

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

**June 30, 2015**

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**CITY OF HUXLEY**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Henry.....	Mayor.....	Jan 2016
David Kuhn.....	Mayor Pro Tem.....	Jan 2018
Mike Schonhorst.....	Council Member.....	Jan 2016
Tracey Roberts.....	Council Member.....	Jan 2016
Kevin Deaton.....	Council Member.....	Jan 2018
Craig Hemmen.....	Council Member.....	Jan 2018
John Haldeman.....	City Administrator.....	Sep 13, 2016
Amy Beattie.....	Attorney.....	Indefinite
Jolene Lettow.....	City Clerk.....	Indefinite
Jeremy Arends.....	City Treasurer.....	Indefinite
Greg Roth.....	City Engineer.....	Indefinite

**City of Huxley**



## MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

4949 Pleasant Street, Suite 104

West Des Moines, Iowa 50266

(515)-223-4841

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

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

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

#### Opinions

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

## Basis of Accounting

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

## Emphasis of a Matter

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huxley, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Other Auditors' previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 34 through 41 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.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2015 on our consideration of the City of Huxley, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Huxley, Iowa's internal control over financial reporting and compliance.

*Martens + Company, CPA, LLP*  
West Des Moines, Iowa  
October 2, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Huxley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 25.6%, or approximately \$1,184,000 from fiscal year 2014 to fiscal year 2015. Property tax and tax increment financing increased approximately \$200,000, uses of money and property increased by approximately \$6,000, charges for service decreased by approximately \$60,000, operating grants increased approximately \$224,000 and capital grants increased approximately \$129,000.
- Disbursements of the City's governmental activities decreased 44.0%, or approximately \$4,067,000, from fiscal year 2014 to fiscal year 2015. Debt service decreased \$4,554,000, while capital projects increased \$580,000.
- The City's total cash basis net position increased 10.3% or approximately \$653,000 from fiscal year 2014 to fiscal year 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$559,000 and the cash basis net position of the business type activities increased approximately \$94,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds, and the City's indebtedness. In addition, the Schedule of Capital Projects provides information about the various projects of the City.

## **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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the 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. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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 is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has increased from a year ago, increasing from approximately \$5.349 million to approximately \$5.908 million. The analysis that follows focuses on these changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 145	\$ 205
Operating grants, contributions and restricted interest	948	704
Capital grants, contributions and restricted interest	135	6
General receipts:		
Property tax	3,152	2,952
Other city tax	483	444
Unrestricted interest on investments	61	55
Sale of land	749	-
Other general receipts	<u>129</u>	<u>252</u>
Total receipts	<u>5,802</u>	<u>4,618</u>
Disbursements:		
Public safety	636	544
Public works	335	378
Health and social services	13	11
Culture and recreation	484	451
Community and economic development	477	618
General government	336	372
Debt service	2,022	6,576
Capital projects	<u>868</u>	<u>288</u>
Total disbursements	<u>5,171</u>	<u>9,238</u>
Change in cash basis net position before transfers	631	(4,620)
Transfers, net	<u>(72)</u>	<u>(380)</u>
Change in cash basis net position	559	(5,000)
Cash basis net position beginning of year	<u>5,349</u>	<u>10,349</u>
Cash basis net position end of year	<u>\$ 5,908</u>	<u>\$ 5,349</u>

The City's total receipts for governmental activities increased by 25.6 percent or approximately \$1,184,000. The total cost of all programs and services decreased by approximately \$4,067,000 or 44.0 percent due to decreased debt service payments. The significant increase in receipts was primarily the result of increased property tax receipts and the sale of land.

The cost of all governmental activities this year was approximately \$5,171 million compared to approximately \$9,238 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount that taxpayers ultimately financed for these activities was only approximately \$3.9 million because some of the cost was paid by those directly benefitted from the programs (approximately \$145,000) some by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$1.1 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, in fiscal year 2015 was at approximately \$1.2 million. The City paid

for the remaining “public benefit” portion of governmental activities (approximately \$3.9 million) with tax (some of which could only be used for certain programs) and with other receipts, such as unrestricted interest, sale of land and other general receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Years ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 651	\$ 568
Sewer	625	613
General receipts:		
Miscellaneous	127	98
Total receipts	<u>1,403</u>	<u>1,279</u>
Disbursements:		
Water	587	1,602
Sewer	781	1,683
Other business-type activities	13	17
Total disbursements	<u>1,381</u>	<u>3,302</u>
Change in cash basis net position before transfers	22	(2,023)
Transfers, net	<u>72</u>	<u>380</u>
Change in cash basis net position	94	(1,643)
Cash basis net position beginning of year	<u>988</u>	<u>2,631</u>
Cash basis net position end of year	<u>\$ 1,082</u>	<u>\$ 988</u>

Total business type activities receipts for the fiscal year were approximately \$1,403,000 compared to approximately \$1,279,000 in the prior year. This increase was due primarily to increased water and sewage usage. Total disbursements for the fiscal year decreased by 58.2% or approximately \$1,921,000. This significant decrease was due primarily to the decrease in debt service payments.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Huxley completed the year, its governmental funds reported a combined fund balance of \$5.908 million, an increase of \$0.6 million from last year’s total of \$5.349 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased from a positive balance of \$555,322 in 2014 to a positive balance of \$663,878 in 2015. The increase is due in part to increased net transfers into the fund, increased property taxes, and increased charges for services.
- The Special Revenue, Road Use Tax Fund cash balance increased from a positive balance of \$432,388 in 2014 to a positive balance of \$438,728 in 2015. This increase is primarily due to increased road use taxes.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased from a positive balance of \$7,620 in 2014 to a positive balance of \$21,612 in 2015. This increase is primarily due to increased property tax collections.

- The Debt Service Fund cash balance increased from \$22,521 in 2014 to \$74,255 in 2015 due to increased net transfers into the fund.
- The Capital Projects Fund cash balance decreased by \$338,625 to \$3,826,952, which was due primarily to project disbursements from funds received in the prior year.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$48,801 to \$630,266 due primarily to transfers out to the general and capital project funds.
- The Enterprise, Sewer Fund cash balance increased by \$140,631 to \$406,274, due primarily to decreased operating disbursements.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 26, 2015 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$191,745 more than budgeted. This was primarily due to the City receiving more in intergovernmental receipts than anticipated, even after the amendments.

Even with the budget amendments, total disbursements were \$2,629,473 less than the amended budget. Disbursements for capital projects were approximately \$1,632,000 less than budgeted. The community and economic development activities were approximately \$700,000 less than budgeted.

The City exceeded the amount budgeted in the debt service function. This was a result of debt service expense included in a bond refunding not included in the budget.

### DEBT ADMINISTRATION

At June 30, 2015, the City had \$22,792,000 in bonds compared to \$24,458,000 last year, as shown below:

	Outstanding Debt at Year-End	
	2015	2014
General obligation bonds		
Corporate purpose and other	\$19,800,000	\$21,281,000
Revenue bonds	<u>2,992,000</u>	<u>3,177,000</u>
Total	<u>\$22,792,000</u>	<u>\$24,458,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt counting towards the debt limit of \$10,164,000 is below the City's \$10.673 million legal debt limit.

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

The City of Huxley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. The economy in the area has improved slightly with small change in our unemployment rate in the past year. Unemployment in Story County now stands at 2.2% versus 2.7% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 5.3%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Based on the tax rate of \$11.85000 per \$1,000 of taxable valuation, the City expects to generate \$1,014,070 in property tax receipts for fiscal year 2016. Receipts from all funds, including Enterprise Funds, are anticipated to be \$11.740 million.

## **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 John Haldeman, City Administrator, 515 N. Main Avenue, Huxley, Iowa 50124.

## **Basic Financial Statements**

**CITY OF HUXLEY**

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 635,966	\$ -	\$ 48,849	\$ -
Public works	335,673	-	534,910	-
Health and social services	12,680	-	82,679	-
Culture and recreation	484,236	144,968	36,963	-
Community and economic development	476,832	-	5,000	-
General government	335,770	-	234,141	-
Debt service	2,021,882	-	5,780	-
Capital projects	867,835	-	-	134,763
Total governmental activities	<u>5,170,874</u>	<u>144,968</u>	<u>948,322</u>	<u>134,763</u>
Business type activities:				
Water	586,860	651,491	-	-
Sewer	781,329	625,483	-	-
Other	13,210	-	-	-
Total business type activities	<u>1,381,399</u>	<u>1,276,974</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,552,273</u>	<u>\$1,421,942</u>	<u>\$ 948,322</u>	<u>\$ 134,763</u>

**General receipts and transfers:**

Property tax levied for:  
    General purposes  
    Employee benefits  
    Debt service  
Tax increment financing  
Other city tax  
Unrestricted interest on investments  
Sale of land  
Miscellaneous  
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted:  
    Expendable:  
        Debt service  
        Streets  
        Capital projects  
        Other  
        Deposits  
Unrestricted:

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (587,117)	\$ -	\$ (587,117)
199,237	-	199,237
69,999	-	69,999
(302,305)	-	(302,305)
(471,832)	-	(471,832)
(101,629)	-	(101,629)
(2,016,102)	-	(2,016,102)
(733,072)	-	(733,072)
(3,942,821)	-	(3,942,821)
-	64,631	64,631
-	(155,846)	(155,846)
-	(13,210)	(13,210)
-	(104,425)	(104,425)
(3,942,821)	(104,425)	(4,047,246)
493,560	-	493,560
34	-	34
480,193	-	480,193
2,178,168	-	2,178,168
482,683	-	482,683
61,117	-	61,117
748,595	-	748,595
130,153	125,483	255,636
(72,447)	72,447	-
4,502,056	197,930	4,699,986
559,235	93,505	652,740
5,348,677	988,285	6,336,962
\$ 5,907,912	\$ 1,081,790	\$ 6,989,702
\$ 74,255	\$ 293,181	\$ 367,436
438,728	-	438,728
3,826,952	-	3,826,952
882,487	-	882,487
-	45,250	45,250
685,490	743,359	1,428,849
\$ 5,907,912	\$ 1,081,790	\$ 6,989,702

**CITY OF HUXLEY**

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

As of and for the year ended June 30, 2015

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
<b>Receipts:</b>			
Property tax	\$ 493,560	\$ -	\$ -
Tax increment financing	-	-	2,178,168
Other city tax	75,012	-	-
Licenses and permits	63,734	-	-
Use of money and property	55,337	-	-
Intergovernmental	239,141	534,910	-
Charges for service	227,647	-	-
Special assessments	1,123	-	-
Miscellaneous	109,268	4,258	32,268
Total receipts	1,264,822	539,168	2,210,436
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	635,966	-	-
Public works	67,845	267,828	-
Health and social services	12,680	-	-
Culture and recreation	484,236	-	-
Community and economic development	78,153	-	386,114
General government	322,554	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,601,434	267,828	386,114
Excess (deficiency) of receipts over (under) disbursements	(336,612)	271,340	1,824,322
<b>Other financing sources (uses):</b>			
Sale of land	-	-	-
Transfers in	550,168	-	-
Transfers out	(105,000)	(265,000)	(1,810,330)
Total other financing sources (uses)	445,168	(265,000)	(1,810,330)
Change in cash balances	108,556	6,340	13,992
Cash balances beginning of year	555,322	432,388	7,620
Cash balances end of year	\$ 663,878	\$ 438,728	\$ 21,612
<b>Cash Basis Fund Balances</b>			
<b>Restricted for:</b>			
Debt service	\$ -	\$ -	\$ -
Streets	-	438,728	-
Other purposes	-	-	21,612
Assigned	5,961	-	-
Unassigned	657,917	-	-
Total cash basis fund balances	\$ 663,878	\$438,728	\$ 21,612

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
\$ 480,193	\$ -	\$ 34	\$ 973,787
-	-	-	2,178,168
-	-	407,671	482,683
-	-	-	63,734
5,780	-	-	61,117
-	-	-	774,051
-	-	-	227,647
-	-	-	1,123
-	134,763	11,094	291,651
485,973	134,763	418,799	5,053,961
-	-	-	635,966
-	-	-	335,673
-	-	-	12,680
-	-	-	484,236
-	-	12,565	476,832
-	-	13,216	335,770
2,021,882	-	-	2,021,882
-	867,835	-	867,835
2,021,882	867,835	25,781	5,170,874
(1,535,909)	(733,072)	393,018	(116,913)
-	-	748,595	748,595
1,805,330	394,447	412,671	3,162,616
(217,687)	-	(837,046)	(3,235,063)
1,587,643	394,447	324,220	676,148
51,734	(338,625)	717,238	559,235
22,521	4,165,577	165,249	5,348,677
\$ 74,255	\$3,826,952	\$882,487	\$ 5,907,912
\$ 74,255	\$ -	\$ -	\$ 74,255
-	-	-	438,728
-	3,826,952	882,487	4,731,051
-	-	-	5,961
-	-	-	657,917
\$ 74,255	\$3,826,952	\$882,487	\$ 5,907,912

## CITY OF HUXLEY

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

As of and for the year ended June 30, 2015

	Enterprise			Total
	Water	Sewer	Nonmajor Meter Deposits	
Operating receipts:				
Charges for service	\$ 651,491	\$ 625,483	\$ -	\$1,276,974
Licenses & permits	12,500	10,750	-	23,250
Meter deposits	-	-	14,885	14,885
Total operating receipts	663,991	636,233	14,885	1,315,109
Operating disbursements:				
Business type activities	468,722	374,965	13,210	856,897
Total operating disbursements	468,722	374,965	13,210	856,897
Excess (deficiency) of operating receipts over (under) operating disbursements	195,269	261,268	1,675	458,212
Non-operating receipts (disbursements):				
Miscellaneous	19,308	68,040	-	87,348
Debt service	(117,930)	(405,747)	-	(523,677)
Capital projects	(208)	(617)	-	(825)
Net non-operating receipts (disbursements)	(98,830)	(338,324)	-	437,154
Excess (deficiency) of receipts over (under) disbursements	96,439	(77,056)	1,675	21,058
Transfers:				
Transfers in	-	217,687	-	217,687
Transfers (out)	(145,240)	-	-	(145,240)
	(145,240)	217,687	-	72,447
Change in cash balances	(48,801)	140,631	1,675	93,505
Cash balances beginning of year	679,067	265,643	43,575	988,285
Cash balances end of year	\$ 630,266	\$ 406,274	\$ 45,250	\$1,081,790
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 170,318	\$ 122,863	\$ -	\$ 293,181
Unrestricted:				
Deposits	-	-	45,250	45,250
Other	459,948	283,411	-	743,359
Total cash basis fund balances	\$ 630,266	\$ 406,274	\$ 45,250	\$1,081,790

See notes to financial statements.

# CITY OF HUXLEY

## Notes to Financial Statements

June 30, 2015

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huxley 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 of Huxley 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 of Huxley 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. Additionally, the City has a Chapter 28E agreement with the Ballard Community School district to operate the 3Cs Community Center.

#### B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the 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 service.

## CITY OF HUXLEY

### Notes to Financial Statements - Continued

June 30, 2015

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are 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 other nonmajor governmental funds.

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 Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

## CITY OF HUXLEY

### Notes to Financial Statements - Continued

June 30, 2015

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### B. Basis of Presentation - Continued

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.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

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

The Enterprise, 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 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.

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

Proprietary funds distinguish operating receipts and disbursements from 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.

**CITY OF HUXLEY**

Notes to Financial Statements - Continued

June 30, 2015

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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, 2015, disbursements exceeded the amounts budgeted in the debt service function.

**(2) CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments at June 30, 2015 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. EE Savings Bonds	<u>\$ 12,100</u>	<u>\$ 18,644</u>

**CITY OF HUXLEY**

Notes to Financial Statements - Continued

June 30, 2015

**(2) CASH AND POOLED INVESTMENTS - CONTINUED**

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 receipts) 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.

**(3) BONDS AND NOTES PAYABLE**

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

	Balance June 30, 2014	Issued	Redeemed	Balance June 30, 2015
<b>Governmental Activities</b>				
General obligation bonds	\$ 21,281,000	\$ -	\$ 1,481,000	\$ 19,800,000
	<u>\$ 21,281,000</u>	<u>\$ -</u>	<u>\$ 1,481,000</u>	<u>\$ 19,800,000</u>
<b>Business Type Activities</b>				
Revenue bonds	\$ 3,177,000	\$ -	\$ 185,000	\$ 2,992,000
	<u>\$ 3,177,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 2,992,000</u>

Interest rates range from 0.65% to 5.15% on the general obligation notes and bonds. The revenue bond interest rates are from 0.65% to 3.00%. The City paid \$865,690 in interest on debt obligations for the year ended June 30, 2015.

Debt service requirements for general obligation bonds, note and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,502,000	\$ 760,594	\$ 190,000	\$ 70,542	\$ 1,692,000	\$ 831,136
2017	1,548,000	719,477	195,000	68,503	1,743,000	787,980
2018	1,609,000	673,367	195,000	65,960	1,804,000	739,327
2019	1,575,000	621,110	195,000	62,977	1,770,000	684,087
2020	1,866,000	556,230	195,000	59,995	2,061,000	616,225
2021-2025	9,415,000	1,496,262	690,000	242,370	10,105,000	1,738,632
2026-2030	2,040,000	189,315	409,000	176,010	2,449,000	365,325
2031-2035	245,000	8,820	480,000	110,550	725,000	119,370
2036-2039	-	-	443,000	33,720	443,000	33,720
<b>Total</b>	<u>\$19,800,000</u>	<u>\$5,025,175</u>	<u>\$2,992,000</u>	<u>\$890,627</u>	<u>\$22,792,000</u>	<u>\$5,915,802</u>

## CITY OF HUXLEY

### Notes to Financial Statements - Continued

June 30, 2015

#### (3) BONDS AND NOTES PAYABLE - CONTINUED

##### Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$985,000 in water refunding bonds issued in April, 2013. 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 \$830,477. For the current year, principal and interest paid and total customer net receipts were \$117,930 and \$214,493, 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 August 2009 and \$925,000 in sewer refunding bonds issued in April, 2013. 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 \$3,191,140. For the current year, principal and interest paid and total customer net receipts were \$139,190 and \$328,691, 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.
- (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.

#### (4) Pension Plan

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

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

## CITY OF HUXLEY

### Notes to Financial Statements - Continued

June 30, 2015

#### (4) Pension Plan - Continued

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

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

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

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

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

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

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

The City of Huxley's contributions to IPERS for the year ended June 30, 2015 were \$94,888.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2015

(4) Pension Plan - Continued

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City of Huxley's liability for its proportionate share of the collective net pension liability totaled \$401,896. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City of Huxley's proportion of the collective net pension liability was based on the City of Huxley's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City of Huxley's proportion was .085578 percent, which was a decrease of .01957 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City of Huxley collective pension expense, collective deferred outflows and collective deferred inflows totaled \$39,722, \$25,290 and \$237,644 respectively.

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

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

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

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

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

**CITY OF HUXLEY**

Notes to Financial Statements - Continued

June 30, 2015

**(4) Pension Plan - Continued**

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

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

Sensitivity of the City of Huxley's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Huxley's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Huxley's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City of Huxley's proportionate share of the net pension liability	\$929,895	\$401,896	\$(43,617)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The city operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees. The plan covers 18 employees. As provided by law cobra coverage is available to past employees and their families. Currently the spouse of a deceased employee is receiving coverage under Cobra. Cobra coverage is limited by law to three years and she has been on it for 18 months. The City of Huxley pays no part of the Cobra coverage.

**CITY OF HUXLEY**

Notes to Financial Statements - Continued

June 30, 2015

**(5) OTHER POSTEMPLOYMENT BENEFITS - Continued**

Funding Policy

The contribution requirements of Plan members are established and maybe amended by the City. The City currently finances the benefit plan on a pay as you go basis. Health/prescription benefits are provided by United Health Care. The most recent active member monthly premiums for the City and plan members are \$373.79 for single coverage and \$1,121.38 for family coverage. For the year ended June 30, 2015, the City contributed \$137,580 and Plan members eligible for benefits contributed \$28,174 to the plan.

**(6) 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 of full-time employment and if the employee has not been terminated by the City with cause. The City also has a policy of converting unused sick leave over to vacation after reaching 200 hours. 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, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 25,454
Compensatory time	63
Sick leave	<u>39,472</u>
Total	<u>\$ 64,989</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 as of June 30, 2015.

**(7) DEFERRED COMPENSATION**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The Plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death or an unforeseeable emergency.

**CITY OF HUXLEY**

Notes to Financial Statements - Continued

June 30, 2015

**(8) INTERFUND TRANSFERS**

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

Transfer to	Transfer from	Amount
General Fund:	Special Revenue:	
	Employee Benefits	\$ 168
	Local Option Sales Tax	390,000
	LMI	15,000
	Tax Increment Financing	145,000
Debt Service Fund:	Special Revenue:	
	LMI	380,000
	Tax Increment Financing	1,270,330
	Road Use Tax	75,000
	Proprietary Fund:	
	Water	80,000
Special Revenue	Special Revenue:	
LMI	Tax Increment Financing	395,000
Special Revenue:	Special Revenue:	
Regency Development	Local Option Sales Tax	17,671
Capital Projects:	Special Revenue:	
	Road Use Tax	190,000
	Regency Development	34,207
	General Fund	105,000
	Proprietary Fund:	
	Water	65,240
Proprietary Fund:		
Sewer	Debt Service	<u>217,687</u>
Total		<u><u>\$3,380,303</u></u>

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

**(9) 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.

**CITY OF HUXLEY**

Notes to Financial Statements - Continued

June 30, 2015

**(9) COMMITMENTS - Continued**

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, 2015 was \$30,127.

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. Ballard Community School District reimbursed the City of Huxley \$126,127 under this agreement in the year ended June 30, 2015.

**(10) 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 economic development 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 agreements were considered disbursements in the tax increment financing fund in the appropriate fiscal years.

Each Payment shall be in an amount equal to a percentage (the “Annual Percentage”) of the Incremental Property Tax Revenues available with respect to the Property during the six months immediately preceding each Payment date. Incremental Property Tax Revenues are produced by multiplying the consolidated property tax levy (city, county, school, etc.) times the incremental valuation of the Property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district physical plant and equipment levy and subtracting any other levies which may be exempted from such calculation by action of the Iowa General Assembly. The Annual Percentage shall vary from year to year as set forth in the grants.

<u>Borrower</u>	<u>Date of Agreement</u>	<u>Agreement Amount</u>	<u>Expended June 30, 2015</u>	<u>Balance June 30, 2015</u>
Hillebrand LLC	October 27, 2009	\$ 55,000	\$ -	\$ 8,773
Bioforge Labs, LC	November 23, 2010	100,000	9,962	59,672
Trailridge	July 6, 2005	1,400,000	92,130	684,615
Northview	October 27, 2004	14,000,000	-	13,881,645
Northpark	May 8, 2003	600,000	69,209	259,539
Meadow Lane	October 22, 2010	400,000	11,721	342,859
Meadow View	May 28, 2003	600,000	72,584	21,943

**CITY OF HUXLEY**

Notes to Financial Statements - Continued

June 30, 2015

**(11) PROMISSORY NOTE**

The City loaned \$3,000 on a promissory note. Interest at 2% per annum is payable annually on April 1 of each year. Annual principal payments in the amount of \$600 are due each year on April 1.

<u>Borrower</u>	<u>Date of loan</u>	<u>Loan Amount</u>	<u>Repaid June 30, 2015</u>	<u>Balance June 30, 2015</u>
B Fabulous BBQ & Catering	March 28, 2011	\$3,000	\$600	\$600

**(12) RISK MANAGEMENT**

The City is exposed to various 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.

**(13) DEFICIT BALANCES**

The City had deficit balances at June 30, 2015, as follows:

<u>Fund</u>	<u>Amount</u>
Capital Projects:	
Wastewater facility project	\$ 54,512
HDC extension	250,239
General Fund:	
Ambulance	104,644

**(14) REVENUE RESERVE BALANCES**

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit C. Cash balances at end of year are summarized as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
General operation	\$ 459,948	\$ 283,411	\$ -	\$ 743,359
Sinking fund	170,318	122,863	-	293,181
Customer deposits	-	-	45,250	45,250
	<u>\$ 630,266</u>	<u>\$ 406,274</u>	<u>\$ 45,250</u>	<u>\$1,081,790</u>

**(15) SUBSEQUENT EVENTS**

The City has evaluated subsequent events through October 2, 2015, the date the financial statements were available to be issued.

On July 7, 2015, the City purchased a 2015 T4 Enloader for \$116,161.50 from Titan Machinery. It was partially financed with a \$70,000 note through South Story Bank at 3.25% interest.

**City of Huxley**

## **Other Information**

**CITY OF HUXLEY**

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 973,787	\$ -	\$ 973,787
Tax increment financing collections	2,178,168	-	2,178,168
Other city tax	482,683	-	482,683
Licenses and permits	63,734	-	63,734
Uses of money and property	61,117	-	61,117
Intergovernmental	774,051	-	774,051
Charges for service	227,647	1,276,974	1,504,621
Special assessments	1,123	-	1,123
Miscellaneous	291,651	125,483	417,134
Total receipts	<u>5,053,961</u>	<u>1,402,457</u>	<u>6,456,418</u>
Disbursements:			
Public safety	635,966	-	635,966
Public works	335,673	-	335,673
Health and social services	12,680	-	12,680
Culture and recreation	484,236	-	484,236
Community and economic development	476,832	-	476,832
General government	335,770	-	335,770
Debt service	2,021,882	-	2,021,882
Capital projects	867,835	-	867,835
Business type activities	-	1,381,399	1,381,399
Total disbursements	<u>5,170,874</u>	<u>1,381,399</u>	<u>6,552,273</u>
Excess (deficiency) of receipts over (under) disbursements	(116,913)	21,058	(95,855)
Other financing sources, net	<u>676,148</u>	<u>72,447</u>	<u>748,595</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	559,235	93,505	652,740
Balances beginning of year	<u>5,348,677</u>	<u>988,285</u>	<u>6,336,962</u>
Balances end of year	<u>\$ 5,907,912</u>	<u>\$ 1,081,790</u>	<u>\$ 6,989,702</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 933,221	\$ 933,221	\$ 40,566
2,186,600	2,186,600	(8,432)
380,276	380,276	102,407
49,575	49,575	14,159
24,300	24,300	36,817
581,301	581,301	192,750
1,357,500	1,357,500	147,121
-	-	1,123
751,900	751,900	(334,766)
6,264,673	6,264,673	191,745
618,176	663,426	27,460
391,525	430,275	94,602
14,225	14,225	1,545
493,860	493,860	9,624
958,275	1,176,775	699,943
376,025	390,125	54,355
2,017,625	2,017,625	(4,257)
2,500,000	2,500,000	1,632,165
1,417,935	1,495,435	114,036
8,787,646	9,181,746	2,629,473
(2,522,973)	(2,917,073)	2,821,218
-	-	748,595
(2,522,973)	(2,917,073)	3,569,813
10,519,902	10,519,902	(4,182,940)
\$ 7,996,929	\$ 7,602,829	\$ (613,127)

## CITY OF HUXLEY

### Required Supplemental Information

#### Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2015

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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, special revenue funds, debt service fund, capital project funds, permanent fund 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, a budget amendment increased budgeted disbursements by \$394,100. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

## CITY OF HUXLEY

### Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
2014  
(In Thousands)

#### Other Information

	<u>2015</u>
City of Huxley's proportion of the net pension liability	.00085578%
City of Huxley's proportionate share of the net pension liability	\$ 402
City of Huxley's covered-employee payroll	\$ 1,030
City of Huxley's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.03%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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

The 2015 liability is based on 2014 information as released by IPERS.

# CITY OF HUXLEY

## Schedule of City's Contributions

### Iowa Public Employees' Retirement System Last 10 Fiscal Years (In Thousands)

#### Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 95	\$ 92	\$ 91	\$ 85
Contributions in relation to the statutorily required contribution	<u>(95)</u>	<u>(92)</u>	<u>(91)</u>	<u>(85)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Creston City Water Works' covered-employee payroll	\$ 1,064	1,030	1,050	1,052
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
72	65	60	57	50	48
<u>(72)</u>	<u>(65)</u>	<u>(60)</u>	<u>(57)</u>	<u>(50)</u>	<u>(48)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
1,036	977	945	942	870	835
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

## CITY OF HUXLEY

### Notes to Other Information - Pension Liability

Year ended June 30, 2015

#### Changes of benefit terms:

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

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

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

#### Changes of assumptions:

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

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

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

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

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

## CITY OF HUXLEY

### Notes to Other Information - Pension Liability - Continued

Year ended June 30, 2015

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

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

**City of Huxley**

## **Supplementary Information**

**CITY OF HUXLEY**

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

As of and for the year ended June 30, 2015

	Employee Benefits	Trust and Agency	Special Revenue Local Option Sales Tax
<b>Receipts:</b>			
Property tax	\$ 34	\$ -	\$ -
Other city tax	-	-	407,671
Miscellaneous	-	-	-
Total receipts	34	-	407,671
<b>Disbursements:</b>			
Operating:			
Community and econ. dev.	-	-	-
General government	-	-	-
Total disbursements	-	-	-
Excess (deficiency) of receipts over (under) disbursements	34	-	407,671
<b>Other financing sources (uses):</b>			
Sale of land	-	-	-
Transfers in	-	-	-
Transfers (out)	(168)	-	(407,671)
Total other financing sources (uses)	(168)	-	(407,671)
Change in cash balances	(134)	-	-
Cash balances beginning of year	134	319	-
Cash balances end of year	\$ -	\$ 319	\$ -
<b>Cash Basis Fund Balances</b>			
Restricted:			
Other purposes	\$ -	\$ 319	\$ -
Total cash basis fund balances	\$ -	\$ 319	\$ -

See accompanying independent auditor's report.

LMI	Regency Development	Total
\$ -	\$ -	\$ 34
-	-	407,671
-	11,094	11,094
-	11,094	418,799
12,565	-	12,565
-	13,216	13,216
12,565	13,216	25,781
(12,565)	(2,122)	393,018
-	748,595	748,595
395,000	17,671	412,671
(395,000)	(34,207)	(837,046)
-	732,059	(324,220)
(12,565)	729,937	717,238
104,918	59,878	165,249
\$ 92,353	\$ 789,815	\$ 882,487
\$ 92,353	\$ 789,815	\$ 882,487
\$ 92,353	\$ 789,815	\$ 882,487

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CITY OF HUXLEY

Schedule of Indebtedness

Year ended June 30, 2015

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water Improvement bond, Series 2003SRF	Apr. 16, 2003	3.00%	\$ 500,000
Corporate purpose bonds, Series 2006A	Apr. 15, 2006	3.35 - 4.20	465,000
Corporate purpose bonds, Series 2009A	Mar. 15, 2009	4.05 - 5.05	5,800,000
Corporate purpose bonds - Series 2010C	Jun. 09, 2010	4.30 - 4.85	2,145,000
Corporate purpose bonds - Series 2010D	Jun. 30, 2010	3.80 - 5.15	6,295,000
Refunding bonds - Series 2012A	Feb. 29, 2012	1.20 - 3.60	3,720,000
Refunding bonds - Series 2013A	Apr. 30, 2013	1.75 - 3.00	4,590,000
Total			
Revenue bonds:			
Sewer - Series 2009 SRF	Aug. 26, 2009	3.00	6,325,000
Water refunding bonds - Series 2013B	Apr. 30, 2013	0.65 - 2.00	985,000
Sewer refunding bonds - Series 2013C	Apr. 30, 2013	0.85 - 2.60	925,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 236,000	\$ -	\$ 26,000	\$ 210,000	\$ 4,130
20,000	-	20,000	-	840
5,160,000	-	375,000	4,785,000	237,120
2,145,000	-	-	2,145,000	92,625
5,755,000	-	290,000	5,465,000	267,085
3,375,000	-	175,000	3,200,000	87,352
4,590,000	-	595,000	3,995,000	104,418
<u>\$21,281,000</u>	<u>\$ -</u>	<u>\$1,481,000</u>	<u>\$19,800,000</u>	<u>\$ 793,570</u>
\$ 1,442,000	\$ -	\$ 10,000	\$ 1,432,000	\$ 43,260
880,000	-	105,000	775,000	12,930
855,000	-	70,000	785,000	15,930
<u>\$3,177,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 2,992,000</u>	<u>\$ 72,120</u>

**CITY OF HUXLEY**

Bond Maturities

June 30, 2015

Year Ending June 30,	Bonds			
	Water Improvement		Corporate Purpose	
	Series 2003		Issued Mar. 15, 2009	
	Issued Apr. 16, 2003	Interest	Interest	Amount
	Rates	Amount	Rates	Amount
2016	3.00%	\$ 27,000	4.05%	\$ 390,000
2017	3.00	28,000	4.20	405,000
2018	3.00	29,000	4.30	425,000
2019	3.00	30,000	4.50	440,000
2020	3.00	31,000	4.60	460,000
2021	3.00	32,000	4.70	485,000
2022	3.00	33,000	4.80	505,000
2023		-	4.90	530,000
2024		-	4.95	560,000
2025		-	5.05	585,000
2026		-		-
2027		-		-
2028		-		-
2029		-		-
2030		-		-
2031		-		-
Total		<u>\$ 210,000</u>		<u>\$4,785,000</u>

See accompanying independent auditor's report.

Bonds			
Corporate Purpose Series 2010C Issued Jun. 9, 2010		Corporate Purpose Series 2010D Issued Jun. 30, 2010	
Interest Rates	Amount	Interest Rates	Amount
4.30%	\$ -	3.80%	\$ 315,000
4.30	-	4.15	335,000
4.30	-	4.35	360,000
4.30	-	4.60	385,000
4.30	230,000	4.65	415,000
4.00	240,000	4.75	440,000
4.10	250,000	4.85	2,005,000
4.20	260,000	4.95	290,000
4.25	270,000	5.00	295,000
4.30	285,000	5.05	305,000
4.40	300,000	5.15	320,000
4.85	310,000		-
	-		-
	-		-
	-		-
	-		-
	<u>\$2,145,000</u>		<u>\$5,465,000</u>

## CITY OF HUXLEY

## Bond Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds				
	Refunding Bonds		Refunding Bonds		Total
	Series 2012A		Series 2013A		
	Issued Feb. 29, 2012		Issued Apr. 30, 2013		
Interest Rates	Amount	Interest Rates	Amount		
2016	1.20%	\$ 170,000	1.75%	\$ 600,000	\$ 1,502,000
2017	1.45	170,000	1.95	610,000	1,548,000
2018	2.00	175,000	2.25	620,000	1,609,000
2019	2.00	175,000	2.40	545,000	1,575,000
2020	2.00	180,000	2.70	550,000	1,866,000
2021	2.35	185,000	2.95	575,000	1,957,000
2022	2.50	190,000	3.00	495,000	3,478,000
2023	2.60	195,000	-	-	1,275,000
2024	2.70	200,000	-	-	1,325,000
2025	2.85	205,000	-	-	1,380,000
2026	3.00	210,000	-	-	830,000
2027	3.15	215,000	-	-	525,000
2028	3.25	220,000	-	-	220,000
2029	3.40	230,000	-	-	230,000
2030	3.50	235,000	-	-	235,000
2031	3.60	245,000	-	-	245,000
Total		<u>\$3,200,000</u>		<u>\$ 3,995,000</u>	<u>\$19,800,000</u>

See accompanying independent auditor's report.

**City of Huxley**

**CITY OF HUXLEY**

Bond Maturities

June 30, 2015

Year Ending June 30,	Revenue Bonds			
	Sewer Series 2009 SRF		Water Refunding Series 2013B	
	Issued Aug. 26, 2009		Issued Apr. 30, 2013	
	Interest Rates	Amount	Interest Rates	Amount
2016	3.00%	\$ 10,000	.65%	\$105,000
2017	3.00	10,000	1.05	110,000
2018	3.00	10,000	1.05	110,000
2019	3.00	10,000	1.45	110,000
2020	3.00	10,000	1.45	110,000
2021	3.00	10,000	2.00	115,000
2022	3.00	10,000	2.00	115,000
2023	3.00	10,000		-
2024	3.00	10,000		-
2025	3.00	10,000		-
2026	3.00	77,000		-
2027	3.00	79,000		-
2028	3.00	82,000		-
2029	3.00	84,000		-
2030	3.00	87,000		-
2031	3.00	90,000		-
2032	3.00	93,000		-
2033	3.00	96,000		-
2034	3.00	99,000		-
2035	3.00	102,000		-
2036	3.00	106,000		-
2037	3.00	109,000		-
2038	3.00	112,000		-
2039	3.00	116,000		-
<b>Total</b>		<u>\$1,432,000</u>		<u>\$775,000</u>

See accompanying independent auditor's report.

Revenue Bonds		
Sewer Refunding		
Series 2013C		
Issued Apr. 30, 2013		
Interest Rates	Amount	Total
.85%	\$ 75,000	\$ 190,000
.85	75,000	195,000
.85	75,000	195,000
1.45	75,000	195,000
1.45	75,000	195,000
1.45	80,000	205,000
2.10	80,000	205,000
2.10	80,000	90,000
2.10	85,000	95,000
2.60	85,000	95,000
	-	77,000
	-	79,000
	-	82,000
	-	84,000
	-	87,000
	-	90,000
	-	93,000
	-	96,000
	-	99,000
	-	102,000
	-	106,000
	-	109,000
	-	112,000
	-	116,000
	<u>\$ 785,000</u>	<u>\$2,992,000</u>

**CITY OF HUXLEY**

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

For the Last Ten Years

	Years ended June 30,				
	2015	2014	2013	2012	2011
<b>Receipts:</b>					
Property tax	\$ 973,787	\$ 849,818	\$ 872,407	\$ 521,753	\$ 486,891
Tax increment financing	2,178,168	2,101,373	2,281,768	2,331,296	2,082,328
Other city tax	482,683	444,365	360,618	459,438	443,675
Licenses and permits	63,734	69,883	64,605	15,443	26,978
Use of money and property	61,117	72,324	32,903	80,887	169,911
Intergovernmental	774,051	727,657	582,409	1,534,637	841,870
Charges for service	227,647	135,162	165,466	214,352	206,270
Miscellaneous	292,774	218,786	314,658	646,236	2,104,352
<b>Total</b>	<b>\$5,053,961</b>	<b>\$4,619,369</b>	<b>\$4,674,834</b>	<b>\$5,804,042</b>	<b>\$6,362,275</b>
<b>Disbursements:</b>					
Operating:					
Public safety	\$ 635,966	\$ 543,729	\$ 545,376	\$ 552,613	\$ 502,356
Public works	335,673	377,883	304,851	300,472	310,234
Health and social services	12,680	11,250	12,147	19,605	13,925
Culture and recreation	484,236	451,366	459,964	496,862	546,736
Community and economic development	476,832	618,130	285,948	566,156	835,841
General government	335,770	372,346	472,638	360,225	324,630
Debt service	2,021,882	1,439,289	2,547,380	2,144,232	1,998,560
Capital projects	867,835	288,147	422,661	6,207,457	4,227,689
<b>Total</b>	<b>\$5,170,874</b>	<b>\$4,102,140</b>	<b>\$5,050,965</b>	<b>\$10,647,622</b>	<b>\$8,759,971</b>

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
\$ 504,925	\$ 521,709	\$ 416,132	\$ 339,290	\$ 348,687
1,809,929	1,401,757	1,345,159	1,556,180	1,391,187
441,883	471,286	443,409	404,126	332,421
102,388	41,556	50,262	70,590	95,823
120,538	121,394	150,843	216,214	57,707
390,224	516,318	621,149	448,215	423,630
182,824	132,806	158,820	194,608	201,695
501,787	282,877	172,928	837,137	195,931
<u>\$ 4,054,498</u>	<u>\$3,489,703</u>	<u>\$3,358,702</u>	<u>\$4,066,360</u>	<u>\$3,047,081</u>
\$ 490,676	\$ 465,675	\$ 482,646	\$ 389,463	\$ 485,408
273,784	296,437	297,981	376,101	334,468
6,444	9,178	4,725	6,212	9,150
522,903	555,495	504,748	439,898	420,765
853,009	285,585	196,960	124,188	401,808
331,736	328,393	317,211	468,144	351,975
2,965,121	3,577,542	1,589,192	1,263,068	698,250
9,359,577	1,851,598	3,327,782	3,957,667	1,771,258
<u>\$14,803,250</u>	<u>\$7,369,903</u>	<u>\$6,721,245</u>	<u>\$7,024,741</u>	<u>\$4,473,082</u>

**CITY OF HUXLEY**

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Capital Projects

As of and for the year ended June 30, 2015

	Development Donations	Wastewater Facility Project	HDC Extension	Undesignated Capital Projects	Capital Projects Grocery
<b>Receipts:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	4,209	-
Total receipts	-	-	-	4,209	-
<b>Disbursements:</b>					
Capital projects	-	14,625	-	-	123,673
Total disbursements	-	14,625	-	-	123,673
Excess (deficiency) of receipts over (under) disbursements	-	(14,625)	-	4,209	(123,673)
<b>Other financing sources (uses):</b>					
Transfers in	105,000	-	-	994,207	123,673
Transfers (out)	-	-	-	(921,418)	-
Total other financing sources (uses)	105,000	-	-	72,789	123,673
Change in cash balances	105,000	(14,625)	-	76,998	-
Cash balances (deficits) beginning of year	509,000	(39,887)	(250,239)	2,518,193	-
Cash balances (deficits) end of year	<u>\$614,000</u>	<u>\$(54,512)</u>	<u>\$(250,239)</u>	<u>\$2,595,191</u>	<u>\$ -</u>
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Other purposes	<u>\$614,000</u>	<u>\$(54,512)</u>	<u>\$(250,239)</u>	<u>\$2,595,191</u>	<u>\$ -</u>
Total cash basis fund balances	<u>\$614,000</u>	<u>\$(54,512)</u>	<u>\$(250,239)</u>	<u>\$2,595,191</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Community Contribution	Storm Water Improvement	City Property Sales	Prairie Ridge	Centennial West	US 69/ E 1 <sup>st</sup> St Signal	Trail Paving Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,500
45,100	-	-	-	5,954	-	12,000
45,100	-	-	-	5,954	-	79,500
-	-	-	-	13,530	555,855	17,346
-	-	-	-	13,530	555,855	17,346
45,100	-	-	-	(7,576)	(555,855)	62,154
-	81,210	-	-	16,411	-	-
-	(500,000)	-	(210,000)	-	-	-
-	(418,790)	-	(210,000)	16,411	-	-
45,100	(418,790)	-	(210,000)	8,835	(555,855)	62,154
-	418,790	114,000	485,030	(8,835)	606,694	-
<u>\$ 45,100</u>	<u>\$ -</u>	<u>\$ 114,000</u>	<u>\$ 275,030</u>	<u>\$ -</u>	<u>\$ 50,839</u>	<u>\$ 62,154</u>
\$ 45,100	\$ -	\$ 114,000	\$ 275,030	\$ -	\$ 50,839	\$ 62,154
<u>\$ 45,100</u>	<u>\$ -</u>	<u>\$ 114,000</u>	<u>\$ 275,030</u>	<u>\$ -</u>	<u>\$ 50,839</u>	<u>\$ 62,154</u>

## CITY OF HUXLEY

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Capital Projects

As of and for the year ended June 30, 2015

	Main Ave Storm Water Sewer	Water Meters	Intrafund Eliminations	Total
Receipts:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 67,500
Miscellaneous	-	-	-	67,263
Total receipts	-	-	-	134,763
Disbursements:				
Capital projects	137,442	5,364	-	867,835
Total disbursements	137,442	5,364	-	867,835
Excess (deficiency) of receipts over (under) disbursements	(137,442)	(5,364)	-	(733,072)
Other financing sources (uses):				
Transfers in	700,000	5,364	(1,631,418)	394,447
Transfers (out)	-	-	1,631,418	-
Total other financing sources (uses)	700,000	5,364	-	394,447
Change in cash balances	562,558	-	-	(338,625)
Cash balances (deficits) beginning of year	(187,169)	-	-	4,165,577
Cash balances (deficits) end of year	<u>\$ 375,389</u>	-	\$ -	<u>\$3,826,952</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Other purposes	<u>\$ 375,389</u>	-	\$ -	<u>\$3,826,952</u>
Total cash basis fund balances	<u>\$ 375,389</u>	-	\$ -	<u>\$3,826,952</u>

**City of Huxley**



**MARTENS & COMPANY, CPA, LLP**

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 2, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City of Huxley's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in internal control described in Part II of the accompanying Schedule of Findings as items II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-C-15, II-D-15, II-E-15 and II-F-15 to be significant deficiencies.

## 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 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## The City of Huxley's Responses to Findings

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

## Purpose of this Report

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

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.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 2, 2015

**CITY OF HUXLEY**

Schedule of Findings

Year ended June 30, 2015

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified 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.

# CITY OF HUXLEY

## Schedule of Findings

Year ended June 30, 2015

### **Part II: Findings Related to the Financial Statements:**

#### **INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will monitor the procedures as suggested.

Conclusion - Response acknowledged.

II-B-15 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.

II-C-15 Documentation of Disbursements - All disbursements/expenditures should be effectively approved prior to the payment.

Recommendation - We recommend that all claims for payment be approved by a responsible person before they are submitted for payment. Each original invoice should be stamped "PAID" and include all of the following information: payment approval, date paid, coding of expenditure.

**CITY OF HUXLEY**

Schedule of Findings

Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements - Continued:**

**INTERNAL CONTROL DEFICIENCIES - Continued:**

*Response* - The computer system will not allow an invoice to be paid twice, therefore, the paid stamp is not necessary. We will implement an approval process prior to City Council approval.

*Conclusion* - Response acknowledged.

II-D-15 Reconciliation of Cash - The bank account did not agree with the general ledger or the Treasurer's report. Petty cash was not included in the Treasurer's report. The authorized amount was exceeded at the South Story Bank.

*Recommendation* - The bank reconciliation should be reconciled to the Treasurer's report on a monthly basis. The petty cash funds should be included in the Treasurer's report.

*Response* - We will implement the recommendation as suggested.

II-E-15 Journal Entries - There is no formal documentation of the reasons for journal entries made directly to the computer.

*Recommendation* - We recommend that all adjustments to the records should be adequately explained and supported. They should adequately identify the accounts to which they are to be recorded. All journal entries should be approved and placed in a separate file.

*Response* - We will implement the journal entry process.

*Conclusion* - Response acknowledged.

II-F-15 Transfers - The transfer list provided was not complete. Transfers are posted to 391 and 392 in the fund balance section and do not get closed out at the end of each fiscal year.

*Recommendation* - We recommend that transfer accounts 391 and 392 be closed at the end of each fiscal year. We also recommend that all transfers be posted to the transfer accounts.

*Response* - We will implement the recommendation as suggested.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**CITY OF HUXLEY**

Schedule of Findings

Year ended June 30, 2015

**Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-15 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.
- III-B-15 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-15 Business Transactions - No business transactions between the City and City officials or employees were noted.
- III-D-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-E-15 City Council Minutes - No transactions were found that we believe should have been approved in the City Council Minutes but were not.
- III-F-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

III-G-15 Financial Condition - The City had deficit balances at June 30, 2015 as follows:

<u>Fund</u>	<u>Amount</u>
Capital Projects:	
Wastewater Facility Project	54,512
HDC Extension	250,239
General Fund:	
Ambulance	104,644

Recommendation - The City should continue in their efforts of returning these funds to a sound financial position.

Response - The City will monitor the funds against the budget in an effort to eliminate deficit balances.

Conclusion - Response acknowledged.

III-H-15 Urban Renewal Annual Report - The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

**CITY OF HUXLEY**

Schedule of Findings

Year ended June 30, 2015

**Part III: Other Findings Related to Required Statutory Reporting - Continued:**

III-I-15      Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion - Response accepted.

III-J-15      Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.