

City of Huxley, Iowa

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

June 30, 2004

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**City of Huxley, Iowa
OFFICIALS**

(Before January 1, 2004)

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL	
Dan Gonnerman, Mayor	January 2004
Jimmy Ervin, Mayor Pro-Tem	January 2004
Scott Meldrum, Council Member	January 2006
Richard Baldwin, Council Member	January 2006
Jeriann McLaughlin, Council Member	January 2004
Craig Henry, Council Member	January 2006
CITY ADMINISTRATOR	
Bill Bass	June 2004
CITY CLERK	
Lee Ruddick	Indefinite
CITY TREASURER	
John Hendricks	January, 2004
CITY ATTORNEY	
Frank Feilmeyer	January, 2004
CITY ENGINEER	
Snyder & Associates	January, 2004

(After January 1, 2004)

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL	
Nels Nord, Mayor	January 2008
Craig Henry, Mayor Pro-Tem	January 2005
Richard Baldwin, Council Member	January 2006
Leslee Beglinger, Council Member	January 2008
Don Curry, Council Member	January 2008
Scott Meldrum, Council Member	January 2006
CITY ADMINISTRATOR	
Bill Bass	June 2004
CITY CLERK	
Lee Ruddick	Indefinite
CITY TREASURER	
John Hendricks	January, 2005
CITY ATTORNEY	
Frank Feilmeyer	January, 2005
CITY ENGINEER	
Wade Greimen	January, 2005

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Huxley, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed on the contents page of this report. These financial statements are the responsibility of the City of Huxley's management. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 12, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2004 on our consideration of the City of Huxley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 27 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huxley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The financial statements for the year ended June 30, 2001 (none of which are presented herein) were audited by other auditors whose report dated November 14, 2001 stated that they expressed an unqualified opinion on those financial statements. Their report also stated that, in their opinion, the supplementary information was fairly stated, in all material respects, in relation to the financial statements for the year ended June 30, 2001, taken as a whole.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
July 29, 2004

**CITY OF HUXLEY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Our discussion and analysis of the City of Huxley's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004, within the limitations of the City's cash basis of accounting. Please read it in conjunction with the City's financial statements that begin on page 13.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operation.

2004 FINANCIAL HIGHLIGHTS

Revenue of the City's General Fund activities increased 8.36% or approximately \$49,467 from fiscal 2003 to fiscal 2004. Revenue from property taxes, including tax increment financing increased 14.12% or approximately \$196,042.

The City of Huxley's Fire Department was awarded a \$100,303 FEMA Grant to fund equipment purchases.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's cash basis of accounting.

Report Components

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

Government-Wide Financial Statements: The Statement of Activities and Net Assets (on pages 14-15) provides information about the activities of the City government-wide (or "as a whole") and present an overall view of the City's finances.

Fund Financial Statements: Fund financial statements (starting on page 16) focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer

short-term and long-term financial information about the activities the City operates like a business, such as the water and sewer services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management’s Discussion and Analysis and the Budgetary Comparison Schedule (starting on page 27) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

Other Supplementary Information: This part of the annual report (starting on page 29) includes optional financial information. This other supplemental financial information is provided to address certain specific needs of various users of the City’s annual report.

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City’s cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City as a Whole

The City’s Reporting Entity Presentation

- This annual report includes all activities for which the City of Huxley City Council is fiscally responsible.

The Government-Wide Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Activities and Net Assets reports information about the City as a whole and about its activities in a way that helps answer this question.

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

- Governmental Activities include public safety, public works, 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 waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

This statement reports the City's cash basis net assets and changes in them. Keeping in mind the limitations of the cash basis of accounting, you can think of the City's cash basis net assets as one way to measure the City's financial health of financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the overall health of the City.

In the fund financial statements which include a statement of cash receipts, disbursements and changes in cash balances, we divide the City into two kinds of funds:

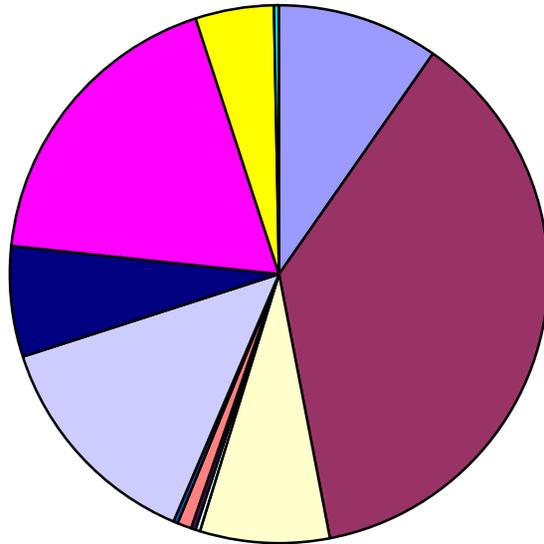
Governmental Funds - Most of the City's basic services are reported here, including the police, fire, general administration, streets, parks, culture and recreation, community and economic development, debt service and capital projects. Property taxes, sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Proprietary funds - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

Government-Wide Financial Analysis

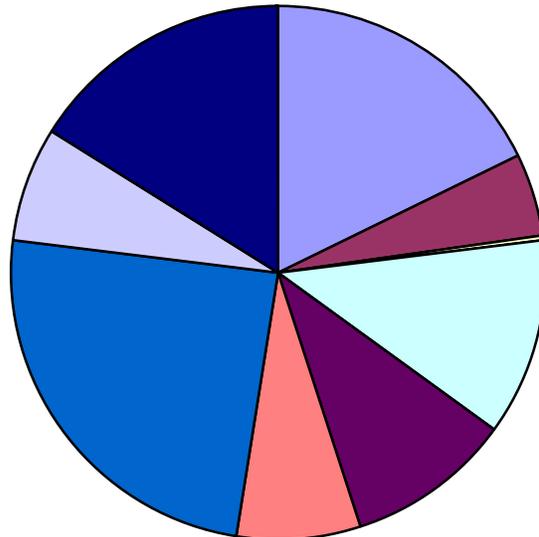
The City's total cash basis net assets increased by \$352,594 from a year ago. The analysis that follows focuses on the changes in cash balances. The cost of all governmental activities this year was \$3,244,641. These costs were financed by \$1,005,160 of user charges, \$354,992 of operating grants, contributions and restricted interest and \$2,239,608 of general revenue which includes \$1,610,736 of property taxes.

Revenue Sources



- Property Tax
- Tax Increment Financing Collections
- Other City Tax
- Licenses and Permits
- Licenses and Permits- Proprietary
- Use of Money and Property
- Use of Money and Property-Proprietary
- Intergovernmental
- Charges for Services
- Charges for Services-Proprietary
- Miscellaneous
- Miscellaneous-Proprietary

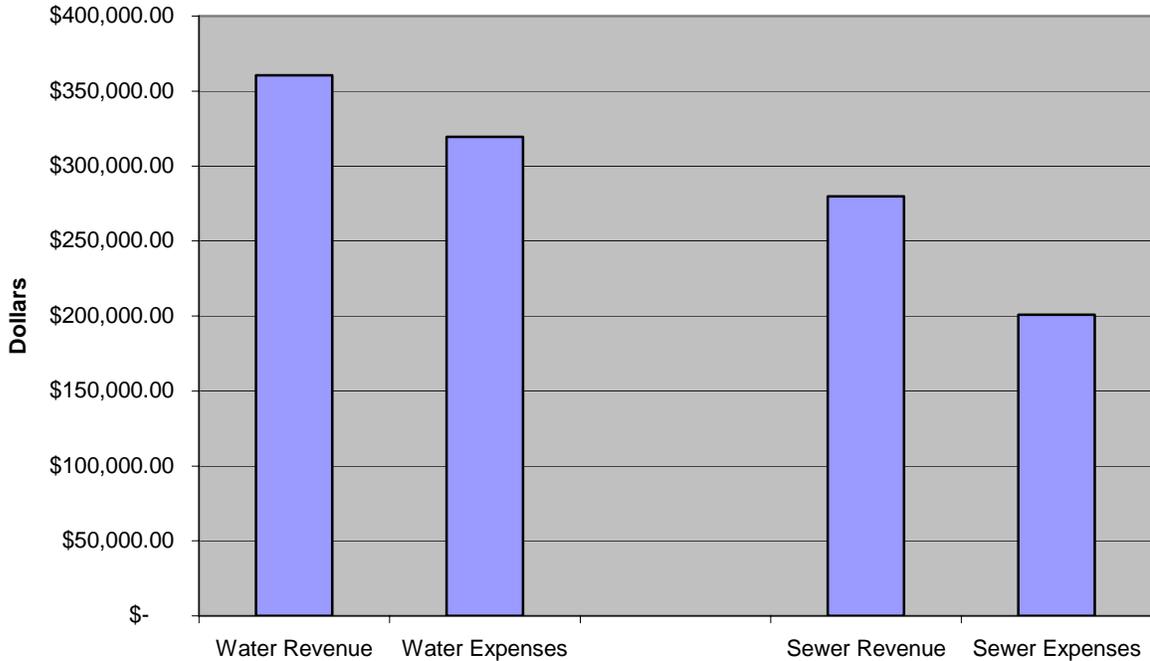
Disbursements by Program



- Public Safety
- Public Works
- Health & Social Services
- Culture & Recreation
- Community & Economic Development
- General Government
- Debt Service
- Capitol Projects
- Business Type Activities (Wa & SW)

Business-Type Activities Revenue and Expenses
Cash Basis

Proprietary Revenue/Expense



INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City's governmental funds reported a combined fund balance of \$990,492 at June 30, 2004, an increase of \$230,633 above last year's total of \$759,859. The following are the major reasons for the changes in fund balances in the major funds.

The General Fund cash balance increased \$45,438 from prior year.

The Tax Increment Financing Fund cash balance increased \$360,861 from the prior year due to an increase in property taxes of \$365,846.

The Road Use Tax Fund cash balance increase \$58,864 from prior year.

INDIVIDUAL MAJOR PROPRIETARY FUND ANALYSIS

The Water Fund cash balance increased \$40,688 from prior year due primarily to an increase in cash receipts.

The Sewer Fund cash balance increased \$79,128 from prior year due a decrease in cash disbursements.

BUDGETARY AMENDMENTS:

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2004 and resulted in an increase in revenues and in operating disbursements. Revenue increased mainly due to public safety grants and increased revenue of the recreation department from registration and membership fees. Disbursements in public safety increased in correlation to the grants that the police and fire departments received. Capitol projects expenditures increased due to carry over on the water treatment plant and community center from the previous fiscal year. The debt service disbursement increased to payoff the loan balance which was budgeted for payments in fiscal year 2004 and 2005.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$5,613,000 in bonds and other long-term debt, compared to approximately \$6,150,000 last year, as shown below

	Outstanding Debt at Year End	
	2004	June 30, 2003
General Obligation Bonds	\$ 460,000	479,000
Water Improvement Bond, Series 2003		
General Obligation Notes		
Corporate Purpose	0	23,000
Urban Renewal Tax Increment		
Financing (TIF) Revenue Bonds	1,940,000	2,170,000
Urban Renewal Tax Increment		
Financing (TIF) Revenue Bonds	1,535,000	1,730,000
State Revolving Fund Loan	1,678,000	1,748,000
Total	5,613,000	6,150,000

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk’s office at 515 North Main Ave., Huxley, IA 50124 or telephone 515-597-2561.

BASIC FINANCIAL STATEMENTS

City of Huxley, Iowa
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the year ended June 30, 2004

		Program receipts	
FUNCTIONS/PROGRAMS	Disbursements	Charges for services	Operating grants, contributions, and restricted interest
Governmental activities			
Public safety	\$ 573,322	\$ 57,603	\$ 153,098
Public works	163,792	-	192,894
Health and social services	6,470	-	-
Culture and recreation	390,593	254,305	-
Community and economic development	328,821	-	-
General government	241,381	53,068	-
Debt service	791,258	-	-
Capital projects	<u>224,306</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>2,719,943</u>	<u>364,976</u>	<u>345,992</u>
Business type activities			
Water	323,858	360,534	-
Sewer	<u>200,840</u>	<u>279,650</u>	<u>-</u>
Total business type activities	<u>524,698</u>	<u>640,184</u>	<u>-</u>
 Total	 <u>\$3,244,641</u>	 <u>\$1,005,160</u>	 <u>\$ 354,992</u>

GENERAL RECEIPTS

Property tax levied for
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Unrestricted interest on investments
Loan repayment
Bond proceeds
Miscellaneous
Sale of assets
 Total general receipts and transfers
Change in cash basis net assets

CASH BASIS NET ASSETS, beginning of year

CASH BASIS NET ASSETS, end of year

CASH BASIS NET ASSETS

Restricted
 Streets
 Urban renewal purposes
 Debt services
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

EXHIBIT A

<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>
\$ (362,621)	\$ -	\$ (362,621)
29,102	-	29,102
(6,470)	-	(6,470)
(136,288)	-	(136,288)
(328,821)	-	(328,821)
(188,313)	-	(188,313)
(791,258)	-	(791,258)
<u>(224,306)</u>	<u>-</u>	<u>(224,306)</u>
<u>(2,008,975)</u>	<u>-</u>	<u>(2,008,975)</u>
-	36,676	36,676
-	<u>78,810</u>	<u>78,810</u>
-	<u>115,486</u>	<u>115,486</u>
<u>(2,008,975)</u>	<u>115,486</u>	<u>(1,893,489)</u>
253,987	-	253,987
1,256,304	-	1,256,304
100,445	-	100,445
231,209	-	231,209
13,592	-	13,592
83,500	-	83,500
140,000	-	140,000
157,580	6,475	164,055
2,991	-	2,991
<u>2,239,608</u>	<u>6,475</u>	<u>2,246,083</u>
230,633	121,961	352,594
<u>759,859</u>	<u>1,099,273</u>	<u>1,859,132</u>
<u>\$ 990,492</u>	<u>\$1,221,234</u>	<u>\$2,211,726</u>
\$ 219,280	\$ -	\$ 219,280
388,451	-	388,451
60,227	-	60,227
<u>322,534</u>	<u>1,221,234</u>	<u>1,543,768</u>
<u>\$ 990,492</u>	<u>\$1,221,234</u>	<u>\$2,211,726</u>

City of Huxley, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	<u>General</u>	<u>Special revenue</u>		<u>Other nonmajor governmental funds</u>	<u>Total</u>
		<u>Tax increment financing</u>	<u>Road use tax</u>		
RECEIPTS					
Property tax	\$ 230,399	\$ -	\$ -	\$ 97,546	\$ 327,945
Tax increment financing collections	-	1,256,304	-	-	1,256,304
Other city tax	23,588	-	-	234,108	257,696
Licenses and permits	10,278	-	-	-	10,278
Use of money and property	23,337	3,671	-	695	27,703
Intergovernmental	144,303	-	192,894	124,788	461,985
Charges for services	58,924	-	-	165,670	224,594
Miscellaneous	150,115	-	15	7,450	157,580
Total receipts	<u>640,944</u>	<u>1,259,975</u>	<u>192,909</u>	<u>630,257</u>	<u>2,724,085</u>
DISBURSEMENTS					
Operating					
Public safety	326,897	-	-	246,425	573,322
Public works	29,747	-	134,045	-	163,792
Health and social services	6,470	-	-	-	6,470
Culture and recreation	59,043	-	-	331,550	390,593
Community and economic development	62,662	266,159	-	-	328,821
General government	241,381	-	-	-	241,381
Debt service	-	624,955	-	166,303	791,258
Capital projects	-	-	-	224,306	224,306
Total disbursements	<u>726,200</u>	<u>891,114</u>	<u>134,045</u>	<u>968,584</u>	<u>2,719,943</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(85,256)</u>	<u>368,861</u>	<u>58,864</u>	<u>(338,327)</u>	<u>4,142</u>
OTHER FINANCING SOURCES (USES)					
Economic development loan repayment received	-	2,000	-	81,500	83,500
Equipment loan proceeds	140,000	-	-	-	140,000
Sale of capital assets	261	-	-	2,730	2,991
Operating transfers in	232,830	-	-	252,397	485,227
Operating transfers out	(242,397)	(10,000)	-	(232,830)	(485,227)
Total other financing sources (uses)	<u>130,694</u>	<u>(8,000)</u>	<u>-</u>	<u>103,797</u>	<u>226,491</u>
Net change in cash balances	45,438	360,861	58,864	(234,530)	230,633
CASH BALANCES, beginning of year	<u>387,294</u>	<u>27,590</u>	<u>160,416</u>	<u>184,559</u>	<u>759,859</u>
CASH BALANCES, end of year	<u>\$ 432,732</u>	<u>\$ 388,451</u>	<u>\$ 219,280</u>	<u>\$ (49,971)</u>	<u>\$ 990,492</u>
CASH BASIS FUND BALANCES					
Reserved					
Debt service	\$ -	\$ -	\$ -	\$ 60,227	\$ 60,227
Unreserved					
General funds	432,732	-	-	32,866	465,598
Special revenue funds	-	388,451	219,280	(78,000)	529,731
Capital project funds	-	-	-	(65,384)	(65,384)
Permanent fund	-	-	-	320	320
Total cash basis fund balances	<u>\$ 432,732</u>	<u>\$ 388,451</u>	<u>\$ 219,280</u>	<u>\$ (49,971)</u>	<u>\$ 990,492</u>

See Notes to Financial Statements.

City of Huxley, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the year ended June 30, 2004

	<u>Proprietary funds</u>		<u>Other nonmajor</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>proprietary</u> <u>funds</u>	
OPERATING RECEIPTS				
Permits	\$ 5,850	\$ 7,010	\$ -	\$ 12,860
Use of money and property	4,459	4,396	-	8,855
Charges for services	343,348	267,930	-	611,278
Miscellaneous	6,877	314	6,475	13,666
Total operating receipts	<u>360,534</u>	<u>279,650</u>	<u>6,475</u>	<u>646,659</u>
OPERATING DISBURSEMENTS				
Business type activities	197,048	200,840	4,370	402,258
Total operating disbursements	<u>197,048</u>	<u>200,840</u>	<u>4,370</u>	<u>402,258</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>163,486</u>	<u>78,810</u>	<u>2,105</u>	<u>244,401</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Debt services	-	-	(122,440)	(122,440)
Total nonoperating receipts (disbursements)	<u>-</u>	<u>-</u>	<u>(122,440)</u>	<u>(122,440)</u>
Excess (deficiency) of receipts over (under) disbursements	163,486	78,810	(120,335)	121,961
OPERATING TRANSFERS IN (OUT)	<u>(122,798)</u>	<u>318</u>	<u>122,480</u>	<u>-</u>
Net change in cash balances	40,688	79,128	2,145	121,961
CASH BALANCES, beginning of year	<u>656,494</u>	<u>410,100</u>	<u>32,679</u>	<u>1,099,273</u>
CASH BALANCES, end of year	<u>\$ 697,182</u>	<u>\$ 489,228</u>	<u>\$ 34,824</u>	<u>\$1,221,234</u>
CASH BASIS FUND BALANCES				
Reserved for debt service	\$ -	\$ -	\$ 34,824	\$ 34,824
Unreserved	<u>697,182</u>	<u>489,228</u>	<u>-</u>	<u>1,186,410</u>
Total cash basis fund balances	<u>\$ 697,182</u>	<u>\$ 489,228</u>	<u>\$ -</u>	<u>\$1,221,234</u>

See Notes to Financial Statements.

City of Huxley, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huxley (the City) is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 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, culture, recreation, public improvements and general administrative services. It also operates water and sewer utilities.

Reporting Entity

For financial reporting purposes, the City 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.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E911 Service Board, and Story County Emergency Management Commission.

Basis of Presentation

Government-wide Financial Statements

The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

City of Huxley, 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 funds are aggregated and reported as nonmajor governmental 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 that are 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 that are not paid through other funds.

Special Revenue Funds

The tax increment financing revenues fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The road use tax fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Basis of Accounting

The City of Huxley 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 generally accepted accounting principles.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

City of Huxley, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004 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's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004 are as follows:

	Carrying amount	Market value
U. S. Savings Bonds	\$ 11,994	\$ 11,994
Certificates of Deposit	<u>500,000</u>	<u>500,000</u>
	<u>\$ 511,994</u>	<u>\$ 511,994</u>

NOTE 3 BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for urban renewal tax increment financing revenue bonds, general obligation bonds and revenue bonds are as follows:

Year ending June 30	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	
	Principal	Interest
2005	\$ 440,000	\$ 151,915
2006	455,000	135,315
2007	475,000	117,253
2008	490,000	97,458
2009	515,000	76,082
2010	535,000	52,617
2011	565,000	27,440
2012	-	-
2013	-	-
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	<u>-</u>	<u>-</u>
Totals	<u>\$3,475,000</u>	<u>\$ 658,080</u>

City of Huxley, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 3 BONDS AND NOTES PAYABLE (continued)

Year ending June 30	State Revolving Fund General Obligation Bonds		State Revolving Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 20,000	\$ 13,800	\$ 72,000	\$ 50,340	\$ 532,000	\$ 216,055
2006	20,000	13,200	74,000	48,180	549,000	196,695
2007	21,000	12,600	76,000	45,960	572,000	175,813
2008	22,000	11,970	78,000	43,680	590,000	153,108
2009	22,000	11,310	81,000	41,340	618,000	128,732
2010	23,000	10,650	83,000	38,910	641,000	102,177
2011	23,000	9,960	86,000	36,420	674,000	73,820
2012	24,000	9,270	88,000	33,840	112,000	43,110
2013	25,000	8,550	91,000	31,200	116,000	39,750
2014	26,000	7,800	94,000	28,470	120,000	36,270
2015	26,000	7,020	96,000	25,650	122,000	32,670
2016	27,000	6,240	99,000	22,770	126,000	29,010
2017	28,000	5,430	102,000	19,800	130,000	25,230
2018	29,000	4,590	105,000	16,740	134,000	21,330
2019	30,000	3,720	108,000	13,590	138,000	17,310
2020	31,000	2,820	112,000	10,350	143,000	13,170
2021	32,000	1,890	115,000	6,990	147,000	8,880
2022	<u>31,000</u>	<u>930</u>	<u>118,000</u>	<u>3,540</u>	<u>149,000</u>	<u>4,470</u>
Totals	\$ <u>460,000</u>	\$ <u>141,750</u>	\$ <u>1,678,000</u>	\$ <u>517,770</u>	\$ <u>5,613,000</u>	\$ <u>1,317,600</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Tax Increment Financing Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

The City has entered into an agreement with the Iowa Finance Authority that provides for maximum borrowing of \$1,816,000 from the State Revolving Fund. The indebtedness shall be evidenced by duly authorized and issued water revenue bonds. The resolutions providing for the issuance of the revenue bonds include a provision for sufficient monthly transfers to be made to a separate water revenue bonds sinking account for the purpose of making the bonds principal and interest payments when due. As of June 30, 2004, the City had drawn \$1,816,000 of the available proceeds. The bonds have an interest rate of 3% and mature June 1, 2022.

The City entered into an agreement with the Iowa Finance Authority that provides for maximum borrowing of \$500,000 from the State Revolving Fund. The indebtedness shall be evidenced by duly authorized and issued water general obligation bonds. As of June 30, 2004, the City had drawn \$498,000 of the available proceeds. The bonds have an interest rate of 3% and mature June 1, 2022. The Code of Iowa requires that principal and interest on general obligation bonds are to be paid from the Debt Service Fund. However, during the year, \$33,370 of bond principal and interest was paid from the Tax Increment Financing Fund.

City of Huxley, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION AND RETIREMENT BENEFITS

IPERS

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$42,996, \$37,670 and \$42,706, respectively, which is equal to the required contribution for each year.

NOTE 5 COMPENSATED ABSENCES

City employees accumulate earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time exceeds two times the annual vacation amount at the end of any calendar year, excess vacation time will be lost. Sick leave has no maximum accumulation and is paid at the rate of 25% of the accrued sick leave at time of retirement, at the age the employee is entitled to social security benefits or at death. These accumulations are not recognized as disbursements until used or paid. The City's approximate liability for earned compensated absences for vacation and sick hours payable to employees totaled \$31,000 and \$31,500, respectively, at June 30, 2004.

The liabilities have been computed based on rates of pay as of June 30, 2004.

NOTE 6 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Trust and Agency Commemorative Tree	\$ 1,622
	Special Revenue Local Option Sales Tax	231,209
Library	General	131,397
Fire and rescue	General	111,000
Capital Projects		
1997 Water System	Special Revenue Tax Increment Financing	10,000
Enterprise		
Water Revenue Bond Sinking Enterprise	Enterprise	
	Water	122,480
Sewer		
	Water	<u>317</u>
Total		<u>\$ 608,025</u>

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

City of Huxley, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 COMMITMENTS

In 1996, the City of Huxley entered into a 28E agreement with the City of Ames (Ames) to participate in a waste reclamation, recycling and solid waste disposal system. Ames governs, controls, administers and operates the system and determines the amount of current and future debt required to operate the system.

The City is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2014 unless both parties agree to terminate. The share is determined based on the ratio that the population of the City bears to the total of the population of all the participants. The City's share is presently 3.24% of the total and the payment for the year ended June 30, 2004 was \$27,213.

In 2001, the City entered into a 28E agreement with the Ballard Community School District (Ballard) for the construction and operation of a community center and a library. The center is jointly operated and governed by the City and Ballard. The City was responsible for the construction of the building. Each party is responsible for certain equipment required in the operation of the center and maintenance required. The City is obligated on the agreement until June 30, 2051 unless both parties agree to terminate.

The City entered into contract commitments with contractors for the completion of several construction projects. The total contract commitments are \$3,862,646, of which \$3,704,853 has been disbursed as of June 30, 2004. The unpaid commitment balance is \$157,793.

NOTE 8 ECONOMIC DEVELOPMENT

Economic development is a public purpose for which the City may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons as provided by Section 15A.1 of the Code of Iowa.

The City entered into the following loan agreements in which the borrower has applied to the City for financial assistance under this section of the Code in connection with the borrower's plan to locate and enlarge its business enterprise within the City's corporate limits. The proceeds of the loans were considered disbursements in the tax increment financing fund in the appropriate fiscal years.

<u>Borrower</u>	<u>Date of loan</u>	<u>Amount expended</u>
Whistle Stop Daycare	January 1, 2001	\$ 10,000
Blumster's on Main	February 1, 2002	6,000
Dairy Queen	December 1, 2001	10,000
CAS Enterprises, Inc. d/b/a Kreg Tool Co.	August 10, 2001	<u>15,000</u>
Total		<u>\$ 41,000</u>

In addition, the City has a loan agreement with Dr. Kirk Peterson in which the borrower has applied to the City for financial assistance in connection with the borrower's plan to relocate and enlarge his business enterprise within the City's corporate limits. The City has agreed to ten loans of \$7,500 each payable at \$625 per month beginning January 1, 1996 and ending December 31, 2005. The payments made as of June 30, 2004 totaled \$63,750 leaving an outstanding liability of \$11,250. The annual payments have been recorded in the general fund.

Also, the City has a loan agreement with Gerald J. Durand and Dale L. Francis in which the borrowers have applied to the City for financial assistance in connection with the borrowers' plan to establish a business within a tax increment financing district. The City agreed to loan \$150,000 to be used towards the purchase of certain real estate. No amounts have been repaid as of June 30, 2004. This loan is in default and the City is proceeding with legal action against the borrowers.

City of Huxley, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 8 ECONOMIC DEVELOPMENT (continued)

As long as each borrower fully performs and is in compliance with all covenants of the loan agreement, the City shall release the borrower from its obligation to pay the future installments of principal and interest. If, however, the borrower fails to perform or is not in compliance with all covenants, the borrower will be required to pay all obligations as they come due.

During 2000, the City entered into a loan agreement with Meadowview, L.C. (the Developer) to loan the Developer a maximum amount of \$400,000 for the development of certain real estate located within a tax increment financing district. The loan proceeds will be disbursed upon the request of the Developer, and may only be used to fund improvements made to the land. Repayment of the loan will be at the rate of \$18,500 per lot sold by the Developer, or the outstanding balance, whichever is less. Any remaining balance is due December 31, 2005. All amounts advanced under this agreement will be secured by a mortgage on the property. During the year ended June 30, 2004, the developer repaid the City \$48,500 leaving \$0- to be repaid.

During 2002, the City entered into a loan agreement with Huxley Townhomes, L.C. (the Developer) to loan the Developer a maximum of \$111,000 for the development of certain real estate located within a tax increment financing district. The loan proceeds were already disbursed to Meadowview, L.C. (see note above) and were assigned to the Developer. Repayment of the loan will be at the rate of \$5,500 per unit sold by the Developer, or the outstanding balance, whichever is less. Any remaining balance is due December 1, 2006. The full amount of this loan will be secured by a mortgage on the property. During the year ended June 30, 2004, the Developer repaid the City \$33,000 leaving \$78,000 to be repaid.

NOTE 9 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance from independent third parties. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 DEFICIT FUND BALANCES

The Special Revenue Fund—Huxley Townhomes, L.C. Loan had a deficit balance of \$78,000. The deficit is the result of monies being loaned for economic development. The deficit will be eliminated when the outstanding balance is repaid (see Note 8). The Capital Projects Funds—Library Project and 1997 Water System had deficit balances of \$22,192 and \$43,192, respectively. The deficits are the result of ongoing capital projects. The deficits will be eliminated through transfers from the general fund.

NOTE 11 SUBSEQUENT EVENTS

In July, 2004, the City entered into a general obligation loan agreement with a local financial institution for maximum borrowings of \$160,000, and purchased a fire truck for approximately \$130,000.

City of Huxley, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 12 ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities.

REQUIRED SUPPLEMENTARY INFORMATION

City of Huxley, Iowa
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental funds actual	Proprietary funds actual
RECEIPTS		
Property tax	\$ 327,945	\$ -
Tax increment financing collections	1,256,304	-
Other city tax	257,696	-
Licenses and permits	10,278	12,860
Use of money and property	27,703	8,855
Intergovernmental	461,985	-
Charges for services	224,594	611,278
Miscellaneous	<u>157,580</u>	<u>13,666</u>
Total receipts	<u>2,724,085</u>	<u>646,659</u>
DISBURSEMENTS		
Public safety	573,322	-
Public works	163,792	-
Health and social services	6,470	-
Culture and recreation	390,593	-
Community and economic development	328,821	-
General government	241,381	-
Debt service	791,258	122,440
Capital projects	224,306	-
Business type activities	-	402,258
Total disbursements	<u>2,719,943</u>	<u>524,598</u>
Excess (deficiency) of receipts over (under) disbursements	<u>4,142</u>	<u>121,961</u>
OTHER FINANCING SOURCES, NET	<u>226,491</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	230,633	121,961
BALANCES, beginning of year	<u>759,859</u>	<u>1,099,273</u>
BALANCES, end of year	<u>\$ 990,492</u>	<u>\$1,221,234</u>

See accompanying independent auditor's report.

Net	Budgeted amounts		Final to net variance
	Original	Final	
\$ 327,945	\$ 326,862	\$ 326,862	\$ 1,083
1,256,304	1,245,000	1,245,000	11,304
257,696	216,086	216,086	41,610
23,138	9,000	16,000	7,138
36,558	34,200	34,200	2,358
461,985	385,300	497,300	(35,315)
835,872	695,500	695,500	140,372
171,246	24,000	24,000	147,246
<u>3,370,744</u>	<u>2,935,948</u>	<u>3,054,948</u>	<u>315,796</u>
573,322	420,500	552,500	(20,822)
163,792	164,000	164,000	208
6,470	6,500	6,500	30
390,593	323,000	393,000	2,407
328,821	1,119,000	1,147,000	818,179
241,381	233,000	283,000	41,619
913,698	90,000	190,000	(723,698)
224,306	-	225,000	694
402,258	596,000	656,000	253,742
<u>3,244,641</u>	<u>2,952,000</u>	<u>3,617,000</u>	<u>372,359</u>
<u>126,103</u>	<u>(16,052)</u>	<u>(562,052)</u>	<u>688,155</u>
<u>226,491</u>	<u>141,000</u>	<u>141,000</u>	<u>85,491</u>
352,594	124,948	(421,052)	773,646
<u>1,859,132</u>	<u>887,160</u>	<u>887,160</u>	<u>971,972</u>
<u>\$2,211,726</u>	<u>\$1,012,108</u>	<u>\$ 466,108</u>	<u>\$1,745,618</u>

City of Huxley, Iowa
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the General Funds, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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, one budget amendment increased budgeted disbursements by \$665,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

City of Huxley, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

	<u>General Funds</u>			<u>Special Revenue Funds</u>		
	<u>Library Fund</u>	<u>Fire and Rescue</u>	<u>Recreation</u>	<u>TIF Meadowview Loan</u>	<u>Local Option Sales Tax</u>	<u>Huxley Townhomes, L.C. Loan</u>
RECEIPTS						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax	-	-	-	-	231,209	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	-	124,788	-	-	-	-
Charges for services	19,263	-	146,407	-	-	-
Miscellaneous	6,161	1,289	-	-	-	-
Total receipts	<u>25,424</u>	<u>126,077</u>	<u>146,407</u>	<u>-</u>	<u>231,209</u>	<u>-</u>
DISBURSEMENTS						
Operating						
Public safety	-	246,425	-	-	-	-
Culture and recreation	164,633	-	166,917	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	<u>164,633</u>	<u>246,425</u>	<u>166,917</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(139,209)</u>	<u>(120,348)</u>	<u>(20,510)</u>	<u>-</u>	<u>231,209</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Loan repayment	-	-	-	48,500	-	33,000
Sale of capital assets	-	2,730	-	-	-	-
Operating transfers in	131,397	111,000	-	-	-	-
Operating transfers (out)	-	-	-	-	(231,209)	-
Total other financing sources (uses)	<u>131,397</u>	<u>113,730</u>	<u>-</u>	<u>48,500</u>	<u>(231,209)</u>	<u>33,000</u>
Net change in cash balances	<u>(7,812)</u>	<u>(6,618)</u>	<u>(20,510)</u>	<u>48,500</u>	<u>-</u>	<u>33,000</u>
CASH BALANCES, beginning of year	<u>7,862</u>	<u>11,685</u>	<u>48,259</u>	<u>(48,500)</u>	<u>-</u>	<u>(111,000)</u>
CASH BALANCES, end of year	<u>\$ 50</u>	<u>\$ 5,067</u>	<u>\$ 27,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,000)</u>
CASH BASIS FUND BALANCES						
Reserved						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved						
General funds	50	5,067	27,749	-	-	-
Special revenue funds	-	-	-	-	-	(78,000)
Capital project funds	-	-	-	-	-	-
Trust fund	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 50</u>	<u>\$ 5,067</u>	<u>\$ 27,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,000)</u>

See accompanying independent auditor's report.

Schedule 1

<u>Capital Projects</u>		<u>Debt Service</u>	<u>Trust Funds</u>	
<u>Library Project</u>	<u>1997 Water System</u>	<u>Debt Service</u>	<u>Commemorative Tree</u>	<u>Total</u>
\$ -	\$ -	\$ 97,546	\$ -	\$ 97,546
-	-	2,899	-	234,108
388	290	-	17	695
-	-	-	-	124,788
-	-	-	-	165,670
-	-	-	-	7,450
<u>388</u>	<u>290</u>	<u>100,445</u>	<u>17</u>	<u>630,257</u>
-	-	-	-	246,425
-	-	-	-	331,550
-	-	166,303	-	166,303
<u>80,621</u>	<u>143,685</u>	<u>-</u>	<u>-</u>	<u>224,306</u>
<u>80,621</u>	<u>143,685</u>	<u>166,303</u>	<u>-</u>	<u>968,584</u>
<u>(80,233)</u>	<u>(143,395)</u>	<u>(65,858)</u>	<u>17</u>	<u>(338,327)</u>
-	-	-	-	81,500
-	-	-	-	2,730
-	10,000	-	-	252,397
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,621)</u>	<u>(232,830)</u>
<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(1,621)</u>	<u>103,797</u>
<u>(80,233)</u>	<u>(133,395)</u>	<u>(65,858)</u>	<u>(1,604)</u>	<u>(234,530)</u>
<u>58,041</u>	<u>90,203</u>	<u>126,085</u>	<u>1,924</u>	<u>184,559</u>
<u>\$ (22,192)</u>	<u>\$ (43,192)</u>	<u>\$ 60,227</u>	<u>\$ 320</u>	<u>\$ (49,971)</u>
\$ -	\$ -	\$ 60,227	\$ -	\$ 60,227
-	-	-	-	32,866
-	-	-	-	(78,000)
(22,192)	(43,192)	-	-	(65,384)
<u>-</u>	<u>-</u>	<u>-</u>	<u>320</u>	<u>320</u>
<u>\$ (22,192)</u>	<u>\$ (43,192)</u>	<u>\$ 60,227</u>	<u>\$ 320</u>	<u>\$ (49,971)</u>

City of Huxley, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Nonmajor Proprietary Funds
As of and for the year ended June 30, 2004

	<u>Proprietary Funds</u>		<u>Total</u>
	<u>Meter Deposits</u>	<u>Water Revenue Bond Sinking</u>	
OPERATING RECEIPTS			
Miscellaneous	\$ 6,475	\$ —	\$ 6,475
Total operating receipts	<u>6,475</u>	<u>—</u>	<u>6,475</u>
OPERATING DISBURSEMENTS			
Business type activities	—	4,370	4,370
Total operating disbursements	<u>—</u>	<u>4,370</u>	<u>4,370</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>6,475</u>	<u>(4,370)</u>	<u>2,105</u>
NONOPERATING (DISBURSEMENTS)			
Debt services	—	(122,440)	(122,440)
Total nonoperating (disbursements)	<u>—</u>	<u>(122,440)</u>	<u>(122,440)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>6,475</u>	<u>(126,810)</u>	<u>(120,335)</u>
OPERATING TRANSFERS IN	—	122,480	122,480
Net change in cash balances	<u>6,475</u>	<u>(4,330)</u>	<u>2,145</u>
CASH BALANCES, beginning of year	<u>15,310</u>	<u>17,369</u>	<u>32,679</u>
CASH BALANCES, end of year	<u>\$ 21,785</u>	<u>\$ 13,039</u>	<u>\$ 34,824</u>
CASH BASIS FUND BALANCES			
Reserved for debt service	\$ —	\$ 13,039	\$ 13,039
Unreserved	<u>21,785</u>	<u>—</u>	<u>21,785</u>
Total cash basis fund balances	<u>\$ 21,785</u>	<u>\$ 13,039</u>	<u>\$ 34,824</u>

See accompanying independent auditor's report.

City of Huxley, Iowa
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2004

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General Obligation Bonds Water Improvement Bond, Series 2003	April 16, 2003	3.00%	\$ 500,000
General Obligation Notes Corporate Purposes Tax increment financing and public safety building	November 1, 1993	4.55%	750,000
Loan General operating and equipment	July 8, 2003	3.6%	140,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	November 1, 2001	4.0-4.90%	2,270,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	July 1, 2002	3.5-4.80%	1,730,000
State Revolving Fund Loan	February 8, 2002	3.00%	1,816,000

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>	<u>Interest due and unpaid</u>
\$ 479,000	\$ —	\$ 19,000	\$ 460,000	\$ 14,370	\$ —
<u>23,000</u>	<u>—</u>	<u>23,000</u>	<u>—</u>	<u>1,047</u>	<u>—</u>
<u>\$ 502,000</u>	<u>\$ —</u>	<u>\$ 42,000</u>	<u>\$ 460,000</u>	<u>\$ 15,417</u>	<u>\$ —</u>
<u>\$ —</u>	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ —</u>	<u>\$ 2,256</u>	<u>\$ —</u>
\$2,170,000	\$ —	\$ 230,000	\$1,940,000	\$ 95,503	\$ —
<u>1,730,000</u>	<u>—</u>	<u>195,000</u>	<u>1,535,000</u>	<u>71,082</u>	<u>—</u>
<u>\$3,900,000</u>	<u>\$ —</u>	<u>\$ 425,000</u>	<u>\$3,475,000</u>	<u>\$ 166,585</u>	<u>\$ —</u>
<u>\$1,748,000</u>	<u>\$ —</u>	<u>\$ 70,000</u>	<u>\$1,678,000</u>	<u>\$ 52,440</u>	<u>\$ —</u>

City of Huxley, Iowa
BOND AND NOTE MATURITIES
June 30, 2004

Urban Renewal
Tax Increment Financing
(TIF) Revenue Bonds

<u>Year ending</u> <u>June 30</u>	<u>Issued November 1, 2001</u>		<u>Issued July 1, 2002</u>		<u>Total</u>
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	
2005	4.00%	\$ 240,000	3.50%	\$ 200,000	\$ 440,000
2006	4.15%	250,000	3.75%	205,000	455,000
2007	4.30%	265,000	4.00%	210,000	475,000
2008	4.45%	275,000	4.25%	215,000	490,000
2009	4.60%	290,000	4.50%	225,000	515,000
2010	4.75%	300,000	4.65%	235,000	535,000
2011	4.90%	<u>320,000</u>	4.80%	<u>245,000</u>	<u>565,000</u>
Totals		<u>\$1,940,000</u>		<u>\$1,535,000</u>	<u>\$3,475,000</u>

State Revolving Fund
Revenue Bonds
Issued February 8, 2002

State Revolving Fund
General Obligation Bonds
Issued April 16, 2003

<u>Year ending</u> <u>June 30</u>	<u>Issued February 8, 2002</u>		<u>Issued April 16, 2003</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2005	3.00%	\$ 72,000	3.00%	\$ 20,000
2006	3.00%	74,000	3.00%	20,000
2007	3.00%	76,000	3.00%	21,000
2008	3.00%	78,000	3.00%	22,000
2009	3.00%	81,000	3.00%	22,000
2010	3.00%	83,000	3.00%	23,000
2011	3.00%	86,000	3.00%	23,000
2012	3.00%	88,000	3.00%	24,000
2013	3.00%	91,000	3.00%	25,000
2014	3.00%	94,000	3.00%	26,000
2015	3.00%	96,000	3.00%	26,000
2016	3.00%	99,000	3.00%	27,000
2017	3.00%	102,000	3.00%	28,000
2018	3.00%	105,000	3.00%	29,000
2019	3.00%	108,000	3.00%	30,000
2020	3.00%	112,000	3.00%	31,000
2021	3.00%	115,000	3.00%	32,000
2022	3.00%	<u>118,000</u>	3.00%	<u>31,000</u>
Totals		<u>\$1,678,000</u>		<u>\$ 460,000</u>

City of Huxley, Iowa
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
All Governmental Funds

	Year ended June 30			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
RECEIPTS				
Property tax	\$ <u>327,945</u>	\$ <u>322,053</u>	\$ <u>350,460</u>	\$ <u>300,860</u>
Tax increment financing taxes	<u>1,256,304</u>	<u>1,066,154</u>	<u>890,458</u>	<u>626,362</u>
Other City taxes				
Local option sales tax	231,209	203,732	199,911	186,455
Mobile home tax	9,650	9,705	11,013	10,568
Utility tax replacement excise tax	8,817	11,558	9,494	-
Cable franchise fees	<u>8,020</u>	<u>5,366</u>	<u>4,814</u>	<u>-</u>
	<u>257,696</u>	<u>230,361</u>	<u>225,232</u>	<u>197,023</u>
Licenses and permits	<u>10,278</u>	<u>8,842</u>	<u>10,046</u>	<u>11,290</u>
Uses of money and property	<u>27,703</u>	<u>58,568</u>	<u>64,175</u>	<u>54,840</u>
Intergovernmental				
Road use tax	192,894	188,553	185,506	169,249
State allocation	-	23,066	24,326	24,224
Grants	151,936	12,096	5,600	150
Bank franchise tax	7,170	6,227	5,499	-
Fire contracts	24,485	17,055	19,685	2,283
Ballard Community School	<u>85,500</u>	<u>34,500</u>	<u>-</u>	<u>-</u>
	<u>461,985</u>	<u>281,497</u>	<u>240,616</u>	<u>195,906</u>
Charges for service	224,594	146,124	44,487	30,326
Special assessments	-	1,359	1,448	1,679
Miscellaneous	<u>157,580</u>	<u>102,305</u>	<u>23,902</u>	<u>31,290</u>
	<u>\$2,724,085</u>	<u>\$2,217,263</u>	<u>\$1,850,824</u>	<u>\$1,449,576</u>
DISBURSEMENTS				
Operating				
Public safety	\$ 573,322	\$ 297,008	\$ 302,331	\$ 293,059
Public works	163,792	174,176	204,074	155,151
Health and social services	6,470	5,860	11,559	16,940
Culture and recreation	390,593	196,352	170,839	146,709
Community and economic development	328,821	236,772	13,462	5,187
General government	241,381	222,706	210,277	202,459
Debt service	791,258	438,540	262,135	359,512
Capital projects	<u>224,306</u>	<u>5,385,093</u>	<u>2,539,509</u>	<u>798,503</u>
Total	<u>\$2,719,943</u>	<u>\$6,956,507</u>	<u>\$3,714,186</u>	<u>\$1,977,520</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 FIANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
Huxley, Iowa

We have audited the financial statements of the City of Huxley, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 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. Prior year statutory comments have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Huxley, and other parties to whom the City of Huxley may report. This report is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
July 29, 2004

**City of Huxley, Iowa
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

Part I—Findings Related to the Financial Statements

None

**City of Huxley, Iowa
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

Part II—Other Findings Related to Statutory Reporting

1. OFFICIAL DEPOSITORIES

A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

2. CERTIFIED BUDGET

Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

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

Response

The budget will be properly amended in the future, if applicable.

Conclusion

Response accepted.

3. QUESTIONABLE DISBURSEMENTS

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

4. TRAVEL EXPENSE

We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

5. BUSINESS TRANSACTIONS

Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bill Bass, City Administrator and part-owner of Signature Development Huxley, L.L.C.	FY02 Incentive program Development agreement	\$7,533 Undetermined

In accordance with Chapter 403.16 of the Code of Iowa, the development agreement may represent a conflict of interest since the City Administrator owns more than 5% of the Company. The incentive program included amounts based on certain economic development efforts that may not be in accordance with the Code of Iowa. The City should contact their attorney for proper resolution of these matters.

**City of Huxley, Iowa
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

6. 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 insure that the coverage is adequate for current operations.

7. COUNCIL MINUTES

No transactions were found that we believe should have been approved in the Council minutes but were not.

8. FINANCIAL CONDITION

Note to the financial statements number 11 reported a deficit fund balance at June 30, 2004:

Recommendation

The City should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response

The deficit in the Special Revenue Fund—Huxley Townhomes, L.C. Loan is due to monies being loaned for economic development. The deficit will be eliminated when the outstanding balances are repaid.

Conclusion

Response accepted.

9. 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.

10. REVENUE BONDS/NOTES

The City was not in compliance with requirements of their TIF Reserve Fund requirements.

Recommendation

The City should review the requirements and transfer money as appropriate.

Response

We will comply with these requirements.

Conclusion

Response accepted.