

CITY OF HUXLEY, IOWA

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

YEAR ENDED JUNE 30, 2009

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**City of Huxley, Iowa
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nels Nord	Mayor	Jan 2010
Craig Henry	Mayor Pro tem	Jan 2010
Marge Nerness	Council Member	Jan 2010
Ron Krull	Council Member	Jan 2010
Don Brendeland	Council Member	Jan 2012
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, 2009, 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, 2009, 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 February 11, 2010 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 internal control over financial reporting or 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 10 and 29 through 31 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 four years ended June 30, 2008 (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 auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which is 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

February 11, 2010

**CITY OF HUXLEY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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, 2009, 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 11.

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 11-12) 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 13) 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 29) 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 32) 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

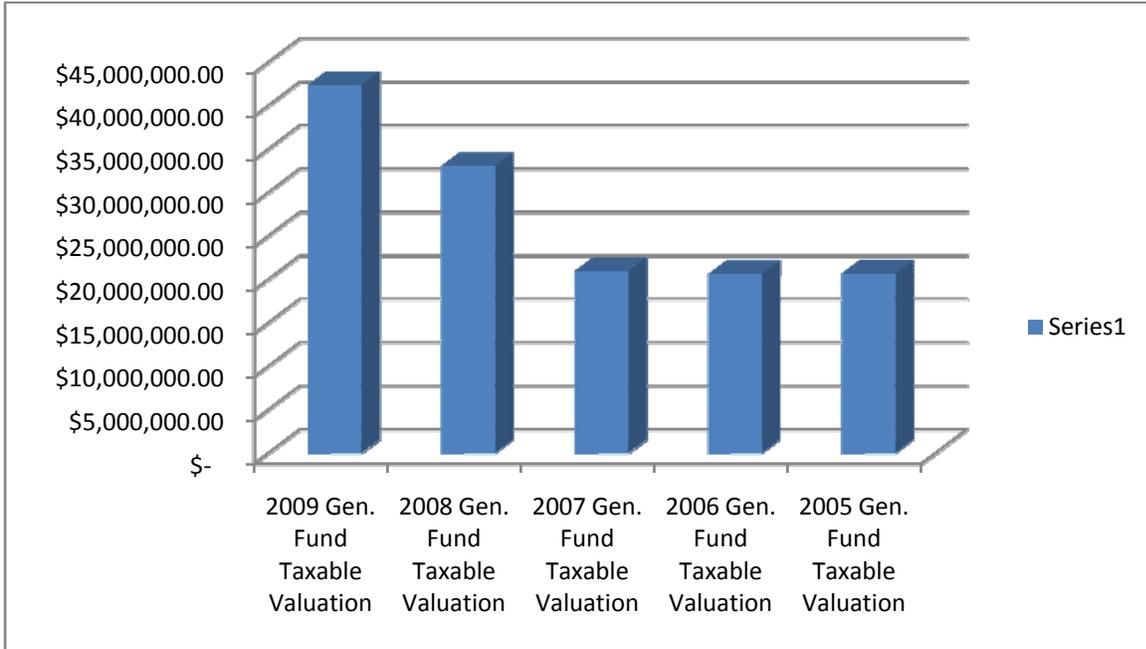
One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of cash receipts, disbursements and changes in cash balances report information about the City as a whole and about its activities 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:

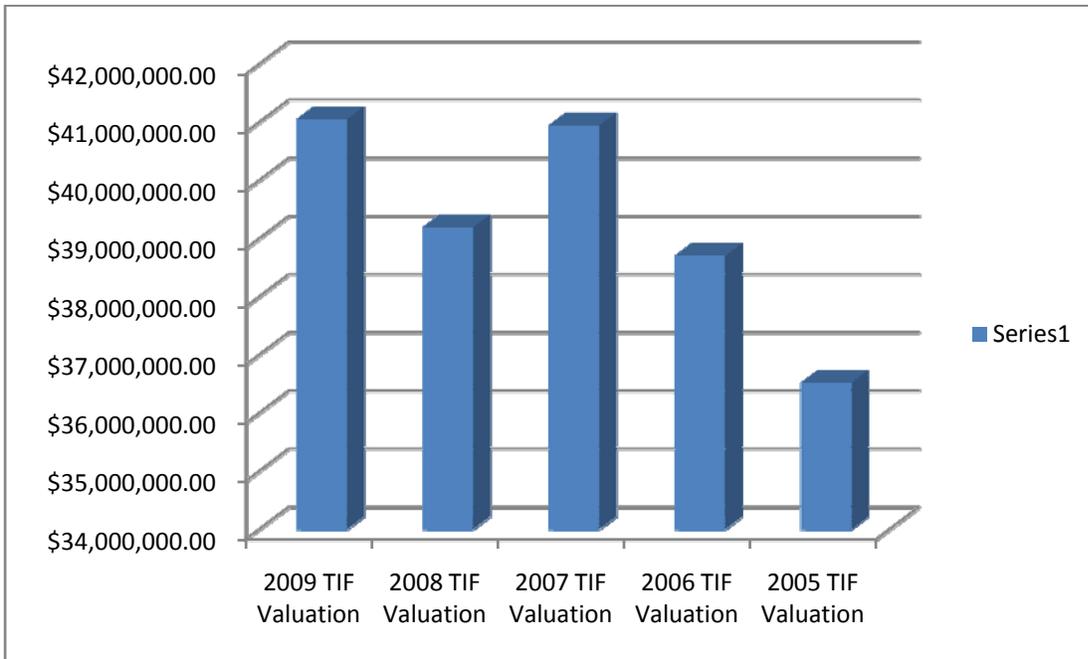
- Governmental Activities include public safety, streets, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business (proprietary funds) type activities. The 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.

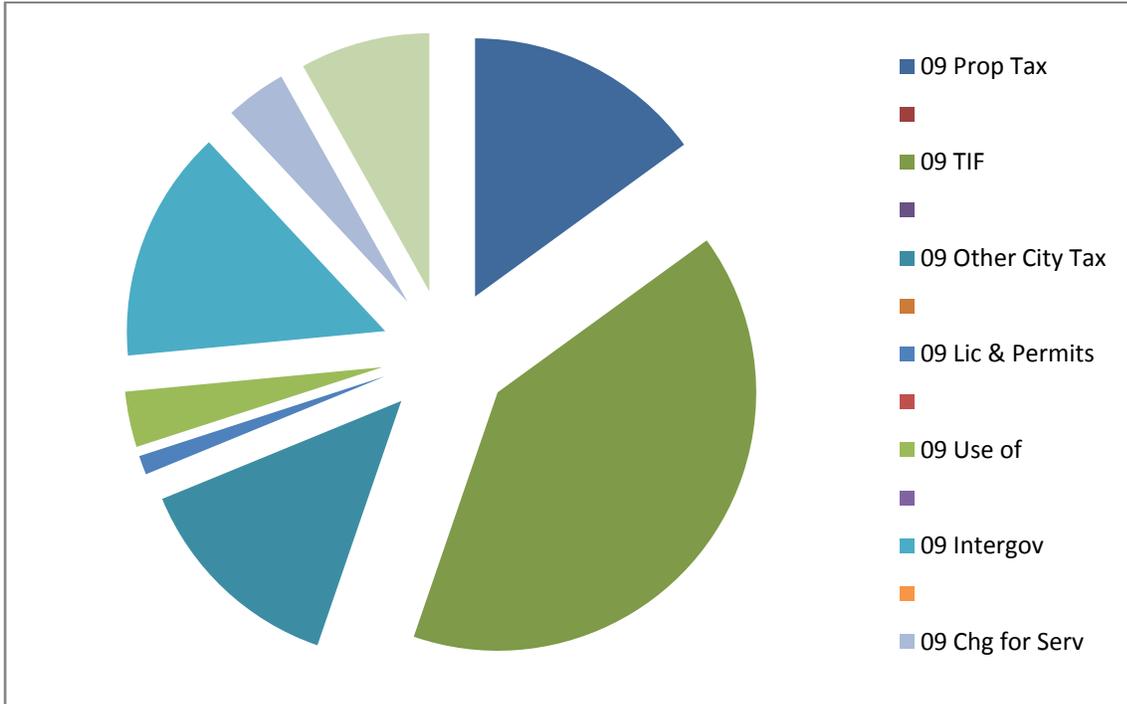
General Fund Taxable Valuations



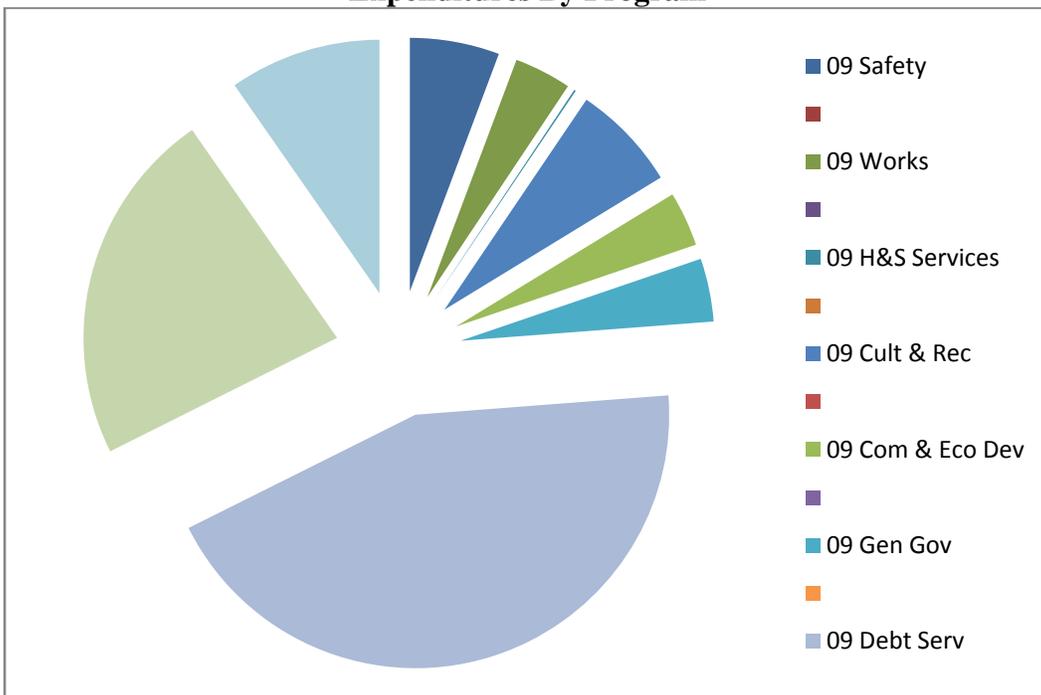
TIF Taxable Valuations



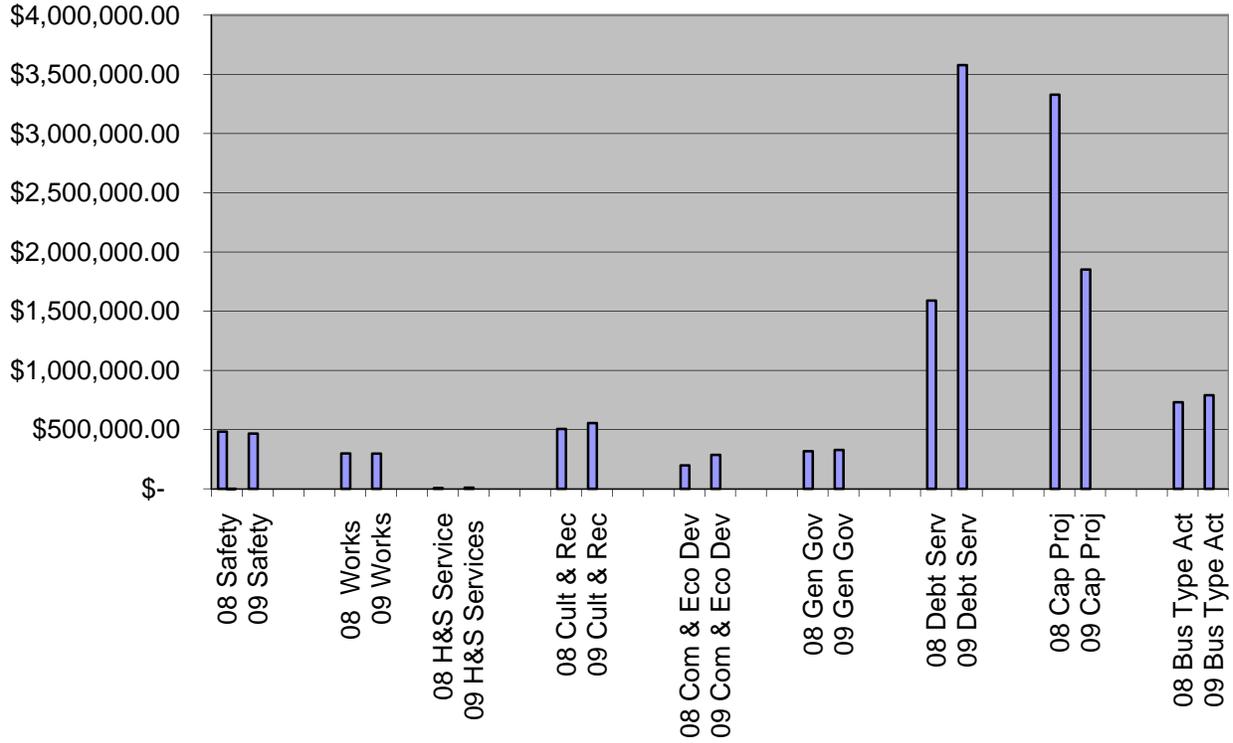
Revenue Total By Source



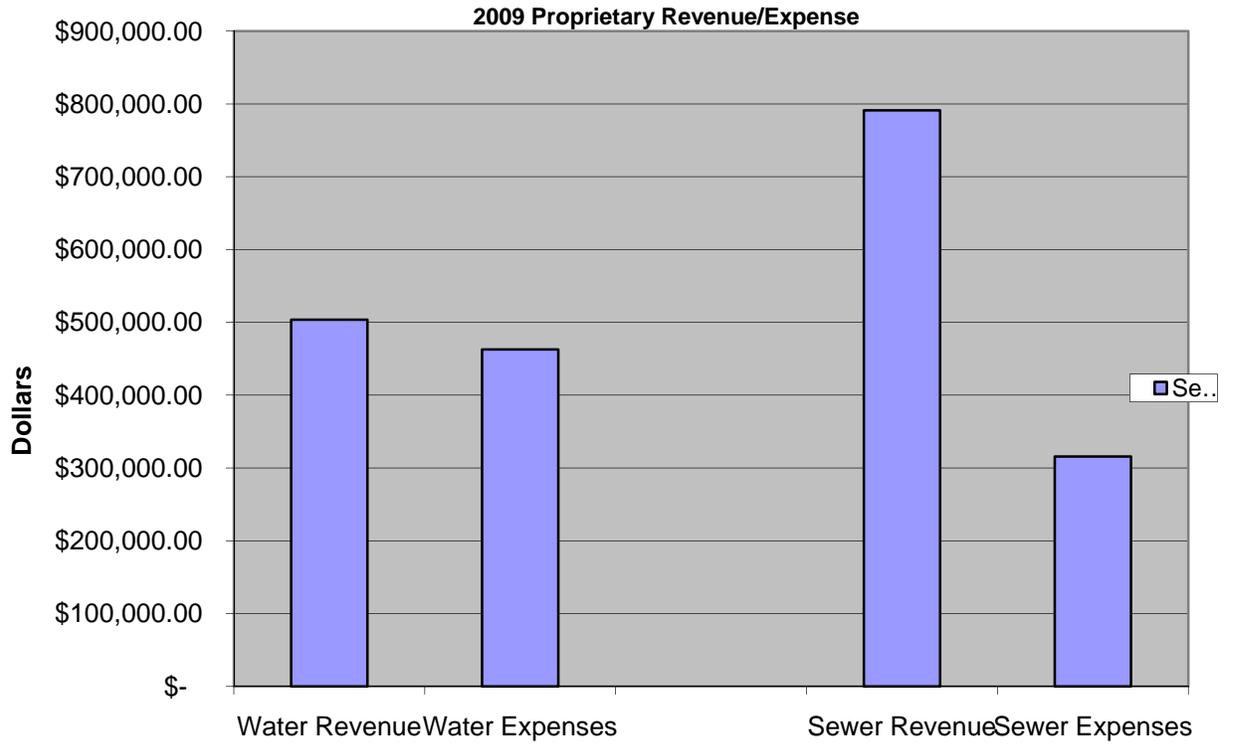
Expenditures By Program



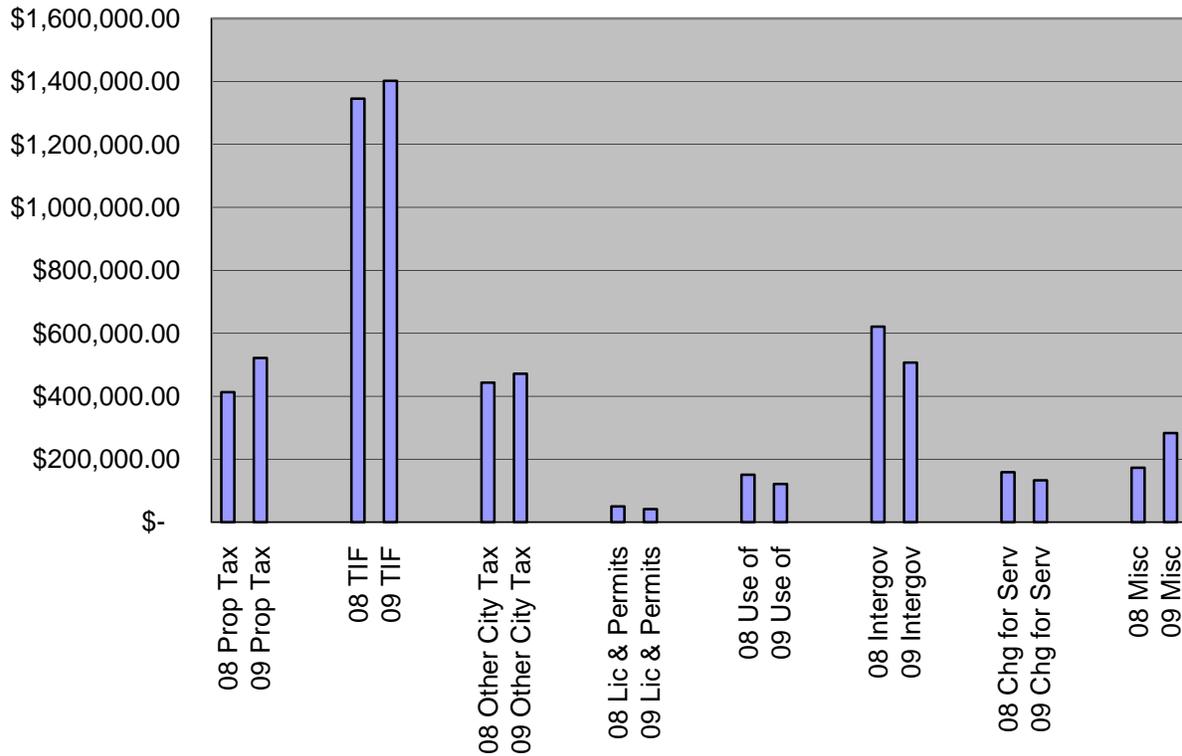
08-09 Disbursement Comparisons



Water and Sewer Revenues and Expenses



2008/2009 REVENUE COMPARISONS



DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$14,592,000 in General Obligation bonds and other long-term debt, compared to approximately \$10,817,000 last year, as shown below

Outstanding Debt at Year End		
	June 30, 2009	June 30, 2008
General Obligation Bonds	\$ 357,000	379,000
Water Improvement Bond, Series 2003		
General Obligation Refunding Bonds 2004	1,840,000	2,270,000
Corporate Purpose Bonds	120,000	140,000
Corporate Purpose Bonds	6,475,000	6,650,000
Corporate Purpose Bonds	5,800,000	0
State Revolving Fund Loan	1,378,000	1,378,000
Total	14,592,000	10,817,000
Water Revenue Bonds	\$ 1,297,000	1,378,000
Sewer Interim loan	475,000	475,000
Grand Total	\$ 16,364,000	12,670,000

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, 2009

	Program Receipts		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 465,675	42,012	76,697
Public works	296,437	-	246,189
Health and social services	9,178	-	-
Culture and recreation	555,495	134,284	155,891
Community and economic development	285,585	-	-
General government	328,393	45,079	-
Debt service	3,577,542	-	-
Capital projects	1,851,598	-	-
Total governmental activities	7,369,903	221,375	478,777
Business type activities:			
Water	474,550	499,488	-
Sewer	315,639	729,371	39,287
Total business type activities	790,189	1,228,859	39,287
Total	\$ 8,160,092	1,450,234	518,064

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 Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(346,966)	-	(346,966)
(50,248)	-	(50,248)
(9,178)	-	(9,178)
(265,320)	-	(265,320)
(285,585)	-	(285,585)
(283,314)	-	(283,314)
(3,577,542)	-	(3,577,542)
<u>(1,851,598)</u>	<u>-</u>	<u>(1,851,598)</u>
<u>(6,669,751)</u>	<u>-</u>	<u>(6,669,751)</u>
-	24,938	24,938
<u>-</u>	<u>453,019</u>	<u>453,019</u>
<u>-</u>	<u>477,957</u>	<u>477,957</u>
<u>(6,669,751)</u>	<u>477,957</u>	<u>(6,191,794)</u>
400,582	-	400,582
1,401,757	-	1,401,757
169,672	-	169,672
338,746	-	338,746
103,454	26,767	130,221
7,549,587	-	7,549,587
<u>365,952</u>	<u>12,070</u>	<u>378,022</u>
<u>10,329,750</u>	<u>38,837</u>	<u>10,368,587</u>
3,659,999	516,794	4,176,793
<u>2,824,344</u>	<u>2,229,259</u>	<u>5,053,603</u>
<u>\$ 6,484,343</u>	<u>2,746,053</u>	<u>9,230,396</u>
\$ 212,439	-	212,439
1,546,514	-	1,546,514
584,287	-	584,287
<u>4,141,103</u>	<u>2,746,053</u>	<u>6,887,156</u>
<u>\$ 6,484,343</u>	<u>2,746,053</u>	<u>9,230,396</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, 2009

		<u>Special Revenue</u>	
	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>
Receipts:			
Property Tax	\$ 355,216	-	166,493
Tax increment financing	-	1,401,757	-
Other city tax	97,511	-	3,179
Licenses and permits	41,556	-	-
Use of money and property	28,523	30,578	-
Intergovernmental	260,740	-	-
Charges for services	132,806	-	-
Miscellaneous	219,064	114	-
Total receipts	<u>1,135,416</u>	<u>1,432,449</u>	<u>169,672</u>
Disbursements:			
Operating:			
Public safety	465,675	-	-
Public works	61,460	-	-
Health and social services	9,178	-	-
Culture and recreation	555,495	-	-
Community and economic development	49,645	235,940	-
General government	323,653	4,740	-
Debt Service	-	-	3,577,542
Capital Projects	-	-	-
Total disbursements	<u>1,465,106</u>	<u>240,680</u>	<u>3,577,542</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(329,690)</u>	<u>1,191,769</u>	<u>(3,407,870)</u>

Exhibit B

Capital Projects			
Wastewater Facility Project	Capital Projects	Governmental Funds	Total
-	-	-	521,709
-	-	-	1,401,757
-	-	370,596	471,286
-	-	-	41,556
-	7,391	54,902	121,394
-	-	246,190	506,930
-	-	-	132,806
3,688	-	60,011	282,877
<u>3,688</u>	<u>7,391</u>	<u>731,699</u>	<u>3,480,315</u>
-	-	-	465,675
-	-	234,977	296,437
-	-	-	9,178
-	-	-	555,495
-	-	-	285,585
-	-	-	328,393
-	-	-	3,577,542
1,418,589	69,733	363,276	1,851,598
<u>1,418,589</u>	<u>69,733</u>	<u>598,253</u>	<u>7,369,903</u>
<u>(1,414,901)</u>	<u>(62,342)</u>	<u>133,446</u>	<u>(3,889,588)</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, 2009

	<u>General</u>	<u>Special Revenue</u>	
		<u>Tax Increment Financing</u>	<u>Debt Service</u>
Other financing sources (uses):			
Operating transfers in	400,999	-	1,627,963
Operating transfers out	-	(2,884,999)	-
Loan proceeds	<u>311,571</u>	<u>-</u>	<u>2,365,937</u>
Total financing sources (uses)	<u>712,570</u>	<u>(2,884,999)</u>	<u>3,993,900</u>
Net change in cash balances	382,880	(1,693,230)	586,030
Cash balances beginning of year	<u>293,781</u>	<u>3,239,744</u>	<u>(1,743)</u>
Cash balances end of year	<u>\$ 676,661</u>	<u>1,546,514</u>	<u>584,287</u>
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -	-	584,287
Unreserved:			
General funds	676,661	-	-
Special revenue funds	-	1,546,514	-
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 676,661</u>	<u>1,546,514</u>	<u>584,287</u>

See notes to financial statements.

Exhibit B

<u>Capital Projects</u>			
<u>Wastewater Facility Project</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Total</u>
1,000,000		1,044,599	4,073,561
	(200,000)	(988,562)	(4,073,561)
-	3,617,500	1,254,579	7,549,587
<u>1,000,000</u>	<u>3,417,500</u>	<u>1,310,616</u>	<u>7,549,587</u>
(414,901)	3,355,158	1,444,062	3,659,999
<u>(353,520)</u>	-	<u>(353,918)</u>	<u>2,824,344</u>
<u>(768,421)</u>	<u>3,355,158</u>	<u>1,090,144</u>	<u>6,484,343</u>
-	-	-	584,287
-	-	-	676,661
-	-	481,310	2,027,824
<u>(768,421)</u>	<u>3,355,158</u>	<u>608,834</u>	<u>3,195,571</u>
<u>(768,421)</u>	<u>3,355,158</u>	<u>1,090,144</u>	<u>6,484,343</u>

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

As of and for the year ended June 30, 2009

	Enterprise Funds		Other Nonmajor Meter Deposits	Total
	Water	Sewer		
Operating Receipts:				
Permits	\$ 5,750	5,160	-	10,910
Use of money and property	4,248	22,519	-	26,767
Intergovernmental	-	39,287	-	39,287
Charges for services	476,565	711,786	-	1,188,351
Miscellaneous	17,173	12,425	12,070	41,668
Total operating receipts	<u>503,736</u>	<u>791,177</u>	<u>12,070</u>	<u>1,306,983</u>
Operating disbursements:				
Business type activities	<u>340,480</u>	<u>315,639</u>	<u>11,730</u>	<u>667,849</u>
Total operating disbursements	<u>340,480</u>	<u>315,639</u>	<u>11,730</u>	<u>667,849</u>
Excess of operating receipts over operating disbursements	<u>163,256</u>	<u>475,538</u>	<u>340</u>	<u>639,134</u>
Non-operating receipts (disbursements):				
Debt service	<u>(122,340)</u>	<u>-</u>	<u>-</u>	<u>(122,340)</u>
Total non-operating receipts (disbursements)	<u>(122,340)</u>	<u>-</u>	<u>-</u>	<u>(122,340)</u>
Net change in cash balances	40,916	475,538	340	516,794
Cash balances beginning of year	<u>827,579</u>	<u>1,367,127</u>	<u>34,553</u>	<u>2,229,259</u>
Cash balances end of year	<u>\$ 868,495</u>	<u>1,842,665</u>	<u>34,893</u>	<u>2,746,053</u>
Cash Basis Fund Balances				
Unreserved	<u>868,495</u>	<u>1,842,665</u>	<u>34,893</u>	<u>2,746,053</u>
Total cash basis fund balances	<u>\$ 868,495</u>	<u>\$ 1,842,665</u>	<u>\$ 34,893</u>	<u>\$ 2,746,053</u>

See notes to financial statements.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2009

(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, 2009

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, 2009

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 Wastewater Facility Fund is used to account for the construction costs of this project.

The Capital Project Fund is used to account for the construction costs applicable for infrastructure costs for the new high school.

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, 2009

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, 2009, disbursements exceeded the amounts budgeted in the debt service function.

E. Subsequent Events

The City has evaluated subsequent events through February 11, 2010, the date which the financial statements were available to be issued.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2009

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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, 2009 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Savings Bonds	\$ 14,476 =====	\$ 14,476 =====

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, 2009

(3) Bonds and Notes Payable

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

Year Ending June 30,	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>
2010	\$ 858,000	703,053	83,000	38,910	941,000	741,963
2011	888,000	616,885	86,000	36,420	974,000	653,305
2012	1,039,000	582,585	88,000	33,840	1,127,000	616,425
2013	1,085,000	541,463	91,000	31,200	1,176,000	572,663
2014	936,000	497,338	94,000	28,470	1,030,000	525,808
2015	981,000	457,413	96,000	25,650	1,077,000	483,063
2016	1,007,000	414,660	99,000	22,770	1,106,000	437,430
2017	1,063,000	370,030	102,000	19,800	1,165,000	389,830
2018	1,134,000	321,940	105,000	16,740	1,239,000	338,680
2019	920,000	269,815	108,000	13,590	1,028,000	283,405
2020	976,000	227,065	112,000	10,350	1,088,000	237,415
2021	1,047,000	180,968	115,000	6,990	1,162,000	187,958
2022	983,000	130,713	118,000	3,540	1,101,000	134,253
2023	530,000	83,233	---	---	530,000	83,233
2024	560,000	57,263	---	---	560,000	57,263
2025	<u>585,000</u>	<u>29,543</u>	<u>---</u>	<u>---</u>	<u>585,000</u>	<u>29,543</u>
Totals	\$ <u>14,592,000</u>	<u>5,483,967</u>	<u>1,297,000</u>	<u>288,270</u>	<u>15,889,000</u>	<u>5,772,237</u>

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 \$1,585,270. For the current year, principal and interest paid and total customer net receipts were \$122,340 and \$163,256 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, 2009

- (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.
- (c) The water system shall maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

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, 2009 the balance on this bond was \$6,475,000 which is included in the above total.

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 \$0.

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 4.1% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$60,334, \$57,104 and \$50,458, respectively, which is equal to the required contribution for each year.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2009

(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 \$105,693 at June 30, 2009, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Tax	\$ 338,746
	Employee Benefits	62,253
Debt Service	Special Revenue:	
	Tax Increment Financing	1,040,400
	Capital Projects:	
	Grocery Store	587,563
Capital Projects:	Special Revenue:	
Wastewater Facility	Tax Increment Financing	1,000,000
Entryway Project	Special Revenue:	
	Tax Increment Financing	8,375
U.S.69/Centennial	Special Revenue:	
	Tax Increment Financing	308,534
Oak Blvd Extension	Special Revenue:	
	Tax Increment Financing	49,633

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2008

Timberlane/Northview	Special Revenue: Tax Increment Financing	197,151
2006 Comprehensive	Special Revenue: Tax Increment Financing	16,895
SE Annexation Project	Special Revenue: Tax Increment Financing	93,439
Centennial Park	Capital Projects: Capital Projects	200,000
Special Revenue: LMI	Special Revenue Tax Increment Financing	<u>170,572</u>
Total		<u>\$ 4,073,561</u>

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

(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, 2009 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.

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2009

The City is anticipating building a new water treatment plant for an estimated \$9 million. This project will be paid for from increase in rates, bond proceeds, and cash on hand.

The City has also committed to the following projects:

<u>Project</u>	<u>Estimated Cost</u>
Sewer Trunk Line	\$ 1.4 million
Sports Complex	\$ 140,000

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.

(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		\$ <u>25,000</u>

City of Huxley, Iowa

Notes to Financial Statements

June 30, 2009

(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 Wastewater Facility Project Fund had a deficit balance of \$768,421 which will be eliminated upon loan proceeds. Non-major capital projects had deficit balances of \$256,131. These deficits are a result of ongoing capital projects, which will be eliminated by a variety of sources namely 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, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property Tax	\$ 521,709	-
Tax increment financing	1,401,757	-
Other city tax	471,286	-
Licenses and permits	41,556	10,910
Use of money and property	121,394	26,767
Intergovernmental	506,930	39,287
Charges for services	132,806	1,188,351
Miscellaneous	282,877	41,668
Total receipts	<u>3,480,315</u>	<u>1,306,983</u>
Disbursements:		
Public safety	465,675	-
Public works	296,437	-
Health and social services	9,178	-
Culture and recreation	555,495	-
Community and economic development	285,585	-
General government	328,393	-
Debt service	3,577,542	-
Capital projects	1,851,598	-
Business type activities	-	790,189
Total disbursements	<u>7,369,903</u>	<u>790,189</u>
Excess (deficiency) of receipts over (under) disbursements	(3,889,588)	516,794
Other financing sources, net	<u>7,549,587</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources	3,659,999	516,794
Balances beginning of year	<u>2,824,344</u>	<u>2,229,259</u>
Balances end of year	<u>\$ 6,484,343</u>	<u>2,746,053</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>	
521,709	537,873	537,873	(16,164)
1,401,757	1,444,712	1,444,712	(42,955)
471,286	372,255	372,255	99,031
52,466	103,400	103,400	(50,934)
148,161	70,900	70,900	77,261
546,217	487,000	487,000	59,217
1,321,157	1,221,350	1,221,350	99,807
324,545	61,800	61,800	262,745
<u>4,787,298</u>	<u>4,299,290</u>	<u>4,299,290</u>	<u>488,008</u>
465,675	424,320	473,920	8,245
296,437	318,530	318,530	22,093
9,178	9,475	11,900	2,722
555,495	544,905	601,155	45,660
285,585	510,444	563,444	277,859
328,393	281,740	358,540	30,147
3,577,542	1,189,500	1,823,000	(1,754,542)
1,851,598	4,400,000	4,400,000	2,548,402
790,189	792,790	865,790	75,601
<u>8,160,092</u>	<u>8,471,704</u>	<u>9,416,279</u>	<u>1,256,187</u>
(3,372,794)	(4,172,414)	(5,116,989)	1,744,195
<u>7,549,587</u>	<u>4,515,000</u>	<u>4,515,000</u>	<u>3,034,587</u>
4,176,793	342,586	(601,989)	4,778,782
<u>5,053,603</u>	<u>7,344,869</u>	<u>7,344,869</u>	<u>(2,291,266)</u>
<u>9,230,396</u>	<u>7,687,455</u>	<u>6,742,880</u>	<u>2,487,516</u>

City of Huxley, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 disbursements by \$944,575. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, 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, 2009

	Special Revenue Funds				
	Employee Benefits	Road Use Tax	Trust & Agency	Local Option Sales Tax	LMI
Receipts:					
Other city tax	\$ 31,850	-	-	338,746	-
Use of money and property	-	-	-	-	224
Intergovernmental	-	246,190	-	-	-
Miscellaneous	-	1,030	-	-	-
Total Receipts	<u>31,850</u>	<u>247,220</u>	<u>-</u>	<u>338,746</u>	<u>224</u>
Disbursements:					
Operating:					
Public works	-	234,977	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>-</u>	<u>234,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>31,850</u>	<u>12,243</u>	<u>-</u>	<u>338,746</u>	<u>224</u>
Other financing sources (uses):					
Operating transfers (in)	-	-	-	-	170,572
Operating transfers (out)	(62,253)	-	-	(338,746)	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>(62,253)</u>	<u>-</u>	<u>-</u>	<u>(338,746)</u>	<u>170,572</u>
Net change in cash balances	<u>(30,403)</u>	<u>12,243</u>	<u>-</u>	<u>-</u>	<u>170,796</u>
Cash balances beginning of year	<u>31,881</u>	<u>200,196</u>	<u>319</u>	<u>-</u>	<u>96,278</u>
Cash balances end of year	<u>\$ 1,478</u>	<u>212,439</u>	<u>319</u>	<u>-</u>	<u>267,074</u>
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 1,478	212,439	319	-	267,074
Capital project funds	-	-	-	-	-
Total cash basis fund balances	<u>\$ 1,478</u>	<u>212,439</u>	<u>319</u>	<u>-</u>	<u>267,074</u>

See accompanying independent auditor's report.

Schedule 1

Capital Projects					
Street Construction & Repair	Entryway Project	U.S. 69/ Centennial	Oak Blvd Extension Project	Centennial Park	HDC Expansion
-	-	-	-	-	-
15	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	58,981
15	-	-	-	-	58,981
-	-	-	-	-	-
50,083	-	-	-	5,923	67,208
50,083	-	-	-	5,923	67,208
(50,068)	-	-	-	(5,923)	(8,227)
-	8,375	308,534	49,633	200,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,375	308,534	49,633	200,000	-
(50,068)	8,375	308,534	49,633	194,077	(8,227)
207,341	(8,375)	(308,534)	(49,633)	(181,179)	(245,405)
157,273	-	-	-	12,898	(253,632)
-	-	-	-	-	-
157,273	-	-	-	12,898	(253,632)
157,273	-	-	-	12,898	(253,632)

(continued)

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, 2009

	Capital Projects				
	Oak/Main	Timberlane/ Northview	2006 Comprehensive	SE Annexation Project	Grocery Store
Receipts:					
Other city tax	\$ -	-	-	-	-
Use of money and property	1,887	-	-	50,902	1,874
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>1,887</u>	<u>-</u>	<u>-</u>	<u>50,902</u>	<u>1,874</u>
Disbursements:					
Operating					
Public works	-	-	-	-	-
Capital projects	62,528	-	-	76,959	8,451
Total disbursements	<u>62,528</u>	<u>-</u>	<u>-</u>	<u>76,959</u>	<u>8,451</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(60,641)</u>	<u>-</u>	<u>-</u>	<u>(26,057)</u>	<u>(6,577)</u>
Other financing sources (uses):					
Operating transfers (in)	-	197,151	16,895	93,439	-
Operating transfers (out)	-	-	-	-	(587,563)
Loan proceeds	459,401	-	-	-	593,244
Total other financing sources (uses)	<u>459,401</u>	<u>197,151</u>	<u>16,895</u>	<u>93,439</u>	<u>5,681</u>
Net change in cash balances	398,760	197,151	16,895	67,382	(896)
Cash balances beginning of year	<u>(71,338)</u>	<u>(197,151)</u>	<u>(16,895)</u>	<u>74,570</u>	<u>114,240</u>
Cash balances end of year	<u>\$ 327,422</u>	<u>-</u>	<u>-</u>	<u>141,952</u>	<u>113,344</u>
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ -	-	-	-	-
Capital project funds	327,422	-	-	141,952	113,344
Total cash basis fund balances	<u>\$ 327,422</u>	<u>-</u>	<u>-</u>	<u>141,952</u>	<u>113,344</u>

Schedule 1

<u>Nord Kalsem Shelter Project</u>	<u>Safe Room Project</u>	<u>Heart of Iowa Trail</u>	<u>Total</u>
-	-	-	370,596
-	-	-	54,902
-	-	-	246,190
-	-	-	60,011
-	-	-	731,699
-	-	-	234,977
89,858	2,266	-	363,276
89,858	2,266	-	598,253
(89,858)	(2,266)	-	133,446
-	-	-	1,044,599
-	-	-	(988,562)
201,934	-	-	1,254,579
201,934	-	-	1,310,616
112,076	(2,266)	-	1,444,062
-	-	(233.00)	(353,918)
112,076	(2,266)	(233)	1,090,144
-	-	-	481,310
112,076	(2,266)	(233)	608,834
112,076	(2,266)	(233)	1,090,144

City of Huxley, Iowa
Schedule of Indebtedness
Year ended June 30, 2009

<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
Corporate Purpose Bonds	Nov 25, 2008	3.00	1,730,000
Corporate Purpose Bonds	Mar 15, 2009	3.30-5.05	5,800,000
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	Jun 19, 2008	2.75	\$ 710,000
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>
379,000	-	22,000	357,000	11,370	-
140,000	-	20,000	120,000	5,470	-
6,650,000	-	175,000	6,475,000	316,110	-
-	1,730,000	1,730,000	-	22,490	-
-	5,800,000	-	5,800,000	-	-
<u>2,270,000</u>	<u>-</u>	<u>430,000</u>	<u>1,840,000</u>	<u>76,093</u>	<u>-</u>
<u>\$ 9,439,000</u>	<u>7,530,000</u>	<u>2,377,000</u>	<u>14,592,000</u>	<u>431,533</u>	<u>-</u>
<u>\$ 1,378,000</u>	<u>-</u>	<u>81,000</u>	<u>1,297,000</u>	<u>41,340</u>	<u>-</u>
<u>710,000</u>	<u>-</u>	<u>710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 475,000</u>	<u>-</u>	<u>-</u>	<u>475,000</u>	<u>-</u>	<u>-</u>

City of Huxley, Iowa

Schedule 3

Bond and Note Maturities

June 30, 2009

State Revolving Fund

Revenue Bonds

Issued Feb 8, 2002

Year Ending June 30,	Interest Rates	Amount
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>\$ 1,297,000</u>

See accompanying independent auditor's report.

(continued)

City of Huxley, Iowa

Bond and Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Bonds					
	Water Improvement Bond Issued April 16, 2003		Refunding Bonds Issued Nov 1, 2004		Corporate Purpose Bonds Issued October 15, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	3.00 %	\$ 23,000	3.15 %	\$ 435,000	4.45 %	\$ 300,000
2011	3.00	23,000	3.35	450,000	4.50	395,000
2012	3.00	24,000	3.55	470,000	4.55	425,000
2013	3.00	25,000	3.70	485,000	4.60	455,000
2014	3.00	26,000			4.65	530,000
2015	3.00	26,000			4.70	560,000
2016	3.00	27,000			4.75	590,000
2017	3.00	28,000			4.80	630,000
2018	3.00	29,000			4.85	680,000
2019	3.00	30,000			4.90	450,000
2020	3.00	31,000			4.95	485,000
2021	3.00	32,000			5.00	530,000
2022	3.00	33,000			5.00	445,000
2023						
2024						
2025						
		<u>\$ 357,000</u>		<u>\$ 1,840,000</u>		<u>\$ 6,475,000</u>

General Obligation Bonds

Corporate Purpose Bonds Issued April 15, 2006		Corporate Purpose Bonds Issued October 15, 2006		Total
Interest Rates	Amount	Interest Rates	Amount	
3.70 %	\$ 20,000	3.30 %	\$ 80,000	858,000
3.80	20,000	-	-	888,000
3.90	20,000	3.60	100,000	1,039,000
4.00	20,000	3.70	100,000	1,085,000
4.10	20,000	3.80	360,000	936,000
4.20	20,000	3.95	375,000	981,000
		4.05	390,000	1,007,000
		4.20	405,000	1,063,000
		4.30	425,000	1,134,000
		4.50	440,000	920,000
		4.60	460,000	976,000
		4.70	485,000	1,047,000
		4.80	505,000	983,000
		4.90	530,000	530,000
		4.95	560,000	560,000
		5.05	585,000	585,000
	<u>\$ 120,000</u>		<u>\$ 5,800,000</u>	<u>14,592,000</u>

City of Huxley, Iowa

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

For the Last Six Years

	Year ended June 30,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Property Tax	\$ 521,709	416,132	339,290	348,687
Tax increment financing	<u>1,401,757</u>	<u>1,345,159</u>	<u>1,556,180</u>	<u>1,391,187</u>
Other city taxes:				
Local option sales tax	338,746	307,305	276,593	227,634
Mobile home tax	7,286	8,073	9,094	8,434
Utility tax replacement excise tax	9,409	9,412	10,353	9,715
Employee benefit	31,850	24,782	16,068	-
Franchise fees	<u>83,995</u>	<u>93,837</u>	<u>92,018</u>	<u>86,638</u>
	<u>471,286</u>	<u>443,409</u>	<u>404,126</u>	<u>332,421</u>
Licenses and permits	<u>41,556</u>	<u>50,262</u>	<u>70,590</u>	<u>95,823</u>
Uses of money and property	<u>121,394</u>	<u>150,843</u>	<u>216,214</u>	<u>57,707</u>
Intergovernmental				
Road use tax	246,190	253,505	220,659	193,908
State allocation	84,887	155,711	59,340	617
Grants	23,781	47,525	2,100	3,000
Bank franchise tax	-	-	-	-
Fire contracts	19,638	18,523	12,357	14,864
Ballard Community School	104,283	109,439	103,498	101,980
Police contracts	37,539	36,446	50,261	78,378
Miscellaneous	-	-	-	30,883
	<u>516,318</u>	<u>621,149</u>	<u>448,215</u>	<u>423,630</u>
Charges for services	132,806	158,820	194,608	201,695
Miscellaneous	282,877	172,928	837,137	195,931
Total	<u>\$ 3,489,703</u>	<u>3,358,702</u>	<u>4,066,360</u>	<u>3,047,081</u>
Disbursements:				
Operating:				
Public safety	\$ 465,675	482,646	389,463	485,408
Public works	296,437	297,981	376,101	334,468
Health and social services	9,178	4,725	6,212	9,150
Culture and recreation	555,495	504,748	439,898	420,765
Community and economic development	285,585	196,960	124,188	401,808
General government	328,393	317,211	468,144	351,975
Debt service	3,577,542	1,589,192	1,263,068	698,250
Capital projects	<u>1,851,598</u>	<u>3,327,782</u>	<u>3,957,667</u>	<u>1,771,258</u>
Total	<u>\$ 7,369,903</u>	<u>6,721,245</u>	<u>7,024,741</u>	<u>4,473,082</u>

See accompanying independent auditor's report.

Schedule 4

<u>2005</u>	<u>2004</u>
334,144	327,945
<u>1,374,213</u>	<u>1,256,304</u>
224,589	231,209
10,234	9,650
10,192	8,817
-	-
<u>30,008</u>	<u>8,020</u>
<u>275,023</u>	<u>257,696</u>
<u>34,993</u>	<u>10,278</u>
<u>38,952</u>	<u>27,703</u>
192,566	192,894
-	-
104,917	51,633
944	7,170
10,716	124,788
96,688	85,500
34,000	-
26,764	-
<u>466,595</u>	<u>461,985</u>
201,695	224,594
195,931	157,580
<u>2,921,546</u>	<u>2,724,085</u>
579,136	573,322
172,008	163,792
10,070	6,470
423,321	390,593
332,313	328,821
282,191	241,381
499,620	791,258
158,420	224,306
<u>2,457,079</u>	<u>2,719,943</u>

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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 11, 2010. 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, 2009 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

February 11, 2010

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

I-A-09 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, 2009

Part II: Other Findings Related to the Statutory Reporting:

II-A-09 Certified Budget - Disbursements during the year ended June 30, 2009, 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-09 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-09 Travel Expense – We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

II-D-09 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-09 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-09 Council Minutes – During the course of our audit, we noted that the claims approved by the council on December 23, 2008 were not published in the paper. It was also noted that a summary of receipts were not published.

Recommendation – The City should review its procedures to make sure all claims are published, along with a summary of receipts in accordance with Chapter 372 of the Code of Iowa.

City of Huxley, Iowa

Schedule of Findings

Year ended June 30, 2009

Response – This was an oversight this year. We will make sure all claims are published along with a summary of receipts.

Conclusion – Response accepted.

II-G-09 Financial Condition – Note to the financial statements number 10 reported deficit fund balances at June 30, 2009.

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-09 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-09 Revenue Bonds/Notes – The City has complied with the revenue bond resolutions.

II-J-09 Excess Balances – It was noted that the Special Revenue Fund, Tax Increment Financing Account (TIF) had a balance at June 30, 2009 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, mainly the new water treatment plant.

Conclusion – Response accepted.