

CITY OF HUXLEY, IOWA

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

JUNE 30, 2012

CITY OF HUXLEY, IOWA

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CITY OF HUXLEY, IOWA

OFFICIALS  
JUNE 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Henry	Mayor	January 2014
Mark Baker	Council Member	January 2016
Marjorie Nerness	Council Member	January 2014
Scott Wilson	Council Member	January 2014
Tracey Roberts	Council Member	January 2016
David Kuhn	Council Member	January 2013
John Haldeman	City Administrator	Indefinite
Jolene Lettow	City Clerk	Indefinite
Matthew Law	City Treasurer	Indefinite
Amy Beattie	City Attorney	Indefinite
Gabe Nelson	City Engineer	Indefinite



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

Kenneth E. Crosser, CPA  
April D. Crosser, CPA  
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

## 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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Huxley, Iowa'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 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, Iowa as of June 30, 2012, 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 March 15, 2013 on our consideration of the City of Huxley, Iowa'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Huxley, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (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. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on these financial statements which were prepared in conformity with an other comprehensive basis of accounting. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Huxley, Iowa's financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 25 through 27 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

ANDERSON, LARKIN & CO. P.C.

*Anderson, Larkin + Co. P.C.*

Ottumwa, Iowa  
March 15, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Huxley, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 49.7%, or \$3,161,767, from fiscal 2011 to fiscal 2012. Intergovernmental receipts increased \$692,767, property and other city taxes increased \$299,593, bond proceeds increased \$3,720,000, miscellaneous receipts decreased \$1,349,768 and other general receipts decreased \$92,477.
- Disbursements of the City's governmental activities increased by 22.4%, or \$1,962,051, from fiscal 2011 to fiscal 2012. Debt service disbursements increased by \$220,072 as a result of increase in required debt payments compared to the prior year. In addition, capital projects disbursements increased \$1,979,768 primarily due to the Centennial Expansion, Safe Room, and Prairie Ridge capital projects ongoing during the current fiscal year.
- The City's total cash basis net assets decreased 41.5%, or \$4,955,675 from June 30, 2011 to June 30, 2012. Of this amount, the net assets of the governmental activities decreased \$4,786,491 and the net assets of the business type activities decreased by \$169,184.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Receipts by Source and Disbursements by Function provides comparative detail of the City's receipts and disbursements.

### Basis of Accounting

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds, such as Road Use Tax, and 3) the Debt Service Fund and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City. The City also maintains one non major Enterprise Fund to account for meter deposits.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balances for governmental activities decreased from a year ago, from approximately \$10.9 million to approximately \$6.1 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service	\$ 482,628	\$ 424,948
Operating grants, contributions and restricted interest	784,151	1,369,336
Capital grants, contributions and restricted interest	1,018,519	1,319,653
General receipts:		
Property and other city tax	2,954,839	2,691,213
Local option sales tax	357,648	323,864
Unrestricted interest on investments	5,046	8,375
Bond proceeds	3,720,000	-
Other general receipts	201,211	224,886
Total receipts	<u>9,524,042</u>	<u>6,362,275</u>
Disbursements:		
Public safety	552,613	502,356
Public works	300,472	310,234
Health and social services	19,605	13,925
Culture and recreation	496,862	546,736
Community and economic development	566,156	835,841
General government	360,225	324,630
Debt services	2,218,632	1,998,560
Capital projects	6,207,457	4,227,689
Total disbursements	<u>10,722,022</u>	<u>8,759,971</u>
Change in cash basis net assets before transfers	(1,197,980)	(2,397,696)
Transfers, net	<u>(3,588,511)</u>	-
Change in cash basis net assets	(4,786,491)	(2,397,696)
Cash basis net assets beginning of year	<u>10,912,260</u>	<u>13,309,956</u>
Cash basis net assets end of year	\$ <u>6,125,769</u>	\$ <u>10,912,260</u>

The City's total receipts for governmental activities increased by 49.7%, or \$3,161,767. The total cost of all programs and services increased by \$1,962,051, or 22.4%, with no new programs added this year. The significant increase in receipts was primarily the result of refunding bonds issued in the current year to pay down existing revenue bonds associated with Sewer debt.

The cost of all governmental activities this year was approximately \$10.7 million compared to approximately \$8.8 million last year. However, as shown in the Statement of Activities and Net Assets on pages 10 and 11, the amount taxpayers ultimately financed for these activities was only approximately \$8.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$483,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$1.8 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$3.1 million to approximately \$2.3 million, primarily due to a majority of the capital projects being funded in the previous year. The City paid for the remaining "public benefit" portion of governmental activities (approximately \$8.4 million) with tax (some of which could only be used for certain programs), and with other receipts, such as unrestricted interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 486,111	\$ 457,482
Sewer	509,487	462,369
General receipts:		
Unrestricted interest on investments	9,421	23,301
Miscellaneous	54,827	32,693
Total receipts	<u>1,059,846</u>	<u>975,845</u>
Disbursements:		
Water	481,373	476,159
Sewer	4,323,628	743,216
Other business-type activities	12,540	12,753
Total disbursements	<u>4,817,541</u>	<u>1,232,128</u>
Change in cash basis net assets before transfers	(3,757,695)	(256,283)
Transfers, net	<u>3,588,511</u>	<u>-</u>
Change in cash basis net assets	(169,184)	(256,283)
Cash basis net assets beginning of year	<u>1,010,004</u>	<u>1,266,287</u>
Cash basis net assets end of year	\$ <u>840,820</u>	\$ <u>1,010,004</u>

Total business type activities receipts for the fiscal year were \$1,059,846 compared to \$975,845 in the prior year. Total disbursements for the fiscal year increased by 291.0%, to \$4,817,541.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Huxley, Iowa completed the year, its governmental funds reported a combined fund balance of \$6,125,769, a decrease of approximately \$4.8 million from last year's total of \$10,912,260. The following are the major reasons for significant changes in fund balances of the major funds from the prior year.

- The Safe Room Project Fund cash balance decreased by approximately \$560,000 to \$8,382. This decrease was primarily due to construction costs incurred during the fiscal year.
- The Capital Projects Fund cash balance decreased by approximately \$734,000 to \$3,091,518. This decrease was primarily due to transferring money to the debt service to pay for related principal and interest payments and to various capital project funds to pay for capital improvement projects during the fiscal year.
- The Centennial Expansion Fund cash balance decreased by approximately \$1.8 million to \$430. This decrease was primarily due to costs incurred during the fiscal year for the expansion of Centennial Drive to promote economic development in that area of the City.
- The Prairie Ridge Fund cash balance decreased by approximately \$1.8 million to \$817,678. This decrease was primarily due to costs incurred during the fiscal year to pay for the redevelopment of land and construction costs applicable for infrastructure costs for an affordable housing development.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$139,281 to \$773,205, which is consistent with the prior year. This decrease was primarily due to transferring money to the Tower Painting capital project fund to pay for costs associated with painting the water tower.
- The Sewer Fund cash balance decreased by \$34,523 to \$27,480. This decrease is due primarily to the required principal and interest payments being greater than the excess of operating receipts and transfers in over operating disbursements and transfers out.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 22, 2012 and resulted in an increase in public safety, community and economic development, general government, capital projects and business type activities disbursements. The City had sufficient cash balances to absorb these additional costs.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$27,412,000 in bonds and other long-term debt outstanding, compared to \$28,749,000 last year, as shown below.

### Outstanding Debt at Year End

	June 30, <u>2012</u>	June 30, <u>2011</u>
General Obligation Bonds:		
Water Improvement Bond - Series 2003	\$ 287,000	\$ 311,000
Refunding Bonds – Series 2010A	475,000	950,000
Refunding Bonds – Series 2012	3,720,000	-
Corporate Purpose Bonds – Series 2006	60,000	80,000
Corporate Purpose Bonds – Series 2006	5,355,000	5,780,000
Corporate Purpose Bonds – Series 2009	5,620,000	5,720,000
Corporate Purpose Bonds – Series 2010B	-	155,000
Corporate Purpose Bonds – Series 2010C	2,145,000	2,145,000
Corporate Purpose Bonds – Series 2010D	<u>6,295,000</u>	<u>6,295,000</u>
Total	<u>23,957,000</u>	<u>21,436,000</u>
Water Revenue Bonds – Series 2002	1,040,000	1,128,000
Sewer Revenue Bonds – Series 2009	<u>2,415,000</u>	<u>6,185,000</u>
Grand Total	<u>\$ 27,412,000</u>	<u>\$ 28,749,000</u>

Debt decreased as a result of required payments made during the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is below its constitutional debt limit.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Huxley, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 3.4%, versus 4.3% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 7.9%.

Inflation in the nation was slightly higher than the State's Consumer Price Index increase. The nation's CPI increase was 4.9% for fiscal year 2012 compared with the State rate increase of 4.6%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$6,453,707, an increase of 15.9% from the final 2012 budget. Budgeted disbursements and transfers are expected to decrease by approximately \$7.7 million primarily due to less money expected to be spent on capital projects and business-type activities in fiscal year 2013. The City has added no major new programs or initiatives to the 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$2.3 million by the close of fiscal year 2013.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jolene Lettow, City Clerk, 515 North Main Avenue, Huxley, Iowa 50124.

BASIC FINANCIAL STATEMENTS

CITY OF HUXLEY, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Public safety	\$ 552,613	\$ 66,454	\$ -	\$ -
Public works	300,472	10,691	364,702	-
Health and social services	19,605	-	-	-
Culture and recreation	496,862	266,591	15,858	-
Community and economic development	566,156	137,843	367,590	-
General government	360,225	1,049	35,004	-
Debt service	2,218,632	-	997	-
Capital projects	6,207,457	-	-	1,018,519
Total governmental activities	<u>10,722,022</u>	<u>482,628</u>	<u>784,151</u>	<u>1,018,519</u>
Business type activities:				
Water	481,373	486,111	-	-
Sewer	4,323,628	509,487	-	-
Other business type activities	12,540	-	-	-
Total business type activities	<u>4,817,541</u>	<u>995,598</u>	<u>-</u>	<u>-</u>
Total	\$ <u>15,539,563</u>	\$ <u>1,478,226</u>	\$ <u>784,151</u>	\$ <u>1,018,519</u>

General receipts and transfers:  
Property and other City tax levied for:  
    General purposes  
    Debt service  
Tax increment financing  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous  
General obligation refunding bond proceeds  
Transfers  
    Total general receipts

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:  
Expendable:  
    Streets  
    TIF purposes  
    Debt Service  
    Other purposes  
Unrestricted

Total cash basis net assets

See Notes to Financial Statements

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

Governmental Activities	Business Type Activities	Total
\$ (486,159)	\$ -	\$ (486,159)
74,921	-	74,921
(19,605)	-	(19,605)
(214,413)	-	(214,413)
(60,723)	-	(60,723)
(324,172)	-	(324,172)
(2,217,635)	-	(2,217,635)
(5,188,938)	-	(5,188,938)
<u>(8,436,724)</u>	<u>-</u>	<u>(8,436,724)</u>
-	4,738	4,738
-	(3,814,141)	(3,814,141)
-	(12,540)	(12,540)
-	<u>(3,821,943)</u>	<u>(3,821,943)</u>
<u>(8,436,724)</u>	<u>(3,821,943)</u>	<u>(12,258,667)</u>
533,302	-	533,302
90,241	-	90,241
2,331,296	-	2,331,296
357,648	-	357,648
5,046	9,421	14,467
201,211	54,827	256,038
3,720,000	-	3,720,000
(3,588,511)	3,588,511	-
<u>3,650,233</u>	<u>3,652,759</u>	<u>7,302,992</u>
(4,786,491)	(169,184)	(4,955,675)
<u>10,912,260</u>	<u>1,010,004</u>	<u>11,922,264</u>
\$ <u>6,125,769</u>	\$ <u>840,820</u>	\$ <u>6,966,589</u>
\$ 399,723	\$ -	\$ 399,723
142,393	-	142,393
22,556	293,725	316,281
354,156	-	354,156
<u>5,206,941</u>	<u>547,095</u>	<u>5,754,036</u>
\$ <u>6,125,769</u>	\$ <u>840,820</u>	\$ <u>6,966,589</u>

CITY OF HUXLEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Centennial Expansion</u>	<u>Capital Projects</u>
<b>RECEIPTS:</b>					
Property tax	\$ 396,781	\$ -	\$ 90,241	\$ -	\$ -
Tax increment financing	-	2,331,298	-	-	-
Other City tax	101,790	-	-	-	-
Licenses and permits	15,443	-	-	-	-
Use of money and property	33,822	15,777	-	-	26,702
Intergovernmental	200,669	-	997	447,367	-
Charges for service	214,352	-	-	-	-
Miscellaneous	183,635	33,600	-	-	-
Total receipts	<u>1,146,492</u>	<u>2,380,673</u>	<u>91,238</u>	<u>447,367</u>	<u>26,702</u>
<b>DISBURSEMENTS:</b>					
Operating:					
Public safety	552,613	-	-	-	-
Public works	58,996	-	-	-	-
Health and social services	19,605	-	-	-	-
Culture and recreation	498,862	-	-	-	-
Community and economic development	134,667	389,655	-	-	-
General government	360,225	-	-	-	-
Debt service	-	-	2,144,232	-	-
Capital projects	-	-	-	2,368,002	11,755
Total disbursements	<u>1,622,968</u>	<u>389,655</u>	<u>2,144,232</u>	<u>2,368,002</u>	<u>11,755</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(476,476)</u>	<u>1,991,018</u>	<u>(2,052,994)</u>	<u>(1,920,635)</u>	<u>14,947</u>
Other financing sources (uses):					
General obligation refunding bond proceeds	-	-	3,720,000	-	-
Discount on refunding bonds issued	-	-	(74,400)	-	-
Transfers in	558,153	-	2,054,950	165,000	278,072
Transfers out	(1,117)	(1,854,086)	(3,625,000)	-	(1,026,907)
Total other financing sources (uses)	<u>557,036</u>	<u>(1,854,086)</u>	<u>2,075,550</u>	<u>165,000</u>	<u>(748,835)</u>
Net change in cash balances	80,560	136,932	22,556	(1,755,635)	(733,888)
<b>CASH BALANCES - Beginning of year</b>	<u>649,999</u>	<u>5,461</u>	<u>-</u>	<u>1,756,065</u>	<u>3,825,406</u>
<b>CASH BALANCES - End of year</b>	<u>\$ 730,559</u>	<u>\$ 142,393</u>	<u>\$ 22,556</u>	<u>\$ 430</u>	<u>\$ 3,091,518</u>
<b>Cash Basis Fund Balances:</b>					
Restricted	\$ 8,832	\$ 142,393	\$ 22,556	\$ -	\$ -
Assigned	39,271	-	-	430	3,091,518
Unassigned	682,456	-	-	-	-
Total cash basis fund balances	<u>\$ 730,559</u>	<u>\$ 142,393</u>	<u>\$ 22,556</u>	<u>\$ 430</u>	<u>\$ 3,091,518</u>

Capital Projects		Nonmajor Governmental Funds	Total
Safe Room Project	Prairie Ridge		
\$ -	\$ -	\$ 34,731	\$ 521,753
-	-	-	2,331,296
-	-	357,648	459,438
-	-	-	15,443
-	-	4,586	80,887
569,235	-	316,369	1,534,637
-	-	-	214,352
-	-	429,001	646,236
<u>569,235</u>	<u>-</u>	<u>1,142,335</u>	<u>5,804,042</u>
-	-	-	552,613
-	-	241,476	300,472
-	-	-	19,605
-	-	-	496,862
-	-	41,834	566,156
-	-	-	360,225
-	-	-	2,144,232
<u>1,207,826</u>	<u>1,679,244</u>	<u>940,630</u>	<u>6,207,457</u>
<u>1,207,826</u>	<u>1,679,244</u>	<u>1,223,940</u>	<u>10,647,622</u>
<u>(638,591)</u>	<u>(1,679,244)</u>	<u>(81,605)</u>	<u>(4,843,580)</u>
-	-	-	3,720,000
-	-	-	(74,400)
79,000	677	1,139,098	4,274,950
-	(80,000)	(1,276,351)	(7,863,461)
<u>79,000</u>	<u>(79,323)</u>	<u>(137,253)</u>	<u>57,089</u>
(559,591)	(1,758,567)	(218,858)	(4,786,491)
<u>567,973</u>	<u>2,576,245</u>	<u>1,531,111</u>	<u>10,912,260</u>
\$ <u>8,382</u>	\$ <u>817,678</u>	\$ <u>1,312,253</u>	\$ <u>6,125,769</u>
\$ 8,382	\$ -	\$ 736,665	\$ 918,828
-	817,678	835,227	4,784,124
-	-	(259,639)	422,817
\$ <u>8,382</u>	\$ <u>817,678</u>	\$ <u>1,312,253</u>	\$ <u>6,125,769</u>

## CITY OF HUXLEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Enterprise Funds</u>		<u>Other Nonmajor Meter Deposits</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>		
<u>Operating receipts:</u>				
Permits	\$ 10,700	\$ 9,280	\$ -	\$ 19,980
Charges for service	475,411	500,207	-	975,618
Miscellaneous	25,520	12,147	17,160	54,827
Total operating receipts	<u>511,631</u>	<u>521,634</u>	<u>17,160</u>	<u>1,050,425</u>
<u>Operating disbursements:</u>				
Business type activities	<u>355,935</u>	<u>380,045</u>	<u>12,540</u>	<u>748,520</u>
Excess of operating receipts over operating disbursements	<u>155,696</u>	<u>141,589</u>	<u>4,620</u>	<u>301,905</u>
<u>Non-operating receipts (disbursements):</u>				
Interest on investments	3,851	5,570	-	9,421
Debt service	<u>(125,438)</u>	<u>(3,943,583)</u>	<u>-</u>	<u>(4,069,021)</u>
Total non-operating receipts (disbursements)	<u>(121,587)</u>	<u>(3,938,013)</u>	<u>-</u>	<u>(4,059,600)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>34,109</u>	<u>(3,796,424)</u>	<u>4,620</u>	<u>(3,757,695)</u>
Operating transfers in	-	3,770,000	-	3,770,000
Operating transfers out	<u>(173,390)</u>	<u>(8,099)</u>	<u>-</u>	<u>(181,489)</u>
Net change in cash balances	(139,281)	(34,523)	4,620	(169,184)
<u>CASH BALANCES - Beginning of year</u>	<u>912,486</u>	<u>62,003</u>	<u>35,515</u>	<u>1,010,004</u>
<u>CASH BALANCES - End of year</u>	\$ <u>773,205</u>	\$ <u>27,480</u>	\$ <u>40,135</u>	\$ <u>840,820</u>
<u>Cash Basis Fund Balances</u>				
Restricted for debt service	\$ 265,557	\$ 28,168	\$ -	\$ 293,725
Unrestricted	<u>507,648</u>	<u>(688)</u>	<u>40,135</u>	<u>547,095</u>
Total cash basis fund balances	\$ <u>773,205</u>	\$ <u>27,480</u>	\$ <u>40,135</u>	\$ <u>840,820</u>

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huxley, Iowa 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-Manager 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 of Huxley, Iowa 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 E-911 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.

B. Basis of Presentation

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

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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 from other funds.

Special Revenue

The Tax Increment Financing 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.

Debt Service

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

Capital Projects

The Centennial Expansion Fund is used to account for the costs associated with the westward extension of Centennial Drive.

The Capital Projects Fund is used to account for the construction costs applicable for infrastructure costs for various capital projects.

The Safe Room Project Fund is used to account for the costs associated with the construction of the City's safe room.

The Prairie Ridge Fund is used to account for the costs associated with the redevelopment of land and construction costs applicable for infrastructure costs for an affordable housing development.

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.

C. Measurement Focus and Basis of Accounting

The City of Huxley, Iowa 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.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The proprietary funds of the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

D. Governmental Cash Basis Fund Balances

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

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

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

NOTE 2: CASH AND POOLED INVESTMENTS

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

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

The City's investments at June 30, 2012 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Savings Bonds	\$ <u>16,229</u>	\$ <u>16,229</u>

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, 2012

**NOTE 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,	State Revolving Fund Revenue Bonds		General Obligation Bonds		Total	
	Total Principal	Total Interest	Total Principal	Total Interest	Total Principal	Total Interest
2013	\$ 151,000	\$ 112,938	\$ 1,505,000	\$ 1,019,056	\$ 1,656,000	\$ 1,131,994
2014	156,000	108,258	1,391,000	954,123	1,547,000	1,062,381
2015	160,000	103,422	1,446,000	904,486	1,606,000	1,007,908
2016	165,000	98,462	1,492,000	850,559	1,657,000	949,021
2017	170,000	93,348	1,568,000	791,918	1,738,000	885,266
2018	175,000	88,078	1,669,000	727,461	1,844,000	815,539
2019	180,000	82,652	1,710,000	656,175	1,890,000	738,827
2020	187,000	77,072	1,811,000	582,325	1,998,000	659,397
2021	192,000	71,276	1,922,000	503,730	2,114,000	575,006
2022	197,000	65,322	3,438,000	417,978	3,635,000	483,300
2023	82,000	59,216	1,285,000	257,586	1,367,000	316,802
2024	85,000	56,550	1,340,000	200,716	1,425,000	257,266
2025	87,000	53,788	1,395,000	140,590	1,482,000	194,378
2026	90,000	50,960	840,000	76,603	930,000	127,563
2027	93,000	48,035	215,000	38,787	308,000	86,822
2028	96,000	45,012	220,000	32,015	316,000	77,027
2029	99,000	41,892	230,000	24,865	329,000	66,757
2030	103,000	38,675	235,000	17,045	338,000	55,720
2031	106,000	35,328	245,000	8,817	351,000	44,145
2032	109,000	31,882	-	-	109,000	31,882
2033	113,000	28,340	-	-	113,000	28,340
2034	117,000	24,668	-	-	117,000	24,668
2035	120,000	20,865	-	-	120,000	20,865
2036	124,000	16,965	-	-	124,000	16,965
2037	128,000	12,935	-	-	128,000	12,935
2038	133,000	8,775	-	-	133,000	8,775
2039	37,000	4,452	-	-	37,000	4,452
<b>Total</b>	<b>\$ 3,455,000</b>	<b>\$ 1,479,166</b>	<b>\$ 23,957,000</b>	<b>\$ 8,204,835</b>	<b>\$ 27,412,000</b>	<b>\$ 9,684,001</b>

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 bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,219,100. For the current year, principal and interest paid and total customer net receipts were \$121,840 and \$155,695, respectively.

The City also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,325,000 in sewer revenue bonds issued in June 2010. Proceeds from the bonds provide financing for the cost of construction improvements and extensions to the Municipal Sanitary Sewer System of the City. These bonds were partially refunded by the issuance of general obligation refunding bonds in February 2012. The remaining revenue bonds are payable solely from sewer customer net receipts and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,715,066. For the current year, principal and interest paid and total customer net receipts were \$3,927,758 and \$141,589, respectively. Principal payments in the amount of \$3,625,000 were paid by the issuance of general obligation refunding bonds during the year.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3: BONDS AND NOTES PAYABLE (Continued)

Revenue Bonds (Continued)

The resolutions providing for the issuance of the 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.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. The water and sewer systems shall maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.
- d. All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

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, 2012, the balance on this bond was \$5,355,000, which is included in the above total.

NOTE 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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 contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$85,174, \$72,200, and \$64,620, respectively, equal to the required contributions for each year.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time 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 years, 25% after 15 years, and 50% after 25 years of full-time employment and if the employee has not been terminated by the City with cause. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 66,049
Compensatory time	1,093
Sick leave	<u>52,213</u>
Total	\$ <u>119,355</u>

Sick leave is payable when used or, after an employment period of at least ten (10) years, upon termination, retirement or death.

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

CITY OF HUXLEY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 6: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 357,648
	Employee Benefits	34,731
	Tax Increment Financing	<u>165,774</u>
		<u>558,153</u>
Special Revenue:	Special Revenue:	
LMI	Tax Increment Financing	<u>363,312</u>
Regency Development	General	<u>1,117</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	1,325,000
	LMI	440,900
	Capital Projects:	
	Capital Projects	<u>289,050</u>
		<u>2,054,950</u>
Capital Projects:	Capital Projects:	
Wastewater Facility	Capital Projects	220,000
	Prairie Ridge	<u>40,000</u>
		<u>260,000</u>
Centennial Expansion	Capital Projects:	
	Storm Water Improvements	<u>165,000</u>
Prairie Ridge Project	Proprietary:	
	Sewer	<u>677</u>
Safe Room Project	Capital Projects:	
	Capital Projects	39,000
	Prairie Ridge	<u>40,000</u>
		<u>79,000</u>
Street Construction and Repair	Proprietary:	
	Sewer	<u>5,112</u>
Centennial Park	Capital Projects:	
	Capital Projects	<u>60,000</u>
Pond/Dam Repairs	Capital Projects:	
	Capital Projects	<u>53,000</u>
Tower Painting	Proprietary:	
	Water	<u>173,390</u>
Storm Water Improvements	Capital Projects:	
	Capital Projects	<u>215,000</u>
FEMA Damage	Capital Projects:	
	Capital Projects	<u>5,857</u>

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6: INTERFUND TRANSFERS (Continued)

Capital Projects	Capital Projects:	
	SE Annexation Project	144,162
	Nord Kaslem Shelter Project	104,005
	Larson Dr. By-pass Sewer	28,191
	Oak/Main	<u>1,714</u>
		<u>278,072</u>
Larson Dr. By-pass Sewer	Proprietary:	
	Sewer	<u>2,310</u>
Proprietary:	Capital Projects:	
Sewer	Capital Projects	145,000
	Debt Service	<u>3,625,000</u>
		<u>3,770,000</u>
Total		\$ <u>8,044,950</u>

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

NOTE 7: COMMITMENTS

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

The City of Huxley, Iowa 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 of Huxley, Iowa bears to the total of the population of all the participants. The City's share is presently 3.36% of the total and the payment for the year ended June 30, 2012 was \$30,230.

In 2001, the City of Huxley, Iowa entered into a 28E agreement with the Ballard Community School District for the construction and operation of a community center and a library. The center is jointly operated and governed by the City of Huxley, Iowa and Ballard Community School District. 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 any maintenance required. The City is obligated by the agreement until June 30, 2051 unless both parties agree to terminate.

Prior to June 30, 2012, the City had signed various construction contracts that are summarized below:

Total commitments	\$	14,063,723
Less amounts paid		<u>13,981,543</u>
Remaining commitments	\$	<u>82,180</u>

A significant portion of these commitments were for the construction of the Waste Water Treatment Plant and for the Centennial West expansion project and are financed by general obligation bonds, contributions and grants. The remaining balance at June 30, 2012 will be paid as work on the projects progress.

NOTE 8: ECONOMIC DEVELOPMENT

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

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**NOTE 8: ECONOMIC DEVELOPMENT** (Continued)

The City entered into the following loan agreements in which the borrowers have 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>
Hillebrand LLC	October 27, 2009	\$ 45,000
CAS Enterprises, Inc	October 13, 2010	65,000
Bioforge Labs, LC	November 23, 2010	100,000
B Fabulous BBQ & Catering	March 28, 2011	3,000

**NOTE 9: RISK MANAGEMENT**

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

**NOTE 10: DEFICIT BALANCES**

The HDC Expansion and Timberline Culvert Extension non-major capital project funds had deficit balances at June 30, 2012 of \$250,239 and \$9,400, respectively. These deficits are a result of ongoing capital projects, which will be eliminated by a variety of sources including TIF taxes, bond proceeds, donations and funds on hand.

**NOTE 11: FUND BALANCE REPORTING**

The detail of the City's cash basis fund balances at June 30, 2012, is as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Restricted for:					
Police	\$ 8,832	\$ -	\$ -	\$ -	\$ 8,832
Tax increment financing	-	-	142,393	-	142,393
Road improvements	-	-	399,723	-	399,723
Trust and agency	-	-	319	-	319
LMI	-	-	314,657	-	314,657
Regency Development	-	-	20,049	-	20,049
Safe Room	-	8,382	-	-	8,382
Debt Service	-	-	-	22,556	22,556
FEMA damage	-	1,917	-	-	1,917
Total restricted	<u>8,832</u>	<u>10,299</u>	<u>877,141</u>	<u>22,556</u>	<u>918,828</u>
Assigned to:					
Library	21,391	-	-	-	21,391
Fire Services	440	-	-	-	440
Cemetery	4,740	-	-	-	4,740
Recreation	4,858	-	-	-	4,858
Ambulance	7,842	-	-	-	7,842
Capital Projects	-	3,091,518	-	-	3,091,518
Centennial extension	-	430	-	-	430
Prairie ridge	-	817,678	-	-	817,678
Street repairs	-	119,212	-	-	119,212
Centennial park	-	36,701	-	-	36,701
Oak/main	-	1,038	-	-	1,038

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 11: FUND BALANCE REPORTING (Continued)

SE annexation	-	497	-	-	497
Grocery store	-	29,897	-	-	29,897
Pond/dam repairs	-	427	-	-	427
Wastewater facility	-	120	-	-	120
Blue sky project	-	97,649	-	-	97,649
Storm water improvements	-	546,611	-	-	546,611
Sports complex	-	3,075	-	-	3,075
Total assigned	<u>39,271</u>	<u>4,744,853</u>	<u>-</u>	<u>-</u>	<u>4,784,124</u>
Unassigned	<u>682,456</u>	<u>(259,639)</u>	<u>-</u>	<u>-</u>	<u>422,817</u>
Total fund balances	\$ <u>730,559</u>	\$ <u>4,495,513</u>	\$ <u>877,141</u>	\$ <u>22,556</u>	\$ <u>6,125,769</u>

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2013, the date the financial statements were available to be issued.

## OTHER INFORMATION

CITY OF HUXLEY, IOWA

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ 521,753	\$ -	\$ 521,753
Tax increment financing	2,331,296	-	2,331,296
Other City tax	459,438	-	459,438
License and permits	15,443	19,980	35,423
Use of money and property	80,887	9,421	90,308
Intergovernmental	1,534,637	-	1,534,637
Charges for service	214,352	975,618	1,189,970
Miscellaneous	646,236	54,827	701,063
Total receipts	<u>5,804,042</u>	<u>1,059,846</u>	<u>6,863,888</u>
<u>DISBURSEMENTS:</u>			
Public safety	552,613	-	552,613
Public works	300,472	-	300,472
Health and social services	19,605	-	19,605
Culture and recreation	496,862	-	496,862
Community and economic development	566,156	-	566,156
General government	360,225	-	360,225
Debt service	2,144,232	-	2,144,232
Capital projects	6,207,457	-	6,207,457
Business type activities	-	4,817,541	4,817,541
Total disbursements	<u>10,647,622</u>	<u>4,817,541</u>	<u>15,465,163</u>
Excess (deficiency) of receipts over (under) disbursements	(4,843,580)	(3,757,695)	(8,601,275)
Other financing sources (uses), net	<u>57,089</u>	<u>3,588,511</u>	<u>3,645,600</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(4,786,491)	(169,184)	(4,955,675)
<u>BALANCES</u> - Beginning of year	<u>10,912,260</u>	<u>1,010,004</u>	<u>11,922,264</u>
<u>BALANCES</u> - End of year	\$ <u>6,125,769</u>	\$ <u>840,820</u>	\$ <u>6,966,589</u>

	Budgeted Amounts		Final to Total Variance
	<u>Original</u>	<u>Final</u>	
\$ 511,721	\$ 511,721	\$ 10,032	
2,326,540	2,326,540	4,756	
470,513	470,513	(11,075)	
49,500	49,500	(14,077)	
20,200	20,200	70,108	
453,800	453,800	1,080,837	
1,450,600	1,450,600	(260,630)	
<u>287,500</u>	<u>287,500</u>	<u>413,563</u>	
<u>5,570,374</u>	<u>5,570,374</u>	<u>1,293,514</u>	
555,480	603,355	50,742	
342,270	342,270	41,798	
20,225	20,225	620	
509,620	509,620	12,758	
922,881	1,061,881	495,725	
343,130	364,130	3,905	
2,165,980	2,165,980	21,748	
4,400,000	6,300,000	92,543	
<u>1,352,935</u>	<u>4,977,935</u>	<u>160,394</u>	
<u>10,612,521</u>	<u>16,345,396</u>	<u>880,233</u>	
(5,042,147)	(10,775,022)	2,173,747	
<u>4,400,000</u>	<u>4,400,000</u>	<u>(754,400)</u>	
(642,147)	(6,375,022)	1,419,347	
<u>14,300,143</u>	<u>14,300,143</u>	<u>(2,377,879)</u>	
\$ <u>13,657,996</u>	\$ <u>7,925,121</u>	\$ <u>(958,532)</u>	

CITY OF HUXLEY, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

JUNE 30, 2012

The budgetary comparison is presented as Other 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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and Enterprise 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 \$5,732,875. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

CITY OF HUXLEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Employee Benefits	Road Use Tax	Trust and Agency	Local Option Sales Tax	LMI
<u>RECEIPTS:</u>					
Property Taxes	\$ 34,731	\$ -	\$ -	\$ -	\$ -
Other City tax	-	-	-	357,648	-
Use of money and property	-	-	-	-	1,779
Intergovernmental	-	314,452	-	-	-
Miscellaneous	-	2,106	-	-	3,455
Total receipts	34,731	316,558	-	357,648	5,234
<u>DISBURSEMENTS:</u>					
Operating:					
Public works	-	241,476	-	-	-
Community and economic development	-	-	-	-	32,236
Capital projects	-	-	-	-	-
Total disbursements	-	241,476	-	-	32,236
Excess (deficiency) of receipts over (under) disbursements	34,731	75,082	-	357,648	(27,002)
Other financing sources (uses):					
Transfers in	-	-	-	-	363,312
Transfers out	(34,731)	-	-	(357,648)	(440,900)
Total other financing sources (uses)	(34,731)	-	-	(357,648)	(77,588)
Net change in cash balances	-	75,082	-	-	(104,590)
<u>CASH BALANCES</u> - Beginning of year	-	324,641	319	-	419,247
<u>CASH BALANCES</u> - End of year	\$ -	\$ 399,723	\$ 319	\$ -	\$ 314,657
<u>Cash Basis Fund Balances:</u>					
Restricted	\$ -	\$ 399,723	\$ 319	\$ -	\$ 314,657
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total cash basis fund balances	\$ -	\$ 399,723	\$ 319	\$ -	\$ 314,657

Capital Projects

<u>Regency Development</u>	<u>Street Construction and Repair</u>	<u>Centennial Park</u>	<u>HDC Expansion</u>	<u>Oak/Main</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	28	-	-	1,880
-	-	-	-	-
<u>28,530</u>	<u>3,534</u>	<u>-</u>	<u>3,393</u>	<u>-</u>
<u>28,530</u>	<u>3,562</u>	<u>-</u>	<u>3,393</u>	<u>1,880</u>
-	-	-	-	-
9,598	-	-	-	-
-	550	36,197	-	339,323
<u>9,598</u>	<u>550</u>	<u>36,197</u>	<u>-</u>	<u>339,323</u>
<u>18,932</u>	<u>3,012</u>	<u>(36,197)</u>	<u>3,393</u>	<u>(337,443)</u>
1,117	5,112	60,000	-	-
-	-	-	-	(1,714)
<u>1,117</u>	<u>5,112</u>	<u>60,000</u>	<u>-</u>	<u>(1,714)</u>
20,049	8,124	23,803	3,393	(339,157)
-	111,088	12,898	(253,632)	340,195
<u>\$ 20,049</u>	<u>\$ 119,212</u>	<u>\$ 36,701</u>	<u>\$ (250,239)</u>	<u>\$ 1,038</u>
\$ 20,049	\$ -	\$ -	\$ -	\$ -
-	119,212	36,701	-	1,038
-	-	-	(250,239)	-
<u>\$ 20,049</u>	<u>\$ 119,212</u>	<u>\$ 36,701</u>	<u>\$ (250,239)</u>	<u>\$ 1,038</u>

SUPPLEMENTARY INFORMATION

CITY OF HUXLEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Capital Projects</u>				
	<u>SE Annexation Project</u>	<u>Grocery Store</u>	<u>Nord Kalsem Shelter Project</u>	<u>Pond/Dam Repairs</u>	<u>Wastewater Facility Project</u>
<b>RECEIPTS:</b>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other City tax	-	-	-	-	-
Use of money and property	899	-	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	57,607	-	3,143	50,250
Total receipts	<u>899</u>	<u>57,607</u>	<u>-</u>	<u>3,143</u>	<u>50,250</u>
<b>DISBURSEMENTS:</b>					
Operating:					
Public works	-	-	-	-	-
Community and economic development	-	-	-	-	-
Capital projects	-	25,783	-	19,992	187,010
Total disbursements	<u>-</u>	<u>25,783</u>	<u>-</u>	<u>19,992</u>	<u>187,010</u>
Excess (deficiency) of receipts over (under) disbursements	<u>899</u>	<u>31,824</u>	<u>-</u>	<u>(16,849)</u>	<u>(136,760)</u>
Other financing sources (uses):					
Transfers in	-	-	-	53,000	260,000
Transfers out	(144,162)	-	(104,005)	-	-
Total other financing sources (uses)	<u>(144,162)</u>	<u>-</u>	<u>(104,005)</u>	<u>53,000</u>	<u>260,000</u>
Net change in cash balances	(143,263)	31,824	(104,005)	36,151	123,240
<b>CASH BALANCES - Beginning of year</b>	<u>143,760</u>	<u>(1,927)</u>	<u>104,005</u>	<u>(35,724)</u>	<u>(123,120)</u>
<b>CASH BALANCES - End of year</b>	\$ <u>497</u>	\$ <u>29,897</u>	\$ <u>-</u>	\$ <u>427</u>	\$ <u>120</u>
<b>Cash Basis Fund Balances:</b>					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	497	29,897	-	427	120
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>497</u>	\$ <u>29,897</u>	\$ <u>-</u>	\$ <u>427</u>	\$ <u>120</u>

Capital Projects							
Blue Sky Project	Storm Water Improvements	Timberline Culvert Ext	Tower Painting	FEMA Damage	Sports Complex	Larson Dr. By-pass Sewer	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,731
-	-	-	-	-	-	-	357,648
-	-	-	-	-	-	-	4,586
-	-	-	-	1,917	-	-	316,369
<u>276,983</u>	-	-	-	-	-	-	<u>429,001</u>
<u>276,983</u>	-	-	-	<u>1,917</u>	-	-	<u>1,142,335</u>
-	-	-	-	-	-	-	241,476
-	-	-	-	-	-	-	41,834
<u>65,099</u>	<u>48,690</u>	<u>9,400</u>	<u>173,390</u>	<u>5,857</u>	<u>11,421</u>	<u>17,918</u>	<u>940,630</u>
<u>65,099</u>	<u>48,690</u>	<u>9,400</u>	<u>173,390</u>	<u>5,857</u>	<u>11,421</u>	<u>17,918</u>	<u>1,223,940</u>
<u>211,884</u>	<u>(48,690)</u>	<u>(9,400)</u>	<u>(173,390)</u>	<u>(3,940)</u>	<u>(11,421)</u>	<u>(17,918)</u>	<u>(81,605)</u>
-	215,000	-	173,390	5,857	-	2,310	1,139,098
-	(165,000)	-	-	-	-	(28,191)	(1,276,351)
-	<u>50,000</u>	-	<u>173,390</u>	<u>5,857</u>	-	<u>(25,881)</u>	<u>(137,253)</u>
211,884	1,310	(9,400)	-	1,917	(11,421)	(43,799)	(218,858)
<u>(114,235)</u>	<u>545,301</u>	-	-	-	<u>14,496</u>	<u>43,799</u>	<u>1,531,111</u>
\$ <u>97,649</u>	\$ <u>546,611</u>	\$ <u>(9,400)</u>	\$ -	\$ <u>1,917</u>	\$ <u>3,075</u>	\$ -	\$ <u>1,312,253</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,917	\$ -	\$ -	\$ 736,665
97,649	546,611	-	-	-	3,075	-	835,227
-	-	(9,400)	-	-	-	-	(259,639)
\$ <u>97,649</u>	\$ <u>546,611</u>	\$ <u>(9,400)</u>	\$ -	\$ <u>1,917</u>	\$ <u>3,075</u>	\$ -	\$ <u>1,312,253</u>

CITY OF HUXLEY, IOWA

SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Water Improvement Bond, Series 2003	April 16, 2003	3.00%	\$ 500,000
Corporate Purpose Bonds	April 15, 2006	3.35 - 4.20%	465,000
Corporate Purpose Bonds	October 15, 2006	4.40 - 5.00%	6,650,000
Corporate Purpose Bonds	March 15, 2009	3.30 - 5.05%	5,800,000
Refunding Bonds - Series 2010A	April 29, 2010	1.00 - 1.75%	1,435,000
Corporate Purpose Bonds - Series 2010B	June 9, 2010	2.50%	310,000
Corporate Purpose Bonds - Series 2010C	June 9, 2010	4.00 - 4.85%	2,145,000
Corporate Purpose Bonds - Series 2010D	June 30, 2010	2.50 - 5.15%	6,295,000
Refunding Bonds - Series 2012	February 29, 2012	.6-3.6%	3,720,000
 Total			
Revenue bonds:			
Water	February 8, 2002	3.00%	1,816,000
Sewer	June 30, 2010	3.00%	6,325,000
Total			

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 311,000	\$ -	\$ 24,000	\$ 287,000	\$ 9,330	\$ -
80,000	-	20,000	60,000	1,620	-
5,780,000	-	425,000	5,355,000	277,285	-
5,720,000	-	100,000	5,620,000	258,100	-
950,000	-	475,000	475,000	14,263	-
155,000	-	155,000	-	3,875	-
2,145,000	-	-	2,145,000	92,625	-
6,295,000	-	-	6,295,000	281,995	-
<u>-</u>	<u>3,720,000</u>	<u>-</u>	<u>3,720,000</u>	<u>-</u>	<u>-</u>
<u>\$ 21,436,000</u>	<u>\$ 3,720,000</u>	<u>\$ 1,199,000</u>	<u>\$ 23,957,000</u>	<u>\$ 939,093</u>	<u>\$ -</u>
\$ 1,128,000	\$ -	\$ 88,000	\$ 1,040,000	\$ 33,840	\$ -
<u>6,185,000</u>	<u>-</u>	<u>3,770,000</u>	<u>2,415,000</u>	<u>157,758</u>	<u>-</u>
<u>\$ 7,313,000</u>	<u>\$ -</u>	<u>\$ 3,858,000</u>	<u>\$ 3,455,000</u>	<u>\$ 191,598</u>	<u>\$ -</u>

CITY OF HUXLEY, IOWA

BOND AND NOTE MATURITIES  
JUNE 30, 2012

Year Ending June 30,	State Revolving Fund				
	Revenue Bonds		Revenue Bonds		
	Issued February 8, 2002		Issued August 26, 2009 (Restructured in fiscal year 2012)		
	Interest Rates	Amount	Interest Rates	Amount	Total
2013	3.00 %	\$ 91,000	3.25 %	\$ 60,000	\$ 151,000
2014	3.00	94,000	3.00	62,000	156,000
2015	3.00	96,000	3.00	64,000	160,000
2016	3.00	99,000	3.00	66,000	165,000
2017	3.00	102,000	3.00	68,000	170,000
2018	3.00	105,000	3.00	70,000	175,000
2019	3.00	108,000	3.00	72,000	180,000
2020	3.00	112,000	3.00	75,000	187,000
2021	3.00	115,000	3.00	77,000	192,000
2022	3.00	118,000	3.00	79,000	197,000
2023	-	-	3.00	82,000	82,000
2024	-	-	3.00	85,000	85,000
2025	-	-	3.00	87,000	87,000
2026	-	-	3.00	90,000	90,000
2027	-	-	3.00	93,000	93,000
2028	-	-	3.00	96,000	96,000
2029	-	-	3.00	99,000	99,000
2030	-	-	3.00	103,000	103,000
2031	-	-	3.00	106,000	106,000
2032	-	-	3.00	109,000	109,000
2033	-	-	3.00	113,000	113,000
2034	-	-	3.00	117,000	117,000
2035	-	-	3.00	120,000	120,000
2036	-	-	3.00	124,000	124,000
2037	-	-	3.00	128,000	128,000
2038	-	-	3.00	133,000	133,000
2039	-	-	3.00	37,000	37,000
Total		\$ <u>1,040,000</u>		\$ <u>2,415,000</u>	\$ <u>3,455,000</u>

Year Ending June 30,	General Obligation Bonds								
	Corporate Purpose Bonds			Refunding Bonds			Corporate Purpose Bonds		
	Issued March 15, 2009			Issued April 29, 2010			Issued June 9, 2010		
	Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount	
2013	3.60 %	\$ 100,000		1.20 %	\$ 475,000		4.30 %	\$ -	
2014	3.70	100,000		-	-		4.30	-	
2015	3.80	360,000		-	-		4.30	-	
2016	3.95	375,000		-	-		4.30	-	
2017	4.05	390,000		-	-		4.30	-	
2018	4.20	405,000		-	-		4.30	-	
2019	4.30	425,000		-	-		4.30	-	
2020	4.50	440,000		-	-		4.30	230,000	
2021	4.60	460,000		-	-		4.00	240,000	
2022	4.70	485,000		-	-		4.10	250,000	
2023	4.80	505,000		-	-		4.20	260,000	
2024	4.90	530,000		-	-		4.25	270,000	
2025	4.95	560,000		-	-		4.30	285,000	
2026	5.05	485,000		-	-		4.40	300,000	
2027	-	-		-	-		4.85	310,000	
2028	-	-		-	-		-	-	
2029	-	-		-	-		-	-	
2030	-	-		-	-		-	-	
2031	-	-		-	-		-	-	
Total		\$ <u>5,620,000</u>			\$ <u>475,000</u>			\$ <u>2,145,000</u>	

See Accompanying Independent Auditor's Report



CITY OF HUXLEY, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS

FOR THE LAST NINE YEARS

	<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>
<u>RECEIPTS:</u>							
Property tax	\$ 521,753	\$	486,891	\$	504,925	\$	521,709
Tax increment financing	2,331,296		2,082,328		1,809,929		1,401,757
Other City tax	459,438		443,675		441,883		471,286
Licenses and permits	15,443		26,978		102,388		41,556
Use of money and property	80,887		169,911		120,538		121,394
Intergovernmental	1,534,637		841,870		390,224		516,318
Charges for service	214,352		206,270		182,824		132,806
Miscellaneous	<u>646,236</u>		<u>2,104,352</u>		<u>501,787</u>		<u>282,877</u>
Total	\$ <u>5,804,042</u>	\$	\$ <u>6,362,275</u>	\$	\$ <u>4,054,498</u>	\$	\$ <u>3,489,703</u>
<u>DISBURSEMENTS:</u>							
Operating:							
Public safety	\$ 552,613	\$	502,356	\$	490,676	\$	465,675
Public works	300,472		310,234		273,784		296,437
Health and social services	19,605		13,925		6,444		9,178
Culture and recreation	496,862		546,736		522,903		555,495
Community and economic development	566,156		835,841		853,009		285,585
General government	360,225		324,630		331,736		328,393
Debt service	2,144,232		1,998,560		2,965,121		3,577,542
Capital projects	<u>6,207,457</u>		<u>4,227,689</u>		<u>9,359,577</u>		<u>1,851,598</u>
Total	\$ <u>10,647,622</u>	\$	\$ <u>8,759,971</u>	\$	\$ <u>14,803,250</u>	\$	\$ <u>7,369,903</u>

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	416,132	\$ 339,290	\$ 348,687	\$ 334,144	\$ 327,945
	1,345,159	1,556,180	1,391,187	1,374,213	1,256,304
	443,409	404,126	332,421	275,023	257,696
	50,262	70,590	95,823	34,993	10,278
	150,843	216,214	57,707	38,952	27,703
	621,149	448,215	423,630	466,595	461,985
	158,820	194,608	201,695	201,695	224,594
	<u>172,928</u>	<u>837,137</u>	<u>195,931</u>	<u>195,931</u>	<u>157,580</u>
\$	<u>3,358,702</u>	\$ <u>4,066,360</u>	\$ <u>3,047,081</u>	\$ <u>2,921,546</u>	\$ <u>2,724,085</u>
\$	482,646	\$ 389,463	\$ 485,408	\$ 579,136	\$ 573,322
	297,981	376,101	334,468	172,008	163,792
	4,725	6,212	9,150	10,070	6,470
	504,748	439,898	420,765	423,321	390,593
	196,960	124,188	401,808	332,313	328,821
	317,211	468,144	351,975	282,191	241,381
	1,589,192	1,263,068	698,250	499,620	791,258
	<u>3,327,782</u>	<u>3,957,667</u>	<u>1,771,258</u>	<u>158,420</u>	<u>224,306</u>
\$	<u>6,721,245</u>	\$ <u>7,024,741</u>	\$ <u>4,473,082</u>	\$ <u>2,457,079</u>	\$ <u>2,719,943</u>



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA  
April D. Crosser, CPA  
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

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  
City of Huxley, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Huxley, Iowa, as of and for the year ended June 30, 2012, which collectively comprise City of Huxley, Iowa's basic financial statements listed in the table of contents and have issued our report thereon dated March 15, 2013. Our report expressed unqualified opinions on the financial statements which were prepaid in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of City of Huxley, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Huxley, Iowa'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 an opinion on the effectiveness of City of Huxley, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Huxley, Iowa'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-12 to be a significant deficiency.

### Compliance and Other Matters

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

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

City of Huxley, Iowa's response to the findings identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Huxley, Iowa'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, Iowa and other parties to whom the City of Huxley, Iowa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Huxley, Iowa 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.

ANDERSON, LARKIN & CO. P.C.

*Anderson, Larkin & Co. P.C.*

City of Huxley, Iowa  
March 15, 2013

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash is received and recorded by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-12 Preparation of Financial Statements – A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of 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. We recognize that with a limited number of office employees, preparation of the financial statements is difficult. The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

Response – This finding and recommendation is not a result of any change in City procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. The City will continue to seek additional training and experience and evaluate the need for additional resources to enable our staff to achieve the goal of drafting our financial statements internally.

Conclusion – Response accepted.

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

Part III: Other Findings Related to Required Statutory Reporting

- III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- III-B-12 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-12 Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-12 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. However, we did not note the minutes of certain City Council proceedings were not approved by the City Council.

Although minutes of certain City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish certain City Council proceedings as required by the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should approved and publish minutes as required.

Response – We will approve and publish minutes as required in the future.

Conclusion – Response accepted.

- III-G-12 Financial Condition – Note 10 to the financial statements reported deficit fund balances at June 30, 2012.

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 Note 10 for further explanation.

Conclusion – Response accepted.

- III-H-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investments policy were noted.

- III-I-12 Revenue Bonds and Notes – Noncompliance with the water and sewer revenue bond resolutions were noted during the year ended June 30, 2012. Annual principal and interest payments for the sewer revenue bonds were in excess of the maximum percentage allowed of net customer receipts to be in accordance with the revenue bond resolutions.

Recommendation – Procedures should be implemented to ensure that all bond resolutions are complied with.

Response – During the fiscal year we addressed this issue by issuing general obligation refunding bonds to pay down the sewer revenue bonds.

Conclusion – Response accepted.