

**CITY OF HUXLEY, IOWA**

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

**YEAR ENDED JUNE 30, 2008**

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**City of Huxley, Iowa  
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Nels Nord	Mayor	Jan 2008
Craig Henry	Mayor Pro tem	Jan 2010
Marge Nerness	Council Member	Jan 2010
Leslee Beglinger	Council Member	Jan 2008
Chad Lovig	Council Member	Jan 2008
Ron Kroll (appointed)	Council Member	Jan 2010
John Haldeman	City Administrator	---
Lee Ruddick	City Clerk	Indefinite
John Hendricks	City Treasurer	2008
Amy Beattie	City Attorney	2008
Gabe Nelson	City Engineer	2008
<b>(After January 2008)</b>		
Nels Nord	Mayor	Jan 2010
Craig Henry	Mayor Pro tem	Jan 2010
Marge Nerness	Council Member	Jan 2010
Don Brendeland	Council Member	Jan 2012
Ron Krull	Council Member	Jan 2010
Mark Baker	Council Member	Jan 2012
John Haldeman	City Administrator	---
Lee Vogt	City Clerk	Indefinite
John Hendricks	City Treasurer	2009
Amy Beattie	City Attorney	2009
Gabe Nelson	City Engineer	2009

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Huxley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2008, 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.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2009 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on page 4 through 9 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

January 21, 2009

**CITY OF HUXLEY, IOWA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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, 2008, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements that begin on page 10.

**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 modified 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 Net Assets and the Statement of Activities (on pages 10-11) provide 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 12) 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 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 statement.

**Required Supplementary Information:** This Management's Discussion and Analysis and the General Fund 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 30) 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 cash receipts, disbursements and changes in cash balances report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the City's assets and liabilities resulting from the use of the modified cash basis of accounting.

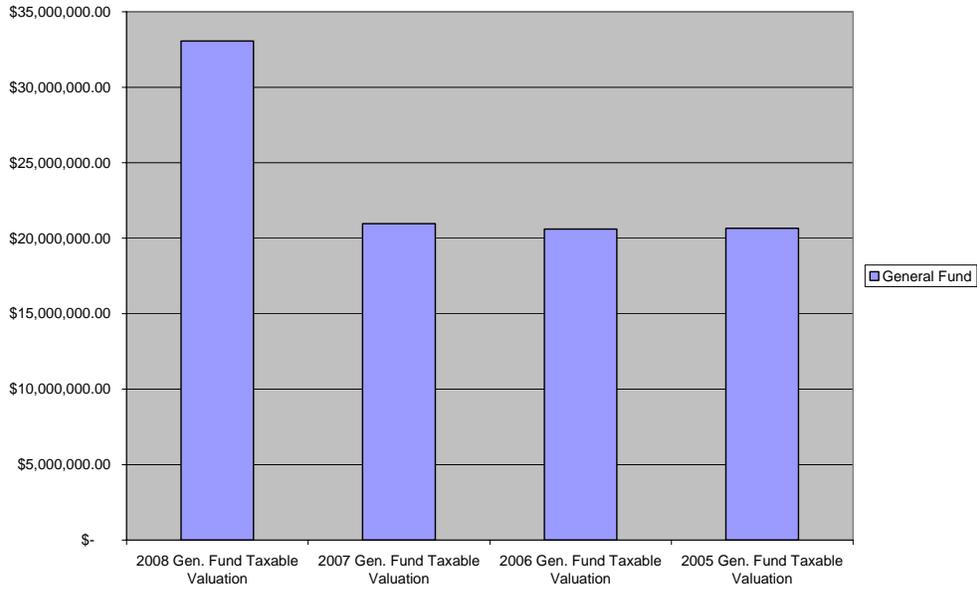
The Statement of cash receipts, disbursements and changes in cash balances report is divided into two kinds of activities:

- Governmental Activities include public safety, streets, 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 (proprietary funds) type activities. 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.

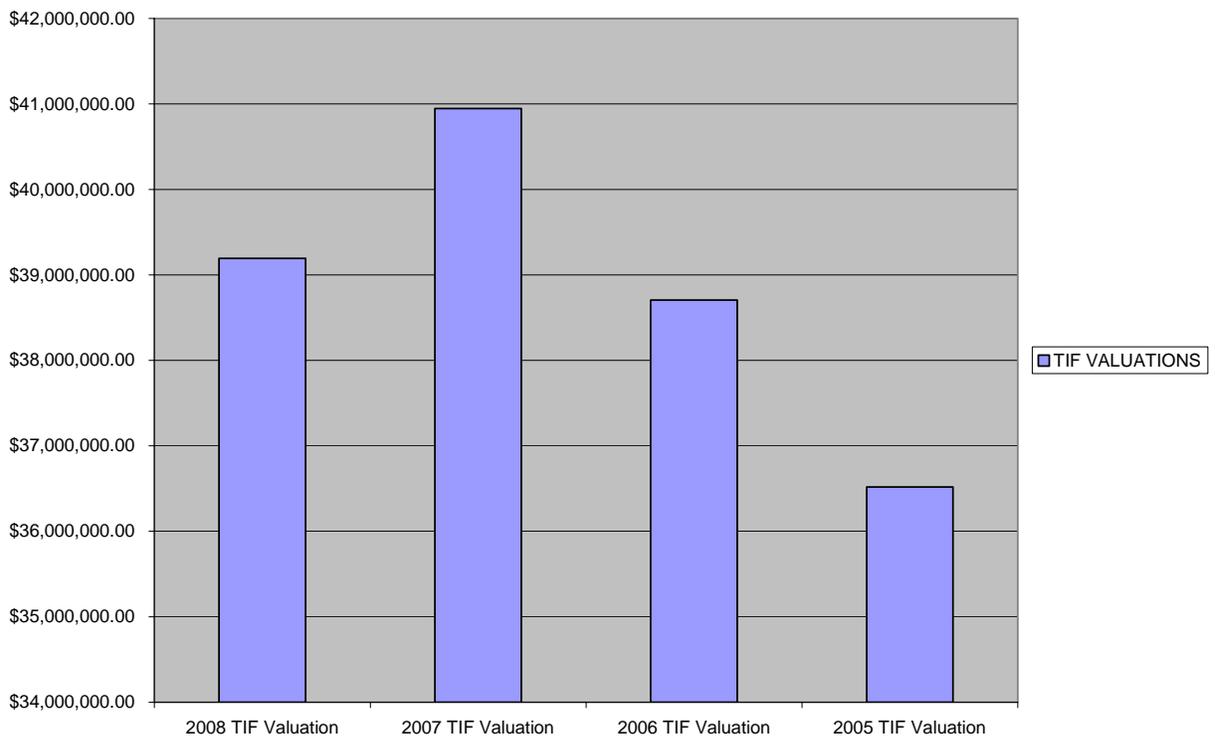
These two statements report the City's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health or financial position. 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 non-

financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

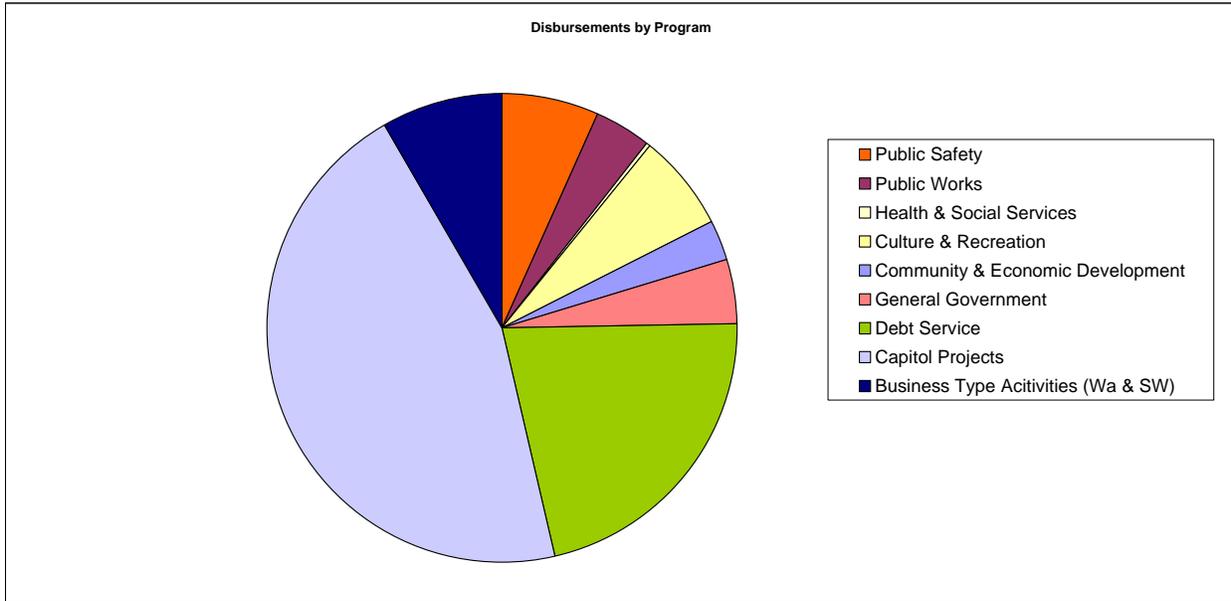
**General Fund Tax Evaluations**



**TIF VALUATIONS**

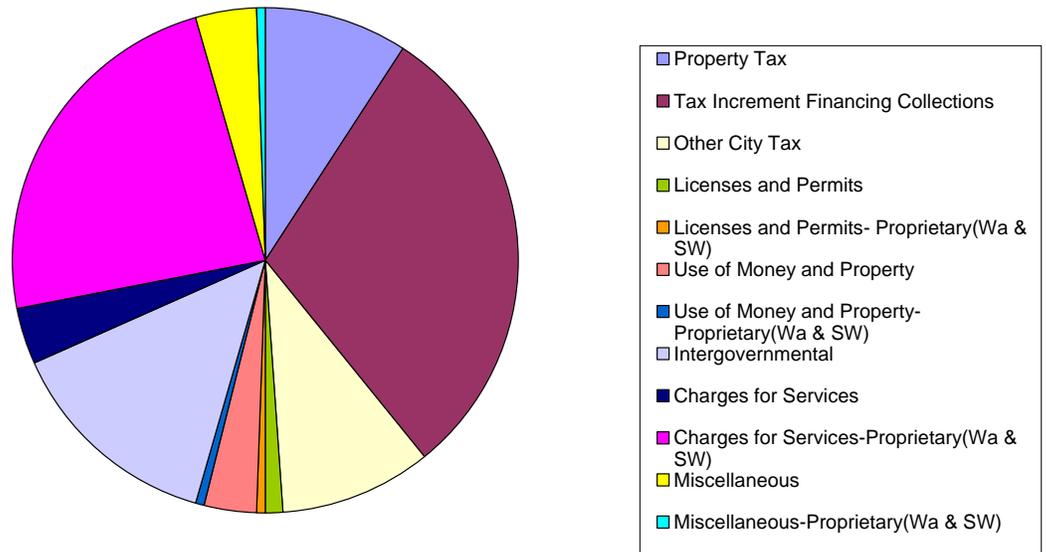


## 2008 Total Disbursements by Program



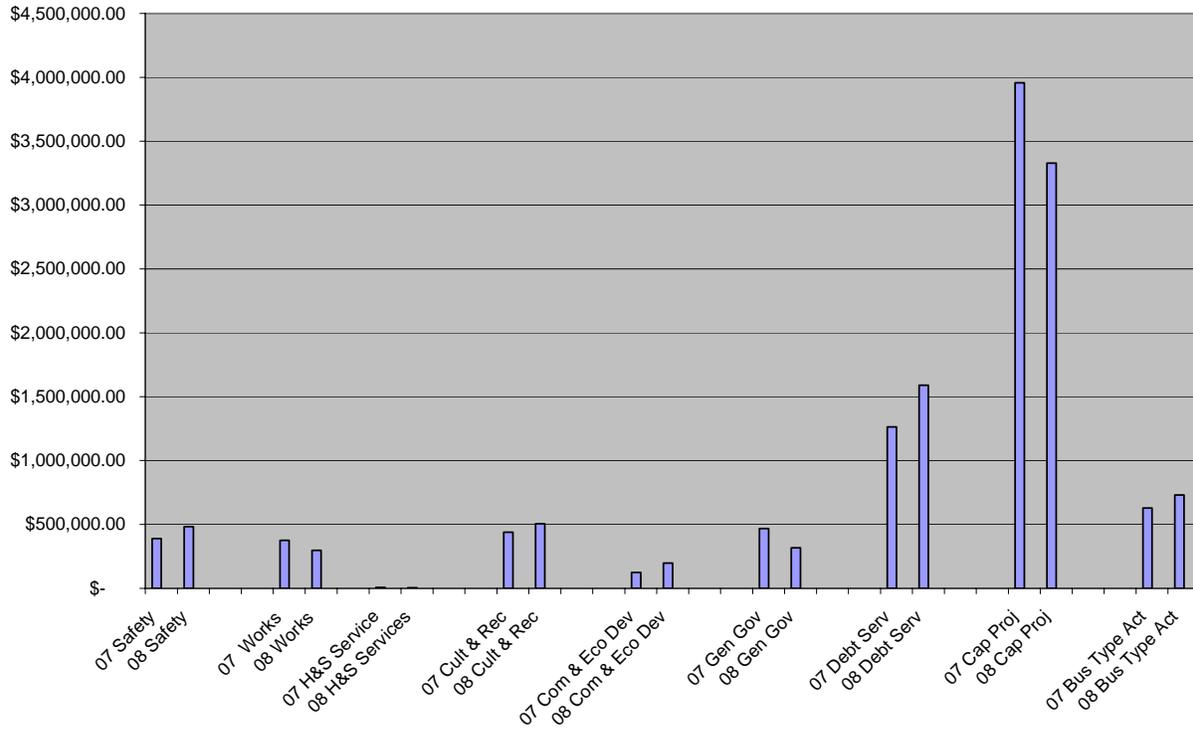
## Revenue Total By Source

**2008 Revenue Sources**



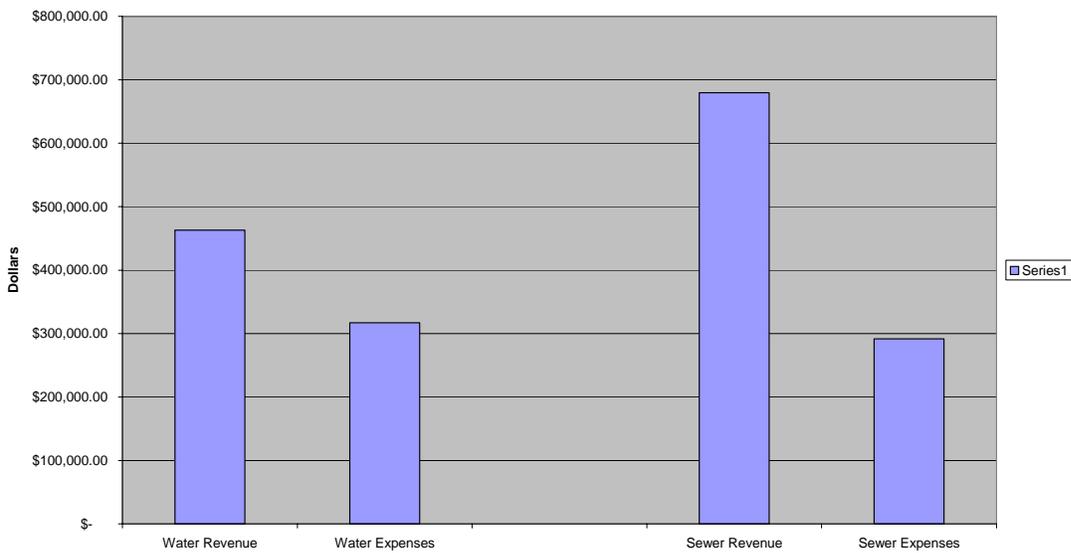
## Expenditures By Program 2007/2008 Disbursement Comparisons

07-08 Disbursement Comparisons

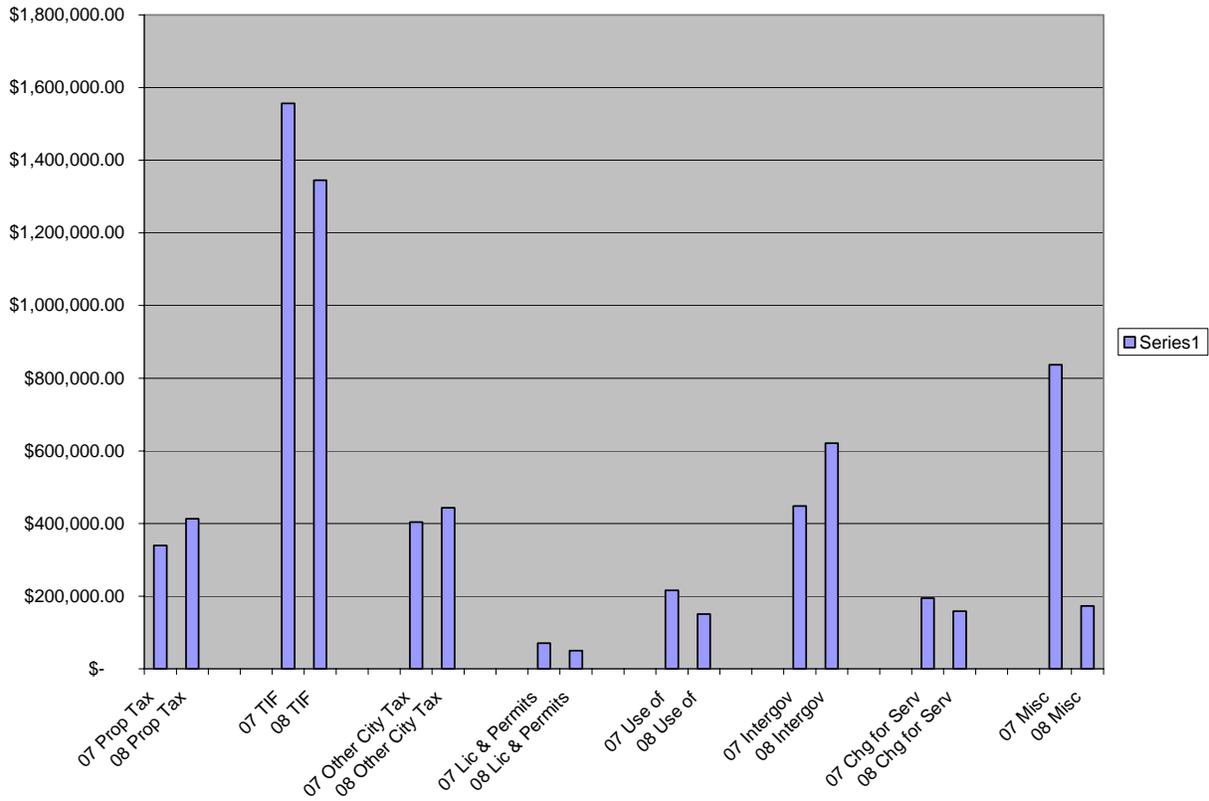


## Water and Sewer Revenues and Expenses

2008 Proprietary Revenue/Expense



## 2007/2008 Revenue Comparison



### DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$10,817,000 in bonds and other long-term debt, compared to approximately \$11,347,000 last year, as shown below

Outstanding Debt at Year End		
	June 30, 2008	June 30, 2007
General Obligation Bonds	\$ 379,000	401,000
Water Improvement Bond, Series 2003		
General Obligation	2,270,000	2,685,000
Refunding Bonds 2004		
Corporate Purpose Bonds	140,000	155,000
Corporate Purpose Bonds	6,650,000	6,650,000
State Revolving Fund Loan	1,378,000	1,456,000
Total	10,817,000	11,347,000

### 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, 2008

	Program Receipts		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 482,646	39,276	69,264
Public works	297,981	-	378,505
Health and social services	4,725	-	-
Culture and recreation	504,748	158,320	136,934
Community and economic development	196,960	-	-
General government	317,211	62,431	-
Debt service	1,589,192	-	-
Capital projects	3,327,782	-	-
Total governmental activities	6,721,245	260,027	584,703
Business type activities:			
Water	438,868	441,816	-
Sewer	291,699	662,696	-
Total business type activities	730,567	1,104,512	-
<b>Total</b>	<b>\$ 7,451,812</b>	<b>1,364,539</b>	<b>584,703</b>

**General Receipts:**

Property and other city tax levied for:  
    General purposes  
    Tax increment financing  
    Debt Service  
Local option sales tax  
Unrestricted interest on investments  
Loan proceeds  
Miscellaneous  
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

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
(374,106)	-	(374,106)
80,524	-	80,524
(4,725)	-	(4,725)
(209,494)	-	(209,494)
(196,960)	-	(196,960)
(254,780)	-	(254,780)
(1,589,192)	-	(1,589,192)
<u>(3,327,782)</u>	<u>-</u>	<u>(3,327,782)</u>
<u>(5,876,515)</u>	<u>-</u>	<u>(5,876,515)</u>
-	2,948	2,948
<u>-</u>	<u>370,997</u>	<u>370,997</u>
<u>-</u>	<u>373,945</u>	<u>373,945</u>
<u>(5,876,515)</u>	<u>373,945</u>	<u>(5,502,570)</u>
311,874	-	311,874
1,345,159	-	1,345,159
146,524	-	146,524
307,305	-	307,305
136,344	27,378	163,722
1,867,540	-	1,867,540
<u>266,766</u>	<u>11,080</u>	<u>277,846</u>
<u>4,381,512</u>	<u>38,458</u>	<u>4,419,970</u>
(1,495,003)	412,403	(1,082,600)
<u>4,319,347</u>	<u>1,816,856</u>	<u>6,136,203</u>
<u>\$ 2,824,344</u>	<u>2,229,259</u>	<u>5,053,603</u>
\$ 200,196	-	200,196
3,239,744	-	3,239,744
(1,743)	-	(1,743)
<u>(613,853)</u>	<u>2,229,259</u>	<u>1,615,406</u>
<u>\$ 2,824,344</u>	<u>2,229,259</u>	<u>5,053,603</u>

City of Huxley

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2008

		<u>Special Revenue</u>	
	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>
Receipts:			
Property Tax	\$ 273,030	-	143,102
Tax increment financing	-	1,345,159	-
Other city tax	107,899	-	3,422
Licenses and permits	50,262	-	-
Use of money and property	21,974	38,531	-
Intergovernmental	242,644	-	-
Charges for services	158,820	-	-
Miscellaneous	<u>172,122</u>	<u>806</u>	<u>-</u>
Total receipts	<u>1,026,751</u>	<u>1,384,496</u>	<u>146,524</u>
Disbursements:			
Operating:			
Public safety	482,646	-	-
Public works	58,570	-	-
Health and social services	4,725	-	-
Culture and recreation	504,748	-	-
Community and economic development	83,995	112,965	-
General government	316,671	540	-
Debt Service	-	-	1,589,192
Capital Projects	-	-	-
Total disbursements	<u>1,451,355</u>	<u>113,505</u>	<u>1,589,192</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(424,604)</u>	<u>1,270,991</u>	<u>(1,442,668)</u>

Exhibit B

<u>Capital Projects</u>			
<u>SE Annexation Project</u>	<u>Grocery Store</u>	<u>Governmental Funds</u>	<u>Total</u>
-	-	-	416,132
-	-	-	1,345,159
-	-	332,088	443,409
-	-	-	50,262
84,651	-	5,687	150,843
-	-	378,505	621,149
-	-	-	158,820
-	-	-	172,928
<u>84,651</u>	<u>-</u>	<u>716,280</u>	<u>3,358,702</u>
-	-	-	482,646
-	-	239,411	297,981
-	-	-	4,725
-	-	-	504,748
-	-	-	196,960
-	-	-	317,211
-	-	-	1,589,192
<u>1,640,444</u>	<u>459,710</u>	<u>1,227,628</u>	<u>3,327,782</u>
<u>1,640,444</u>	<u>459,710</u>	<u>1,467,039</u>	<u>6,721,245</u>
<u>(1,555,793)</u>	<u>(459,710)</u>	<u>(750,759)</u>	<u>(3,362,543)</u>

(continued)

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, 2008

	<u>General</u>	<u>Special Revenue</u>	
		<u>Tax Increment Financing</u>	<u>Debt Service</u>
Other financing sources (uses):			
Operating transfers in	307,305	-	1,616,397
Operating transfers out	(1,800)	(826,280)	-
Loan proceeds	256,950	-	-
Total financing sources (uses)	<u>562,455</u>	<u>(826,280)</u>	<u>1,616,397</u>
Net change in cash balances	137,851	444,711	173,729
Cash balances beginning of year	<u>155,930</u>	<u>2,795,033</u>	<u>(175,472)</u>
Cash balances end of year	<u>\$ 293,781</u>	<u>3,239,744</u>	<u>(1,743)</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt Service	\$ -	-	(1,743)
Unreserved:			
General funds	293,781	-	-
Special revenue funds	-	3,239,744	-
Capital project funds	-	-	-
Total cash basis fund balances	<u>\$ 293,781</u>	<u>3,239,744</u>	<u>(1,743)</u>

See notes to financial statements.

Exhibit B

<u>Capital Projects</u>			
<u>SE Annexation Project</u>	<u>Grocery Store</u>	<u>Governmental Funds</u>	<u>Total</u>
-	-	85,500	2,009,202
(256,524)	(561,640)	(362,958)	(2,009,202)
<u>-</u>	<u>1,135,590</u>	<u>475,000</u>	<u>1,867,540</u>
<u>(256,524)</u>	<u>573,950</u>	<u>197,542</u>	<u>1,867,540</u>
(1,812,317)	114,240	(553,217)	(1,495,003)
<u>1,886,887</u>	<u>-</u>	<u>(343,031)</u>	<u>4,319,347</u>
<u>74,570</u>	<u>114,240</u>	<u>(896,248)</u>	<u>2,824,344</u>
-	-	-	(1,743)
-	-	-	293,781
-	-	328,674	3,568,418
<u>74,570</u>	<u>114,240</u>	<u>(1,224,922)</u>	<u>(1,036,112)</u>
<u>74,570</u>	<u>114,240</u>	<u>(896,248)</u>	<u>2,824,344</u>

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Proprietary Funds		Other Nonmajor Meter Deposits	Total
	Water	Sewer		
Operating Receipts:				
Permits	\$ 11,245	10,750	-	21,995
Use of money and property	10,246	17,132	-	27,378
Charges for services	421,364	649,421	-	1,070,785
Miscellaneous	9,207	2,525	11,080	22,812
Total operating receipts	452,062	679,828	11,080	1,142,970
Operating disbursements:				
Business type activities	308,583	291,699	8,605	608,887
Total operating disbursements	308,583	291,699	8,605	608,887
Excess (deficiency) of operating receipts over (under) operating disbursements	143,479	388,129	2,475	534,083
Non-operating receipts (disbursements):				
Debt service	(121,680)	-	-	(121,680)
Total non-operating receipts (disbursements)	(121,680)	-	-	(121,680)
Net change in cash balances	21,799	388,129	2,475	412,403
Cash balances beginning of year	805,780	978,998	32,078	1,816,856
Cash balances end of year	\$ 827,579	1,367,127	34,553	2,229,259
<b>Cash Basis Fund Balances</b>				
Unreserved	827,579	1,367,127	34,553	2,229,259
Total cash basis fund balances	\$ 827,579	\$ 1,367,127	\$ 34,553	\$ 2,229,259

See notes to financial statements.

## City of Huxley, Iowa

### Notes to Financial Statements

June 30, 2008

#### (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, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

##### A. 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### 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.

The City also participates in the Ames Story County Affordable Housing Partnership, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. Additionally the City has a Chapter 28E agreement with the Ballard Community School District to operate the 3Cs Community Center. See Note (7) for additional explanation.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental 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.

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.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

The City reports the following major governmental funds:

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

Special Revenue:

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 Debt Service Fund is utilized to account for the payment of interest and principle on the City's general long-term debt.

Capital Projects:

The SE Annexation Fund is used to account for the construction costs of this project.

The Grocery Store Fund is used to account for the funding of land and planning costs relating to the Grocery Store Project Area Development within the Huxley Urban Renewal Area.

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.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

C. Measurement Focus and 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 U.S. generally accepted accounting principles.

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

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.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 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 at June 30, 2008 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Savings Bonds	\$ 13,912 =====	\$ 13,912 =====

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

**(3) Bonds and Notes Payable**

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

Year Ending <u>June 30,</u>	General Obligation Bonds		State Revolving Fund Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	647,000	408,982	81,000	41,340	728,000	450,322
2010	778,000	387,268	83,000	38,910	861,000	426,178
2011	888,000	358,785	86,000	36,420	974,000	395,205
2012	939,000	324,485	88,000	33,840	1,027,000	358,325
2013	985,000	286,963	91,000	31,200	1,076,000	318,163
2014	576,000	246,538	94,000	28,470	670,000	275,008
2015	606,000	220,293	96,000	25,650	702,000	245,943
2016	617,000	192,352	99,000	22,770	716,000	215,122
2017	658,000	163,517	102,000	19,800	760,000	183,317
2018	709,000	132,438	105,000	16,740	814,000	149,178
2019	480,000	98,587	108,000	13,590	588,000	112,177
2020	516,000	75,638	112,000	10,350	628,000	85,988
2021	562,000	50,700	115,000	6,990	677,000	57,690
2022	<u>478,000</u>	<u>23,240</u>	<u>118,000</u>	<u>3,540</u>	<u>596,000</u>	<u>26,780</u>
Totals	\$ 9,439,000 =====	2,969,786 =====	1,378,000 =====	329,610 =====	10,817,000 =====	3,299,396 =====

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,816,000 in water revenue bonds issued in February 2002. Proceeds from the bonds provided financing for water improvement projects. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,378,000. For the current year, principal and interest paid and total customer net receipts were \$121,680 and \$143,479 respectively.

The resolutions providing for the issuance of revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

There was a 6.65 million G.O. corporate purpose general obligation bond issued October 15, 2006. This bond is subject to an annual budget appropriation. As of June 30, 2008 the balance on this bond was \$6,650,000 which is included in the above total.

There was \$695,000 G.O. corporate purpose loan issued on October 11, 2007 with an interest rate of 3.80% and maturity date of June 30, 2008. The funds are to be divided \$580,000 for Urban Renewal, \$60,000 for Insurance and \$55,000 for Audiovisual and Software for City Hall. The balance as of June 30, 2008 was \$0.

There was a \$710,000 G.O. corporate purpose loan issued on June 19, 2008 with an interest rate of 2.75% and maturity date of June 25, 2009. The funds were used to pay the \$695,000 G.O. corporate purpose loan due June 30, 2008. The balance as of June 30, 2008 on this loan is \$710,000.

In addition, on March 7, 2008 the City of Huxley entered into a Sewer Revenue Loan and disbursement agreement authorizing an interim financing loan for \$475,000 to fund construction improvements and extension to the sewer utility project. This interim loan has a zero percent interest rate. The City has three years from the date of issuance to pay back this interim loan.

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$57,104, \$50,458 and \$48,310, respectively, which is equal to the required contribution for each year.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

**(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 12.5% for 10, 25% after 15 years, and 50% after 25 years of full-time employment and the employee has not been terminated by the City with cause. These accumulations are not recognized as disbursements until used or paid. The City's approximate liability for earned compensated absences for vacation and sick leave hours payable to employees totaled \$98,421 at June 30, 2008, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2008.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Tax	\$ 307,305
	Library Improvement	1,800
Debt Service	Special Revenue:	
	Tax Increment Financing	742,580
	Capital Projects:	
	Street Construction & Repair	55,653
	SE Annexation Project	256,524
	Grocery Store	561,640
LMI	Special Revenue:	
	Tax Increment Financing	<u>83,700</u>
Total		\$ 2,009,202 =====

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

June 30, 2008

**(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, 2008 was \$24,318.

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 is anticipating building a new water treatment plant for an estimated \$8 million. This project will be paid for from increase in rates and bond proceeds.

The City has the following ongoing projects. The cost to finish these projects are not determinable.

<u>Project</u>	<u>Amount Spent to Date</u>
1 <sup>st</sup> Street Reconstruction Project	\$ 1,630,000
Entryway Project	8,300
S E Annexation Project	3,766,000

These projects will be funded from a combination of TIF revenues and bond proceeds.

The City has bought land to expand Centennial park. This project will be implemented in phases at a total cost of approximately \$4 million. The Park Board is trying to raise funds to help pay for this project.

The City has approved a project to install traffic signals for approximately \$500,000-\$600,000. This will be paid by grants and bond proceeds.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

**(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. These are forgivable loans which do not have to be paid back if all requirements are met.

<u>Borrower</u>	<u>Date of Loan</u>	<u>Amount Expended</u>
Whistle Stop Daycare	January 1, 2001	\$ 10,000
CAS Enterprises, Inc. d/b/a Kreg Tool Co.	August 10, 2001	<u>15,000</u>
Total		\$ 25,000 =====

**(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. 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.

**(10) Deficit Fund Balances**

The Debt Service Fund had a deficit balance of \$1,743 which will be eliminated upon receipt of property taxes. Non-major capital projects had deficit balances of \$1,224,922. These deficits are a result of ongoing capital projects, which will be eliminated by a variety of sources namey TIF taxes, bond proceeds, donations, and funds on hand.

## **Required Supplementary Information**

City of Huxley, Iowa

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

Required Supplementary Information

Year Ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property Tax	\$ 416,132	-
Tax increment financing	1,345,159	-
Other city tax	443,409	-
Licenses and permits	50,262	21,995
Use of money and property	150,843	27,378
Intergovernmental	621,149	-
Charges for services	158,820	1,070,785
Miscellaneous	172,928	22,812
Total receipts	<u>3,358,702</u>	<u>1,142,970</u>
Disbursements:		
Public safety	482,646	-
Public works	297,981	-
Health and social services	4,725	-
Culture and recreation	504,748	-
Community and economic development	196,960	-
General government	317,211	-
Debt service	1,589,192	-
Capital projects	3,327,782	-
Business type activities	-	730,567
Total disbursements	<u>6,721,245</u>	<u>730,567</u>
Excess (deficiency) of receipts over (under) disbursements	(3,362,543)	412,403
Other financing sources, net	<u>1,867,540</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources	(1,495,003)	412,403
Balances beginning of year	<u>4,319,347</u>	<u>1,816,856</u>
Balances end of year	<u>\$ 2,824,344</u>	<u>2,229,259</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
416,132	433,908	433,908	(17,776)
1,345,159	1,322,000	1,322,000	23,159
443,409	369,437	369,437	73,972
72,257	119,400	119,400	(47,143)
178,221	68,900	68,900	109,321
621,149	463,500	635,525	(14,376)
1,229,605	1,182,500	1,182,500	47,105
195,740	71,000	71,000	124,740
<u>4,501,672</u>	<u>4,030,645</u>	<u>4,202,670</u>	<u>299,002</u>
482,646	420,255	496,855	14,209
297,981	309,995	309,995	12,014
4,725	9,475	9,475	4,750
504,748	508,720	530,865	26,117
196,960	655,063	1,700,063	1,503,103
317,211	265,815	347,815	30,604
1,589,192	887,280	887,280	(701,912)
3,327,782	4,400,000	4,400,000	1,072,218
730,567	744,680	786,680	56,113
<u>7,451,812</u>	<u>8,201,283</u>	<u>9,469,028</u>	<u>2,017,216</u>
(2,950,140)	(4,170,638)	(5,266,358)	2,316,218
<u>1,867,540</u>	<u>4,515,000</u>	<u>5,115,000</u>	<u>(3,247,460)</u>
(1,082,600)	344,362	(151,358)	(931,242)
<u>6,136,203</u>	<u>6,136,203</u>	<u>6,136,203</u>	<u>-</u>
<u>5,053,603</u>	<u>6,480,565</u>	<u>5,984,845</u>	<u>(931,242)</u>

City of Huxley, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. 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 Fund, 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 revenues by \$172,025, budgeted disbursements by \$1,267,745, and other financing sources by \$600,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

## **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, 2008

	Special Revenue Funds				
	Employee Benefits	Road Use Tax	Trust & Agency	Local Option Sales Tax	LMI
Receipts:					
Other City Tax	\$ 24,783	-	-	307,305	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	253,505	-	-	-
Total Receipts	<u>24,783</u>	<u>253,505</u>	<u>-</u>	<u>307,305</u>	<u>-</u>
Disbursements:					
Operating					
Public Works	-	239,411	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>-</u>	<u>239,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>24,783</u>	<u>14,094</u>	<u>-</u>	<u>307,305</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers (in)	-	-	-	-	83,700
Operating transfers (out)	-	-	-	(307,305)	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,305)</u>	<u>83,700</u>
Net change in cash balances	24,783	14,094	-	-	83,700
Cash balances beginning of year	<u>7,098</u>	<u>186,102</u>	<u>319</u>	<u>-</u>	<u>12,578</u>
Cash balances end of year	<u>\$ 31,881</u>	<u>200,196</u>	<u>319</u>	<u>-</u>	<u>96,278</u>
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	\$ 31,881	200,196	319	-	96,278
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 31,881</u>	<u>200,196</u>	<u>319</u>	<u>-</u>	<u>96,278</u>

See accompanying independent auditor's report.

City of Huxley, Iowa

Schedule 1

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

As of and for the year ended June 30, 2008

	Capital Projects				Total
	Oak/Main	Timberlane/ Northview	2006 Comprehensive	Heart of Iowa Trail	
<b>Receipts:</b>					
Other city tax	-	-	-	-	332,088
Use of money and property	-	-	-	-	5,687
Intergovernmental	-	-	-	-	378,505
Total receipts	-	-	-	-	716,280
<b>Disbursements:</b>					
Operating					
Public works	-	-	-	-	239,411
Capital projects	69,338	-	-	233	1,227,628
Total disbursements	69,338	-	-	233	1,467,039
Excess (deficiency) of receipts over (under) disbursements	(69,338)	-	-	(233)	(750,759)
<b>Other financing sources (uses):</b>					
Operating transfers (in)	-	-	-	-	85,500
Operating transfers (out)	-	-	-	-	(362,958)
Loan proceeds	-	-	-	-	475,000
Total other financing sources (uses)	-	-	-	-	197,542
Net change in cash balances	(69,338)	-	-	(233)	(553,217)
Cash balances beginning of year	(2,000)	(197,151)	(16,895)	-	(343,031)
Cash balances end of year	(71,338)	(197,151)	(16,895)	(233)	(896,248)
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	-	-	-	-	328,674
Capital project funds	(71,338)	(197,151)	(16,895)	(233)	(1,224,922)
Total cash basis fund balances	(71,338)	(197,151)	(16,895)	(233)	(896,248)

City of Huxley, Iowa  
Schedule of Indebtedness  
Year ended June 30, 2008

<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	Apr 16, 2003	3.00%	\$ 500,000
Corporate Purpose Bonds	Apr 15, 2006	3.35-4.20	465,000
Corporate Purpose Bonds	Oct 15, 2006	4.40-5.00	6,650,000
Refunding Bonds	Nov 1, 2004	1.85-3.70	3,725,000
	Total		
Water Revenue Bonds	Feb 8, 2002	3.00%	\$ 1,816,000
Short Term Debt			
Project anticipation notes;			
Series 2007 A	Oct 11, 2007	3.80%	\$ 695,000
Series 2007 A	Jun 19, 2008	2.75	710,000
	Total		
Sewer interim loan	Mar 7, 2008	0.00%	\$ 475,000

See accompanying independent auditor's report.

Schedule 2

<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>
401,000	-	22,000	379,000	12,030	-
155,000	-	15,000	140,000	6,010	-
6,650,000	-	-	6,650,000	316,110	-
<u>2,685,000</u>	<u>-</u>	<u>415,000</u>	<u>2,270,000</u>	<u>82,298</u>	<u>-</u>
<u>\$ 9,891,000</u>	<u>-</u>	<u>452,000</u>	<u>9,439,000</u>	<u>416,448</u>	<u>-</u>
<u>\$ 1,456,000</u>	<u>-</u>	<u>78,000</u>	<u>1,378,000</u>	<u>43,680</u>	<u>-</u>
-	695,000	695,000	-	18,267	-
<u>-</u>	<u>710,000</u>	<u>-</u>	<u>710,000</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 1,405,000</u>	<u>\$ 695,000</u>	<u>\$ 710,000</u>	<u>\$ 18,267</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ -</u>

City of Huxley, Iowa

Schedule 3

Bond and Note Maturities

June 30, 2008

Year Ending June 30,	State Revolving Fund Revenue Bonds	
	Issued Feb 8, 2002	
	Interest Rates	Amount
2009	3.00	81,000
2010	3.00	83,000
2011	3.00	86,000
2012	3.00	88,000
2013	3.00	91,000
2014	3.00	94,000
2015	3.00	96,000
2016	3.00	99,000
2017	3.00	102,000
2018	3.00	105,000
2019	3.00	108,000
2020	3.00	112,000
2021	3.00	115,000
2022	3.00	118,000
Total		<u>\$ 1,378,000</u>

See accompanying independent auditor's report.

(continued)

City of Huxley, Iowa  
 Bond and Note Maturities  
 June 30, 2008

Year Ending June 30,	General Obligation Bonds			
	Water Improvement Bond Issued April 16, 2003		Refunding Bonds Issued Nov 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount
	Interest Rates	Amount	Interest Rates	Amount
2009	3.00	22,000	2.95	430,000
2010	3.00	23,000	3.15	435,000
2011	3.00	23,000	3.35	450,000
2012	3.00	24,000	3.55	470,000
2013	3.00	25,000	3.70	485,000
2014	3.00	26,000		
2015	3.00	26,000		
2016	3.00	27,000		
2017	3.00	28,000		
2018	3.00	29,000		
2019	3.00	30,000		
2020	3.00	31,000		
2021	3.00	32,000		
2022	3.00	33,000		
		\$ 379,000		\$ 2,270,000

Schedule 3

General Obligation Bonds				
Corporate Purpose Bonds Issued October 15, 2006		Corporate Purpose Bonds Issued April 15, 2006		
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
4.40	175,000	3.65	20,000	647,000
4.45	300,000	3.70	20,000	778,000
4.50	395,000	3.80	20,000	888,000
4.55	425,000	3.90	20,000	939,000
4.60	455,000	4.00	20,000	985,000
4.65	530,000	4.10	20,000	576,000
4.70	560,000	4.20	20,000	606,000
4.75	590,000			617,000
4.80	630,000			658,000
4.85	680,000			709,000
4.90	450,000			480,000
4.95	485,000			516,000
5.00	530,000			562,000
5.00	445,000			478,000
	<u>\$ 6,650,000</u>		<u>\$ 140,000</u>	<u>\$ 9,439,000</u>

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

For the Last Four Years

	Year ended June 30,			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:				
Property Tax	\$ 416,132	339,290	348,687	334,144
Tax increment financing	<u>1,345,159</u>	<u>1,556,180</u>	<u>1,391,187</u>	<u>1,374,213</u>
Other city taxes:				
Local option sales tax	307,305	276,593	227,634	224,589
Mobile home tax	8,073	9,094	8,434	10,234
Utility tax replacement excise tax	9,412	10,353	9,715	10,192
Employee benefit	24,782	16,068	-	-
Franchise fees	<u>93,837</u>	<u>92,018</u>	<u>86,638</u>	<u>30,008</u>
	<u>443,409</u>	<u>404,126</u>	<u>332,421</u>	<u>275,023</u>
Licenses and permits	<u>50,262</u>	<u>70,590</u>	<u>95,823</u>	<u>34,993</u>
Uses of money and property	<u>150,843</u>	<u>216,214</u>	<u>57,707</u>	<u>38,952</u>
Intergovernmental				
Road use tax	253,505	220,659	193,908	192,566
State allocation	155,711	59,340	617	-
Grants	47,525	2,100	3,000	104,917
Bank franchise tax	-	-	-	944
Fire contracts	18,523	12,357	14,864	10,716
Ballard Community School	109,439	103,498	101,980	96,688
Police contracts	36,446	50,261	78,378	34,000
Miscellaneous	-	-	30,883	26,764
	<u>621,149</u>	<u>448,215</u>	<u>423,630</u>	<u>466,595</u>
Charges for services	158,820	194,608	201,695	201,695
Miscellaneous	<u>172,928</u>	<u>837,137</u>	<u>195,931</u>	<u>195,931</u>
Total	<u>\$ 3,358,702</u>	<u>4,066,360</u>	<u>3,047,081</u>	<u>2,921,546</u>
Disbursements:				
Operating:				
Public safety	\$ 482,646	389,463	485,408	579,136
Public works	297,981	376,101	334,468	172,008
Health and social services	4,725	6,212	9,150	10,070
Culture and recreation	504,748	439,898	420,765	423,321
Community and economic development	196,960	124,188	401,808	332,313
General government	317,211	468,144	351,975	282,191
Debt service	1,589,192	1,263,068	698,250	499,620
Capital projects	<u>3,327,782</u>	<u>3,957,667</u>	<u>1,771,258</u>	<u>158,420</u>
Total	<u>\$ 6,721,245</u>	<u>7,024,741</u>	<u>4,473,082</u>	<u>2,457,079</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:

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 21, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Huxley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Huxley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Huxley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Huxley's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Huxley's financial statements that is more than inconsequential will not be prevented or detected by the City of Huxley's internal control. We consider the deficiency in internal control described in part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Huxley's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huxley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that 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, 2008 are based exclusively on knowledge obtained from procedures performed during our audit on 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 Huxley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Huxley's responses and, accordingly, we express no opinion on them.

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

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

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

January 21, 2009

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2008

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

I-A-08 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Huxley does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2008

**Part II: Other Findings Related to the Statutory Reporting:**

II-A-08 Certified Budget - Disbursements during the year ended June 30, 2008, exceeded the amounts budgeted in the debt service function. 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.

II-B-08 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.

II-C-08 Travel Expense – We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

II-D-08 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-08 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.

II-F-08 Council Minutes – Out of twenty-two disbursements tested, we noted that two were not approved in the Council minutes.

Recommendation – The City should review its procedures to make sure all claims are published with its Council proceedings.

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2008

Response – We will publish claims as required.

Conclusion – Response accepted.

II-G-08 Financial Condition – Note to the financial statements number 10 reported deficit fund balances at June 30, 2008.

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

Response – We are aware of the deficit balances. See footnote number 10 for further explanation.

Conclusion – Response accepted.

II-H-08 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-I-08 Revenue Bonds/Notes – The City has complied with the revenue bond resolutions.

II-J-08 Excess Balances – It was noted that the Special Revenue Fund, Tax Increment Financing Account (TIF) had a balance at June 30, 2008 in excess of one year's expenditures.

Recommendation – The City should review this cash balance.

Response – We have reviewed this cash balance and it will be utilized to reimburse project accounts in the TIF district and debt obligations for TIF projects.

Conclusion – Response accepted.

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2008

II-K-08 Inactive Capital Project Accounts – It was noted during the course of our audit that there were several inactive accounts.

Recommendation – The City should review their accounts and close out any inactive accounts.

Response – We will do this.

Conclusion – Response accepted.