<u>1.270%</u>
Total Gross Taxable Valuation	\$202,388,481	100.00%

TREND OF VALUATIONS

The 100% Actual Valuations, before rollback and after reduction of military exemption, include Ag. Land, Ag. Buildings, TIF Increment, and Gas & Electric Utilities. The Taxable Valuations, with the rollback and after the reduction of military exemption, exclude the Taxable TIF Increment, Ag. Land and Ag Buildings. Iowa cities certify operating levies against Taxable Valuation excluding the Taxable TIF Increment and debt service levies are certified against Taxable Valuations including the Taxable TIF Increment.

Assessment <u>Year</u>	Payable <u>Fiscal Year</u>	100% <u>Actual Valuation</u>	Taxable Valuation <u>(With Rollback)</u>	Taxable <u>TIF Increment</u>
2011	2012-13	383,753,462	188,395,992	46,553,120
2012	2013-14	383,805,896	195,001,048	45,925,370
2013	2014-15	380,943,322	193,616,997	45,823,120
2014	2015-16	382,843,762	195,838,727	44,975,678
2015	2016-17	396,636,675	201,867,143	46,799,260

LARGER TAXPAYERS²

<u>Taxpayer</u>	Property <u>Type</u>	1/1/2015 <u>Taxable Valuation</u>
Colby West Univ Trust	Commercial	\$22,441,500
Electrical Engineering & Equipment Company	Commercial	5,634,000
WH Development LLC	Commercial	4,905,000
TKG Iowa Storage LLC	Commercial	4,281,956
JKoester Properties LLC	Commercial	3,106,425
Williams Turf Farms Inc.	Commercial	3,069,000
Windsor Heights LP	Commercial	2,773,024
Windsor Place LLC	Commercial	2,721,776
Charles I Colby & Ruth Colby West University Trust	Commercial	2,596,500
Mid American Energy	Utility	2,569,326

¹ Before military exemption, and exclusive of taxable TIF increment.

² Represents the top taxpayers grouped by taxpayers with identically spelled names. Due to name variations of the same taxpayer this list may not necessarily represent the top 10 taxpayers.

LEGISLATION

From time to time, legislative proposals are pending in Congress and the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described herein. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for taxes levied by the City or have an adverse impact on the future tax collections of the City. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed federal or state tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending federal or state tax legislation.

Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation debt: “The governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding the applicable period of time specified in section 76.1. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.” Iowa Code section 76.1 provides that the annual levy shall be sufficient to pay the interest and approximately such portion of the principal of the bonds as will retire them in a period not exceeding twenty years from the date of issue, except for certain bonds issued for disaster purposes and bonds issued to refund or refinance bonds issued for such disaster purposes which may mature and be retired in a period not exceeding thirty years from date of issue.

2013 Property Tax Legislation: During its 2013 session the Iowa Legislature enacted, and the Governor signed, Senate File 295 (“SF 295”). Among other things, SF295 limits annual assessed value growth with respect to residential and agricultural property (from 4% to 3%), reduces the taxable value applicable to commercial, industrial and railroad property to 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, and provides a partial exemption on telecommunications property. SF295 also creates a new classification for multiresidential properties (which were previously taxed as commercial properties), and assigns an incremental rollback percentage over several years for such multiresidential properties, such that the rollback determination will match that for residential properties in the 2022 assessment year. As a result of SF 295, local governments expect to experience reductions in property tax revenues over the next several fiscal years. SF 295 includes state-funded replacement for a portion of the expected reduction in property tax revenues to the local governments, but such replacement funding is limited in both amount and duration of availability. The City does not expect the state replacement funding to fully address the property tax reductions resulting from SF 295.

INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2015 Actual Valuations applicable to fiscal year 2016-17 is as follows:

	1/1/2015 (Fiscal Year 2016-17)
Actual Valuation of Property	\$397,158,013
Less Military Exemption	(521,338)
Net Valuation	\$396,636,675
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	\$19,831,834
Less: Applicable General Obligation Debt	(10,200,000)
Constitutional Debt Margin	\$9,631,834

DIRECT DEBT

General Obligation Debt Paid by Property Taxes

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 07/01/16</u>
07/13A	\$450,000	Corporate Purpose	06/19	\$225,000
01/14A	3,090,000	Corporate Purpose	06/33	2,860,000
05/14	325,000	Corporate Purpose	06/19	<u>270,000</u>
Subtotal				\$3,355,000

General Obligation Debt Paid by Tax Increment (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 07/01/16</u>
03/07A	\$1,500,000	Park Improvements	06/17	\$180,000
06/08A	1,980,000	Park & Street Improvements	06/16 ³	0
06/08B	3,805,000	Civic Center/Street Projects (Taxable)	06/16 ³	0
02/11A	3,360,000	Taxable Refunding	06/21	1,855,000
05/12A	1,375,000	Refunding	06/18	510,000
07/16A	1,472,000	Refunding	06/28	1,470,000 *
07/16B	2,830,000	Taxable Refunding	06/28	<u>2,830,000</u> *
Subtotal				\$6,845,000

*Preliminary; subject to change.

Total General Obligation Debt Subject to the Debt Limit

\$10,200,000

³ The 2017-2028 maturities are being refunded by the Bonds.

ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS

General Obligation Debt Paid by Property Taxes

Current Outstanding G.O. Debt

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Principal and</u> <u>Interest</u>
FY 2016-17	\$260,000	\$355,415
FY 2017-18	275,000	365,728
FY 2018-19	285,000	370,590
FY 2019-20	215,000	295,158
FY 2020-21	145,000	221,420
FY 2021-22	150,000	223,375
FY 2022-23	155,000	224,925
FY 2023-24	155,000	221,050
FY 2024-25	165,000	226,943
FY 2025-26	170,000	227,240
FY 2026-27	175,000	227,140
FY 2027-28	180,000	226,540
FY 2028-29	190,000	230,240
FY 2029-30	195,000	228,400
FY 2030-31	205,000	230,600
FY 2031-32	215,000	232,400
FY 2032-33	<u>220,000</u>	228,800
Total	\$3,355,000	

General Obligation Debt Paid by Tax Increment (Includes the Bonds, Excludes the Refunded Bonds)

Fiscal Year	<u>Current Outstanding G.O. Debt</u>		<u>The Series 2016A Bonds</u>		<u>The Series 2016B Bonds</u>		<u>Total G.O. Debt</u>	
	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal*</u>	<u>Principal and Interest</u>	<u>Principal*</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2016-17	\$775,000	\$877,145	\$105,000	\$127,601	\$185,000	\$263,852	\$1,065,000	\$1,268,598
FY 2017-18	610,000	670,643	115,000	139,111	210,000	294,791	935,000	1,104,545
FY 2018-19	370,000	415,335	115,000	137,835	215,000	295,990	700,000	849,160
FY 2019-20	385,000	417,015	120,000	141,397	220,000	296,217	725,000	854,629
FY 2020-21	<u>405,000</u>	421,808	120,000	139,765	225,000	295,541	750,000	857,114
FY 2021-22			120,000	138,001	230,000	294,219	350,000	432,220
FY 2022-23			125,000	141,105	235,000	292,158	360,000	433,263
FY 2023-24			125,000	138,930	245,000	294,520	370,000	433,450
FY 2024-25			125,000	136,555	255,000	296,117	380,000	432,672
FY 2025-26			130,000	139,005	260,000	292,013	390,000	431,018
FY 2026-27			135,000	141,210	270,000	292,341	405,000	433,551
FY 2027-28			<u>135,000</u>	138,159	<u>280,000</u>	291,676	<u>415,000</u>	429,835
Total	\$2,545,000		\$1,470,000		\$2,830,000		\$6,845,000	

*Preliminary; subject to change.

CONDUIT DEBT

On March 14, 2013, the City issued \$7,500,000 of revenue bonds on behalf of ChildServe Inc.; the City of Windsor Heights, Iowa Revenue Bonds (ChildServe Inc. Project) Series 2013. In addition, on April 24, 2015 the City issued \$7,795,000 of revenue bonds on behalf of ChildServe Inc.; the City of Windsor Heights, Iowa Revenue and Refunding Bonds (ChildServe Inc. Project) Series 2015A. The bonds and related interest are payable solely from revenue derived from the project. Bond principal and interest do not constitute liabilities of the City.

INDIRECT DEBT

<u>Taxing District</u>	<u>1/1/2015 Taxable Valuation</u>	<u>Portion of Taxable Value In the City</u>	<u>Percent Applicable</u>	<u>GO Debt⁴</u>	<u>City's Indirect Portion</u>
Polk County	22,662,536,006	248,666,403	1.10%	\$288,130,523	\$3,161,534
Des Moines Independent CSD	7,487,146,657	128,878,050	1.72%	0	0
West Des Moines CSD	4,529,501,971	119,788,353	2.64%	26,705,000	706,247
Urbandale-Windsor Heights San. Dist.	404,348,881	239,264,360	59.17%	0	0
Des Moines Area Comm. College	42,301,482,075	248,666,403	0.59%	91,590,000	<u>538,406</u>
TOTAL					\$4,406,187

DEBT RATIOS

	<u>G.O. Debt</u>	<u>Debt/2015 Actual Market Value \$396,636,675</u>	<u>Debt/4,903 Population</u>
Direct General Obligation Debt	\$10,200,000	2.572%	\$2,080.36
Indirect General Obligation Debt	<u>4,406,187</u>	<u>1.111%</u>	<u>898.67</u>
Combined Debt	\$14,606,187	3.683%	\$2,979.03

LEVIES AND TAX COLLECTIONS (000's)

<u>Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>% of Taxes Levied</u>
2010-11	\$4,279,748	\$4,276,659	99.93%
2011-12	4,343,024	4,347,011	100.09%
2012-13	4,259,782	4,291,935	100.75%
2013-14	4,392,418	4,459,234	101.52%
2014-15	4,755,302	4,786,797	100.66%
2015-16	4,758,427	In process of collection	

After the assessment of property in a calendar year, taxes are levied for collection in the following fiscal year. Taxes are certified to the County Auditor in March. The County Treasurer collects taxes for all taxing entities in the County. Statutory dates for payment without penalty are September 30 for the first installment and March 31 for the second installment. Penalty rates are established by State law at 1% per month.

⁴ School district figures exclude Sale and Service Tax Revenue Bonds.

TAX RATES

Taxing District	FY2011/12 \$/\$1,000	FY2012/13 \$/\$1,000	FY2013/14 \$/\$1,000	FY2014/15 \$/\$1,000	FY2015/16 \$/\$1,000
City of Windsor Heights	13.31486	13.31499	13.89892	15.34886	15.07588
Polk County	6.80992	6.80992	6.94381	7.16880	7.30880
Des Moines Independent CSD	18.34848	18.34845	18.34842	18.14592	18.42809
West Des Moines CSD	13.84954	13.30184	13.26452	13.26572	13.24189
Broadlawns Hospital	2.92193	2.97819	2.99567	3.11769	3.21296
Urbandale-Windsor Heights Sanitary Sewer District	0.38435	0.47069	0.47163	0.44216	0.29126
County Assessor	0.24628	0.24382	0.27822	0.27750	0.27920
County Ag Extension	0.03696	0.03866	0.03945	0.04061	0.04102
Des Moines Area Community College	0.59018	0.58466	0.69120	0.65724	0.67574
Regional Transit Authority	0.57800	0.72800	0.80800	0.87300	0.93800
State of Iowa	<u>0.00320</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>
Consolidated Tax Rates	FY2011/12 \$/\$1,000	FY2012/13 \$/\$1,000	FY2013/14 \$/\$1,000	FY2014/15 \$/\$1,000	FY2015/16 \$/\$1,000
City Resident in Des Moines School District	43.23416	43.52068	44.47862	46.07508	46.25425
City Resident in West Des Moines School District	38.73522	38.47407	39.39472	41.19488	41.06805
City Resident in West Des Moines School District; Outside Sanitary Sewer District	38.35087	38.00338	38.92309	40.75272	40.77679

LEVY LIMITS

A city's general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the \$8.10 limitation is \$8.10 for FY 2015-16. In addition, the City has certified special purpose levies outside of the above described levy limits for, public library (voter-imposed), for Police and Fire retirement and for other employee benefits and debt service. The City is using the emergency levy in FY 2015-16, and does levy for employee benefits. Debt service levies are not limited.

FUNDS ON HAND (Cash and Investments as of February 29, 2016)

General Fund	\$3,576,679
Special Rev Bonds & TIF	2,269,232
Road Use	434,908
Trust & Agency	255,140
DOJ Fund	2,457
Capital Project	163,864
Water	12,787
Sewer	24,766
Garbage	197,532
Stormwater	368,857
Internal Service Fund ⁵	(161,026)
Police Pension	<u>25,191</u>
Total Cash and Investments	\$7,170,387

⁵ The negative fund balance in the Internal Service Fund account will be resolved with a funds transfer from the General Fund.

THE CITY

CITY GOVERNMENT

The City of Windsor Heights, Iowa (the “City”), incorporated in 1941, is a suburb of the City of Des Moines, Iowa. The City operates under a mayor-council form of government (with an appointed administrator) consisting of a five member City Council, and a Mayor who is not a voting member of the council. The City Administrator/Clerk is responsible for implementation of City Council policies and management of City operations, and is responsible for the City records. The City provides police, fire, and emergency medical service and public works services for the residents of the community.

EMPLOYEES, PENSIONS AND OPEB

The City has approximately 30 full-time and over 28 part-time employees (including seasonal and on-call employees), of which all full-time employees are enrolled in the Iowa Public Employees Retirement System (IPERS) pension plan administered by the State of Iowa.

The City contributes to the Iowa Public Employees’ Retirement System (“IPERS”), which is a state-wide multiple-employer cost-sharing 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. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2015 (the “IPERS CAFR”) indicates that as of June 30, 2014, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 83.7%, and the unfunded actuarial liability was \$5.455 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See “APPENDIX B — INDEPENDENT AUDITOR’S STATEMENTS” for additional information on IPERS.

In fiscal year 2015, the Issuer's IPERS contribution totaled approximately \$182,997, compared to a contribution in fiscal year 2014 of \$169,069.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the IPERS CAFR. According to IPERS, as of the end of fiscal year 2015, there were approximately 346,109 total members participating in IPERS, including Issuer employees.

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Unfunded Actuarial Accrued Liability (UAAL) [b] – [a]	Funded Ratio [a] / [b]	Covered Payroll [c]	UAAL as a % of Covered Payroll ([b]-[a]) / [c]
2012	23,530,094,461	29,446,197,486	5,916,103,025	79.91%	6,786,158,720	87.18%
2013	24,711,096,187	30,498,342,320	5,787,246,133	81.02%	6,880,131,134	84.12%
2014	26,460,428,085	32,004,456,088	5,544,028,003	82.68%	7,099,277,280	78.09%
2015	27,915,379,103	33,370,318,731	5,454,939,628	83.65%	7,326,348,141	74.46%

Source: IPERS Comprehensive Annual Financial Report (Fiscal Year 2015)

When calculating the funding status of IPERS for fiscal year 2015, the following assumptions were used: (1) the amortization period for the total unfunded actuarial liability is 30 years (which is consistent with the maximum acceptable amortization period set forth by the Governmental Accounting Standards Board (“GASB”) in GASB Statement No. 25); (2) the rate of return on investments is assumed to be 7.5%; (3) salaries are projected to increase 4.0-17% for IPERS, depending on years of service; and (4) the rate of inflation is assumed to be 3.0% for prices and 4.0% for wages.

Bond Counsel, the City, and the Financial Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor’s website or links to other Internet sites accessed through the IPERS website.

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

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

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

Consistent with Iowa Code section 509A.13, the Issuer offers post-retirement health and dental benefits (“OPEB”) to all full-time employees of the Issuer who retire before attaining age 65. The group health insurance plan provided to full-time Issuer employees allows retirees to continue medical coverage until they reach age 65. Although retirees pay 100% of the “cost of coverage”, the pre-age 65 group of retirees is grouped with the active employees when determining the cost of coverage. The computation creates an implicit rate subsidy that would not exist if the cost of the coverage for this group (pre-age 65 retirees) was computed separately and paid 100% by that group.

UNION CONTRACTS

City employees are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Teamsters Local 238	June 30, 2017

INSURANCE

The City's insurance coverage is as follows:

<u>Type of Insurance</u>	<u>Occurrence/Aggregate Limit</u>
Workers' Compensation	
Each Accident	\$1,000,000
Memorandum	\$1,000,000 Limit
Each Employee	\$1,000,000
Commercial Property General Liability	
Each Occurrence	\$1,000,000 Limit
General aggregate limit (other than	
products-completed operations)	\$2,000,000 Limit
Products (completed operations aggregate limit)	\$2,000,000 Limit
Personal and advertising injury limit	\$1,000,000 Limit
Fire damage limit	\$100,000 Limit
Medical expenses limit	\$5,000 Limit
Commercial Inland Marine	
Contractors equipment	\$573,090 Limit
Miscellaneous Property	\$239,500 Limit
Commercial Auto	

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City, with a corrected 2010 Census population of 4,903 comprises an area of 1,600 land acres. The City is located in central Iowa, and is the only community that borders the cities of Des Moines, Urbandale, Clive and West Des Moines. Major highways that serve the City include U.S. Interstate Highways No. 35, 80 and 235. Commercial airline service is available at Des Moines International Airport.

LARGER EMPLOYERS

A representative list of larger employers and employees in the City is as follows:

<u>Employer</u>	<u>Type of Business</u>	Approximate # of <u>Employees</u>
Wal-Mart ⁶	Retail Distributor	400
Hy-Vee Foods	Grocery	370
YMCA ⁶	Child & Youth Services	250
Sam's Club ⁶	Retail Distributor	187
Electrical Engineering & Equipment Co. (3E)	Electrical Equipment	112
Cowles Elementary School	Elementary School	75
Iowa Natural Resources Department	Air Quality Department	72
Clive Elementary School	Elementary School	71
RE/MAX	Real Estate	60
City of Windsor Heights	Municipal Government	58
Windsor Elementary School	Elementary School	45
City Wide Heating and Air Conditioning ⁶	Heating and Cooling	42
Schott Mauss & Associates	Law Firm	21

Source: Telephone survey conducted March 2016, except as noted.

Additional major employers in the Des Moines metropolitan area include, but are not limited to the following:

<u>Employer</u>	<u>Type of Business</u>	Approximate # of <u>Employees</u>
Wells Fargo & Co	Financial Services	14,000
Mercy Hospital Medical Center	Healthcare (Hospitals and Clinics)	7,055
UnityPoint Health-Des Moines ⁷	Healthcare	6,435
Hy-Vee Food Stores	Retail Food Stores	6,400
Principal Financial Group	Insurance	6,066
Nationwide/Allied Insurance	Insurance	4,269
Des Moines Independent School District	Education	4,000
DuPont Pioneer	Seed Manufacturing	3,000
John Deere Companies	Agricultural Equipment & Financial Service	1,900

Source: Des Moines Business Record 2015 Book of Lists.

⁶ Could not be reached for update, figure as of May 2013.

⁷ Formerly Iowa Health Systems.

BUILDING PERMITS⁸

City officials report the following construction activity as of February 29, 2016. Permits for the City are reported on a calendar basis.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Single Family Homes					
No. of new homes:	0	0	0	0	0
Valuation:	\$0	0	0	0	0
No. of Additions & Alterations:	2	4	2	5	3
Valuation:	\$170,572	\$53,570.36	\$102,000	\$203,492	\$27,261
Commercial/Industrial/Other:					
No. of new buildings	0	0	2	2	0
Valuation:	0	0	\$3,277,067	\$4,701,568	0
No. of Additions & Alterations:	5	2	1	1	2
Valuation	\$554,781	\$3,005,000	\$74,500	58,000	137,772
Total Permits:	7	6	5	3	5
Total Valuation:	\$725,353	\$3,058,570.36	\$3,453,567	\$4,963,063	\$165,033

US CENSUS DATA

1980 US Census	5,474
1990 US Census	5,190
2000 US Census ⁹	4,891
2010 US Census	4,860

Source: U.S. Census Bureau website.

UNEMPLOYMENT RATES

		Polk County	State of Iowa
Annual Averages:	2011	6.1%	5.9%
	2012	5.4%	5.2%
	2013	4.8%	4.7%
	2014	4.2%	4.2%
	2015	3.6%	3.7%

Source: Iowa Workforce Development Center.

⁸ January 1, 2016 through February 29, 2016.

⁹ Official U.S. Census report of 4,805 has been corrected by the City based on additional information.

EDUCATION

Public education is provided to the City by the Des Moines Independent Community School District and the West Des Moines Community School District. In addition, there are several parochial schools within the Des Moines metro area.

The Des Moines Independent Community School District provides public education, with a certified enrollment for the 2015-16 school year of 32,581. The district owns and operates 38 elementary schools, 10 junior high schools, 5 high schools and 10 other specialized schools.

The West Des Moines Community School District provides public education, with a certified enrollment for the 2015-16 school year of 9,013. The district owns and operates 8 elementary schools, 1 early childhood center, 2 junior high schools, 1 ninth grade high school, 1 tenth through twelfth grade high school and 1 alternative high school.

Continuing educational opportunities within commuting distance include Drake University (Des Moines), Grand View College (Des Moines), Upper Iowa University (West Des Moines), American Institute of Business (Des Moines), Des Moines Area Community College (Ankeny), Iowa State University (Ames) and Simpson College (Indianola).

FINANCIAL STATEMENTS

The City's INDEPENDENT AUDITOR'S REPORTS for the fiscal year ended June 30, 2015 is reproduced in APPENDIX B. The City's certified public accountant has not consented to distribution of the audited financial statements and has not undertaken added review of their presentation. Further information regarding financial performance and copies of the City's prior Independent Auditor's Reports may be obtained from the City's Financial Advisor, Independent Public Advisors, LLC.

APPENDIX A: FORM OF LEGAL OPINIONS

****Draft****

We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Windsor Heights, State of Iowa (the "Issuer"), relating to the issuance of General Obligation Refunding Bonds, Series 2016A, by said City, dated July 6, 2016, in the denomination of \$5,000 or multiples thereof, in the aggregate amount of \$_____ (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion as bond counsel.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the resolution authorizing issuance of the Bonds (the "Resolution") and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and issue the Bonds.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. Taxes have been levied by the Resolution for the payment of the Bonds and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

****Draft ****

City of Windsor Heights, State of Iowa

\$_____ General Obligation Refunding Bonds, Series 2016A

Page 2

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The Issuer has designated the Notes "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

****Draft****

We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Windsor Heights, State of Iowa (the "Issuer"), relating to the issuance of Taxable General Obligation Refunding Bonds, Series 2016B, by said City, dated July 6, 2016, in the denomination of \$5,000 or multiples thereof, in the aggregate amount of \$_____ (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion as bond counsel.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the resolution authorizing issuance of the Bonds (the "Resolution") and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and issue the Bonds.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. Taxes have been levied by the Resolution for the payment of the Bonds and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
4. The interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended. **THE HOLDERS OF THE BONDS SHOULD TREAT THE INTEREST THEREON AS SUBJECT TO FEDERAL INCOME TAXATION.** We express no other opinion regarding any other federal or state income tax consequences caused by the receipt or accrual of interest on the Bonds.

****Draft****

City of Windsor Heights, State of Iowa

\$_____ Taxable General Obligation Refunding Bonds, Series 2016B

Page 2

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX B: JUNE 30, 2015 INDEPENDENT AUDITOR'S REPORTS

City of Windsor Heights, Iowa

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

June 30, 2015

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**City of Windsor Heights, Iowa
OFFICIALS**

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL	
Diana Willits, Mayor	January 2018
Steve Peterson, Council Member	January 2018
Charlene Butz, Council Member	January 2016
Betty Glover, Council Member	January 2018
Dave Burgess, Council Member	January 2016
Tony Timm, Council Member	January 2018
Brett Klein, City Administrator	Indefinite
Marcia Woodke, City Treasurer	Indefinite
Matt Brick, Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Windsor Heights adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2010 and the year ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2007 and the three years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability and the schedule of City contributions on pages 6 through 13 and 34 through 40, have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015 on our consideration of the City of Windsor Heights' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windsor Heights' internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 Financial Highlights

- Receipts of the City's governmental activities decreased 48.9%, or approximately \$6,334,000, from fiscal year 2014 to fiscal year 2015. The decrease in receipts was primarily due to a decrease in capital loan note proceeds received during the fiscal year compared to the prior fiscal year, as well as proceeds from the sale of land in the prior fiscal year.
- Disbursements of the City's governmental activities increased 6.2%, or approximately \$486,000, from fiscal year 2014 to fiscal year 2015. The increase in disbursements was primarily due to new city hall expenditures and street resurfacing projects in the current year.
- The City's total cash basis net position decreased 16.8%, or \$1,434,097, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased \$1,610,557 and the cash basis net position of the business type activities increased \$176,460. The decrease is due to the use of bond proceeds from the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 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 2014A Street Project Fund. 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.

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

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

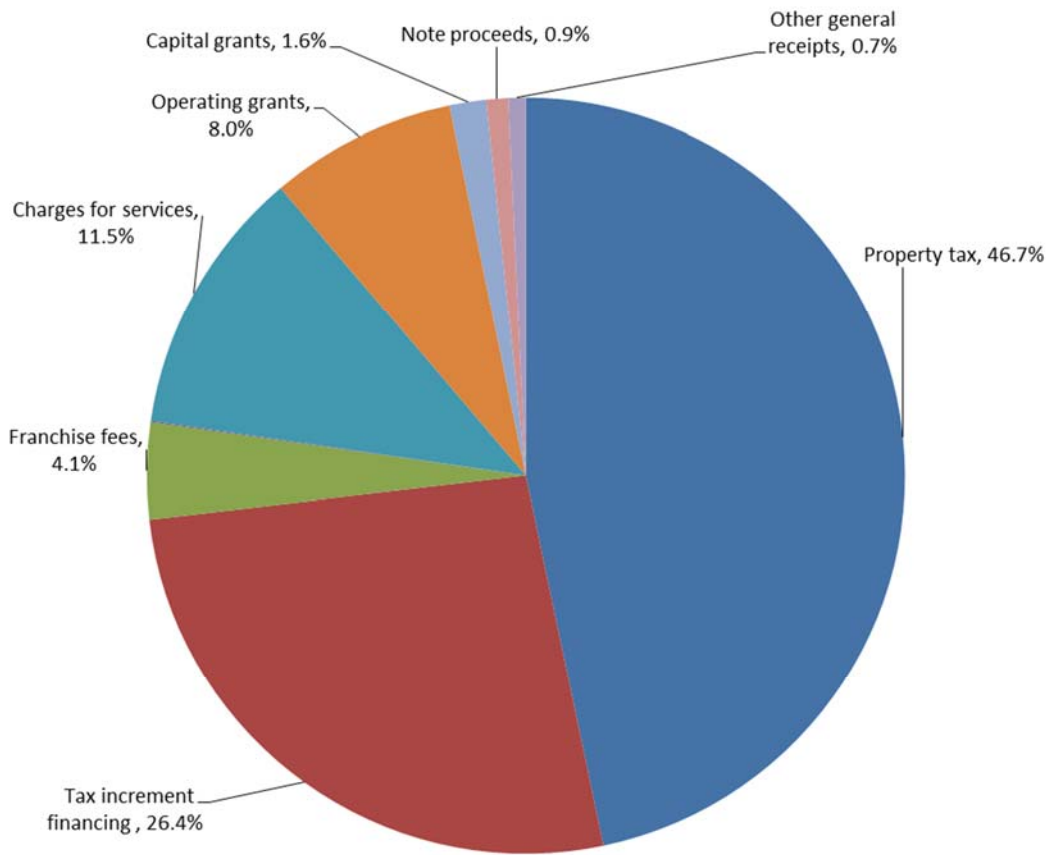
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City’s cash basis net position of governmental activities decreased from a year ago, decreasing \$1,610,557 to \$6,656,647. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

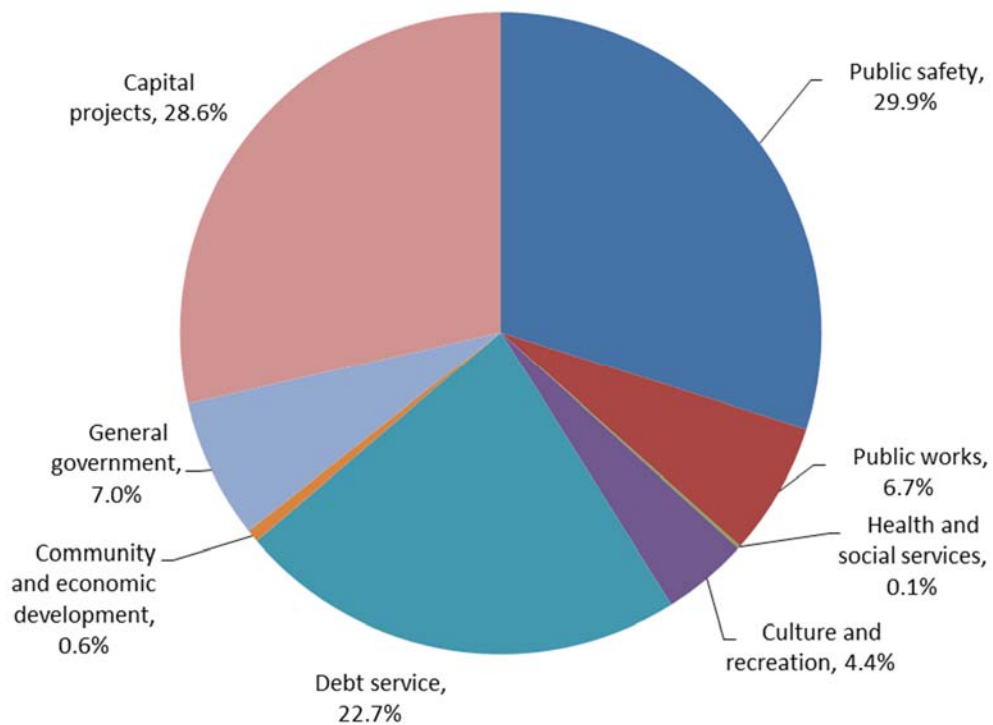
Changes in Cash Basis Net Position of Governmental Activities

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service	\$ 760,009	\$ 781,428
Operating grants, contributions and restricted interest	527,184	499,564
Capital grants, contributions and restricted interest	103,107	409,516
General receipts:		
Property tax	3,090,291	2,726,951
Tax increment financing	1,748,793	1,732,283
Franchise fees	272,027	297,826
Unrestricted interest on investments	3,288	1,905
Note proceeds	61,336	4,335,282
Sale of land	-	2,096,024
Other general receipts	<u>49,269</u>	<u>68,980</u>
Total receipts	<u>6,615,304</u>	<u>12,949,759</u>
Disbursements:		
Public safety	2,477,262	2,454,983
Public works	553,845	679,175
Health and social services	3,000	3,000
Culture and recreation	360,225	379,790
Community and economic development	53,035	51,022
General government	580,879	555,344
Debt service	1,878,699	2,128,286
Capital projects	<u>2,368,916</u>	<u>1,537,829</u>
Total disbursements	<u>8,275,861</u>	<u>7,789,429</u>
Change in cash basis net position before transfers	(1,660,557)	5,160,330
Transfers, net	<u>50,000</u>	<u>65,000</u>
Change in cash basis net position	(1,610,557)	5,225,330
Cash basis net position beginning of year	<u>8,267,204</u>	<u>3,041,874</u>
Cash basis net position end of year	<u>\$6,656,647</u>	<u>\$8,267,204</u>

Receipts by Source



Disbursements by Function



Total governmental activities receipts for the fiscal year were \$6,615,304 compared to \$12,949,759 last year. The cost of all governmental activities this year was \$8,275,861 compared to \$7,789,429 last year. The decrease in receipts was due to the City receiving less capital loan note proceeds and the proceeds from the sale of land compared to the prior fiscal year. The increase in disbursements was primarily due to new city hall expenditures and street resurfacing projects in the current fiscal year.

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 57,398	\$ 58,178
Water	-	15,000
Storm water	310,270	307,266
Solid waste	348,928	364,925
General receipts:		
Unrestricted interest on investments	<u>253</u>	<u>100</u>
Total receipts	<u>716,849</u>	<u>745,469</u>
Disbursements:		
Water	2,768	-
Sewer	48,059	69,390
Storm water	142,935	156,432
Solid waste	<u>296,627</u>	<u>313,264</u>
Total disbursements	<u>490,389</u>	<u>539,086</u>
Change in cash basis net position before transfers	226,460	206,383
Transfers, net	<u>(50,000)</u>	<u>(65,000)</u>
Change in cash basis net position	176,460	141,383
Cash basis net position beginning of year	<u>291,128</u>	<u>149,745</u>
Cash basis net position end of year	<u>\$ 467,588</u>	<u>\$ 291,128</u>

Total business type activities receipts for the fiscal year were \$716,849 compared to \$745,469 last fiscal year, a decrease of \$28,620, or 3.8%. Total disbursements were \$490,389 compared to \$539,086 in the prior fiscal year, a decrease of \$48,697, or 9.0%. The decrease in receipts is due to decreased solid waste usage during the current fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Windsor Heights completed the year, its governmental funds reported a combined fund balance of \$6,656,647, a decrease of \$1,610,557 from last year's total of \$8,267,204. The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$219,989, or 6.1%, from the prior year to \$3,839,667. Receipts increased 0.9% and disbursements increased 2.0%. The primary reasons for the increase in fund balance were due to an increase in property tax receipts of \$69,603 and a decrease in public safety expenditures of \$67,198.
- The Special Revenue, Employee Benefits fund cash balance increased \$84,981 over the prior year to \$399,849. Receipts decreased 0.6% while disbursements decreased 2.8%. The increase in cash balance is due to an increase in the employee benefits levy offset by an increase in disbursements. The City levied more based on anticipated increases in health insurance premiums.
- The Special Revenue, Police Pension Fund cash balance decreased \$48,348, or 45.5%, from the prior year. Receipts decreased \$40 due to a decrease in interest receipts while pension payments decreased \$1,430, or 2.9%. The decrease in the cash balance is due to the City using existing cash balances for payment of benefits to the two retired police officers covered under the plan.
- The Special Revenue, Urban Renewal Tax Increment Financing Fund cash balance decreased \$973,528 from the prior year. Receipts increased \$16,510, or 1.0% from the prior year. The decreased cash balance is due to a transfer of \$1,162,701 to reduce the Capital Project, Tax Increment Financing Project Advance Fund deficit.
- The Debt Service Fund cash balance decreased \$11,815 from the prior year. Receipts increased \$241,371 due to an increase in property tax. Disbursements increased \$235,413, or 14.3%, from the prior year.
- The Capital Projects, 2014A Street Project cash balance decreased \$1,848,719 from the prior year. The decrease is due to project expenditures of \$1,848,719 for the current fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The following are the reasons for the changes in the cash balance of the major business type funds from the prior year.

- The Enterprise, Storm Water Fund cash balance increased \$142,335 to \$284,635, due primarily to decreased disbursements during fiscal year 2015.
- The Enterprise, Solid Waste Fund cash balance increased \$52,301 to \$170,763, due primarily to increased receipts and decreased disbursements during fiscal year 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on September 15, 2014, and May 18, 2015. The first amendment increased other financing sources and disbursements. The second amendment increased disbursements only. Disbursements increased in many areas with capital projects and transfers out accounting for the majority of the increase.

The City's total receipts were \$256,981 more than the amended budget, primarily due to licenses and permits.

Total disbursements were \$1,851,268 less than the amended budget. Actual disbursements for the business type activities function were \$206,211 less than the amended budget due to budgeting for certain expenses which did not occur. Actual disbursements for the public safety function were \$159,136 less than the amended budget. Actual disbursements for community and economic development were \$202,965 less than the amended budget. Capital projects were \$1,073,516 below the amended budget.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$11,649,068 of general obligation bonds and capital loan notes outstanding, compared to \$12,970,000 of bonds and notes outstanding at the end of last year.

During the year ended June 30, 2015, the City issued the general obligation capital loan notes Series 2014B.

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 \$11,927,018, including the remaining portion of the tax increment financing redevelopment agreement of \$277,950, is below the City's constitutional debt limit of approximately \$18,950,000.

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 2016 budget. The City Council will need to review areas for potential budget reductions impacting the General Fund to help offset the future decrease in General Fund revenues related to the commercial property tax reform passed in 2015. Although the City Council chose not to levy for the police pension fund in fiscal year 2016, they will need to discuss possible alternatives in future years.

Council budget goals for fiscal year 2016 included programs to spur redevelopment; enhancing emergency, 24-hour Fire/EMS response; adding staff for investigations; and marketing and branding the City. Following the City's strategic planning session in 2015, the City will seek to collaborate with other organizations anytime the City can realize a savings while improving the effectiveness and efficiency of a particular service/operation. The City's costs for services continue to rise even during times of extremely low or negative growth with the Consumer Price Index (CPI). The City will need to continue to plan and account for State and Federal mandates and their corresponding economic impact on the City, such as the recent TIF legislation and the Affordable Care Act.

Two main areas the City will focus on in the near future include capital improvements for an aging infrastructure and the increased labor costs. The City was able to balance its 2016 budget while lowering the tax rate through a high level of staff, Council and citizen participation. For this trend to continue it will take continuous planning and involvement along with the ability to mitigate and control any unexpected mandates.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

City of Windsor Heights, Iowa
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and for the year ended June 30, 2015

		Program receipts		
FUNCTIONS/PROGRAMS	Disbursements	Charges for service	Operating grants, contributions, and restricted interest	Capital grants, contributions, and restricted interest
Primary Government				
Governmental activities				
Public safety	\$2,477,262	\$ 608,790	\$ 21,574	\$ -
Public works	553,845	-	505,355	-
Health and social services	3,000	-	-	-
Culture and recreation	360,225	151,219	217	-
Community and economic development	53,035	-	-	-
General government	580,879	-	38	-
Debt service	1,878,699	-	-	-
Capital projects	<u>2,368,916</u>	<u>-</u>	<u>-</u>	<u>103,107</u>
Total governmental activities	<u>8,275,861</u>	<u>760,009</u>	<u>527,184</u>	<u>103,107</u>
Business type activities				
Water	2,768	-	-	-
Sewer	48,059	57,398	-	-
Storm water	142,935	310,270	-	-
Solid waste	<u>296,627</u>	<u>348,928</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>490,389</u>	<u>716,596</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$8,766,250</u>	<u>\$1,476,605</u>	<u>\$ 527,184</u>	<u>\$ 103,107</u>
Component Unit				
Windsor Heights Foundation	<u>\$ 8,244</u>	<u>\$ -</u>	<u>\$ 10,873</u>	<u>\$ -</u>
GENERAL RECEIPTS AND TRANSFERS				
Property and other city tax levied for				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Franchise fees				
Hotel/motel tax				
Proceeds from capital loan note				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
CASH BASIS NET POSITION				
Restricted				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See Notes to Financial Statements.

<u>Net (disbursements) receipts and changes in cash basis net assets</u>			<u>Component Unit</u>
<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>	<u>Windsor Heights Foundation</u>
\$(1,846,898)	\$ —	\$(1,846,898)	\$ —
(48,490)	—	(48,490)	—
(3,000)	—	(3,000)	—
(208,789)	—	(208,789)	—
(53,035)	—	(53,035)	—
(580,841)	—	(580,841)	—
(1,878,699)	—	(1,878,699)	—
(2,265,809)	—	(2,265,809)	—
<u>(6,885,561)</u>	<u>—</u>	<u>(6,885,561)</u>	<u>—</u>
—	(2,768)	(2,768)	—
—	9,339	9,339	—
—	167,335	167,335	—
—	52,301	52,301	—
<u>—</u>	<u>226,207</u>	<u>226,207</u>	<u>—</u>
<u>(6,885,561)</u>	<u>226,207</u>	<u>(6,659,354)</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>2,629</u>
2,795,301	—	2,795,301	—
294,990	—	294,990	—
1,748,793	—	1,748,793	—
3,288	253	3,541	15
272,027	—	272,027	—
62	—	62	—
61,336	—	61,336	—
49,207	—	49,207	2,625
50,000	(50,000)	—	—
<u>5,275,004</u>	<u>(49,747)</u>	<u>5,225,257</u>	<u>2,640</u>
(1,610,557)	176,460	(1,434,097)	5,269
<u>8,267,204</u>	<u>291,128</u>	<u>8,558,332</u>	<u>19,776</u>
<u>\$6,656,647</u>	<u>\$ 467,588</u>	<u>\$7,124,235</u>	<u>\$ 25,045</u>
\$1,331,927	\$ —	\$1,331,927	\$ —
1,727,121	—	1,727,121	—
565,324	—	565,324	25,045
<u>3,032,275</u>	<u>467,588</u>	<u>3,499,863</u>	<u>—</u>
<u>\$6,656,647</u>	<u>\$ 467,588</u>	<u>\$7,124,235</u>	<u>\$ 25,045</u>

City of Windsor Heights, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
As of and for the year ended June 30, 2015

	<u>Special revenue</u>			
	<u>General</u>	<u>Employee Benefits</u>	<u>Police Pension</u>	<u>Urban Renewal Tax Increment Financing</u>
RECEIPTS				
Property tax	\$1,807,207	\$ 935,807	\$ —	\$ —
Tax increment financing	—	—	—	1,748,793
Other city tax	62	—	—	—
Licenses and permits	343,088	—	—	—
Use of money and property	3,288	38	53	—
Intergovernmental	8,786	—	—	—
Charges for services	268,544	—	—	—
Miscellaneous	428,135	21,550	—	—
Total receipts	<u>2,859,110</u>	<u>957,395</u>	<u>53</u>	<u>1,748,793</u>
DISBURSEMENTS				
Operating				
Public safety	1,838,604	571,978	48,401	—
Public works	14,415	156,602	—	—
Health and social services	3,000	—	—	—
Culture and recreation	326,690	33,535	—	—
Community and economic development	25,716	—	—	—
General government	485,557	85,299	—	—
Debt service	—	—	—	—
Capital projects	—	—	—	630
Total disbursements	<u>2,693,982</u>	<u>847,414</u>	<u>48,401</u>	<u>630</u>
Excess (deficiency) of receipts over (under) disbursements	<u>165,128</u>	<u>109,981</u>	<u>(48,348)</u>	<u>1,748,163</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital loan note	—	—	—	—
Operating transfers in	75,000	—	—	—
Operating transfers out	(20,139)	(25,000)	—	(2,721,691)
Total other financing sources (uses)	<u>54,861</u>	<u>(25,000)</u>	<u>—</u>	<u>(2,721,691)</u>
CHANGE IN CASH BALANCES	219,989	84,981	(48,348)	(973,528)
CASH BALANCES (DEFICITS), beginning of year	<u>3,619,678</u>	<u>314,868</u>	<u>106,167</u>	<u>2,360,419</u>
CASH BALANCES (DEFICITS), end of year	<u>\$3,839,667</u>	<u>\$ 399,849</u>	<u>\$ 57,819</u>	<u>\$1,386,891</u>
CASH BASIS FUND BALANCES (DEFICITS)				
Restricted for				
Streets	\$ —	\$ —	\$ —	\$ —
Debt service	—	—	—	1,386,891
Other purposes	—	399,849	57,819	—
Unassigned	<u>3,839,667</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total cash basis fund balances (deficits)	<u>\$3,839,667</u>	<u>\$ 399,849</u>	<u>\$ 57,819</u>	<u>\$1,386,891</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects 2014A Street Project</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 294,990	\$ —	\$ 52,287	\$3,090,291
—	—	—	1,748,793
—	—	—	62
—	—	—	343,088
—	—	43	3,422
—	—	608,462	617,248
—	—	8,342	276,886
—	—	24,493	474,178
<u>294,990</u>	<u>—</u>	<u>693,627</u>	<u>6,553,968</u>
—	—	18,279	2,477,262
—	—	382,828	553,845
—	—	—	3,000
—	—	—	360,225
—	—	27,319	53,035
—	—	10,023	580,879
1,878,699	—	—	1,878,699
—	<u>1,848,719</u>	<u>519,567</u>	<u>2,368,916</u>
<u>1,878,699</u>	<u>1,848,719</u>	<u>958,016</u>	<u>8,275,861</u>
(1,583,709)	(1,848,719)	(264,389)	(1,721,893)
—	—	61,336	61,336
1,571,894	—	1,182,840	2,829,734
—	—	(12,904)	(2,779,734)
<u>1,571,894</u>	<u>—</u>	<u>1,231,272</u>	<u>111,336</u>
(11,815)	(1,848,719)	966,883	(1,610,557)
<u>314,066</u>	<u>2,904,394</u>	<u>(1,352,388)</u>	<u>8,267,204</u>
\$ <u>302,251</u>	\$ <u>1,055,675</u>	\$ <u>(385,505)</u>	\$ <u>6,656,647</u>
\$ —	\$1,055,675	\$ 276,252	\$1,331,927
302,251	—	37,979	1,727,121
—	—	107,656	565,324
—	—	(807,392)	3,032,275
\$ <u>302,251</u>	\$ <u>1,055,675</u>	\$ <u>(385,505)</u>	\$ <u>6,656,647</u>

See Notes to Financial Statements.

City of Windsor Heights, Iowa
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS**
 As of and for the year ended June 30, 2015

	Enterprise			
	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Nonmajor</u>	<u>Total</u>
OPERATING RECEIPTS				
Charges for services	\$ 348,928	\$ 310,270	\$ 57,398	\$ 716,596
OPERATING DISBURSEMENTS				
Business type activities	<u>296,627</u>	<u>138,415</u>	<u>50,827</u>	<u>485,869</u>
Excess of operating receipts over operating disbursements	<u>52,301</u>	<u>171,855</u>	<u>6,571</u>	<u>230,727</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Interest on investments	-	-	253	253
Capital outlay	<u>-</u>	<u>(4,520)</u>	<u>-</u>	<u>(4,520)</u>
Net nonoperating receipts (disbursements)	<u>-</u>	<u>(4,520)</u>	<u>253</u>	<u>(4,267)</u>
Excess of receipts over disbursements	52,301	167,335	6,824	226,460
OPERATING TRANSFERS OUT	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>
CHANGE IN CASH BALANCES	52,301	142,335	(18,176)	176,460
CASH BALANCES , beginning of year	<u>118,462</u>	<u>142,300</u>	<u>30,366</u>	<u>291,128</u>
CASH BALANCES , end of year	<u>\$ 170,763</u>	<u>\$ 284,635</u>	<u>\$ 12,190</u>	<u>\$ 467,588</u>
CASH BASIS FUND BALANCES				
Unrestricted	<u>\$ 170,763</u>	<u>\$ 284,635</u>	<u>\$ 12,190</u>	<u>\$ 467,588</u>

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 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.

Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Unit

The Windsor Heights Foundation (Foundation) was organized as a nonprofit entity under Chapter 504A of the Code of Iowa. The purpose of the Foundation is to solicit funds to be administered and expended solely for the charitable use and direct benefit of the City and its citizens. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

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 the governing body of each member city. The members make contributions toward the budget of the Organization. During the year ended June 30, 2015, the City paid the Organization \$4,860.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority (the Authority). The Authority Board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint governmental body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2015, the City paid the Metro Waste Authority \$90,031 for the Curb It Program.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

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 \$25,716 during the year ended June 30, 2015.

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, Walnut Creek Watershed Management Authority, Metropolitan Des Moines Sister Cities Commission and BRAVO.

Basis of Presentation

Government-wide Financial Statement

The statement of activities and net position – cash basis 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 position – cash basis presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

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

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

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Capital Projects

The Capital Projects, 2014A Street Project Fund is used to account for receipts and disbursement for street projects.

The City reports the following major proprietary funds:

The Enterprise, Storm Water Fund accounts for the receipts and disbursement of the storm water system.

The Enterprise, Solid Waste Fund accounts for the receipts and disbursements of the solid waste system.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accounting principles generally accepted in the United States of America.

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

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

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

Governmental Cash Basis Fund Balances

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

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

Unassigned - All amounts not included in the preceding classification.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the general government function.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 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 \$500,530 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.

**City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 BONDS AND NOTES PAYABLE

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,526,643	\$ 433,738	\$ 1,960,381
2017	1,302,050	397,606	1,699,656
2018	1,167,470	360,884	1,528,354
2019	952,905	326,815	1,279,720
2020	900,000	293,453	1,193,453
2021-2025	2,935,000	1,019,888	3,954,888
2026-2030	2,225,000	378,188	2,603,188
2031-2033	640,000	51,800	691,800
Total	<u>\$11,649,068</u>	<u>\$3,262,372</u>	<u>\$14,911,440</u>

NOTE 4 PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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

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

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

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLAN (continued)

Pension Benefits (continued)

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

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

Disability and Death Benefits

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

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$182,997.

**City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLAN (continued)

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows and Collective Inflows of Resources Related to Pensions

At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$134,802. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the City's proportionate share:

	June 30		Change
	2014	2013	
City's proportionate share	0.003399%	0.012189%	-0.008790%

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$47,670, \$200,079 and \$460,758, respectively.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

**City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLAN (continued)

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$1,035,310</u>	<u>\$ 134,802</u>	<u>\$ (624,522)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

**City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLAN (continued)

Chapter 410 Police Pension Plan

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

The plan is administered by the City and provides retirement, disability and death benefits. The benefits are established by state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 50 percent of the monthly salary upon retirement or disability and 25 percent of the monthly salary upon 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%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.

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

Total pension obligation at July 1, 2014	\$ 388,889
Net position available for benefits as of June 30, 2015	<u>57,819</u>
Unfunded pension benefit obligation	<u>\$ 331,070</u>

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

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 28 active and no retired members in the plan.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for plan members are \$414 for single coverage, \$783 for employee-child(ren), \$847 for employee-spouse and \$1,269 for family coverage. For the year ended June 30, 2015, the City contributed \$351,693 and plan members eligible for benefits contributed \$23,178.

**City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. At June 30, 2015 no employees were eligible for sick leave payout as it requires 20 years of service. The City's approximate liability for earned vacation payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ <u>115,000</u>

The liability has been computed based on rates of pay in effect as of June 30, 2015.

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits	\$ 25,000
	Enterprise: Storm Water	25,000
	Nonmajor Enterprise funds	<u>25,000</u>
		<u>75,000</u>
Debt Service	Capital Projects: Nonmajor Governmental funds	12,904
	Special Revenue: Urban Renewal Tax Increment Financing	<u>1,558,990</u>
		<u>1,571,894</u>
Nonmajor Governmental Funds	Special Revenue: Urban Renewal Tax Increment Financing	1,162,701
	General	20,139
		<u>1,182,840</u>
Total		<u>\$2,816,830</u>

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

NOTE 8 TAX INCREMENT FINANCING REDEVELOPMENT AGREEMENT

On December 19, 2011, the City entered into an agreement with We Can Build It, LLC (Company). Under this agreement, the Company agreed to a minimum assessment on the property located at 6500 University Avenue of \$4,090,050. The Company also agreed to provide the City with at least \$90,000 in property tax per year and the City agreed to rebate the Company any property tax paid over \$90,000 within 15 days of payment to the City through June 30, 2018. The City estimates the annual payments will be \$92,650 throughout the term of the agreement. During the year ended, June 30, 2015, the City made no disbursements under this agreement.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 9 RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$63,060.

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

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

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

**City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 RISK MANAGEMENT (continued)

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 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.

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

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

NOTE 11 INTERFUND LOANS

The detail of interfund loans at June 30, 2015 is as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Special Revenue:	General	\$ 301,490
Urban Renewal Tax Increment Financing	Capital Projects:	
	Tax Increment Financing Project Advance	138,750
	Hickman Road TIF	<u>515,520</u>
Total		<u>\$ 955,760</u>

The loans represent amounts paid from the General Fund, Capital Projects, Tax Increment Financing Project Advance and Hickman Road TIF funds for costs associated with the City's urban renewal projects. The loans will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Financing Fund as receipts become available. No reimbursements occurred during the year ended June 30, 2015.

NOTE 12 CONSTRUCTION COMMITMENT

The City has entered into various construction contracts totaling approximately \$1,104,664. The unpaid contract balances as of June 30, 2015 totaled approximately \$542,000 which will be paid as work on the projects progress.

City of Windsor Heights, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 DEFICIT BALANCES

The Capital Projects, Tax Increment Financing Project Advance, Hickman Road TIF, City Hall Public Safety, Equipment Reserve, and 63rd/Hickman Streetscape had deficit balances of \$81,951, \$506,711, \$53,443, \$161,026, and \$4,261, respectively, at June 30, 2015. The deficits will be eliminated through transfers of future tax increment financing collections.

OTHER INFORMATION

City of Windsor Heights, Iowa
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
Year ended June 30, 2015

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total</u>
RECEIPTS				
Property taxes	\$3,038,004	\$ -	\$ -	\$3,038,004
Tax increment financing	1,748,793	-	-	1,748,793
Other city tax	62	-	-	62
Licenses and permits	343,088	-	-	343,088
Use of money and property	3,422	253	15	3,660
Intergovernmental	669,535	-	-	669,535
Charges for services	276,886	716,596	-	993,482
Miscellaneous	474,178	-	12,661	461,517
Total receipts	<u>6,553,968</u>	<u>716,849</u>	<u>12,676</u>	<u>7,258,141</u>
DISBURSEMENTS				
Public safety	2,477,262	-	7,279	2,469,983
Public works	553,845	-	-	553,845
Health and social services	3,000	-	-	3,000
Culture and recreation	360,225	-	-	360,225
Community and economic development	53,035	-	-	53,035
General government	580,879	-	-	580,879
Debt service	1,878,699	-	-	1,878,699
Capital projects	2,368,916	-	-	2,368,916
Business type activities	-	490,389	-	490,389
Total disbursements	<u>8,275,861</u>	<u>490,389</u>	<u>7,279</u>	<u>8,758,971</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,721,893)</u>	<u>226,460</u>	<u>5,397</u>	<u>(1,500,830)</u>
OTHER FINANCING SOURCES (USES), net				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>111,336</u>	<u>(50,000)</u>	<u>-</u>	<u>61,336</u>
BALANCES, beginning of year	<u>8,267,204</u>	<u>291,128</u>	<u>18,062</u>	<u>8,540,270</u>
BALANCES, end of year	<u>\$6,656,647</u>	<u>\$ 467,588</u>	<u>\$ 23,459</u>	<u>\$7,100,776</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to total variance</u>
<u>Original</u>	<u>Final</u>	
\$ 2,987,302	\$ 2,987,302	\$ 50,702
1,768,000	1,768,000	(19,207)
301,729	301,729	(301,667)
75,000	75,000	268,088
1,200	1,200	2,460
527,929	527,929	141,606
1,040,000	1,040,000	(46,518)
300,000	300,000	161,517
<u>7,001,160</u>	<u>7,001,160</u>	<u>256,981</u>
2,528,119	2,629,119	159,136
663,735	663,735	109,890
3,100	3,100	100
402,219	462,219	101,994
256,000	256,000	202,965
509,500	563,000	(17,879)
1,881,130	1,881,130	2,431
3,090,000	3,394,000	1,025,084
696,600	696,600	206,211
<u>10,090,403</u>	<u>10,548,903</u>	<u>1,789,932</u>
<u>(3,089,243)</u>	<u>(3,547,743)</u>	<u>2,046,913</u>
<u>3,090,000</u>	<u>3,055,000</u>	<u>(2,993,664)</u>
<u>757</u>	<u>(492,743)</u>	<u>(946,751)</u>
<u>8,225,104</u>	<u>8,225,104</u>	<u>315,166</u>
<u>\$ 8,225,861</u>	<u>\$ 7,732,361</u>	<u>\$ (631,585)</u>

City of Windsor Heights, Iowa
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
June 30, 2015

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, two budget amendments increased budgeted disbursements by \$458,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the general government function.

City of Windsor Heights, Iowa
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Other Information

	<u>June 30</u> <u>2015</u>
City's proportion of the net pension liability	.003399%
City's proportionate share of the net pension liability	\$135
City's total payroll	\$1,979
City's proportionate share of the net pension liability as a percentage of its total payroll	6.82%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to required supplementary information - pension liability.

City of Windsor Heights, Iowa
SCHEDULE OF CITY CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Other Information

	<u>Year ended June 30</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 183	\$ 169	\$ 167	\$ 157
Contributions in relation to the statutorily required contribution	____ (183)	____ (169)	____ (167)	____ (157)
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____
City's total payroll	\$1,979	\$1,974	\$1,879	\$1,860
Contributions as a percentage of total payroll	9.25%	8.56%	8.89%	8.44%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
2011	2010	2009	2008	2007	2006
\$ 155	\$ 141	\$ 129	\$ 115	\$ 103	\$ 101
____ (155)	____ (141)	____ (129)	____ (115)	____ (103)	____ (101)
\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>
\$1,930	\$1,878	\$1,657	\$1,513	\$1,446	\$1,178
8.03%	7.51%	7.79%	7.60%	7.12%	8.57%

City of Windsor Heights, Iowa
NOTES TO OTHER INFORMATION – PENSION LIABILITY
Year ended June 30, 2015

CHANGES OF BENEFIT TERMS

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

City of Windsor Heights, Iowa
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES (DEFICITS)
Nonmajor Governmental Funds
As of and for the year ended June 30, 2015

	<u>Special revenue</u>				
	<u>Road Use</u>	<u>Police Trust</u>	<u>Police Forfeiture</u>	<u>Emergency Fund</u>	<u>Windsor Heights Fire Fighter's Association</u>
RECEIPTS					
Property tax	\$ -	\$ -	\$ -	\$ 52,287	\$ -
Use of money and property	-	14	14	-	15
Intergovernmental	505,355	-	-	-	-
Charges for service	-	8,342	683	-	-
Miscellaneous	1,313	-	-	-	12,661
Total receipts	<u>506,668</u>	<u>8,356</u>	<u>697</u>	<u>52,287</u>	<u>12,676</u>
DISBURSEMENTS					
Operating					
Public safety	-	1,000	10,000	-	7,279
Public works	382,828	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>382,828</u>	<u>1,000</u>	<u>10,000</u>	<u>-</u>	<u>7,279</u>
Excess (deficiency) of receipts over (under) disbursements	<u>123,840</u>	<u>7,356</u>	<u>(9,303)</u>	<u>52,287</u>	<u>5,397</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital loan note	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	123,840	7,356	(9,303)	52,287	5,397
CASH BALANCES (DEFICITS), beginning of year	<u>152,412</u>	<u>22,099</u>	<u>11,758</u>	<u>-</u>	<u>18,062</u>
CASH BALANCES (DEFICITS), end of year	<u>\$ 276,252</u>	<u>\$ 29,455</u>	<u>\$ 2,455</u>	<u>\$ 52,287</u>	<u>\$ 23,459</u>
CASH BASIS FUND BALANCES (DEFICITS)					
Restricted for					
Streets	\$ 276,252	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
Other purposes	-	29,455	2,455	52,287	23,459
Unassigned	-	-	-	-	-
Total cash basis fund balances (deficits)	<u>\$ 276,252</u>	<u>\$ 29,455</u>	<u>\$ 2,455</u>	<u>\$ 52,287</u>	<u>\$ 23,459</u>

See accompanying independent auditor's report

Capital projects

<u>63rd/ Hickman Streetscape</u>	<u>Colby Park TIF</u>	<u>Hickman Road TIF</u>	<u>73rd/ Hickman</u>	<u>City Hall Public Safety</u>	<u>Tax Increment Financing Project Advance</u>	<u>Equipment Reserve</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,287
-	-	-	-	-	-	-	43
-	-	85,471	17,636	-	-	-	608,462
-	-	-	-	-	-	-	9,025
-	-	-	-	9,836	-	-	23,810
-	-	85,471	17,636	9,836	-	-	693,627
-	-	-	-	-	-	-	18,279
-	-	-	-	-	-	-	382,828
-	-	-	-	-	27,319	-	27,319
-	-	-	-	10,023	-	-	10,023
4,261	-	36,605	37,595	157,743	54,632	228,731	519,567
4,261	-	36,605	37,595	167,766	81,951	228,731	958,016
(4,261)	-	48,866	(19,959)	(157,930)	(81,951)	(228,731)	(264,389)
-	-	-	-	-	-	61,336	61,336
-	-	-	20,139	-	1,162,701	-	1,182,840
-	-	-	-	-	-	(12,904)	(12,904)
-	-	-	20,139	-	1,162,701	48,432	1,231,272
(4,261)	-	48,866	180	(157,930)	(81,951)	(180,299)	966,883
-	37,979	(555,577)	(180)	104,487	(1,162,701)	19,273	(1,352,388)
<u>\$ (4,261)</u>	<u>\$ 37,979</u>	<u>\$ (506,711)</u>	<u>\$ -</u>	<u>\$ (53,443)</u>	<u>\$ (81,951)</u>	<u>\$ (161,026)</u>	<u>\$ (385,505)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,252
-	37,979	-	-	-	-	-	37,979
-	-	-	-	-	-	-	107,656
(4,261)	-	(506,711)	-	(53,443)	(81,951)	(161,026)	(807,392)
<u>\$ (4,261)</u>	<u>\$ 37,979</u>	<u>\$ (506,711)</u>	<u>\$ -</u>	<u>\$ (53,443)</u>	<u>\$ (81,951)</u>	<u>\$ (161,026)</u>	<u>\$ (385,505)</u>

City of Windsor Heights, Iowa
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
Nonmajor Proprietary Funds
As of and for the year ended June 30, 2015

	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS			
Charges for services	\$ -	\$ 57,398	\$ 57,398
OPERATING DISBURSEMENTS			
Business type activities	<u>2,768</u>	<u>48,059</u>	<u>50,827</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(2,768)</u>	<u>9,339</u>	<u>6,571</u>
NONOPERATING RECEIPTS			
Interest on investments	<u>253</u>	<u>-</u>	<u>253</u>
Net nonoperating receipts (disbursements)	<u>253</u>	<u>-</u>	<u>253</u>
Excess (deficiency) of receipts over (under) disbursements	(2,515)	9,339	6,824
Operating transfers (out)	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net change in cash balances	(2,515)	(15,661)	(18,176)
CASH BALANCE , beginning of year	<u>302</u>	<u>30,064</u>	<u>30,366</u>
CASH BALANCE , end of year	\$ <u>(2,213)</u>	\$ <u>14,403</u>	\$ <u>12,190</u>
CASH BASIS FUND BALANCES , unrestricted	\$ <u>(2,213)</u>	\$ <u>14,403</u>	\$ <u>12,190</u>

City of Windsor Heights, Iowa
SCHEDULE OF INDEBTEDNESS
For the year ended June 30, 2015

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General obligation bonds and notes			
Capital loan notes, series 2007A	April 1, 2007	3.75-3.80%	\$1,500,000
General obligation bonds, series 2008A	June 1, 2008	3.65-4.20%	1,980,000
General obligation bonds, series 2008B	June 1, 2008	5.40-6.20%	3,805,000
Capital loan notes, series 2011A	February 1, 2011	2.65-4.15%	3,360,000
Refunding capital loan notes, series 2011B	February 1, 2011	2.00%	440,000
Refunding capital loan notes, series 2012A	May 24, 2012	0.75-1.20%	1,375,000
Capital loan notes, series 2013A	July 1, 2013	0.50-1.15%	950,000
Capital loan notes, series 2014	May 15, 2014	2.50%	325,000
Capital loan notes, series 2014A	January 6, 2014	2.00-4.00%	3,090,000
Capital loan notes, series 2014B	September 10, 2014	3.49%	61,336
 Total			

See accompanying independent auditor's report.

Schedule 3

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>
\$ 520,000	\$ —	\$ 165,000	\$ 355,000	\$ 19,590
1,595,000	—	85,000	1,510,000	63,375
3,065,000	—	145,000	2,920,000	180,035
2,500,000	—	315,000	2,185,000	82,185
160,000	—	80,000	80,000	3,200
1,010,000	—	250,000	760,000	8,985
705,000	—	230,000	475,000	4,480
325,000	—	—	325,000	5,142
3,090,000	—	100,000	2,990,000	128,803
<u>—</u>	<u>61,336</u>	<u>12,268</u>	<u>49,068</u>	<u>636</u>
<u>\$12,970,000</u>	<u>\$ 61,336</u>	<u>\$1,382,268</u>	<u>\$11,649,068</u>	<u>\$ 496,431</u>

City of Windsor Heights, Iowa
BOND AND NOTE MATURITIES
June 30, 2015

GENERAL OBLIGATION BONDS/NOTES

Year ending June 30	Series 2007A Issued April 1, 2007		Series 2008A Issued June 1, 2008		Series 2008B Issued June 1, 2008		Series 2011A Issued Feb 1, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.75%	175,000	3.65%	\$ 90,000	5.40%	\$ 155,000	2.65%	\$ 330,000
2017	3.80%	180,000	3.65%	90,000	5.40%	165,000	2.95%	340,000
2018		—	3.75%	95,000	5.50%	175,000	3.45%	355,000
2019		—	3.80%	100,000	5.60%	185,000	3.60%	370,000
2020		—	3.90%	105,000	5.70%	195,000	3.95%	385,000
2021		—	4.00%	110,000	5.80%	205,000	4.15%	405,000
2022		—	4.00%	115,000	5.90%	220,000		—
2023		—	4.05%	120,000	6.00%	230,000		—
2024		—	4.05%	125,000	6.00%	245,000		—
2025		—	4.10%	130,000	6.10%	260,000		—
2026		—	4.15%	135,000	6.10%	275,000		—
2027		—	4.20%	145,000	6.20%	295,000		—
2028		—	4.20%	150,000	6.20%	315,000		—
2029		—		—		—		—
2030		—		—		—		—
2031		—		—		—		—
2032		—		—		—		—
2033		—		—		—		—
Totals		<u>\$ 355,000</u>		<u>\$1,510,000</u>		<u>\$2,920,000</u>		<u>\$2,185,000</u>

Year ending June 30	Series 2011B Issued Feb 1, 2011		Series 2012A Issued May 24, 2012		Series 2013A Issued July 1, 2013		Series 2014A Issued Jan 6, 2014	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	2.00%	\$ 80,000	0.75%	\$ 250,000	0.50%	\$ 250,000	2.00%	\$ 130,000
2017		—	1.00%	255,000	0.75%	70,000	2.00%	130,000
2018		—	1.20%	255,000	1.00%	75,000	2.00%	135,000
2019		—		—	1.15%	80,000	2.00%	135,000
2020		—		—		—	2.00%	140,000
2021		—		—		—	2.10%	145,000
2022		—		—		—	2.30%	150,000
2023		—		—		—	2.50%	155,000
2024		—		—		—	2.65%	155,000
2025		—		—		—	2.85%	165,000
2026		—		—		—	3.00%	170,000
2027		—		—		—	3.20%	175,000
2028		—		—		—	3.50%	180,000
2029		—		—		—	3.60%	190,000
2030		—		—		—	4.00%	195,000
2031		—		—		—	4.00%	205,000
2032		—		—		—	4.00%	215,000
2033		—		—		—	4.00%	220,000
Totals		<u>\$ 80,000</u>		<u>\$ 760,000</u>		<u>\$ 475,000</u>		<u>\$2,990,000</u>

See accompanying independent auditor's report.

City of Windsor Heights, Iowa
BOND AND NOTE MATURITIES(continued
June 30, 2015

GENERAL OBLIGATION BONDS/NOTES (continued)

Year ending June 30	Series 2014		Series 2014B		Amount
	Interest Rates	Amount	Interest Rates	Amount	
2016	2.50%	\$ 55,000	3.49%	\$ 11,643	\$ 1,526,643
2017	2.50%	60,000	3.49%	12,050	1,302,050
2018	2.50%	65,000	3.49%	12,470	1,167,470
2019	2.50%	70,000	3.49%	12,905	952,905
2020	2.50%	75,000		-	900,000
2021		-		-	865,000
2022		-		-	485,000
2023		-		-	505,000
2024		-		-	525,000
2025		-		-	555,000
2026		-		-	580,000
2027		-		-	615,000
2028		-		-	645,000
2029		-		-	190,000
2030		-		-	195,000
2031		-		-	205,000
2032		-		-	215,000
2033		-		-	220,000
Totals		<u>\$ 325,000</u>		<u>\$ 49,068</u>	<u>\$11,649,068</u>

See accompanying independent auditor's report.

City of Windsor Heights, Iowa
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
All Governmental Funds
As of and for the last ten years

	Year ended June 30			
	2015	2014	2013	2012
RECEIPTS				
Property tax	\$3,038,004	\$2,726,951	\$2,506,807	\$2,570,857
Tax increment financing	1,748,793	1,732,283	1,785,128	1,776,154
Other city tax	62	472	772	1,348
Licenses and permits	343,088	336,307	293,260	276,280
Use of money and property	3,422	2,120	1,399	2,126
Intergovernmental	669,535	909,330	487,284	2,266,797
Charges for service	276,886	316,160	286,173	262,831
Miscellaneous	<u>474,178</u>	<u>494,830</u>	<u>285,475</u>	<u>176,594</u>
Total receipts	<u>\$6,553,968</u>	<u>\$6,518,453</u>	<u>\$5,646,298</u>	<u>\$7,332,987</u>
DISBURSEMENTS				
Operating				
Public safety	\$2,477,262	\$2,454,983	\$2,212,816	\$2,177,783
Public works	553,845	679,175	621,834	613,361
Health and social services	3,000	3,000	3,000	3,000
Culture and recreation	360,225	379,790	375,312	418,659
Community and economic development	53,035	51,022	157,090	155,196
General government	580,879	555,344	526,002	516,691
Debt service	1,878,699	1,643,286	1,445,175	2,080,081
Capital projects	<u>2,368,916</u>	<u>1,537,829</u>	<u>206,700</u>	<u>2,398,341</u>
Total disbursements	<u>\$8,275,861</u>	<u>\$7,304,429</u>	<u>\$5,547,929</u>	<u>\$8,363,112</u>

Schedule 5

Year ended June 30					
2011	2010	2009	2008	2007	2006
\$2,565,082	\$ 2,703,573	\$ 2,778,548	\$2,215,440	\$2,160,668	\$2,149,157
1,724,469	1,809,398	1,645,515	1,568,689	1,620,769	1,447,527
3,525	209,293	287,013	316,789	306,032	307,581
292,831	40,964	38,357	75,189	79,458	40,333
13,815	6,786	78,651	65,332	58,023	40,451
768,245	1,441,286	422,362	515,629	783,396	409,501
212,893	514,927	370,278	377,556	331,869	120,478
<u>154,192</u>	<u>228,551</u>	<u>309,957</u>	<u>297,258</u>	<u>283,318</u>	<u>205,438</u>
<u>\$5,735,052</u>	<u>\$ 6,954,778</u>	<u>\$ 5,930,681</u>	<u>\$5,431,882</u>	<u>\$5,623,533</u>	<u>\$4,720,466</u>
\$2,236,921	\$ 2,102,371	\$ 2,048,175	\$1,819,876	\$2,100,540	\$1,622,875
681,226	1,214,431	1,023,955	914,916	885,629	629,928
2,500	100	2,500	-	-	75,125
346,520	308,454	370,797	328,954	238,776	468,146
37,777	12,535	8,085	225	14,933	23,354
523,210	594,043	570,123	456,932	479,658	375,537
2,099,516	1,891,171	3,538,565	1,459,425	1,300,176	1,744,032
<u>1,177,079</u>	<u>4,861,461</u>	<u>2,890,523</u>	<u>966,570</u>	<u>1,191,250</u>	<u>138,719</u>
<u>\$7,104,749</u>	<u>\$10,984,566</u>	<u>\$10,452,723</u>	<u>\$5,946,898</u>	<u>\$6,210,962</u>	<u>\$5,077,716</u>

See accompanying independent auditor's report.



**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
Windsor Heights, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 17, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Windsor Heights' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Windsor Heights' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 the Findings

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

Purpose of this Report

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 17, 2015

**City of Windsor Heights
SCHEDULE OF FINDINGS
Year ended June 30, 2015**

Part I - Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

I-A-15 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 data input and output and custody and control over assets.
- (2) Cash - preparation of bank reconciliations, signing checks and recording cash. In addition, two individuals have access to one change drawer at the City rather than each individual having a change drawer they are solely responsible for.
- (3) Investments - detailed record keeping, custody and reconciling.
- (4) Receipts - depositing, posting and reconciling.
- (5) Disbursements - purchasing, processing invoices, disbursing and recording.
- (6) Payroll - recordkeeping, preparation, distribution and custody of undistributed warrants.
- (7) Debt - recordkeeping, debt payment processing and reconciling.

Duties of accounting personnel are not rotated in their absence.

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

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

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.

City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015

INTERNAL CONTROL DEFICIENCIES (continued)

I-A-15 SEGREGATION OF DUTIES (continued)

Responses

City - The City will continue to review internal control procedures in an effort to obtain the maximum internal control possible given the limited number of staff and elected officials.

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 of 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. 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.

Conclusions

Responses accepted.

I-B-15 RECEIPTS

An independent reconciliation of recorded receipts to an initial listing of receipts is not performed. Deposit summaries do not always contain sufficient detail to trace specific receipts to supporting documentation.

Recommendation

An independent person should periodically reconcile recorded receipts to an initial listing. Deposit information should be maintained in sufficient detail to allow tracing to supporting documentation for each receipt.

Response

The City will continue to work to periodically have an independent person review and reconcile recorded receipts to the initial listing as well as maintain sufficient detail to trace receipts to supporting documentation. The City will work on a policy to ensure there is an independent person reviewing a list of all recorded receipts and that person to provide a reconciliation to match what is entered with supporting documentation.

Conclusion

Response accepted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015

Part II – Other Findings Related to Required Statutory Reporting

II-A-15 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation

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

Response

The City conducted an end of year budget amendment in accord with Iowa law. The excess was due to the requirement of forecasting the remaining two months of the budget while preparing to meet the State's requirement.

Conclusion

Response accepted.

II-B-15 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.

II-C-15 TRAVEL EXPENSE

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 BUSINESS TRANSACTIONS

No transactions between the City and City officials and employees were noted.

II-E-15 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.

City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015

Part II – Other Findings Related to Required Statutory Reporting (continued)

II-F-15 CITY COUNCIL MINUTES

Except as noted, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, the publications did not always include the purpose of the claims approved for payment as required by Chapter 372.13(6) of the Code of Iowa. A summary of all receipts, and in one instance tested was not published within 15 days of the meeting.

Recommendation

All minutes should be published within 15 days of the meeting and the purpose of claims and a summary of receipts should be published as required.

Response

The City will publish minutes within 15 days of the meeting. The recommendation to publish the purpose of claims will again be discussed at the Council level along with the publishing of a summary of receipts.

Conclusion

Response accepted.

II-G-15 DEPOSITS AND INVESTMENTS

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-15 ANNUAL URBAN RENEWAL REPORT

The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

**City of Windsor Heights, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2015**

Part II – Other Findings Related to Required Statutory Reporting (continued)

II-I-15 FINANCIAL CONDITION

The City had deficit balances in the following funds at June 30, 2015:

Capital Projects	
Hickman Road TIF	\$506,711
Equipment Reserve	\$161,026
Tax Increment Financing Project Advance	\$81,951
City Hall Public Safety	\$53,443
63 rd /Hickman Streetscape	\$4,261

Recommendation

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

Response

The City will investigate alternatives to eliminate these deficits.

Conclusion

Response accepted.

APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Windsor Heights, State of Iowa (the "Issuer"), in connection with the issuance of \$_____ General Obligation Refunding Bonds, Series 2016A and \$_____ Taxable General Obligation Refunding Bonds, Series 2016B (the "Bonds") dated July 6, 2016. The Bonds are being issued pursuant to a Resolution of the Issuer approved on June 20, 2016 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean financial information or operating data of the type included in the final Official Statement, provided at least annually by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" shall mean a day other than a Saturday or a Sunday or a day on which banks in Iowa are authorized or required by law to close.

"Dissemination Agent" shall mean the Issuer or any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Holders" shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

"National Repository" shall mean the MSRB's Electronic Municipal Market Access website, a/k/a "EMMA" (emma.msrb.org).

"Official Statement" shall mean the Issuer's Official Statement for the Bonds, dated _____, 2016.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Financial Information.

a) The Issuer shall, or shall cause the Dissemination Agent to, not later than two hundred seventy (270) days after the end of the Issuer's fiscal year (presently June 30th), commencing with information for the 2015/2016 fiscal year, provide to the National Repository an Annual Financial Information filing consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Financial Information filing must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Financial Information filing may be submitted as a single document or as separate documents comprising a package. The Annual Financial Information filing may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information filing and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

b) If the Issuer is unable to provide to the National Repository the Annual Financial Information by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.

c) The Dissemination Agent shall:

i. each year file Annual Financial Information with the National Repository; and

ii. (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Financial Information has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

Section 4. Content of Annual Financial Information. The Issuer's Annual Financial Information filing shall contain or incorporate by reference the following:

a) The last available audited financial statements of the Issuer for the prior fiscal year. 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. If the Issuer's audited financial statements for the preceding years are not available by the time Annual Financial Information is required to be filed pursuant to Section 3(a), the Annual Financial Information filing shall contain unaudited financial statements of the type included in the final Official

Statement, and the audited financial statements shall be filed in the same manner as the Annual Financial Information when they become available.

b) A table, schedule or other information prepared as of the end of the preceding fiscal year, of the type contained in the final Official Statement under the caption "Iowa Property Valuations", "Trends of Valuations", "Larger Taxpayers", "Debt Limit", "Direct Debt", "Annual Fiscal Year and Debt Service Payments".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the National Repository. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

a) Pursuant to the provisions of this Section, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than 10 Business Days after the day of the occurrence of the event:

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults, if material;
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series Bonds, or material events affecting the tax-exempt status of the Bonds;
- vii. Modifications to rights of Holders of the Bonds, if material;
- viii. Bond calls (excluding sinking fund mandatory redemptions), if material, and tender offers;
- ix. Defeasances of the Bonds;
- x. Release, substitution, or sale of property securing repayment of the Bonds, if material;

xi. Rating changes on the Bonds;

xii. Bankruptcy, insolvency, receivership or similar event of the Issuer;

xiii. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

b) Whenever the Issuer obtains the knowledge of the occurrence of a Listed Event, the Issuer shall determine if the occurrence is subject to notice only if material, and if so shall as soon as possible determine if such event would be material under applicable federal securities laws.

c) If the Issuer determines that knowledge of the occurrence of a Listed Event is not subject to materiality, or determines such occurrence is subject to materiality and would be material under applicable federal securities laws, the Issuer shall promptly, but not later than 10 Business Days after the occurrence of the event, file a notice of such occurrence with the Municipal Securities Rulemaking Board through the filing with the National Repository.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Financial Information filing, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Financial Information filing or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Financial Information filing or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information filing or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____ day of _____, 2016.

CITY OF WINDSOR HEIGHTS,
STATE OF IOWA

By: _____
Mayor

ATTEST:

By: _____
City Clerk

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer: City of Windsor Heights, Iowa.

Name of Bond Issue: \$_____ General Obligation Refunding Bonds, Series 2016A
\$_____ Taxable General Obligation Refunding Bonds, Series 2016B

Dated Date of Issue: July 6, 2016

NOTICE IS HEREBY GIVEN that the Issuer has not provided Annual Financial Information with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate delivered by the Issuer in connection with the Bonds. The Issuer anticipates that the Annual Financial Information will be filed by _____.

Dated: _____ day of _____, 20____.

CITY OF WINDSOR HEIGHTS,
STATE OF IOWA

By: _____
Its: _____

APPENDIX D: NOTICE OF SALE

(To be published on or before May 10, 2016)

NOTICE OF BOND SALE

Time and Place of Sealed Bids: Bids for the sale of Bonds of the City of Windsor Heights, State of Iowa, hereafter described, must be received at the office of the City Administrator, City Hall, 1133 - 66th Street, Windsor Heights, Iowa 50311-1799; Telephone: 515-279-3662 (the "Issuer") before 11:00 A.M., on the 16th day of May, 2016. The bids will then be publicly opened and referred for action to the meeting of the City Council in conformity with the TERMS OF OFFERING.

The Bonds: The Bonds to be offered are the following:

GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016A, in the amount of \$1,470,000*, to be
dated July 6, 2016,

TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016B in the amount of \$2,830,000*, to be
dated July 6, 2016,

(the "Bonds")

*Subject to principal adjustment pursuant to official Terms of Offering.

Manner of Bidding: Open bids will not be received. Bids will be received in any of the following methods:

- Sealed Bidding: Sealed bids may be submitted and will be received at the office of the City Administrator at City Hall, 1133 – 66th Street, Windsor Heights, Iowa 50311-1799.
- Electronic Internet Bidding: Electronic internet bids will be received at the office of the City Administrator at City Hall, 1133 – 66th Street, Windsor Heights, Iowa 50311-1799. The bids must be submitted through the PARITY® competitive bidding system.
- Electronic Facsimile Bidding: Electronic facsimile bids will be received at the office of the City Administrator at City Hall, 1133 – 66th Street, Windsor Heights, Iowa 50311-1799 (facsimile number: 515-279-3664) and/or the City's Municipal Advisor, Independent Public Advisors, LLC, 8805 Chambery Blvd., Suite 300 #114, Johnston, Iowa 50131 (facsimile number: 515-259-8193). Electronic facsimile bids will be treated as sealed bids.

Consideration of Bids: After the time for receipt of bids has passed, the close of sealed bids will be announced. Sealed bids will then be publicly opened and announced. Finally, electronic internet bids will be accessed and announced.

Sale and Award: The sale and award of the Bonds will be held at the Council Chambers, City Hall, 1133 - 66th Street, Windsor Heights, Iowa at a meeting of the City Council on the above date at 6:00 P.M.

Official Statement: The Issuer has issued an Official Statement of information pertaining to the Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the City Administrator, City Hall, 1133 - 66th Street, Windsor Heights, Iowa 50311-1799; Telephone:515-279-3662 or the Issuer's Municipal Advisor, Independent Public Advisors, LLC, 8805 Chambery Blvd., Suite 300 #114, Johnston, Iowa, 50131; Telephone : 515-259-8193.

Terms of Offering: All bids shall be in conformity with and the sale shall be in accord with the Terms of Offering as set forth in the Official Statement.

Legal Opinion: The Bonds will be sold subject to the opinion of Ahlers & Cooney, P.C., Attorneys of Des Moines, Iowa, as to the legality and their opinion will be furnished together with the printed Bonds without cost to the purchaser and all bids will be so conditioned. Except to the extent necessary to issue their opinion as to the legality of the Bonds, the attorneys will not examine or review or express any opinion with respect to the accuracy or completeness of documents, materials or statements made or furnished in connection with the sale, issuance or marketing of the Bonds.

Rights Reserved: The right is reserved to reject any or all bids, and to waive any irregularities as deemed to be in the best interests of the public.

By order of the City Council of the City of Windsor Heights, State of Iowa.

City Administrator, City of Windsor Heights,
State of Iowa