

CITY OF NORTH LIBERTY, IOWA

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

JUNE 30, 2004

CITY OF NORTH LIBERTY

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CITY OF NORTH LIBERTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
(Before January 2004)		
Clair Mekota	Mayor	January 2006
John Soukup	Mayor Pro Tem	January 2006
Ronald Bandy	Council Member	January 2004
Robert Gardiner	Council Member	January 2006
William Dorst	Council Member	January 2004
Matthew Bahl	Council Member	January 2004
(After December 2003)		
Clair Mekota	Mayor	January 2006
John Soukup	Mayor Pro Tem	January 2006
Robert Gardiner	Council Member	January 2006
Tom Salm	Council Member	January 2008
James Moody	Council Member	January 2008
Matthew Bahl	Council Member	January 2008
<u>City Staff</u>		
Debra Hilton	Treasurer	
Mary Kae Mitchell	City Clerk	
William Sueppel	City Attorney	
Brian James	City Administrator	

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2004 on our consideration of the City of North Liberty'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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis (pages iv through xi) and budgetary comparison information (pages 16 and 17) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Liberty's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenwood and Crum, P.C.

November 23, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of North Liberty provides this overview and analysis of its financial statements for the fiscal year ending June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

The City is implementing new reporting standards for this fiscal year to comply with Governmental Accounting Standards Board Statement No. 34, resulting in significant changes in content and structure that make the statistical information not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

FY2004 Financial Highlights

Revenues of the City's governmental activities increased approximately \$2,021,015 or 49.57% from FY2003 to FY2004. Major revenue increases include:

	<u>Increase in FY2004 from FY2003</u>	
Property taxes	\$ 304,086	(28.93%)
TIF taxes	\$ 289,002	(28.86%)
Building permit fees	\$ 212,912	(60.27%)
Vision Iowa grant	\$ 674,315	(new in FY2004)
Pool revenue	\$ 140,771	(new in FY2004)
Community Center pledges	\$ 123,104	(85.47%)
Transportation Impact fees	\$ 194,560	(174.60%)

The Community Center Phase II construction project accounts for 92.14% of the \$5,162,093 increase in disbursements.

The City's total cash basis net assets increased \$61,974, or approximately 2.69%, from June 30, 2003 to June 30, 2004. Of this amount, the net assets of the governmental activities increased by approximately \$176,893 and the net assets of the business type activities decreased by \$114,919. The decrease in cash balance for the business type activities was due to a planned expenditure of \$304,768 for radio readers for water meters.

Using This Annual Report

The annual report consists of a series of financial statements and other information that includes:

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

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

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

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

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

Other Supplementary Information provides detailed information about the major and non-major governmental and proprietary funds. In addition, detailed information about the City's indebtedness is also provided.

Basis of Accounting

The City of North Liberty 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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-wide Financial Statement

The government-wide financial statement is designed to provide a broad overview of the City of North Liberty's finances.

The Statement of Activities and Net Assets—Cash Basis presents the City's cash basis net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of the City's financial condition. The Statement of Activities and Net Assets—Cash Basis is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects.
- Business Type Activities include the water, sanitary sewer and storm sewer utilities. These activities are financed by user charges.

Fund Financial Statements

The City of North Liberty has two kinds of funds:

- Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise funds are used to report business type activities. The City maintains two major Enterprise funds to provide separate information on the water and sanitary sewer utility funds and two non-major Enterprise funds to provide information on the utility deposits fund and the storm water utility fund.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased approximately 14% from a year ago, from \$1,263,751 at June 30, 2003 to \$1,440,644 at June 30, 2004. The analysis that follows provides detail on the changes in cash balance.

Changes in Cash Basis Net Assets of Government Activities		
	<u>FY2004</u>	<u>FY2003</u>
<u>Receipts and Transfers</u>		
Program Receipts:		
Charges for service	1,656,664	952,651
Operating grants, contributions & restricted interest	640,071	630,944
Capital grants, contributions & restricted interest	989,462	170,334
General Receipts		
Property tax	2,697,732	2,105,574
Grants & contributions, not restricted	8,893	62,522
Unrestricted investment earnings	15,874	39,575
Other general receipts	<u>89,589</u>	<u>115,670</u>
Total Operating Receipts	6,098,285	4,077,270
Bond proceeds, net of redeemed anticipatory warrants in 2003	5,077,164	1,860,013
Sale of general fixed assets	-	10,000
Transfers, net	<u>386,996</u>	<u>242,508</u>
Total Receipts and Transfers	11,562,445	6,189,791
<u>Disbursements</u>		
Public Safety	902,800	962,346
Public Works	593,601	545,818
Health & Social Services	21,000	21,000
Culture & Recreation	990,473	872,066
Community & Economic Development	200,518	125,461
General Government	447,623	436,888
Debt Service	2,455,627	1,388,454
Capital Projects	<u>5,773,910</u>	<u>1,871,426</u>
Total Disbursements	11,385,552	6,223,459
Increase (decrease) in cash basis net assets	176,893	(33,668)
Cash basis net assets beginning of year	1,263,751	1,297,419
Cash basis net assets end of year	1,440,644	1,263,751

Because of the growth in taxable valuation in the City of North Liberty from \$115,314,018 in FY2003 to \$127,541,766 in FY2004, general property tax revenues increased by \$85,457 even though the City's general city tax levy remained at the maximum \$8.10 per \$1,000 of taxable valuation. The total city levy remained at \$10.25 in FY2004, the same as in FY2003. The balance of the levy was made up of a \$1.63252 debt service levy and a \$.51748 employee benefits levy.

The major portion of the increase in the City's gross receipts for governmental activities in FY2004 was related to the Community Center Phase II construction project: \$3,925,443 bond proceeds, \$674,315 Vision Iowa Community Attraction and Tourism grant and \$267,128 in capital campaign donations. Other significant increases include \$212,912 in building permit fees and \$194,560 in transportation impact fees from new subdivisions. From the grand opening of the new indoor and outdoor pools on Memorial Day weekend of 2004 to June 30, 2004, \$140,771 in pool fees and concessions were received.

The cost of all governmental activities this year was \$11,385,552 compared to \$6,223,459 last year. Of that \$5,162,093 increase, \$4,756,359 was attributable to the Community Center Phase II construction. The remaining \$405,734 equals a 6.5% increase in governmental activities disbursements for FY2004.

Changes in Cash Basis Net Assets of Business Type Activities		
	<u>FY2004</u>	<u>FY2003</u>
<u>Receipts</u>		
Charges for Service:		
Water	896,506	798,530
Sanitary Sewer	824,888	740,976
Storm Water	79,146	70,662
Utility Deposits	65,255	43,825
General Receipts		
Unrestricted interest on investments:		
Water	4,539	11,056
Sanitary Sewer	3,980	5,849
Bond proceeds	<u>597,284</u>	-
Total Receipts	2,471,598	1,670,898

Disbursements and Transfers

Operating Disbursements:		
Water	761,353	396,563
Sanitary Sewer	271,431	289,779
Storm Water	15,527	10,070
Utility Deposits	43,701	19,917
Capital Project: Water treatment plant improvements	-	335,790
Debt Service:		
Water	794,493	212,453
Sanitary Sewer	313,016	313,915
Net Operating Transfers:		
Water	92,900	100,854
Sanitary Sewer	206,996	103,504
Storm Water	<u>87,100</u>	<u>38,150</u>
Total Disbursements and Transfers	2,586,517	1,820,995
Increase (decrease) in cash balance	(114,919)	(150,097)
Cash basis net assets beginning of year	1,036,247	1,186,344
Cash basis net assets end of year	921,328	1,036,247

Total business type activities receipts for the fiscal year 2004 were \$2,471,598 compared to \$1,670,898 last year. Of that \$800,700 increase, \$597,284 was the proceeds of a water refunding bond and \$203,416 was additional water, sanitary sewer and storm water operating revenues. By refunding the 1995 Water Revenue bonds, the City improved the interest rate on the bonds from the 1995 rate of 4.9-5.8% to the new rate of 1.3-3.5%.

The major disbursement increases include the \$577,058 bond payment to refund the 1995 water revenue bonds and planned capital expenditures of \$304,768 for radio readers for water meters.

Individual Major Governmental Fund Analysis

At the end of the 2004 fiscal year, the combined fund balance of City of North Liberty's governmental funds was \$1,440,644, an increase of \$176,893 over the previous year balance of \$1,263,751. Highlights of the increases in the major funds of the governmental type activities follow.

General Fund. General fund property taxes increased from \$915,969 in FY2003 to \$1,001,426 in FY2004. The increase resulted in an increase of over \$12,000,000 in taxable valuation. The general fund levy remained at \$8.10 per \$1,000 of taxable valuation. Other general fund revenue increases include \$212,912 in building permit fees and \$140,771 in pool revenue. In FY2004 an additional officer was added to the police department and an additional building construction inspection position was added.

Urban Renewal Tax Increment Fund. Incremental taxes in the Urban Renewal area also increased because of the increase in taxable value of over \$6,000,000. The \$289,002 of additional revenue will be used to pay debt on infrastructure and economic development projects.

Debt Service Fund. The debt service levy increased from \$.4900 per \$1,000 of taxable valuation in FY2003 to \$1.63252 in FY2004 because of the new bonds issued for the Community Center Phase II project. These bonds were approved by North Liberty voters on April 9, 2002.

Community Center Project. The Community Center Phase II project included construction of an indoor and an outdoor pool, a second gymnasium, a special room for the before and after school program and a large conference center. The final TIF bond of \$230,000 required to match the Vision Iowa Community Attraction and Tourism grant will cover the June 30, 2004 negative cash balance of \$142,889. The bonds were sold on August 15, 2004.

Individual Major Business Type Fund Analysis

Water Enterprise. The water fund cash balance at the end of FY2004 was \$150,417 less last year because the planned expenditure of over \$300,000 of reserve funds for radio readers for water meters. Total cash balance of \$435,633 includes a debt service reserve of \$258,746.

Sewer Enterprise. The sanitary sewer cash balance increased by \$37,425 at the end of FY2004. Total cash balance of \$336,644 includes a debt service reserve of \$118,898. A major capital expenditure of \$90,000 was made toward the purchase of a sewer vacuum truck.

Budgetary Highlights

The FY2004 budget was amended on May 11, 2004. Additional revenues from building permit fees, cable TV franchise fees, inspection fees, zoning and subdivision fees were used to offset the state cuts of \$61,907 and for the cost of additional building inspection, two vehicles for the building inspectors and the special census. 7,224 persons were counted in the special census on April 1, 2004, an increase of 1,857 persons from April 1, 2000. The additional 1,857 persons will generate an estimated increase of \$160,000 of annual state Road Use Tax revenue.

Debt Administration

On June 30, 2004, the City had \$17,440,000 in bonds and long-term debt compared to \$14,550,910 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30, 2004	June 30, 2003
General Obligation Notes	\$ -	\$ 26,489
General Obligation Bonds	11,532,000	8,348,000
Special Assessment Notes	66,000	94,421
Revenue Notes	55,000	70,000
Revenue Bonds	5,787,000	6,012,000
Total	\$17,440,000	\$14,550,910

Debt increased as a result of issuing \$4,200,000 in general obligation debt for the Community Center Phase II project and the new fire truck. In FY2004 the city also refunded \$870,000 of general obligation debt and \$565,000 of water revenue debt to take advantage of favorable current bond interest rates.

The City of North Liberty continues to carry a Moody's bond rating of A3 which reflects favorably on the economic condition of the city. The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and special assessment debt of \$11,598,000 is below its constitutional debt limit of \$13,696,000.

Economic Factors and Next Year's Budgets and Rates

The total tax levy for the FY2005 budget for the City of North Liberty remains at \$10.25, the same as last year. The State's change in rollback for residential property from 51.3874% of assessed value in FY2004 to 48.4558% in FY2005 resulted in a decrease of \$57,887 of general fund revenue. However, building growth in the City of North Liberty has resulted in an increase in taxable valuation of over \$21,000,000 for FY2005. This growth will offset the effect of the rollback and will provide the necessary revenue to cover the new budget costs of operating the new indoor and outdoor pools and the addition of one more officer to the police department staff.

Water and sanitary sewer rates were increased on July 1, 2005 to cover the cost of capital improvements to the utilities including an equalization basin and wastewater treatment plant improvements, a north sewer trunk main and a new 750,000 water storage tower.

Contacting the City's Financial Management

This financial report is designed to provide 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 Mary K. Mitchell, City Clerk, 5 East Cherry Street, P.O. Box 77, North Liberty, IA 52317.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH LIBERTY

Statement of Activities and Net Assets - Cash Basis
(Page 1 of 2)

Year Ended June 30, 2004

Exhibit A

	Disbursements	Program Receipts			Governmental Activities	Business Type Activities	Total
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Public safety	\$ 902,800	\$ 55,241	\$ 108,015	\$ --	\$ (739,544)	\$ --	\$ (739,544)
Public works	593,601	462,312	447,004	--	315,715	--	315,715
Health and social services	21,000	--	--	--	(21,000)	--	(21,000)
Culture and recreation	990,473	340,254	81,052	--	(569,167)	--	(569,167)
Community and economic development	200,518	4,862	4,000	--	(191,656)	--	(191,656)
General government	447,623	793,995	--	--	346,372	--	346,372
Debt service	2,455,627	--	--	--	(2,455,627)	--	(2,455,627)
Capital projects	<u>5,773,910</u>	<u>--</u>	<u>--</u>	<u>989,462</u>	<u>(4,784,448)</u>	<u>--</u>	<u>(4,784,448)</u>
Total governmental activities	<u>\$11,385,552</u>	<u>\$ 1,656,664</u>	<u>\$ 640,071</u>	<u>\$ 989,462</u>	<u>\$(8,099,355)</u>	<u>\$ --</u>	<u>\$(8,099,355)</u>
Business type activities:							
Water	\$ 1,555,846	\$ 896,506	\$ --	\$ --	\$ --	\$ (659,340)	\$ (659,340)
Sewer	584,447	824,888	--	--	--	240,441	240,441
Utility deposits	43,701	65,255	--	--	--	21,554	21,554
Stormwater management	<u>15,527</u>	<u>79,146</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>63,619</u>	<u>63,619</u>
Total business type activities	<u>\$ 2,199,521</u>	<u>\$ 1,865,795</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (333,726)</u>	<u>\$(333,726)</u>
Total	<u>\$13,585,073</u>	<u>\$ 3,522,459</u>	<u>\$ 640,071</u>	<u>\$ 989,462</u>	<u>\$(8,099,355)</u>	<u>\$(333,726)</u>	<u>\$(8,433,081)</u>
General Receipts:							
Property tax levied for:							
General purposes					\$ 1,049,060	\$ --	\$ 1,049,060
Tax increment financing					1,290,281	--	1,290,281
Debt service					291,299	--	291,299
Other purpose					67,092	--	67,092
Grants and contributions not restricted to specific purposes					8,893	--	8,893
Unrestricted interest on investments					15,874	8,519	24,393
Bond proceeds					5,077,164	597,284	5,674,448
Miscellaneous					89,589	--	89,589
Transfers					<u>386,996</u>	<u>(386,996)</u>	<u>--</u>
Total general receipts and transfers					<u>\$ 8,276,248</u>	<u>\$ 218,807</u>	<u>\$ 8,495,055</u>

CITY OF NORTH LIBERTY

Statement of Activities and Net Assets - Cash Basis
(Page 2 of 2)

Year Ended June 30, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Change in cash basis net assets	\$ 176,893	\$ (114,919)	\$ 61,974
Cash basis net assets beginning of year	<u>1,263,751</u>	<u>1,036,247</u>	<u>2,299,998</u>
Cash basis net assets end of year	<u>\$ 1,440,644</u> (Exhibit B)	<u>\$ 921,328</u> (Exhibit C)	<u>\$ 2,361,972</u>
Cash Basis Net Assets			
Restricted:			
Streets	\$ 26,653	\$ --	\$ 26,653
Urban renewal purposes	246,623	--	246,623
Debt service	7,181	377,644	384,825
Unrestricted	<u>1,160,187</u>	<u>543,684</u>	<u>1,703,871</u>
Total cash basis net assets	<u>\$ 1,440,644</u>	<u>\$ 921,328</u>	<u>\$ 2,361,972</u>

See accompanying notes to financial statements

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2004

	General Fund	Special Revenue - Urban Renewal Tax Increment	Debt Service - General Obligation Debt	Capital Projects- Community Center	Other Nonmajor Governmental Funds	Total
Receipts:						
Property tax	\$ 1,001,426	\$ --	\$ 287,678	\$ --	\$ 65,930	\$ 1,355,034
Tax increment financing	--	1,290,281	--	--	--	1,290,281
Other city tax	121,981	--	3,621	--	1,162	126,764
Licenses and permits	579,106	--	--	--	--	579,106
Use of money and property	61,352	--	--	47,019	--	108,371
Intergovernmental	169,407	--	--	674,315	447,004	1,290,726
Charges for service	872,863	--	--	--	--	872,863
Special assessments	--	--	--	--	67,770	67,770
Miscellaneous	136,898	--	--	270,472	--	407,370
Total receipts	\$ 2,943,033	\$ 1,290,281	\$ 291,299	\$ 991,806	\$ 581,866	\$ 6,098,285
Disbursements:						
Public safety	\$ 902,800	\$ --	\$ --	\$ --	\$ --	\$ 902,800
Public works	262,027	--	--	--	331,574	593,601
Health and social services	21,000	--	--	--	--	21,000
Culture and recreation	990,473	--	--	--	--	990,473
Community and economic development	200,518	--	--	--	--	200,518
General government	447,623	--	--	--	--	447,623
Debt service	--	--	2,422,393	--	33,234	2,455,627
Capital projects	205,925	--	--	5,251,991	315,994	5,773,910
Total disbursements	\$ 3,030,366	\$ --	\$ 2,422,393	\$ 5,251,991	\$ 680,802	\$ 11,385,552
Excess (deficiency) of receipts over (under) disbursements	\$ (87,333)	\$ 1,290,281	\$ (2,131,094)	\$ (4,260,185)	\$ (98,936)	\$ (5,287,267)
Other financing sources (uses):						
Proceeds from sales of general obligation bonds	\$ 248,002	\$ --	\$ 903,719	\$ 3,925,443	\$ --	\$ 5,077,164
Operating transfers in	715,622	--	1,221,962	--	45,678	1,983,262
Operating transfers (out)	(225,583)	(1,202,944)	(12,873)	--	(154,866)	(1,596,266)
Total other financing sources (uses)	\$ 738,041	\$ (1,202,944)	\$ 2,112,808	\$ 3,925,443	\$ (109,188)	\$ 5,464,160
Net change in cash balances	\$ 650,708	\$ 87,337	\$ (18,286)	\$ (334,742)	\$ (208,124)	\$ 176,893
Cash balances, beginning of year	761,780	159,286	25,467	191,853	125,365	1,263,751
Cash balances, end of year	<u>\$ 1,412,488</u>	<u>\$ 246,623</u>	<u>\$ 7,181</u>	<u>\$ (142,889)</u>	<u>\$ (82,759)</u>	<u>\$ 1,440,644</u> (Exhibit A)
Cash basis fund balances:						
Reserved - Debt service fund	\$ --	\$ --	\$ 7,181	\$ --	\$ --	\$ 7,181
Unreserved - Special revenue fund	--	246,623	--	--	26,653	273,276
Capital projects funds	--	--	--	(142,889)	(109,412)	(252,301)
General fund	1,412,488	--	--	--	--	1,412,488
Total cash basis fund balances	\$ 1,412,488	\$ 246,623	\$ 7,181	\$ (142,889)	\$ (82,759)	\$ 1,440,644

See accompanying notes to financial statements.

CITY OF NORTH LIBERTYStatement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Proprietary Funds

Year Ended June 30, 2004

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 836,269	\$ 824,888	\$ 79,146	\$ 1,740,303
Miscellaneous	<u>60,237</u>	<u> --</u>	<u>65,255</u>	<u>125,492</u>
Total operating receipts	\$ 896,506	\$ 824,888	\$ 144,401	\$ 1,865,795
Operating disbursements:				
Business type activities	<u>761,353</u>	<u>271,431</u>	<u>59,228</u>	<u>1,092,012</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ <u>135,153</u>	\$ <u>553,457</u>	\$ <u>85,173</u>	\$ <u>773,783</u>
Non-operating receipts and (disbursements):				
Interest on cash investments	\$ 4,539	\$ 3,980	\$ --	\$ 8,519
Proceeds from sale of revenue bonds	597,284	--	--	597,284
Debt service	<u>(794,493)</u>	<u>(313,016)</u>	<u> --</u>	<u>(1,107,509)</u>
Total non-operating receipts and (disbursements)	\$ <u>(192,670)</u>	\$ <u>(309,036)</u>	\$ <u> --</u>	\$ <u>(501,706)</u>
Excess (deficiency) of receipts over (under) disbursements	\$ <u>(57,517)</u>	\$ <u>244,421</u>	\$ <u>85,173</u>	\$ <u>272,077</u>
Operating transfers:				
Operating transfers in	\$ 279,820	\$ 417,180	\$ --	\$ 697,000
Operating transfers (out)	<u>(372,720)</u>	<u>(624,176)</u>	<u>(87,100)</u>	<u>(1,083,996)</u>
Net operating transfers	\$ <u>(92,900)</u>	\$ <u>(206,996)</u>	\$ <u>(87,100)</u>	\$ <u>(386,996)</u>
Net change in cash balances	\$ (150,417)	\$ 37,425	\$ (1,927)	\$ (114,919)
Cash balances, beginning of year	<u>586,050</u>	<u>299,219</u>	<u>150,978</u>	<u>1,036,247</u>
Cash balances, end of year	<u>\$ 435,633</u>	<u>\$ 336,644</u>	<u>\$ 149,051</u>	<u>\$ 921,328</u> (Exhibit A)
Cash basis fund balances:				
Reserved - debt service	\$ 258,746	\$ 118,898	\$ --	\$ 377,644
Unreserved:				
Capital projects	(8,640)	(32,951)	--	(41,591)
Unreserved	<u>185,527</u>	<u>250,697</u>	<u>149,051</u>	<u>585,275</u>
Total cash basis fund balances	<u>\$ 435,633</u>	<u>\$ 336,644</u>	<u>\$ 149,051</u>	<u>\$ 921,328</u>

See accompanying notes to financial statements.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Liberty is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1913 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, utilities for its citizens, community and economic development, and general government services.

A. Reporting Entity and Jointly Governed Organizations

For financial reporting purposes, the City of North Liberty 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, or impose specific financial burdens on the City. The City of North Liberty has no component units which meet the Governmental Accounting Standards Board criteria.

The City also 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 not ongoing financial interest or responsibility by the participating governments. The City and its officials are members of various jointly governed organizations, including the Johnson County Assessors Conference Board, Johnson County Joint E911 Service Board, Johnson County Council of Governments, East Central Iowa Council of Governments, and the Johnson County Compensation Board.

B. Basis of Presentation

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

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

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

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

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

Capital Projects:

The Community Center Capital Projects Fund is used to account for the capital improvement costs of the community center expansion project. The project is funded primarily with contributions, a state grant, and proceeds from the sale of general obligation bonds.

The City reports the following major proprietary funds:

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

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

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted for all functions.

NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence 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.

During the year ended June 30, 2004, the City's excess cash was invested in certificates of deposit.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 3. BONDS AND NOTES PAYABLE

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

Year Ending June 30,	<u>General Obligation Notes and Bonds</u>		<u>Special Assessment Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,053,000	\$ 459,013	\$ 11,000	\$ 3,399
2006	1,079,000	423,738	11,000	2,833
2007	1,046,000	385,641	11,000	2,266
2008	1,113,000	344,229	11,000	1,700
2009	1,160,000	298,898	11,000	1,133
2010-2014	3,485,000	871,823	11,000	567
2015-2019	1,446,000	425,840	--	--
2020-2024	<u>1,150,000</u>	<u>134,025</u>	<u>--</u>	<u>--</u>
Total	<u>\$11,532,000</u>	<u>\$3,343,207</u>	<u>\$ 66,000</u>	<u>\$ 11,898</u>

Year Ending June 30,	<u>Enterprise Fund Revenue Notes and Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 281,000	\$ 240,134	\$ 1,345,000	\$ 702,546
2006	293,000	230,652	1,383,000	657,223
2007	304,000	220,383	1,361,000	608,290
2008	297,000	209,288	1,421,000	555,217
2009	309,000	198,233	1,480,000	498,264
2010-2014	1,767,000	793,112	5,263,000	1,665,502
2015-2019	2,181,000	378,419	3,627,000	804,259
2020-2024	<u>410,000</u>	<u>32,760</u>	<u>1,560,000</u>	<u>166,785</u>
Total	<u>\$ 5,842,000</u>	<u>\$ 2,302,981</u>	<u>\$ 17,440,000</u>	<u>\$5,658,086</u>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

The resolutions providing for the issuance of the enterprise fund revenue notes and bonds include the following provisions:

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate sewer and water revenue sinking accounts for the purpose of making the principal and interest payments when due.
- (c) An amount must be set aside into the Water Reserve Fund equal to the maximum amount of principal and interest of all water revenue bonds coming due in any year, and must be maintained until the Water Revenue bonds have been fully redeemed. The amount required to be set aside is \$221,630.
- (d) All funds remaining in the sewer rental and water utilities accounts after the payments of all maintenance and operating expenses and required transfers shall be placed in separate water and sewer revenue surplus accounts. These accounts are restricted for the purpose of paying any deficiency in the sinking funds. As long as the sinking funds have the full amount required to be deposited, any balance in the surplus funds may be made available to the City as the Council may from time to time direct.

NOTE 4. PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04 % and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$84,024, \$68,152, and \$59,507, respectively, equal to the required contributions for each year.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon retirement, termination or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 10,735
Vacation	<u>64,660</u>
Total	<u>\$ 75,395</u>

This liability has been computed based on rates of pay as of June 30, 2004.

Sick leave is payable when used. It is not paid upon termination, retirement or death. The approximate liability for unused sick leave at June 30, 2004, based on rates of pay as of June 30, 2004, is \$224,941.

NOTE 6. SOLID WASTE DISPOSAL CONTRACT

An agreement between the City and Johnson County Refuse for the period July 1, 2002 through June 30, 2004, provides the City and its citizens with solid waste collection and disposal services. The agreement providing for the services includes the following provisions:

- (a) The City shall pay the contractor a monthly charge of \$3.75 per month for each single and two-family dwelling unit. These fees are for recyclables.
- (b) The fees for non-recyclable wastes are based on the current Iowa City Landfill tipping fee schedule and are subject to change in the event landfill fees increase or decrease.

During the year ended June 30, 2004, this agreement was extended through June 30, 2009 under the same terms and provisions.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 7. POLICE PROTECTION CONTRACT

An agreement dated February 13, 1979, between the City and the Johnson County Sheriff's office, provides the City and its citizens with police protection services totaling approximately thirty-four hours per week and dispatch services. The agreement providing for these services includes the following provisions:

- (a) Effective July 1, 2003, the City will pay Johnson County at a rate of \$100,000 per year payable in monthly installments of \$8,333.33.
- (b) Agreement to become effective July 1, 1979, and continue until terminated.
- (c) Agreement shall be modified, on or before January of any given year, to adjust hourly rates should this be necessary.
- (d) This agreement gives the Johnson County Sheriff's office an exclusive policing right which may be terminated upon thirty days notice.

NOTE 8. CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$6,555,000. The unpaid contract balances at June 30, 2004 totaled approximately \$885,000, which will be paid as work on the projects progresses.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. DEFICIT BALANCES

The following funds had deficit balances at June 30, 2004, because project costs were incurred prior to availability of funds:

Capital Projects - Community Center	\$142,889
Capital Projects - Highway 965 Improvements	42,330
Capital Projects - Cherry Street Reconstruction	12,603
Capital Projects - TIF Projects	99,098
Capital Projects - Economic Development Projects	13,595
Capital Projects - Liberty Centre	4,706
Water Enterprise - Water Capital Project	8,640
Sewer Enterprise - Sewer Capital Project	32,951

The deficit balances in the Highway 965 Improvements and Cherry Street Reconstruction capital projects funds are being eliminated with special assessments collections.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 10. DEFICIT BALANCES (Continued)

The deficit balance in the TIF Projects capital project fund arose because the City was required to reimburse \$99,332 to the State of Iowa due to Rudi's Bakery not creating the required minimum number of new jobs under two RISE grants. The City intends to pursue collection of this amount from Rudi's Bakery.

Deficit balances in the other funds noted above arose because construction costs were incurred prior to the availability of funds. These deficits will be eliminated with contributions from the general public, developer contributions, proceeds from sales of bonds, grants, and future tax increment financing collections.

NOTE 11. SUBSEQUENT EVENTS

In August 2004, the City sold \$1,560,000 General Obligation Urban Renewal Corporate Purpose Bonds to provide funding for five community development projects.

The City approved a construction contract in the amount of \$726,012 for the Maytag Project roadways. The City was awarded a RISE grant of \$177,794 for this project.

On September 1, 2004, the City purchased a parcel of real estate for future expansion of the Community Center facility. The purchase price was \$650,000.

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise - Water Operating	\$ 120,000
	Sewer Enterprise - Sewer Operating	111,996
	Special Revenue - Employee Benefits	<u>67,092</u>
		<u>\$ 299,088</u>
General Fund - Equipment Revolving	Special Revenue - Road Use Tax	\$ 60,000
	Water Enterprise - Water Operating	10,000
	Sewer Enterprise - Sewer Operating	5,000
	Sewer Rental - Capital Reserve	90,000
	Stormwater Management Enterprise	<u>50,000</u>
		<u>\$ 215,000</u>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS (Continued)

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service Fund - General Obligation Debt	General Fund - Fire Equipment Reserve Special Revenue - Road Use Tax Special Revenue- Urban Renewal Tax Increment	\$ 20,244 27,774 <u>1,173,944</u> <u>\$ 1,221,962</u>
Capital Projects - Cherry Street Reconstruction	General Fund	\$ <u>926</u>
Capital Projects - TIF Projects	Special Revenue - Urban Renewal Tax Increment	\$ <u>16,000</u>
Capital Projects - Entryway Development	Special Revenue - Urban Renewal Tax Increment	\$ <u>13,000</u>
Capital Projects - Hwy. 965 Improvements	General Fund	\$ <u>2,879</u>
Total Interfund Transfers		<u>\$ 1,768,855</u>

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Recreation Equipment	General Fund	\$ <u>27,000</u>
General Fund - Park Development	General Fund	\$ <u>4,000</u>
General Fund - Fire Equipment Reserve	General Fund	\$ <u>37,751</u>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS (Continued)

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Equipment Revolving	General Fund	\$ <u>132,783</u>
Debt Service - Special Assessments	Debt Service - General Obligation Debt	\$ <u>12,873</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	\$ <u>213,720</u>
Water Enterprise - Water Utilities - Capital Reserve	Water Enterprise - Water Operating	\$ 29,000
	Stormwater Management Enterprise	<u>37,100</u>
		<u>\$ 66,100</u>
Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	\$ <u>313,020</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	\$ <u>104,160</u>
Total Intrafund Transfers		<u>\$ 911,407</u>

Total transfers during the year ended June 30, 2004 were as follows:

Interfund transfers	\$1,768,855
Intrafund transfers	<u>911,407</u>
	<u>\$2,680,262</u>

Reconciliation to the financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds	\$1,983,262	\$1,596,266
Proprietary funds	<u>697,000</u>	<u>1,083,996</u>
	<u>\$2,680,262</u>	<u>\$2,680,262</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources, move resources to facilitate the payment of principal and interest on bonds and notes payable, and move resources for the acquisition of major equipment purchases and capital projects.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2004

NOTE 13. ACCOUNTING CHANGE AND RESTATEMENTS

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

The government-wide financial statement reports the City's governmental and business type activities. There were no restatements of beginning net assets or cash balances as a result of this implementation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH LIBERTY

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

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budget Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,355,034	\$ --	\$ 1,355,034	\$ 1,364,581	\$ 1,364,581	\$ (9,547)
Tax increment financing	1,290,281	--	1,290,281	1,246,399	1,246,399	43,882
Other city tax	126,764	--	126,764	61,674	61,674	65,090
Licenses and permits	579,106	--	579,106	315,288	624,288	(45,182)
Use of money and property	108,371	8,519	116,890	151,050	131,050	(14,160)
Intergovernmental	1,290,726	--	1,290,726	1,678,278	1,618,056	(327,330)
Charges for service	872,863	1,740,303	2,613,166	1,891,392	1,963,392	649,774
Special assessments	67,770	--	67,770	33,231	33,231	34,539
Miscellaneous	407,370	125,492	532,862	549,720	691,770	(158,908)
Total receipts	\$ 6,098,285	\$ 1,874,314	\$ 7,972,599	\$ 7,291,613	\$ 7,734,441	\$ 238,158
Disbursements:						
Public safety	\$ 902,800	\$ --	\$ 902,800	\$ 994,731	\$ 1,119,074	\$ 216,274
Public works	593,601	--	593,601	443,022	603,440	9,839
Health and social services	21,000	--	21,000	22,000	21,000	--
Culture and recreation	990,473	--	990,473	1,052,025	1,052,025	61,552
Community and economic development	200,518	--	200,518	156,453	223,613	23,095
General government	447,623	--	447,623	374,714	448,716	1,093
Debt service	2,455,627	--	2,455,627	1,610,292	2,460,292	4,665
Capital projects	5,773,910	--	5,773,910	5,739,000	5,938,332	164,422
Business type activities	--	2,199,521	2,199,521	1,631,515	2,627,037	427,516
Total disbursements	\$11,385,552	\$ 2,199,521	\$13,585,073	\$12,023,752	\$14,493,529	\$ 908,456
Excess (deficiency) of receipts over (under) disbursements	\$ (5,287,267)	\$ (325,207)	\$ (5,612,474)	\$ (4,732,139)	\$ (6,759,088)	\$ 1,146,614
Other financing sources (uses), net	5,464,160	210,288	5,674,448	4,750,000	6,249,830	(575,382)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 176,893	\$ (114,919)	\$ 61,974	\$ 17,861	\$ (509,258)	\$ 571,232
Balances, beginning of year	1,263,751	1,036,247	2,299,998	2,219,738	2,299,996	2
Balances, end of year	\$ 1,440,644	\$ 921,328	\$ 2,361,972	\$ 2,237,599	\$ 1,790,738	\$ 571,234

There were no funds of the City not required to be budgeted during the year ended June 30, 2004.

See accompanying independent auditor's report and
accompanying notes to required supplementary information.

CITY OF NORTH LIBERTY

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements are required to be budgeted for all funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,469,777. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted for all functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NORTH LIBERTY

Schedule 1

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 1 of 3)
Year Ended June 30, 2004

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program	Library			Fire Equipment Reserve	Equipment Resolving	Police Equipment Reserve	Impact Fees		Total
							Library Building Reserve	TAG Group	Library Reserve				Trans- portation	Storm Water	
Receipts:															
Property tax	\$ 1,001,426	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,001,426
Other city tax:															
Mobile home tax	\$ 29,640	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 29,640
Utility tax replacement excise tax	17,994	--	--	--	--	--	--	--	--	--	--	--	--	--	17,994
Cable TV franchise	74,347	--	--	--	--	--	--	--	--	--	--	--	--	--	74,347
	<u>\$ 121,981</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>	<u>\$ --</u>	<u>\$ 121,981</u>
Licenses and permits:															
Beer and liquor	\$ 5,871	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,871
Cigarette	935	--	--	--	--	--	--	--	--	--	--	--	--	--	935
Business/building trades	5,813	--	--	--	--	--	--	--	--	--	--	--	--	--	5,813
Pet and other	289	--	--	--	--	--	--	--	--	--	--	--	--	--	289
Building	566,198	--	--	--	--	--	--	--	--	--	--	--	--	--	566,198
	<u>\$ 579,106</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>	<u>\$ --</u>	<u>\$ 579,106</u>
Use of money and property:															
Interest on cash investments	\$ 15,814	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 60	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 15,874
Rent	45,478	--	--	--	--	--	--	--	--	--	--	--	--	--	45,478
	<u>\$ 61,292</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 60</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 61,352</u>
Intergovernmental:															
Bank franchise tax	\$ 8,893	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,893
Police grants	7,989	--	--	--	--	--	--	--	--	--	440	--	--	--	8,429
Township fire protection	98,378	--	--	--	--	--	--	--	--	--	--	--	--	--	98,378
Library contribution	34,120	--	--	--	--	--	--	--	--	--	--	--	--	--	34,120
Library grants and open access	12,798	--	--	--	--	--	--	3,646	--	--	--	--	--	--	16,444
Work-study program	3,143	--	--	--	--	--	--	--	--	--	--	--	--	--	3,143
	<u>\$ 165,321</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,646</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 440</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 169,407</u>
Charges for service:															
Inspection fees	\$ 49,610	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 49,610
Library fees	8,940	--	--	--	--	--	--	--	--	--	--	--	--	--	8,940
Police service fees	405	--	--	--	--	--	--	--	--	--	4,260	--	--	--	4,665
Zoning and subdivision	40,520	--	--	--	--	--	--	--	--	--	--	--	--	--	40,520
Garbage and recycling fees	156,323	--	--	--	--	--	--	--	--	--	--	--	--	--	156,323
Recreation charges	301,804	--	--	--	--	--	--	--	--	--	--	--	--	--	301,804
Cemetery plot location fees	80	--	--	--	--	--	--	--	--	--	--	--	--	--	80
Animal control	966	--	--	--	--	--	--	--	--	--	--	--	--	--	966
Maps and photocopy fees	3,741	--	--	--	--	--	--	--	--	--	--	--	--	--	3,741
Impact fees	--	--	--	--	--	--	--	--	--	--	--	--	305,989	--	305,989
Mowing	225	--	--	--	--	--	--	--	--	--	--	--	--	--	225
	<u>\$ 562,614</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,260</u>	<u>\$ 305,989</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 872,863</u>
Miscellaneous:															
Refunds and reimbursements	\$ 39,098	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 4,567	\$ --	\$ --	\$ --	\$ --	\$ 43,665
Fines and fees	12,266	--	--	--	--	--	--	--	--	--	--	--	--	--	12,266
Donations/contributions	1,056	1,700	10,400	--	3,000	1,000	1,000	5,133	8,056	--	1,208	--	--	--	32,553
Miscellaneous	581	--	--	12,238	--	4,862	--	--	--	--	--	--	--	--	17,681
Penalties	30,733	--	--	--	--	--	--	--	--	--	--	--	--	--	30,733
	<u>\$ 83,734</u>	<u>\$ 1,700</u>	<u>\$ 10,400</u>	<u>\$ 12,238</u>	<u>\$ 3,000</u>	<u>\$ 5,862</u>	<u>\$ 1,000</u>	<u>\$ 5,133</u>	<u>\$ 8,056</u>	<u>\$ --</u>	<u>\$ 4,567</u>	<u>\$ 1,208</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 136,898</u>
Total receipts	\$ 2,575,474	\$ 1,700	\$ 10,400	\$ 12,238	\$ 3,000	\$ 5,862	\$ 1,000	\$ 5,133	\$ 11,762	\$ --	\$ 4,567	\$ 5,908	\$ 305,989	\$ --	\$ 2,943,033

CITY OF NORTH LIBERTY

Schedule 1

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 2 of 3)
Year Ended June 30, 2004

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program	Library		Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Impact Fees		Total
							Library Building Reserve	TAG Group				Trans- portation	Storm Water	
Disbursements:														
Public Safety:														
Police	\$ 345,668	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,142	\$ --	\$ --	\$ 350,810
Emergency management	9,114	--	--	--	--	--	--	--	--	--	--	--	--	9,114
Fire	99,551	--	--	--	--	--	--	168,999	--	--	--	--	--	268,550
Building inspections	229,485	--	--	--	--	--	--	--	44,711	--	--	--	--	274,196
Animal Control	130	--	--	--	--	--	--	--	--	--	--	--	--	130
Total public safety	\$ 683,948	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 168,999	\$ 44,711	\$ 5,142	\$ --	\$ --	\$ 902,800	
Public Works:														
Roads, bridges and sidewalks	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 95,762	\$ --	\$ --	\$ --	\$ --	\$ 95,762
Traffic control and safety	10,170	--	--	--	--	--	--	--	--	--	--	--	--	10,170
Sanitation	156,095	--	--	--	--	--	--	--	--	--	--	--	--	156,095
Total public works	\$ 166,265	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 95,762	\$ --	\$ --	\$ --	\$ 262,027	
Health and social services:														
Social services	\$ 21,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 21,000
Culture and recreation:														
Library	\$ 299,253	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 400	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 299,653
Parks	205,418	--	125	--	--	--	--	--	3,999	--	--	--	--	209,542
Recreation center	415,759	--	--	6,523	--	--	--	--	--	--	--	--	--	422,282
Aquatic center	53,304	--	--	--	--	--	--	--	--	--	--	--	--	53,304
Cemetery	5,692	--	--	--	--	--	--	--	--	--	--	--	--	5,692
Total culture and recreation	\$ 979,426	\$ --	\$ 125	\$ 6,523	\$ --	\$ --	\$ 400	\$ --	\$ 3,999	\$ --	\$ --	\$ --	\$ 990,473	
Community and economic development:														
Community beautification	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,331	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,331
Economic development	16,770	--	--	--	--	--	--	--	--	--	--	--	--	16,770
Planning and zoning	99,591	--	--	--	--	--	--	--	--	--	--	--	--	99,591
Telecommunications	66,732	--	--	--	12,094	--	--	--	--	--	--	--	--	78,826
Total community and economic development	\$ 183,093	\$ --	\$ --	\$ --	\$ 12,094	\$ 5,331	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 200,518	

CITY OF NORTH LIBERTY

Schedule 1

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 3 of 3)
Year Ended June 30, 2004

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program	Library			Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Impact Fees		Total
							Library Building Reserve	TAG Group	Library Reserve				Trans- portation	Storm Water	
Disbursements: (continued)															
General government:															
Mayor and council	\$ 8,467	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,467
City administration	376,719	--	--	--	--	--	--	--	--	--	--	--	--	--	376,719
Legal services	43,242	--	--	--	--	--	--	--	--	--	--	--	--	--	43,242
Other general government	19,195	--	--	--	--	--	--	--	--	--	--	--	--	--	19,195
Total general government	\$ 447,623	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 447,623
Capital projects:															
Capital projects	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 205,925	\$ --	\$ --	\$ --	\$ --	\$ 205,925
Total disbursements	\$2,481,355	\$ --	\$ 125	\$ 6,523	\$ 12,094	\$ 5,331	\$ --	\$ --	\$ 400	\$ 168,999	\$ 350,397	\$ 5,142	\$ --	\$ --	\$3,030,366
Excess (deficiency) of receipts over (under) disbursements	\$ 94,119	\$ 1,700	\$ 10,275	\$ 5,715	\$ (9,094)	\$ 531	\$ 1,000	\$ 5,133	\$ 11,362	\$ (168,999)	\$ (345,830)	\$ 766	\$ 305,989	\$ --	\$ (87,333)
Other financing sources (uses):															
Proceeds from sales of general obligation bonds	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 248,002	\$ --	\$ --	\$ --	\$ --	\$ 248,002
Operating transfers in	299,088	27,000	4,000	--	--	--	--	--	--	37,751	347,783	--	--	--	715,622
Operating transfers (out)	(205,339)	--	--	--	--	--	--	--	--	(20,244)	--	--	--	--	(225,583)
Total other financing sources (uses)	\$ 93,749	\$ 27,000	\$ 4,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 265,509	\$ 347,783	\$ --	\$ --	\$ --	\$ 738,041
Net change in cash balances	\$ 187,868	\$ 28,700	\$ 14,275	\$ 5,715	\$ (9,094)	\$ 531	\$ 1,000	\$ 5,133	\$ 11,362	\$ 96,510	\$ 1,953	\$ 766	\$ 305,989	\$ --	\$ 650,708
Cash balances, beginning of year	456,564	24,652	10,037	9,081	10,927	4,277	--	--	5,575	(95,098)	158,167	4,760	159,389	13,449	761,780
Cash balances, end of year	\$ 644,432	\$ 53,352	\$ 24,312	\$ 14,796	\$ 1,833	\$ 4,808	\$ 1,000	\$ 5,133	\$ 16,937	\$ 1,412	\$ 160,120	\$ 5,526	\$ 465,378	\$ 13,449	\$1,412,488
Cash basis fund balances:															
Unreserved - General fund	\$ 644,432	\$ 53,352	\$ 24,312	\$ 14,796	\$ 1,833	\$ 4,808	\$ 1,000	\$ 5,133	\$ 16,937	\$ 1,412	\$ 160,120	\$ 5,526	\$ 465,378	\$ 13,449	\$1,412,488

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2004

	Special Revenue		Debt Service - Special Assessments	Capital Projects	Total
	Road Use Tax	Employee Benefits			
Receipts:					
Property tax	\$ --	\$ 65,930	\$ --	\$ --	\$ 65,930
Other city tax	--	1,162	--	--	1,162
Intergovernmental	447,004	--	--	--	447,004
Special assessments	--	--	20,361	47,409	67,770
Total receipts	\$ 447,004	\$ 67,092	\$ 20,361	\$ 47,409	\$ 581,866
Disbursements:					
Public works	\$ 331,574	\$ --	\$ --	\$ --	\$ 331,574
Debt service	--	--	33,234	--	33,234
Capital projects	18,858	--	--	297,136	315,994
Total disbursements	\$ 350,432	\$ --	\$ 33,234	\$ 297,136	\$ 680,802
Excess (deficiency) of receipts over (under) disbursements	\$ 96,572	\$ 67,092	\$ (12,873)	\$ (249,727)	\$ (98,936)
Other financing sources (uses):					
Operating transfers in	\$ --	\$ --	\$ 12,873	\$ 32,805	\$ 45,678
Operating transfers (out)	(87,774)	(67,092)	--	--	(154,866)
Total other financing sources (uses)	\$ (87,774)	\$ (67,092)	\$ 12,873	\$ 32,805	\$ (109,188)
Net change in cash balances	\$ 8,798	\$ --	\$ --	\$ (216,922)	\$ (208,124)
Cash balances, beginning of year	17,855	--	--	107,510	125,365
Cash balances, end of year	\$ 26,653	\$ --	\$ --	\$ (109,412)	\$ (82,759)
Cash basis fund balances:					
Reserved -					
Debt service fund	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved -					
Special revenue funds	26,653	--	--	--	26,653
Capital projects funds	--	--	--	(109,412)	(109,412)
Total cash basis fund balances	\$ 26,653	\$ --	\$ --	\$ (109,412)	\$ (82,759)

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2004

	<u>Street Capital Projects</u>	<u>Front Street Reconstruction</u>	<u>Cherry Street Reconstruction</u>	<u>TIF Projects</u>	<u>Entryway Development</u>	<u>Hwy. 965 Improvements</u>	<u>Economic Development Projects</u>	<u>Liberty Centre</u>	<u>Land and Facilities</u>	<u>Total</u>
Receipts:										
Special assessments	\$ --	\$ 25,014	\$ 1,010	\$ --	\$ --	\$ 21,385	\$ --	\$ --	\$ --	\$ 47,409
Disbursements:										
Capital projects	<u>119,439</u>	<u>25,778</u>	<u>--</u>	<u>115,398</u>	<u>12,575</u>	<u>3,300</u>	<u>13,740</u>	<u>4,706</u>	<u>2,200</u>	<u>297,136</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (119,439)	\$ (764)	\$ 1,010	\$ (115,398)	\$ (12,575)	\$ 18,085	\$ (13,740)	\$ (4,706)	\$ (2,200)	\$ (249,727)
Other financing sources (uses):										
Operating transfers in	<u>--</u>	<u>--</u>	<u>926</u>	<u>16,000</u>	<u>13,000</u>	<u>2,879</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>32,805</u>
Net change in cash balances	\$ (119,439)	\$ (764)	\$ 1,936	\$ (99,398)	\$ 425	\$ 20,964	\$ (13,740)	\$ (4,706)	\$ (2,200)	\$ (216,922)
Cash balances, beginning of year	<u>122,875</u>	<u>9,972</u>	<u>(14,539)</u>	<u>300</u>	<u>17,202</u>	<u>(63,294)</u>	<u>145</u>	<u>--</u>	<u>34,849</u>	<u>107,510</u>
Cash balances, end of year	<u>\$ 3,436</u>	<u>\$ 9,208</u>	<u>\$ (12,603)</u>	<u>\$ (99,098)</u>	<u>\$ 17,627</u>	<u>\$ (42,330)</u>	<u>\$ (13,595)</u>	<u>\$ (4,706)</u>	<u>\$ 32,649</u>	<u>\$ (109,412)</u>
Cash basis fund balances:										
Unreserved - capital projects funds	<u>\$ 3,436</u>	<u>\$ 9,208</u>	<u>\$ (12,603)</u>	<u>\$ (99,098)</u>	<u>\$ 17,627</u>	<u>\$ (42,330)</u>	<u>\$ (13,595)</u>	<u>\$ (4,706)</u>	<u>\$ 32,649</u>	<u>\$ (109,412)</u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Proprietary Funds - Water and Sewer Enterprise

Year Ended June 30, 2004

	Water Enterprise						Sewer Enterprise				
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Project	Total	Sewer Operating	Sewer Revenue Sinking	Sewer Rental- Capital Reserve	Sewer Capital Reserve	Total
Operating receipts:											
Charges for service	\$ 836,269	\$ --	\$ --	\$ --	\$ --	\$ 836,269	\$ 824,888	\$ --	\$ --	\$ --	\$ 824,888
Miscellaneous	60,237	--	--	--	--	60,237	--	--	--	--	--
Total operating receipts	\$ 896,506	\$ --	\$ --	\$ --	\$ --	\$ 896,506	\$ 824,888	\$ --	\$ --	\$ --	\$ 824,888
Operating disbursements:											
Business type activities	447,628	--	--	305,085	8,640	761,353	238,163	--	317	32,951	271,431
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 448,878	\$ --	\$ --	\$(305,085)	\$ (8,640)	\$ 135,153	\$ 586,725	\$ --	\$ (317)	\$(32,951)	\$ 553,457
Non-operating receipts and (disbursements):											
Interest on cash investments	\$ 4,539	\$ --	\$ --	\$ --	\$ --	\$ 4,539	\$ 3,980	\$ --	\$ --	\$ --	\$ 3,980
Proceeds from sale of revenue bonds	--	597,284	--	--	--	597,284	--	--	--	--	--
Debt service	--	(794,493)	--	--	--	(794,493)	--	(313,016)	--	--	(313,016)
Total non-operating receipts and (disbursements)	\$ 4,539	\$(197,209)	\$ --	\$ --	\$ --	\$(192,670)	\$ 3,980	\$(313,016)	\$ --	\$ --	\$(309,036)
Excess (deficiency) of receipts over (under) disbursements	\$ 453,417	\$(197,209)	\$ --	\$(305,085)	\$ (8,640)	\$(57,517)	\$ 590,705	\$(313,016)	\$ (317)	\$(32,951)	\$ 244,421
Operating transfers:											
Operating transfers in	\$ --	\$ 213,720	\$ --	\$ 66,100	\$ --	\$ 279,820	\$ --	\$ 313,020	\$ 104,160	\$ --	\$ 417,180
Operating transfers (out)	(372,720)	--	--	--	--	(372,720)	(534,176)	--	(90,000)	--	(624,176)
Net operating transfers	\$(372,720)	\$ 213,720	\$ --	\$ 66,100	\$ --	\$(92,900)	\$(534,176)	\$ 313,020	\$ 14,160	\$ --	\$(206,996)
Net change in cash balances	\$ 80,697	\$ 16,511	\$ --	\$(238,985)	\$ (8,640)	\$(150,417)	\$ 56,529	\$ 4	\$ 13,843	\$(32,951)	\$ 37,425
Cash balances, beginning of year	46,360	19,322	222,913	297,455	--	586,050	24,620	118,894	155,705	--	299,219
Cash balances, end of year	\$ 127,057	\$ 35,833	\$ 222,913	\$ 58,470	\$ (8,640)	\$ 435,633	\$ 81,149	\$ 118,898	\$ 169,548	\$(32,951)	\$ 336,644
Cash basis fund balances:											
Reserved - debt service	\$ --	\$ 35,833	\$ 222,913	\$ --	\$ --	\$ 258,746	\$ --	\$ 118,894	\$ --	\$ --	\$ 118,898
Unreserved:											
Capital projects	--	--	--	--	(8,640)	(8,640)	--	--	--	(32,951)	(32,951)
Unreserved	127,057	--	--	58,470	--	185,527	81,149	--	169,548	--	250,697
	\$ 127,057	\$ 35,833	\$ 222,913	\$ 58,470	\$ (8,640)	\$ 435,633	\$ 81,149	\$ 118,898	\$ 169,548	\$(32,951)	\$ 336,644

See accompanying independent auditor's report.

CITY OF NORTH LIBERTYStatement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Proprietary Funds

Year Ended June 30, 2004

	Enterprise Funds		
	<u>Utility Deposits</u>	<u>Stormwater Management</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ --	\$ 79,146	\$ 79,146
Miscellaneous	<u>65,255</u>	<u>--</u>	<u>65,255</u>
Total operating receipts	\$ 65,255	\$ 79,146	\$ 144,401
Operating disbursements:			
Business type activities	<u>43,701</u>	<u>15,527</u>	<u>59,228</u>
Excess of operating receipts over operating disbursements	\$ 21,554	\$ 63,619	\$ 85,173
Operating transfers (out)	<u>--</u>	<u>(87,100)</u>	<u>(87,100)</u>
Net change in cash balances	\$ 21,554	\$ (23,481)	\$ (1,927)
Cash balances, beginning of year	<u>124,301</u>	<u>26,677</u>	<u>150,978</u>
Cash balances, end of year	<u>\$ 145,855</u>	<u>\$ 3,196</u>	<u>\$ 149,051</u>
Cash basis fund balances:			
Unreserved - unreserved	<u>\$ 145,855</u>	<u>\$ 3,196</u>	<u>\$ 149,051</u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

Statement of Indebtedness

Year Ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Street Improvement	12-29-93	4.85%	\$ 231,489	\$ 26,489	\$ --	\$ 26,489	\$ --	\$ 1,285	\$ --
General Obligation Bonds:									
Corporate Purpose	07-01-95	4.1-5.1	1,620,000	\$ 870,000	\$ --	\$ 870,000	\$ --	\$ 16,754	\$ --
General Obligation Community Center	04-01-96	4.0-5.0	600,000	450,000	--	30,000	420,000	21,792	--
General Obligation Sewer Improvement	01-06-98	3.92	1,000,000	818,000	--	41,000	777,000	31,262	--
Corporate Purpose	06-01-00	5.25-5.5	3,065,000	2,295,000	--	280,000	2,015,000	123,885	--
Urban Renewal Corporate Purpose	05-01-01	3.3-4.35	1,600,000	1,340,000	--	145,000	1,195,000	54,243	--
Urban Renewal Corporate Purpose	08-15-02	2.25-3.6	2,700,000	2,575,000	--	125,000	2,450,000	80,472	--
Corporate Purpose	09-01-03	3.4-4.5	4,200,000	--	4,200,000	130,000	4,070,000	126,161	--
General Obligation Refunding Series 2003	09-01-03	1.0-1.8	905,000	--	905,000	300,000	605,000	9,518	--
Total				\$ 8,348,000	\$ 5,105,000	\$ 1,921,000	\$ 11,532,000	\$ 464,087	\$ --
Special Assessment Notes:									
Street Improvement	12-29-93	4.85	174,215	\$ 17,421	\$ --	\$ 17,421	\$ --	\$ 845	\$ --
Street Improvement	08-17-00	5.15	110,000	77,000	--	11,000	66,000	3,968	--
Total				\$ 94,421	\$ --	\$ 28,421	\$ 66,000	\$ 4,813	\$ --
Revenue Notes:									
Sewer Revenue Refunding	04-01-89	4.45	222,504	\$ 70,000	\$ --	\$ 15,000	\$ 55,000	\$ 3,115	\$ --
Revenue Bonds:									
Water Revenue Refunding and Improvement	07-01-95	4.9-5.8	990,000	\$ 565,000	\$ --	\$ 565,000	\$ --	\$ 12,058	\$ --
Sewer Revenue Bond Series 1999A	03-23-98	3.92	323,957	282,000	--	13,000	269,000	10,800	--
Sewer Revenue Bond Series 1999B	03-23-98	3.92	4,248,043	3,195,000	--	147,000	3,048,000	122,363	--
Water Revenue Bond Series 2001	09-01-01	3.0-5.3	2,000,000	1,970,000	--	20,000	1,950,000	97,192	--
Water Revenue Refunding Series 2003	09-01-03	1.3-3.5	600,000	--	600,000	80,000	520,000	11,588	--
Total				\$ 6,012,000	\$ 600,000	\$ 825,000	\$ 5,787,000	\$ 254,001	\$ --

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

Bond and Note Maturities
(Page 1 of 2)
Year Ended June 30, 2004

Year Ending June 30	Corporate Purpose Issued June 1, 2000		Corporate Purpose Issued Sept. 1, 2003		General Obligation General Obligation Refunding Issued Sept. 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	2005	5.35%	\$ 295,000	3.40%	\$ 110,000	1.40%
2006	5.35	310,000	3.40	110,000	1.80	305,000
2007	5.35	325,000	3.40	145,000		
2008	5.40	345,000	3.40	170,000		
2009	5.45	360,000	3.40	185,000		
2010	5.50	380,000	3.50	200,000		
2011			3.90	205,000		
2012			3.90	220,000		
2013			3.90	235,000		
2014			3.90	210,000		
2015			4.00	215,000		
2016			4.10	220,000		
2017			4.15	225,000		
2018			4.25	230,000		
2019			4.35	240,000		
2020			4.40	250,000		
2021			4.45	275,000		
2022			4.45	300,000		
2023			4.50	325,000		
Total		\$2,015,000		\$4,070,000		\$ 605,000

Notes and Bonds			
Community Center Issued April 1, 1996		Corporate Purpose Issued Aug. 15, 2002	
Interest Rates	Amount	Interest Rates	Amount
4.70%	\$ 30,000	2.25%	\$ 125,000
4.75	30,000	2.50	125,000
4.80	30,000	2.75	335,000
4.80	35,000	3.00	345,000
4.80	35,000	3.20	355,000
4.85	40,000	3.40	375,000
4.85	40,000	3.50	390,000
4.875	40,000	3.60	400,000
4.90	45,000		
4.95	45,000		
5.00	50,000		
Total	\$ 420,000		\$2,450,000

Year Ending June 30	General Obligation Notes and Bonds				
	Sewer Improvement Issued Jan. 6, 1998		Corporate Purpose Issued May 1, 2001		Total
	Interest Rates	Amount	Interest Rates	Amount	
2005	3.92%	\$ 43,000	3.75%	\$ 150,000	\$ 1,053,000
2006	3.92	44,000	3.85	155,000	1,079,000
2007	3.92	46,000	4.00	165,000	1,046,000
2008	3.92	48,000	4.10	170,000	1,113,000
2009	3.92	50,000	4.20	175,000	1,160,000
2010	3.92	52,000	4.30	185,000	1,232,000
2011	3.92	54,000	4.35	195,000	884,000
2012	3.92	56,000			716,000
2013	3.92	58,000			338,000
2014	3.92	60,000			315,000
2015	3.92	63,000			328,000
2016	3.92	65,000			285,000
2017	3.92	68,000			293,000
2018	3.92	70,000			300,000
2019					240,000
2020					250,000
2021					275,000
2022					300,000
2023					325,000
Total		\$ 777,000		\$1,195,000	\$ 11,532,000

Special Assessment Notes		
Street Improvement Issued Aug. 17, 2000		
Year Ending June 30	Interest Rates	Amount
2005	5.15%	\$ 11,000
2006	5.15	11,000
2007	5.15	11,000
2008	5.15	11,000
2009	5.15	11,000
2010	5.15	11,000
Total		\$ 66,000

CITY OF NORTH LIBERTY

Bond and Note Maturities
(Page 2 of 2)
Year Ended June 30, 2004

Year Ending June 30,	Enterprise Fund						Revenue Notes and Bonds				
	Sewer Revenue Refunding Issued April 1, 1989		Water Revenue Refunding Issued Sept. 1, 2003		Water Revenue Series 2001 Issued Sept. 1, 2001		Sewer Revenue Series 1998A Issued March 23, 1998		Sewer Revenue Series 1998B Issued March 23, 1998		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2005	4.45%	\$ 15,000	1.80%	\$ 80,000	3.65%	\$ 20,000	3.92%	\$ 13,000	3.92%	\$ 153,000	\$ 281,000
2006	4.45	20,000	2.15	80,000	3.80	20,000	3.92	14,000	3.92	159,000	293,000
2007	4.45	20,000	2.625	85,000	4.00	20,000	3.92	14,000	3.92	165,000	304,000
2008			3.00	85,000	4.15	25,000	3.92	15,000	3.92	172,000	297,000
2009			3.30	90,000	4.25	25,000	3.92	15,000	3.92	179,000	309,000
2010			3.50	100,000	4.40	25,000	3.92	16,000	3.92	186,000	327,000
2011					4.50	130,000	3.92	17,000	3.92	193,000	340,000
2012					4.65	135,000	3.92	18,000	3.92	200,000	353,000
2013					4.75	140,000	3.92	18,000	3.92	208,000	366,000
2014					4.85	145,000	3.92	19,000	3.92	217,000	381,000
2015					4.95	155,000	3.92	20,000	3.92	225,000	400,000
2016					5.05	160,000	3.92	21,000	3.92	234,000	415,000
2017					5.10	170,000	3.92	22,000	3.92	243,000	435,000
2018					5.15	180,000	3.92	23,000	3.92	252,000	455,000
2019					5.20	190,000	3.92	24,000	3.92	262,000	476,000
2020					5.25	200,000					200,000
2021					5.30	210,000					210,000
Total		<u>\$ 55,000</u>		<u>\$ 520,000</u>		<u>\$ 1,950,000</u>		<u>\$ 269,000</u>		<u>\$ 3,048,000</u>	<u>\$ 5,842,000</u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTYSchedule of Receipts By Source and Disbursements By Function -
All Government Funds

	Years Ended June 30,			
	2004	2003	2002	2001
Receipts:				
Property tax	\$ 1,355,034	\$ 1,050,948	\$ 908,944	\$ 793,953
Tax increment financing	1,290,281	1,001,279	991,905	981,613
Other city tax	126,764	117,007	105,903	94,589
Licenses and permits	579,106	363,961	190,821	187,063
Use of money and property	108,371	91,744	89,371	89,130
Intergovernmental	1,290,726	690,750	1,153,918	1,565,118
Charges for service	872,863	482,897	481,950	530,404
Special assessments	67,770	38,107	197,675	30,006
Miscellaneous	407,370	240,577	193,885	105,190
Total	<u>\$ 6,098,285</u>	<u>\$ 4,077,270</u>	<u>\$ 4,314,372</u>	<u>\$ 4,377,066</u>
Disbursements:				
Public Safety	\$ 902,800	\$ 962,346	\$ 501,835	\$ 467,887
Public Works	593,601	545,818	520,998	502,813
Health and social services	21,000	21,000	24,867	15,000
Culture and recreation	990,473	872,066	816,995	727,423
Community and economic development	200,518	125,461	202,433	372,441
General government	447,623	436,888	369,773	320,223
Debt service	2,455,627	1,388,454	1,128,794	928,380
Capital projects	5,773,910	1,871,426	1,773,501	3,279,625
Total	<u>\$11,385,552</u>	<u>\$ 6,223,459</u>	<u>\$ 5,339,196</u>	<u>\$ 6,613,792</u>

See accompanying independent auditor's report.

The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items 04-II-I and 04-II-J.

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

Greenwood and Crim, P.C.

November 23, 2004

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no matters noted which were required to be reported in accordance with Government Auditing Standards.

REPORTABLE CONDITIONS:

There were no material weaknesses noted which were required to be reported in accordance with Government Auditing Standards.

Part II: Other Findings Related to Required Statutory Reporting:

04-II-A. Official Depositories - A resolution naming official depositories has been adopted and approved by the City. We noted that the maximum depository amount at Hills Bank and Trust Company was exceeded on several occasions from September 2003 through December 2003 due to significant property tax receipts and the proceeds from the sale of general obligation bonds, and was exceeded in April and May 2004 due to significant property tax receipts.

Recommendation - The City should carefully monitor its cash balances to ensure that the maximum depository amounts are not exceeded. It may be necessary to transfer cash to other approved depositories.

Response - We will carefully monitor our cash balances, especially at times when bonds are sold and when property tax collections are the highest so the maximum depository amounts are not exceeded.

Conclusion - Response accepted.

04-II-B. Certified Budget - Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted for all functions.

04-II-C. Entertainment Expense/Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D. Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

04-II-E. Business Transactions with City Officials and Employees - We noted no transactions between the City and City officials or employees during the year ended June 30, 2004.

04-II-F. 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.

04-II-G. Council Minutes - We noted no transactions requiring Council approval which had not been approved by the Council. We noted that the minutes of the Council meetings were published within 15 days in accordance with Chapter 372.13(6) of the Code of Iowa except for the minutes of January 27, 2004, which were not published until February 18, 2004.

Recommendation - The City should publish minutes within 15 days in accordance with Chapter 372.16(6) of the Code of Iowa.

Response - We will comply with publishing the minutes within 15 days as required.

Conclusion - Response accepted.

04-II-H. Revenue Notes and Bonds - No violations of the revenue note and bond resolution requirements were noted.

04-II-I. Deposits and Investments - Except as noted below, we noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

Comment - We noted that the City's investment policy has not been updated and refers to Chapter 453 of the Code of Iowa rather than Chapters 12B and 12C. This comment was present in the prior year.

Recommendation - The City's investment policy should be amended so all references to Chapter 453 are changed to Chapters 12B and 12C.

Response - We are working on amending our investment policy for reference to Chapters 12B and 12C of the Code of Iowa, and will complete this during the year ending June 30, 2005. We are aware of this matter from the prior year's audit and we will have our attorney review the final draft of the policy before it is approved by the Council.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

04-II-I. Deposits and Investments (continued)

Comment - We noted that one certificate of deposit did not provide for interest at a rate equal to or in excess of the minimum rates as established by the State Rate Setting Committee.

Recommendation - The City should ensure that all certificates of deposit provide for interest at a rate equal to or in excess of the minimum rates as established by the State Rate Setting Committee. The City should contact the bank and have the bank adjust the rate and pay the City any additional interest required.

Response - We have contacted the bank and have requested the rate be adjusted and pay the City any additional interest. To date, the City has not received the additional interest. The certificate of deposit was cashed July 14, 2003 upon maturity. We are monitoring the interest rates to make sure that the City is receiving at least the minimum required amount of interest.

Conclusion - Response accepted.

04-II-J. Financial Condition - At June 30, 2004, the City had deficit balances in the following funds:

Capital Projects - Community Center	\$ 142,889
Capital Projects - Highway 965 Improvements	42,330
Capital Projects - Cherry Street Reconstruction	12,603
Capital Projects - TIF Projects	99,098
Capital Projects - Economic Development Projects	13,595
Capital Projects - Liberty Centre	4,706
Water Enterprise - Water Capital Project	8,640
Sewer Enterprise - Sewer Capital Project	32,951

Recommendation - The City should make sure that there are adequate funds to cover these deficit balances. We realize that the costs of construction projects must be expended prior to the availability of certain funds.

Response - The deficit balances in the Highway 965 Improvements and Cherry Street Reconstruction capital projects funds are being eliminated with special assessments collections. The deficit balance in the TIF Projects capital project fund arose because the City was required to reimburse \$99,332 to the State of Iowa due to Rudi's Bakery not creating the required minimum number of new jobs under two RISE grants. The City intends to pursue collection of this amount from Rudi's Bakery. Deficit balances in the other funds noted above arose because construction costs were incurred prior to the availability of funds. These deficits will be eliminated with contributions from the general public, developer contributions, proceeds from sales of bonds, grants, and future tax increment financing collections.

Conclusion - Response accepted.