

CITY OF NORTH LIBERTY, IOWA

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

JUNE 30, 2005

CITY OF NORTH LIBERTY

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CITY OF NORTH LIBERTY

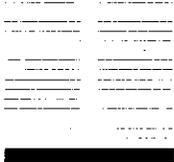
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
Clair Mekota	Mayor	January 2006
Matthew Bahl	Mayor Pro Tem	January 2008
Robert Gardiner	Council Member	January 2006
Tom Salm	Council Member	January 2008
James Moody	Council Member	January 2008
David Franker (*)	Council Member	January 2006

City Staff

Debra Hilton	Treasurer
Mary Kae Mitchell	City Clerk/Assistant City Administrator
William Sueppel	City Attorney
Brian James	City Administrator

(*) David Franker was appointed on December 14, 2004 to complete the term of John Soukup, who resigned from the Council effective November 23, 2004. Matthew Bahl was named Mayor Pro Tem as a result of Mr. Soukup's resignation from the Council.



Greenwood and Crim, P.C.
Certified Public Accountants

Linda Crim Hopkins, C.P.A.
Steven J. Kuhl, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of North Liberty, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of North Liberty's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2005 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 x) 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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, 2004 (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 Crim, P.C.

November 28, 2005

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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

FY2005 Financial Highlights

Revenues of the City's governmental activities increased approximately \$459,980, or 7.54% from FY2004 to FY2005. Major revenue increases include:

	<u>Increase in FY2005 from FY2004</u>	
Property taxes	\$227,940	(16.82%)
Building permit fees	\$ 76,042	(13.43%)
Economic development grants	\$ 458,451	(new in FY2005)
Swimming pool revenue	\$ 91,827	(65.23%)

The City's total cash basis net assets increased \$502,350, or approximately 21.27%, from June 30, 2004 to June 30, 2005. Of this amount, the net assets of the governmental activities increased by \$385,203 and the net assets of the business type activities increased by \$117,147.

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, health and social services, 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 and utility deposits. 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 Funds, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial 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 27% from a year ago, from \$1,440,644 at June 30, 2004 to \$1,825,847 at June 30, 2005. The analysis that follows provides detail on the changes in cash balance.

Changes in Cash Basis Net Assets of Government Activities		
	<u>FY2005</u>	<u>FY2004</u>
Receipts and Transfers		
Program Receipts		
Charges for service	\$1,867,202	\$1,656,664
Operating grants, contributions & restricted interest	811,722	640,071
Capital grants, contributions & restricted interest	1,004,283	989,462
General Receipts		
Property tax & tax increment financing	2,753,588	2,697,732
Grants & contributions, not restricted	1,686	8,893
Unrestricted investment earnings	44,179	15,874
Other general receipts	<u>75,605</u>	<u>89,589</u>
Total Operating Receipts	\$6,558,265	\$6,098,285
Bond proceeds	1,552,032	5,077,164
Transfers, net	<u>343,842</u>	<u>386,996</u>
Total Receipts and Transfers	<u>\$8,454,139</u>	<u>\$11,562,445</u>
Disbursements		
Public Safety	\$752,220	\$902,800
Public Works	636,329	593,601
Health & Social Services	21,000	21,000
Culture & Recreation	1,650,909	990,473
Community & Economic Development	249,352	200,518
General Government	452,215	447,623
Debt Service	1,636,989	2,455,627
Capital Projects	<u>2,669,922</u>	<u>5,773,910</u>
Total Disbursements	<u>\$8,068,936</u>	<u>\$11,385,552</u>

Increase in cash basis net assets	\$385,203	\$176,893
Cash basis net assets, beginning of year	<u>1,440,644</u>	<u>1,263,751</u>
Cash basis net assets, end of year	<u>\$1,825,847</u>	<u>\$1,440,644</u>

Because of the growth in taxable valuation in the City of North Liberty from \$127,541,766 in FY2004 to \$150,151,503 in FY2005, general property tax revenues increased by \$193,193. 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 FY2005, the same as in FY2004. The balance of the levy was made up of a \$1.49325 debt service levy and a \$0.65675 employee benefits levy.

The major portion of the increase in the City's gross receipts from governmental activities in FY2005 was from property taxes (\$227,940), building permit fees (\$76,042) and swimming pool revenue (\$91,827). The city's swimming pools opened in late May 2004, and revenues for FY2005 covered a full twelve months.

The cost of all governmental activities this year was \$8,068,936 compared to \$11,385,552 last year. Fewer capital projects were funded in FY2005.

Changes in Cash Basis Net Assets of Business Type Activities		
	<u>FY2005</u>	<u>FY2004</u>
<u>Receipts</u>		
Charges for Service		
Water	\$1,089,834	\$896,506
Sanitary Sewer	1,046,270	824,888
Storm Water	92,038	79,146
Utility Deposits	65,358	65,255
General Receipts		
Unrestricted interest on investments:		
Water	6,151	4,539
Sanitary Sewer	5,885	3,980
Bond and note proceeds	<u>577,626</u>	<u>597,284</u>
Total Receipts	<u>\$2,883,162</u>	<u>\$2,471,598</u>
<u>Disbursements and Transfers</u>		
Operating Disbursements		
Water	\$696,095	\$761,353
Sanitary Sewer	1,067,810	271,431
Storm Water	26,511	15,527
Utility Deposits	35,160	43,701
Debt Service		
Water	211,714	794,493
Sanitary Sewer	384,883	313,016

Net Operating Transfers		
Water	120,940	92,900
Sanitary Sewer	162,000	206,996
Storm Water	<u>60,902</u>	<u>87,100</u>
Total Disbursements and Transfers	<u>\$2,766,015</u>	<u>\$2,586,517</u>
Increase (decrease) in cash basis net assets	\$117,147	\$(114,919)
Cash basis net assets, beginning of year	<u>921,328</u>	<u>1,036,247</u>
Cash basis net assets, end of year	<u>\$1,038,475</u>	<u>\$921,328</u>

Total business type activities receipts for fiscal year 2005 were \$2,883,162, compared to \$2,471,598 last year. The \$411,564 increase was additional water, sanitary sewer and storm water operating revenues.

The major disbursement increases include \$401,099 for improvements to the wastewater treatment plant and \$193,800 for sewer trunk installation.

Individual Major Governmental Fund Analysis

At the end of FY2005, the combined fund balance of the City of North Liberty's governmental funds was \$1,825,847, an increase of \$385,203 over the previous year balance of \$1,440,644. Highlights of the increases in the major funds of the governmental type activities follow.

General Fund. General fund property taxes increased from \$1,001,426 in FY2004 to \$1,192,508 in FY2005. The increase resulted from an increase of over \$22,000,000 in taxable valuation. The general fund levy remained at \$8.10 per \$1,000 of taxable valuation. Other general fund revenue increases include \$76,042 in building permit fees and \$91,827 in swimming pool revenue. In FY2005, an additional officer was added to the police department and the part-time telecommunications position was transitioned to full-time. The Recreation department also accommodated the first full year of the Aquatics budget.

Urban Renewal Tax Increment Fund. Incremental taxes in the Urban Renewal area decreased because of some properties being removed from the Urban Renewal District. The taxes collected decreased by \$174,034 from the FY2004 amount.

Debt Service Fund. The debt service levy decreased from \$1.63252 per \$1,000 of taxable valuation in FY2004 to \$1.49325 in FY2005 because of the increase in property valuations city-wide. A wider tax base allows for a lower debt service rate.

Individual Major Business Type Fund Analysis

Water Enterprise. The water fund cash balance at the end of FY2005 was comparable to the balance at the end of FY2004. The balance at the end of FY2005 was \$502,869, which includes a debt service reserve of \$259,032.

Sewer Enterprise. The sanitary sewer cash balance increased by \$15,088 from the end of FY2004 to the end of FY2005. Total cash balance of \$351,732 includes a debt service reserve of \$147,545. During FY2005, the city received \$577,626 from proceeds of the sale of sewer loan anticipation notes and \$594,899 was expended in FY2005 for wastewater treatment plant improvements and sewer trunk installation.

Budgetary Highlights

The FY2005 budget was amended on May 24, 2005. Additional revenues from property rental, building permit fees, state seat belt and alcohol grants, bank franchise fees, state and county library grants, salvage inspection fees, recreation fees, tape/CD copies, garbage/recycling fees, engineering inspections, water utility receipts, zoning and subdivision fees, and additional donations and contributions offset the costs of police equipment, additional building inspections, street projects, upgrades to the Recreation Center, additional programming, comprehensive plan update, and upgrades to water meters, remote readers and well repair.

Debt Administration

On June 30, 2005 the City had \$18,087,626 in bonds and long-term debt compared to \$17,440,000 last year, as shown below.

	Outstanding Debt at Year-End	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
General Obligation Bonds	\$11,894,000	\$11,532,000
Special Assessment Notes	55,000	66,000
Revenue Notes	617,626	55,000
Revenue Bonds	<u>5,521,000</u>	<u>5,787,000</u>
Total	<u>\$18,087,626</u>	<u>\$17,440,000</u>

Debt increased as a result of issuing \$577,626 in sewer loan anticipation notes and \$1,560,000 in Urban Renewal Bonds.

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 \$11,949,000 is below its constitutional debt limit of \$16,394,092.

Economic Factors and Next Year's Budgets and Rates

The total tax levy for the FY2006 budget for the City of North Liberty decreased to \$10.15516, approximately \$0.10 less per \$1,000 from last year. The rollback for residential property changed from 48.4558% in FY2005 to 47.9642% in FY2006. With the increase in rollback and the proposed decrease in the city tax levy to \$10.15516 per \$1,000, the total property taxes expected to be received by the City in FY2006 are expected to decrease by approximately \$15,000.

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 Tracey Mulcahey, 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)

Exhibit A

Year Ended June 30, 2005

	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>			
Functions/Programs:							
Governmental activities:							
Public safety	\$ 752,220	\$ 58,697	\$ 189,861	\$ --	\$ (503,662)	\$ --	\$ (503,662)
Public works	636,329	434,204	524,855	--	322,730	--	322,730
Health and social services	21,000	--	--	--	(21,000)	--	(21,000)
Culture and recreation	1,650,909	483,370	90,635	--	(1,076,904)	--	(1,076,904)
Community and economic development	249,352	11,426	5,639	--	(232,287)	--	(232,287)
General government	452,215	879,505	732	--	428,022	--	428,022
Debt service	1,636,989	--	--	--	(1,636,989)	--	(1,636,989)
Capital projects	2,669,922	--	--	1,004,283	(1,665,639)	--	(1,665,639)
Total governmental activities	<u>\$ 8,068,936</u>	<u>\$ 1,867,202</u>	<u>\$ 811,722</u>	<u>\$ 1,004,283</u>	<u>\$ (4,385,729)</u>	<u>\$ --</u>	<u>\$ (4,385,729)</u>
Business type activities:							
Water	\$ 907,809	\$ 1,089,834	\$ --	\$ --	\$ --	\$ 182,025	\$ 182,025
Sewer	1,452,693	1,046,270	--	--	--	(406,423)	(406,423)
Utility deposits	35,160	65,358	--	--	--	30,198	30,198
Stormwater management	26,511	92,038	--	--	--	65,527	65,527
Total business type activities	<u>\$ 2,422,173</u>	<u>\$ 2,293,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (128,673)</u>	<u>\$ (128,673)</u>
Total	<u>\$10,491,109</u>	<u>\$ 4,160,702</u>	<u>\$ 811,722</u>	<u>\$ 1,004,283</u>	<u>\$ (4,385,729)</u>	<u>\$ (128,673)</u>	<u>\$ (4,514,402)</u>
General Receipts:							
Property tax levied for:							
General purposes					\$ 1,242,253	\$ --	\$ 1,242,253
Tax increment financing					1,116,247	--	1,116,247
Debt service					294,988	--	294,988
Other purpose					100,100	--	100,100
Grants and contributions not restricted to specific purposes					1,686	--	1,686
Unrestricted interest on investments					44,179	12,036	56,215
Bond and note proceeds					1,552,032	577,626	2,129,658
Miscellaneous					75,605	--	75,605
Transfers					343,842	(343,842)	--
Total general receipts and transfers					<u>\$ 4,770,932</u>	<u>\$ 245,820</u>	<u>\$ 5,016,752</u>

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2005

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Change in cash basis net assets	\$ 385,203	\$ 117,147	\$ 502,350
Cash basis net assets beginning of year	<u>1,440,644</u>	<u>921,328</u>	<u>2,361,972</u>
Cash basis net assets end of year	<u>\$ 1,825,847</u> (Exhibit B)	<u>\$ 1,038,475</u> (Exhibit C)	<u>\$ 2,864,322</u>
Cash Basis Net Assets			
Restricted:			
Streets	\$ 103,099	\$ --	\$ 103,099
Urban renewal purposes	76,885	--	76,885
Drug task force	59,610	--	59,610
Debt service	4,262	406,577	410,839
Unrestricted	<u>1,581,991</u>	<u>631,698</u>	<u>2,213,689</u>
Total cash basis net assets	<u>\$ 1,825,847</u>	<u>\$ 1,038,475</u>	<u>\$ 2,864,322</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, 2005

	General Fund	Special Revenue - Urban Renewal Tax Increment	Debt Service - General Obligation Debt	Other Nonmajor Governmental Funds	Total
Receipts:					
Property tax	\$ 1,182,508	\$ --	\$ 291,778	\$ 98,688	\$ 1,582,974
Tax increment financing	--	1,116,247	--	--	1,116,247
Other city tax	125,935	--	3,210	1,412	130,557
Licenses and permits	656,054	--	--	--	656,054
Use of money and property	87,432	--	8,709	33,161	129,302
Intergovernmental	183,460	--	--	1,368,375	1,551,835
Charges for service	987,628	--	--	7,681	995,289
Special assessments	--	--	--	31,421	31,421
Miscellaneous	149,050	--	--	215,536	364,586
Total receipts	\$ 3,382,087	\$ 1,116,247	\$ 303,697	\$ 1,756,254	\$ 6,558,265
Disbursements:					
Public safety	\$ 752,220	\$ --	\$ --	\$ --	\$ 752,220
Public works	252,547	--	--	383,782	636,329
Health and social services	21,000	--	--	--	21,000
Culture and recreation	1,650,909	--	--	--	1,650,909
Community and economic development	249,352	--	--	--	249,352
General government	452,215	--	--	--	452,215
Debt service	--	--	1,622,578	14,411	1,636,989
Capital projects	--	--	--	2,669,922	2,669,922
Total disbursements	\$ 3,378,243	\$ --	\$ 1,622,578	\$ 3,068,115	\$ 8,068,936
Excess (deficiency) of receipts over (under) disbursements	\$ 3,824	\$ 1,116,247	\$ (1,318,881)	\$ (1,311,861)	\$ (1,510,671)
Other financing sources (uses):					
Proceeds from sales of general obligation bonds and notes	\$ --	\$ --	\$ --	\$ 1,552,032	\$ 1,552,032
Operating transfers in	750,687	--	1,315,962	347,279	2,413,928
Operating transfers (out)	(505,596)	(1,285,985)	--	(278,505)	(2,070,086)
Total other financing sources (uses)	\$ 245,091	\$ (1,285,985)	\$ 1,315,962	\$ 1,620,806	\$ 1,895,874
Net change in cash balances	\$ 248,915	\$ (169,738)	\$ (2,919)	\$ 308,945	\$ 385,203
Cash and cash investments, beginning of year	1,412,488	245,623	7,181	(225,648)	1,440,644
Cash and cash investments, end of year	\$ 1,661,403	\$ 76,885	\$ 4,262	\$ 83,297	\$ 1,825,847 (Exhibit A)
Cash basis fund balances:					
Reserved -					
Debt service fund	\$ --	\$ --	\$ 4,262	\$ --	\$ 4,262
Unreserved -					
Special revenue fund	--	76,885	--	162,709	239,594
Capital projects funds	--	--	--	(79,412)	(79,412)
General fund	1,681,403	--	--	--	1,681,403
Total cash basis fund balances	\$ 1,681,403	\$ 76,885	\$ 4,262	\$ 83,297	\$ 1,825,847

See accompanying notes to financial statements.

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2005

	Water Enterprise	Sewer Enterprise	Other Nonmajor Enterprise Funds	Total
Operating receipts:				
Charges for service	\$ 1,020,418	\$1,046,270	\$ 92,038	\$ 2,158,726
Miscellaneous	<u>69,416</u>	<u>--</u>	<u>65,358</u>	<u>134,774</u>
Total operating receipts	\$ 1,089,834	\$1,046,270	\$ 157,396	\$ 2,293,500
Operating disbursements:				
Business type activities	<u>696,095</u>	<u>1,067,810</u>	<u>61,671</u>	<u>1,825,576</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 393,739	\$ (21,540)	\$ 95,725	\$ 467,924
Non-operating receipts and (disbursements):				
Interest on cash investments	\$ 6,151	\$ 5,885	\$ --	\$ 12,036
Proceeds from sale of revenue anticipation notes	--	577,626	--	577,626
Debt service	<u>(211,714)</u>	<u>(384,883)</u>	<u>--</u>	<u>(596,597)</u>
Total non-operating receipts and (disbursements)	\$ (205,563)	\$ 198,628	\$ --	\$ (6,935)
Excess of receipts over disbursements	\$ 188,176	\$ 177,088	\$ 95,725	\$ 460,989
Operating transfers:				
Operating transfers in	\$ 355,752	\$ 515,527	\$ 3,158	\$ 874,437
Operating transfers (out)	<u>(476,692)</u>	<u>(677,527)</u>	<u>(64,060)</u>	<u>(1,218,279)</u>
Net operating transfers	\$ (120,940)	\$ (162,000)	\$ (60,902)	\$ (343,842)
Net change in cash balances	\$ 67,236	\$ 15,088	\$ 34,823	\$ 117,147
Cash and cash investments, beginning of year	<u>435,633</u>	<u>336,644</u>	<u>149,051</u>	<u>921,328</u>
Cash and cash investments, end of year	<u>\$ 502,869</u>	<u>\$ 351,732</u>	<u>\$ 183,874</u>	<u>\$ 1,038,475</u> (Exhibit A)
Cash basis fund balances:				
Reserved - debt service	\$ 259,032	\$ 147,545	\$ --	\$ 406,577
Unreserved:				
Capital projects	(54,000)	(50,224)	--	(104,224)
Unreserved	<u>297,837</u>	<u>254,411</u>	<u>183,874</u>	<u>736,122</u>
Total cash basis fund balances	<u>\$ 502,869</u>	<u>\$ 351,732</u>	<u>\$ 183,874</u>	<u>\$ 1,038,475</u>

See accompanying notes to financial statements

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

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, 2005

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.

Debt Service:

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.

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, 2005

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, 2005, disbursements exceeded the amounts budgeted in the public safety, community and economic development, and general government functions.

NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005 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.

On December 14, 2004, the City authorized the transfer of \$5,000 to the Community Foundation of Johnson County (Foundation) to establish an endowment fund for the North Liberty Community Library. The Foundation may make distributions to the City in accordance with the Foundation's spending policy of the year as determined annually by the Foundation's Board of Directors.

The City's investment is pooled in the investment portfolio of the Foundation. A considerable portion of the Foundation's investment portfolio is invested in mutual funds.

The City's investment of \$5,000 may be returned in full to the City upon request to the Foundation's Board of Directors.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

NOTE 2. CASH AND POOLED INVESTMENTS (Continued)

The City's investment of \$5,000 is carried at cost and is included in the City's amount of cash and cash investments at June 30, 2005. No fair value of the City's investment has been determined. The investment is not subject to decline in fair values of the Foundation's investment portfolio.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in 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.

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>
2006	\$ 1,219,000	\$ 465,730	\$ 11,000	\$ 2,833
2007	1,191,000	424,694	11,000	2,266
2008	1,258,000	379,947	11,000	1,700
2009	1,310,000	330,918	11,000	1,133
2010	1,387,000	278,494	11,000	567
2011-2015	3,261,000	791,588	--	--
2016-2020	1,368,000	366,975	--	--
2021-2025	<u>900,000</u>	<u>82,813</u>	<u>--</u>	<u>--</u>
Total	<u>\$11,894,000</u>	<u>\$3,121,159</u>	<u>\$ 55,000</u>	<u>\$ 8,499</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>
2006	\$ 870,626	\$ 230,652	\$ 2,100,626	\$ 699,215
2007	304,000	220,383	1,506,000	647,343
2008	297,000	209,288	1,566,000	590,935
2009	309,000	198,233	1,630,000	530,284
2010	327,000	186,439	1,725,000	465,500
2011-2015	1,840,000	719,053	5,101,000	1,510,641
2016-2020	1,981,000	287,669	3,349,000	654,644
2021-2025	<u>210,000</u>	<u>11,130</u>	<u>1,110,000</u>	<u>93,943</u>
Total	<u>\$ 6,138,626</u>	<u>\$2,062,847</u>	<u>\$18,087,626</u>	<u>\$5,192,505</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$43,000 of general obligation bond principal and \$29,616 of general obligation bond interest was paid from the Sewer Enterprise Fund.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93 % and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$97,152, \$84,024 and \$68,152, respectively, equal to the required contributions for each year.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

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, 2005, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 24,802
Vacation	<u>83,176</u>
Total	<u>\$ 107,978</u>

This liability has been computed based on rates of pay as of June 30, 2005.

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, 2005, based on rates of pay as of June 30, 2005, is \$272,665.

NOTE 6. **SOLID WASTE DISPOSAL CONTRACT**

An agreement between the City and Johnson County Refuse for the period July 1, 2004 through June 30, 2009, 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.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

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 \$10,945,000. The unpaid contract balances at June 30, 2005 totaled approximately \$3,790,000, 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, 2005, because project costs were incurred prior to availability of funds:

Capital Projects - Community Center	\$ 34,016
Capital Projects - TIF Projects	99,098
Capital Projects - Liberty Centre	249,840
Water Enterprise - Water Capital Project	54,000
Sewer Enterprise - Sewer Capital Projects	50,224

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

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 during the year ended June 30, 2004 due to Rudi's Bakery not creating the required minimum number of new jobs under two RISE grants. The City is pursuing 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 October 2005, the City sold \$3,500,000 General Obligation Urban Renewal Corporate Purpose Bonds to provide funding for several community development projects.

The City approved three construction contracts totaling approximately \$870,000.

In August 2005, the City was notified that it is a party to a matter of litigation as discussed in Note 13.

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise - Water Operating	\$ 135,000
	Sewer Enterprise - Sewer Operating	125,000
	Special Revenue - Employee Benefits	<u>100,100</u>
		<u>\$ 360,100</u>
General Fund - Equipment Revolving	Special Revenue - Road Use Tax	\$ 64,500
	Water Enterprise - Water Operating	22,000
	Sewer Enterprise - Sewer Operating	22,000
	Sewer Rental - Capital Reserve	15,000
	Stormwater Management Enterprise	<u>28,000</u>
		<u>\$ 151,500</u>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

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- Urban Renewal Tax Increment	\$ 29,512 <u>1,285,985</u> <u>\$ 1,315,497</u>
Capital Projects - Street Capital Projects	General Fund - Transportation Impact Fees	<u>\$ 151,957</u>
Capital Projects - Penn Street Improvements	General Fund - Transportation Impact Fees	<u>\$ 81,882</u>
Water Enterprise - Water Utilities - Capital Reserve	Stormwater Management Enterprise	<u>\$ 36,060</u>
Stormwater Management Enterprise	General Fund - Storm Water Impact Fees	<u>\$ 3,158</u>
Total Interfund Transfers		<u>\$ 2,100,154</u>

The detail of intrafund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Recreation Equipment	General Fund	<u>\$ 45,000</u>
General Fund - Park Development	General Fund	<u>\$ 30,000</u>
General Fund - Fire Equipment Reserve	General Fund	<u>\$ 84,027</u>
General Fund - Telecommunications Equipment	General Fund	<u>\$ 2,560</u>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

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>\$ 65,000</u>
General Fund - Library Building/ Endowment	General Fund - Library Reserve	<u>\$ 12,500</u>
Debt Service - General Obligation Debt	Debt Service - Special Assessments	<u>\$ 465</u>
Capital Projects - Hwy 965 Improvements	Capital Projects - Street Capital Projects Front Street Reconstruction	<u>\$ 29,180</u> <u>3,803</u> <u>\$ 32,983</u>
Capital Projects - Cherry Street Reconstruction	Capital Projects - Front Street Reconstruction	<u>\$ 11,338</u>
Capital Projects - Land and Facilities	Capital Projects - Community Center	<u>\$ 69,119</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	<u>\$ 212,000</u>
Water Enterprise - Water Utilities - Capital	Water Enterprise - Water Operating	<u>\$ 107,692</u>
Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	<u>\$ 413,530</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	<u>\$ 101,997</u>
Total Intrafund Transfers		<u>\$1,188,211</u>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2005

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS (Continued)

Total transfers during the year ended June 30, 2005 were as follows:

Interfund transfers	\$2,100,154
Intrafund transfers	<u>1,188,211</u>
	<u>\$3,288,365</u>

Reconciliation to the financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds (Exhibit B)	\$2,413,928	\$2,070,086
Proprietary funds (Exhibit C)	<u>874,437</u>	<u>1,218,279</u>
	<u>\$3,288,365</u>	<u>\$3,288,365</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.

NOTE 13. LITIGATION

The City has filed a lawsuit against Rudi's Bakery to recover \$99,332 paid by the City during the year ended June 30, 2004 to the state due to Rudi's Bakery not creating the required minimum number of new jobs under the provisions of two RISE grants. The City does not believe it will prevail because there appears to be an insufficient amount of assets held by Rudi's Bakery to satisfy this claim.

In August 2005, a lawsuit was filed against the City and the chief of police claiming negligence in a law enforcement matter that occurred in August 2003. It is unknown what the outcome of this litigation may be, however, the City does not expect any potential loss to be in excess of insurance coverage limits.

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, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budget Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,582,974	\$ --	\$ 1,582,974	\$ 1,594,441	\$ 1,594,441	\$ (11,467)
Tax increment financing	1,116,247	--	1,116,247	1,212,719	1,212,719	(96,472)
Other city tax	130,557	--	130,557	53,990	53,990	76,567
Licenses and permits	656,054	--	656,054	660,295	765,295	(109,241)
Use of money and property	129,302	12,036	141,338	91,200	114,700	26,638
Intergovernmental	1,551,835	--	1,551,835	4,117,726	4,133,642	(2,581,807)
Charges for service	995,289	2,158,726	3,154,015	2,425,185	2,633,552	520,463
Special assessments	31,421	--	31,421	14,178	14,178	17,243
Miscellaneous	364,586	134,774	499,360	606,833	660,171	(160,811)
Total receipts	\$ 6,558,265	\$ 2,305,536	\$ 8,863,801	\$10,776,568	\$11,162,668	\$ (2,318,687)
Disbursements:						
Public safety	\$ 752,220	\$ --	\$ 752,220	\$ 726,362	\$ 749,862	\$ (2,358)
Public works	636,329	--	636,329	794,412	834,412	198,083
Health and social services	21,000	--	21,000	21,000	21,000	--
Culture and recreation	1,650,909	--	1,650,909	1,554,820	1,669,290	18,381
Community and economic development	249,352	--	249,352	209,122	230,122	(19,230)
General government	452,215	--	452,215	381,836	448,786	(3,429)
Debt service	1,636,989	--	1,636,989	1,815,467	1,815,467	178,478
Capital projects	2,669,922	--	2,669,922	5,458,350	5,458,350	2,788,428
Business type activities	--	2,422,173	2,422,173	4,129,878	4,269,878	1,847,705
Total disbursements	\$ 8,068,936	\$ 2,422,173	\$10,491,109	\$15,091,047	\$15,497,167	\$ 5,006,058
Excess (deficiency) of receipts over (under) disbursements	\$ (1,510,671)	\$ (116,637)	\$ (1,627,308)	\$ (4,314,479)	\$ (4,314,479)	\$ 2,687,171
Other financing sources (uses), net	1,895,874	233,784	2,129,658	4,344,655	4,344,655	(2,214,997)
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 385,203	\$ 117,147	\$ 502,350	\$ 30,176	\$ 30,176	\$ 472,174
Balances, beginning of year	1,440,644	921,328	2,361,972	2,246,783	2,365,780	(3,808)
Balances, end of year	\$ 1,825,847	\$ 1,038,475	\$ 2,864,322	\$ 2,276,959	\$ 2,395,958	\$ 468,366

There were no funds of the City not required to be budgeted during the year ended June 30, 2005.

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, 2005

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund 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 \$406,120. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements in the public safety, community and economic development, and general government functions exceeded the amounts budgeted.

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, 2005

	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/ Endowment	TAG Group	Library Reserve				Trans- portation	Storm Water	
Receipts:															
Property tax	\$ 1,192,508	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,192,508
Other city tax:															
Mobile home tax	\$ 32,337	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 32,337
Utility tax replacement excise tax	17,408	--	--	--	--	--	--	--	--	--	--	--	--	--	17,408
Utility franchise fees	76,190	--	--	--	--	--	--	--	--	--	--	--	--	--	76,190
	<u>\$ 125,935</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>\$ 125,935</u>
Licenses and permits:															
Beer and liquor	\$ 6,640	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6,640
Cigarette	900	--	--	--	--	--	--	--	--	--	--	--	--	--	900
Business/building trades	5,946	--	--	--	--	--	--	--	--	--	--	--	--	--	5,946
Pet and other	328	--	--	--	--	--	--	--	--	--	--	--	--	--	328
Building	642,240	--	--	--	--	--	--	--	--	--	--	--	--	--	642,240
	<u>\$ 656,054</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>\$ 656,054</u>
Use of money and property:															
Interest on cash investments	\$ 35,429	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8	\$ 33	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 35,470
Rent	51,962	--	--	--	--	--	--	--	--	--	--	--	--	--	51,962
	<u>\$ 87,391</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8</u>	<u>\$ 33</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 87,432</u>
Intergovernmental:															
Bank franchise tax	\$ 1,686	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,686
Police grants	2,957	--	--	--	--	--	--	--	--	--	6,810	--	--	--	9,767
Township fire protection	119,434	--	--	--	--	--	--	--	--	--	--	--	--	--	119,434
Library contribution	35,659	--	--	--	--	--	--	--	--	--	--	--	--	--	35,659
Library grants and open access	11,339	--	--	--	--	--	--	5,100	--	--	--	--	--	--	16,439
Work-study program	475	--	--	--	--	--	--	--	--	--	--	--	--	--	475
	<u>\$ 171,550</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,100</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,810</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 183,460</u>
Charges for service:															
Inspection fees	\$ 51,578	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 51,578
Library fees	10,306	--	--	--	--	--	--	--	--	--	--	--	--	--	10,306
Police service fees	560	--	--	--	--	--	--	--	--	--	5,670	--	--	--	6,230
Zoning and subdivision	48,649	--	--	--	--	--	--	--	--	--	--	--	--	--	48,649
Garbage and recycling fees	184,517	--	--	--	--	--	--	--	--	--	--	--	--	--	184,517
Recreation charges	431,067	--	--	--	--	--	--	--	--	--	--	--	--	--	431,067
Cemetery plot location fees	240	--	--	--	--	--	--	--	--	--	--	--	--	--	240
Animal control	889	--	--	--	--	--	--	--	--	--	--	--	--	--	889
Maps and photocopy fees	4,165	--	--	--	--	--	--	--	--	--	--	--	--	--	4,165
Impact fees	--	--	--	--	--	--	--	--	--	--	--	--	249,667	--	249,667
Mowing	300	--	--	--	--	--	--	--	--	--	--	--	--	--	300
	<u>\$ 732,271</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,670</u>	<u>\$ 249,667</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 987,628</u>
Miscellaneous:															
Refunds and reimbursements	\$ 6,483	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,765	\$ --	\$ --	\$ --	\$ --	\$ 16,248
Fines and fees	16,259	--	--	--	--	--	--	--	--	--	--	--	--	--	16,259
Donations/contributions	1,918	12,000	2,500	2,000	3,639	2,000	--	4,011	16,365	--	1,050	--	--	--	45,483
Miscellaneous	8,318	--	--	16,665	--	11,426	--	1,805	--	--	--	--	--	--	38,214
Penalties	32,846	--	--	--	--	--	--	--	--	--	--	--	--	--	32,846
	<u>\$ 65,824</u>	<u>\$ 12,000</u>	<u>\$ 2,500</u>	<u>\$ 18,665</u>	<u>\$ 3,639</u>	<u>\$ 13,426</u>	<u>\$ --</u>	<u>\$ 5,816</u>	<u>\$ 16,365</u>	<u>\$ 9,765</u>	<u>\$ 1,050</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 149,050</u>
Total receipts	<u>\$ 3,031,533</u>	<u>\$ 12,000</u>	<u>\$ 2,500</u>	<u>\$ 18,665</u>	<u>\$ 3,639</u>	<u>\$ 13,426</u>	<u>\$ --</u>	<u>\$ 5,824</u>	<u>\$ 21,488</u>	<u>\$ --</u>	<u>\$ 9,765</u>	<u>\$ 13,530</u>	<u>\$ 249,687</u>	<u>\$ --</u>	<u>\$ 3,382,067</u>

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, 2005

	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/ Endowment	TAG Group	Library Reserve				Trans- portation	Storm Water	
Disbursements:															
Public Safety:															
Police	\$ 409,613	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,704	\$ --	\$ --	\$ --	\$ 419,317
Emergency management	1,760	--	--	--	--	--	--	--	--	--	--	--	--	--	1,760
Fire	102,685	--	--	--	--	--	--	--	--	--	--	--	--	--	102,685
Building inspections	228,434	--	--	--	--	--	--	--	--	--	--	--	--	--	228,434
Animal control	24	--	--	--	--	--	--	--	--	--	--	--	--	--	24
Total public safety	\$ 742,516	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,704	\$ --	\$ --	\$ --	\$ 752,220
Public Works:															
Roads, bridges and sidewalks	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 62,283	\$ --	\$ --	\$ --	\$ --	\$ 62,283
Traffic control and safety	10,487	--	--	--	--	--	--	--	--	--	--	--	--	--	10,487
Sanitation	179,777	--	--	--	--	--	--	--	--	--	--	--	--	--	179,777
Total public works	\$ 190,264	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 62,283	\$ --	\$ --	\$ --	\$ --	\$ 252,547
Health and social services:															
Social services	\$ 21,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 21,000
Culture and recreation:															
Library	\$ 313,731	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 4,882	\$ 5,982	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 324,595
Parks	223,953	--	6,144	--	--	--	--	--	--	51,084	--	--	--	--	281,181
Recreation center	497,364	74,131	--	14,764	--	--	--	--	--	--	--	--	--	--	586,259
Aquatic center	454,113	--	--	--	--	--	--	--	--	--	--	--	--	--	454,113
Cemetery	4,761	--	--	--	--	--	--	--	--	--	--	--	--	--	4,761
Total culture and recreation	\$1,493,922	\$ 74,131	\$ 6,144	\$ 14,764	\$ --	\$ --	\$ --	\$ 4,882	\$ 5,982	\$ 51,084	\$ --	\$ --	\$ --	\$ --	\$ 1,650,909
Community and economic development:															
Community beautification	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 14,532	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 14,532
Economic development	12,479	--	--	--	--	--	--	--	--	--	--	--	--	--	12,479
Planning and zoning	130,733	--	--	--	--	--	--	--	--	--	--	--	--	--	130,733
Telecommunications	89,507	--	--	--	2,101	--	--	--	--	--	--	--	--	--	91,608
Total community and economic development	\$ 232,719	\$ --	\$ --	\$ --	\$ 2,101	\$ 14,532	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 249,352

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, 2005

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program	Library Building/ Endowment	TAG Group	Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Impact Fees Trans- portation	Storm Water	Total
Disbursements: (continued)															
General government:															
Mayor and council	\$ 9,194	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,194
City administration	364,008	--	--	--	--	--	--	--	--	8,743	--	--	--	--	372,751
Legal services	48,266	--	--	--	--	--	--	--	--	--	--	--	--	--	48,266
Other general government	22,004	--	--	--	--	--	--	--	--	--	--	--	--	--	22,004
Total general government	\$ 443,472	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,743	\$ --	\$ --	\$ --	\$ --	\$ 452,215
Total disbursements	\$3,123,893	\$ 74,131	\$ 6,144	\$ 14,764	\$ 2,101	\$ 14,532	\$ --	\$ 4,882	\$ 5,982	\$ --	\$ 122,110	\$ 9,704	\$ --	\$ --	\$3,378,243
Excess (deficiency) of receipts over (under) disbursements	\$ (92,380)	\$ (62,131)	\$ (3,644)	\$ 3,901	\$ 1,538	\$ (1,106)	\$ --	\$ 942	\$ 15,516	\$ --	\$ (112,345)	\$ 3,826	\$ 249,687	\$ --	\$ 3,824
Other financing sources (uses):															
Operating transfers in	\$ 360,100	\$ 45,000	\$ 30,000	\$ --	\$ 2,560	\$ --	\$ 12,500	\$ --	\$ --	\$ 84,027	\$ 216,500	\$ --	\$ --	\$ --	\$ 750,687
Operating transfers (out)	(226,597)	--	--	--	--	--	--	(12,500)	(29,512)	--	--	--	(233,839)	(3,158)	(505,596)
Total other financing sources (uses)	\$ 133,503	\$ 45,000	\$ 30,000	\$ --	\$ 2,560	\$ --	\$ 12,500	\$ --	\$ (12,500)	\$ 54,515	\$ 216,500	\$ --	\$ (233,839)	\$ (3,158)	\$ 245,091
Net change in cash balances	\$ 41,153	\$ (17,131)	\$ 26,356	\$ 3,901	\$ 4,098	\$ (1,106)	\$ 12,500	\$ 942	\$ 3,016	\$ 54,515	\$ 104,155	\$ 3,826	\$ 15,848	\$ (3,158)	\$ 248,915
Cash and cash investments, beginning 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 and cash investments, end of year	\$ 685,585	\$ 36,221	\$ 50,668	\$ 18,697	\$ 5,931	\$ 3,702	\$ 13,500	\$ 6,075	\$ 19,953	\$ 55,927	\$ 264,275	\$ 9,352	\$ 481,226	\$ 10,291	\$1,661,403
Cash basis fund balances:															
Unreserved - General fund	\$ 685,585	\$ 36,221	\$ 50,668	\$ 18,697	\$ 5,931	\$ 3,702	\$ 13,500	\$ 6,075	\$ 19,953	\$ 55,927	\$ 264,275	\$ 9,352	\$ 481,226	\$ 10,291	\$1,661,403

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, 2005

	Special Revenue			Debt Service - Special Assessments	Capital Projects	Total
	Road Use Tax	Employee Benefits	Drug Task Force			
Receipts:						
Property tax	\$ --	\$ 98,688	\$ --	\$ --	\$ --	\$ 98,688
Other city tax	--	1,412	--	--	--	1,412
Use of money and property	--	--	226	--	32,935	33,161
Intergovernmental	524,728	--	59,384	--	784,263	1,368,375
Charges for service	--	--	--	--	7,661	7,661
Special assessments	--	--	--	14,876	16,545	31,421
Miscellaneous	--	--	--	--	215,536	215,536
Total receipts	\$ 524,728	\$ 100,100	\$ 59,610	\$ 14,876	\$ 1,056,940	\$ 1,756,254
Disbursements:						
Public works	\$ 383,782	\$ --	\$ --	\$ --	\$ --	\$ 383,782
Debt service	--	--	--	14,411	--	14,411
Capital projects	--	--	--	--	2,669,922	2,669,922
Total disbursements	\$ 383,782	\$ --	\$ --	\$ 14,411	\$ 2,669,922	\$ 3,068,115
Excess (deficiency) of receipts over (under) disbursements	\$ 140,946	\$ 100,100	\$ 59,610	\$ 465	\$(1,612,982)	\$(1,311,861)
Other financing sources (uses):						
Proceeds from sales of general obligation bonds	\$ --	\$ --	\$ --	\$ --	\$ 1,552,032	\$ 1,552,032
Operating transfers in	--	--	--	--	347,279	347,279
Operating transfers (out)	(64,500)	(100,100)	--	(465)	(113,440)	(278,505)
Total other financing sources (uses)	\$ (64,500)	\$ (100,100)	\$ --	\$ (465)	\$ 1,785,871	\$ 1,620,806
Net change in cash balances	\$ 76,446	\$ --	\$ 59,610	\$ --	\$ 172,889	\$ 308,945
Cash and cash investments, beginning of year	26,653	--	--	--	(252,301)	(225,648)
Cash and cash investments, end of year	\$ 103,099	\$ --	\$ 59,610	\$ --	\$ (79,412)	\$ 83,297
Cash basis fund balances:						
Reserved -						
Debt service fund	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved -						
Special revenue funds	103,099	--	59,610	--	--	162,709
Capital projects funds	--	--	--	--	(79,412)	(79,412)
Total cash basis fund balances	\$ 103,099	\$ --	\$ 59,610	\$ --	\$ (79,412)	\$ 83,297

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, 2005

	Street Capital Projects	Front Street Reconstruction	Cherry Street Reconstruction	TIF Projects	Community Center	Trail Projects	Penn Street Improvements	Entryway Development	Hwy. 965 Improvements	Economic Development Projects
Receipts:										
Use of money and property:										
Interest on cash investments	\$ --	\$ --	\$ --	\$ --	\$ 6,545	\$ --	\$ --	\$ --	\$ --	\$ --
Rent	--	--	--	--	--	--	--	--	--	--
Intergovernmental:										
Iowa Department of Economic Development	--	--	--	--	325,685	--	--	--	--	458,451
City of Coralville	127	--	--	--	--	--	--	--	--	--
Charges for service:										
Import fees	--	--	--	--	--	7,661	--	--	--	--
Special assessments	--	5,933	1,265	--	--	--	--	--	9,347	--
Miscellaneous:										
Donations/contributions	--	--	--	--	213,602	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	--
Total receipts	\$ 127	\$ 5,933	\$ 1,265	\$ --	\$ 545,832	\$ 7,661	\$ --	\$ --	\$ 9,347	\$ 458,451
Disbursements:										
Capital projects	<u>23,957</u>	--	--	--	<u>691,440</u>	<u>16,572</u>	<u>75,560</u>	<u>279</u>	--	<u>951,393</u>
Excess (deficiency) of receipts over (under) disbursements	\$ <u>(23,830)</u>	\$ <u>5,933</u>	\$ <u>1,265</u>	\$ <u>--</u>	\$ <u>(145,608)</u>	\$ <u>(8,911)</u>	\$ <u>(75,560)</u>	\$ <u>(279)</u>	\$ <u>9,347</u>	\$ <u>(492,942)</u>
Other financing sources (uses):										
Proceeds from sales of general obligation bonds	\$ --	\$ --	\$ --	\$ --	\$ 323,600	\$ 50,000	\$ --	\$ --	\$ --	\$ 631,200
Operating transfers in	151,957	--	11,338	--	--	--	81,882	--	32,983	--
Operating transfers (out)	<u>(29,180)</u>	<u>(15,141)</u>	--	--	<u>(69,119)</u>	--	--	--	--	--
Total other financing sources (uses)	\$ <u>122,777</u>	\$ <u>(15,141)</u>	\$ <u>11,338</u>	\$ <u>--</u>	\$ <u>254,481</u>	\$ <u>50,000</u>	\$ <u>81,882</u>	\$ <u>--</u>	\$ <u>32,983</u>	\$ <u>631,200</u>
Net change in cash balances	\$ 98,947	\$ (9,208)	\$ 12,603	\$ --	\$ 108,873	\$ 41,089	\$ 6,322	\$ (279)	\$ 42,330	\$ 138,258
Cash and cash investments, beginning of year	<u>3,436</u>	<u>9,208</u>	<u>(12,603)</u>	<u>(99,098)</u>	<u>(142,889)</u>	--	--	<u>17,627</u>	<u>(42,330)</u>	<u>(13,595)</u>
Cash and cash investments, end of year	\$ <u>102,383</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>(99,098)</u>	\$ <u>(34,016)</u>	\$ <u>41,089</u>	\$ <u>6,322</u>	\$ <u>17,348</u>	\$ <u>--</u>	\$ <u>124,663</u>
Cash basis fund balances:										
Unreserved - capital projects funds	\$ <u>102,383</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>(99,098)</u>	\$ <u>(34,016)</u>	\$ <u>41,089</u>	\$ <u>6,322</u>	\$ <u>17,348</u>	\$ <u>--</u>	\$ <u>124,663</u>

Schedule 3

<u>Liberty Centre</u>	<u>Land and Facilities</u>	<u>Total</u>
\$ --	\$ --	\$ 6,545
--	26,390	26,390
--	--	784,136
--	--	127
--	--	7,681
--	--	16,545
--	--	213,502
--	<u>1,934</u>	<u>1,934</u>
\$ --	\$ 28,324	\$ 1,056,940
<u>245,134</u>	<u>665,587</u>	<u>2,669,922</u>
<u>\$ (245,134)</u>	<u>\$ (637,263)</u>	<u>\$ (1,612,982)</u>
\$ --	\$ 547,232	\$ 1,552,032
--	69,119	347,279
--	--	(113,440)
<u>\$ --</u>	<u>\$ 616,351</u>	<u>\$ 1,785,871</u>
\$ (245,134)	\$ (20,912)	\$ 172,889
<u>(4,706)</u>	<u>32,649</u>	<u>(252,301)</u>
<u>\$ (249,840)</u>	<u>\$ 11,737</u>	<u>\$ (79,412)</u>
<u>\$ (249,840)</u>	<u>\$ 11,737</u>	<u>\$ (79,412)</u>

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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

Schedule 4

Year Ended June 30, 2005

	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 Projects	Total
Operating receipts:											
Charges for service	\$1,010,457	\$ --	\$ --	\$ 9,961	\$ --	\$1,020,418	\$ 989,808	\$ --	\$ 56,462	\$ --	\$1,046,270
Miscellaneous	69,416	--	--	--	--	69,416	--	--	--	--	--
Total operating receipts	\$1,079,873	\$ --	\$ --	\$ 9,961	\$ --	\$1,089,834	\$ 989,808	\$ --	\$ 56,462	\$ --	\$1,046,270
Operating disbursements:											
Business type activities	626,365	--	--	24,370	45,360	696,095	311,293	--	161,618	594,899	1,067,810
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 453,508	\$ --	\$ --	\$ (14,409)	\$ (45,360)	\$ 393,739	\$ 678,515	\$ --	\$ (105,156)	\$ (594,899)	\$ (21,540)
Non-operating receipts and (disbursements):											
Interest on cash investments	\$ 6,151	\$ --	\$ --	\$ --	\$ --	\$ 6,151	\$ 5,885	\$ --	\$ --	\$ --	\$ 5,885
Proceeds from sale of revenue anticipation notes	--	--	--	--	--	--	--	--	--	577,626	577,626
Debt service	--	(211,714)	--	--	--	(211,714)	--	(384,883)	--	--	(384,883)
Total non-operating receipts and (disbursements)	\$ 6,151	\$(211,714)	\$ --	\$ --	\$ --	\$(205,563)	\$ 5,885	\$(384,883)	\$ --	\$ 577,626	\$ 198,628
Excess (deficiency) of receipts over (under) disbursements	\$ 459,659	\$(211,714)	\$ --	\$ (14,409)	\$ (45,360)	\$ 188,176	\$ 684,400	\$(384,883)	\$(105,156)	\$(17,273)	\$ 177,088
Operating transfers:											
Operating transfers in	\$ --	\$ 212,000	\$ --	\$ 143,752	\$ --	\$ 355,752	\$ --	\$ 413,530	\$ 101,997	\$ --	\$ 515,527
Operating transfers (out)	(476,692)	--	--	--	--	(476,692)	(662,527)	--	(15,000)	--	(677,527)
Net operating transfers	\$(476,692)	\$ 212,000	\$ --	\$ 143,752	\$ --	\$(120,940)	\$(662,527)	\$ 413,530	\$ 86,997	\$ --	\$(162,000)
Net change in cash balances	\$ (17,033)	\$ 286	\$ --	\$ 129,343	\$ (45,360)	\$ 67,236	\$ 21,873	\$ 28,647	\$ (18,159)	\$ (17,273)	\$ 15,088
Cash and cash investments, beginning of year	127,057	35,833	222,913	58,470	(8,640)	435,633	81,149	118,898	189,548	(32,951)	336,644
Cash and cash investments, end of year	\$ 110,024	\$ 36,119	\$ 222,913	\$ 187,813	\$ (54,000)	\$ 502,869	\$ 103,022	\$ 147,545	\$ 151,389	\$ (50,224)	\$ 351,732
Cash basis fund balances:											
Reserved - debt service	\$ --	\$ 36,119	\$ 222,913	\$ --	\$ --	\$ 259,032	\$ --	\$ 147,545	\$ --	\$ --	\$ 147,545
Unreserved:											
Capital projects	--	--	--	--	(54,000)	(54,000)	--	--	--	(50,224)	(50,224)
Unreserved	110,024	--	--	187,813	--	297,837	103,022	--	151,389	--	254,411
	\$ 110,024	\$ 36,119	\$ 222,913	\$ 187,813	\$ (54,000)	\$ 502,869	\$ 103,022	\$ 147,545	\$ 151,389	\$ (50,224)	\$ 351,732

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, 2005

	<u>Enterprise Funds</u>		
	<u>Utility Deposits</u>	<u>Stormwater Management</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ --	\$ 92,038	\$ 92,038
Miscellaneous	<u>65,358</u>	<u>--</u>	<u>65,358</u>
Total operating receipts	\$ 65,358	\$ 92,038	\$ 157,396
Operating disbursements:			
Business type activities	<u>35,160</u>	<u>26,511</u>	<u>61,671</u>
Excess of operating receipts over operating disbursements	\$ <u>30,198</u>	\$ <u>65,527</u>	\$ <u>95,725</u>
Operating transfers:			
Operating transfers in	\$ --	\$ 3,158	\$ 3,158
Operating transfers (out)	<u>--</u>	<u>(64,060)</u>	<u>(64,060)</u>
Net operating transfers	\$ <u>--</u>	\$ <u>(60,902)</u>	\$ <u>(60,902)</u>
Net change in cash balances	\$ 30,198	\$ 4,625	\$ 34,823
Cash and cash investments, beginning of year	<u>145,855</u>	<u>3,196</u>	<u>149,051</u>
Cash and cash investments, end of year	<u>\$ 176,053</u>	<u>\$ 7,821</u>	<u>\$ 183,874</u>
Cash basis fund balances:			
Unreserved - unreserved	<u>\$ 176,053</u>	<u>\$ 7,821</u>	<u>\$ 183,874</u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

Schedule 6

Statement of Indebtedness

Year Ended June 30, 2005

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:									
Loan Agreement Anticipation	04-26-05	2.6%	\$ 1,500,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
General Obligation Bonds:									
General Obligation Community Center	04-01-96	4.0-5.0	600,000	\$ 420,000	\$ --	\$ 30,000	\$ 390,000	\$ 20,397	\$ --
General Obligation Sewer Improvement Corporate Purpose	01-06-98	3.92	1,000,000	777,000	--	43,000	734,000	29,616	--
Urban Renewal Corporate Purpose	06-01-00	5.25-5.5	3,065,000	2,015,000	--	295,000	1,720,000	108,905	--
Urban Renewal Corporate Purpose	05-01-01	3.3-4.35	1,600,000	1,195,000	--	150,000	1,045,000	48,950	--
Urban Renewal Corporate Purpose	08-15-02	2.25-3.6	2,700,000	2,450,000	--	125,000	2,325,000	77,660	--
Corporate Purpose	09-01-03	3.4-4.5	4,200,000	4,070,000	--	110,000	3,960,000	163,795	--
General Obligation Refunding Series 2003	09-01-03	1.0-1.8	905,000	605,000	--	300,000	305,000	9,690	--
Urban Renewal Corporate Purpose	08-15-04	2.1-3.6	1,560,000	--	1,560,000	145,000	1,415,000	35,780	--
Total				\$11,532,000	\$ 1,560,000	\$1,198,000	\$11,894,000	\$ 494,793	\$ --
Special Assessment Notes:									
Street Improvement	08-17-00	5.15	110,000	\$ 66,000	\$ --	\$ 11,000	\$ 55,000	\$ 3,411	\$ --
Revenue Notes:									
Sewer Revenue Refunding	04-01-89	4.45	222,504	\$ 55,000	\$ --	\$ 15,000	\$ 40,000	\$ 2,447	\$ --
Loan Agreement Anticipation	04-26-05	2.6	700,000	--	577,626	--	577,626	--	--
Total				\$ 55,000	\$ 577,626	\$ 15,000	\$ 617,626	\$ 2,447	\$ --
Revenue Bonds:									
Sewer Revenue Bond Series 1999A	03-23-98	3.92	323,957	\$ 269,000	\$ --	\$ 13,000	\$ 256,000	\$ 10,290	\$ --
Sewer Revenue Bond Series 1999B	03-23-98	3.92	4,248,043	3,048,000	--	153,000	2,895,000	116,483	--
Water Revenue Bond Series 2001	09-01-01	3.0-5.3	2,000,000	1,950,000	--	20,000	1,930,000	96,503	--
Water Revenue Refunding Series 2003	09-01-03	1.3-3.5	600,000	520,000	--	80,000	440,000	14,411	--
Total				\$ 5,787,000	\$ --	\$ 266,000	\$ 5,521,000	\$ 237,687	\$ --

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

Bond and Note Maturities
(Page 1 of 2)
Year Ended June 30, 2005

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
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	360,000	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		\$1,720,000		\$3,960,000		\$ 305,000

Notes and Bonds			
Community Center Issued April 1, 1996		Corporate Purpose Issued Aug. 15, 2002	
Interest Rates	Amount	Interest Rates	Amount
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	\$ 390,000		\$2,325,000

Year Ending June 30	General Obligation Notes and Bonds					
	Sewer Improvement Issued Jan. 6, 1998		Corporate Purpose Issued May 1, 2001		Corporate Purpose Issued Aug. 15, 2004	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2006	3.92%	\$ 44,000	3.85%	\$ 155,000	2.10%	\$ 140,000
2007	3.92	46,000	4.00	165,000	2.30	145,000
2008	3.92	48,000	4.10	170,000	2.55	145,000
2009	3.92	50,000	4.20	175,000	2.75	150,000
2010	3.92	52,000	4.30	185,000	3.00	155,000
2011	3.92	54,000	4.35	195,000	3.25	160,000
2012	3.92	56,000			3.35	165,000
2013	3.92	58,000			3.45	175,000
2014	3.92	60,000			3.60	180,000
2015	3.92	63,000				
2016	3.92	65,000				
2017	3.92	68,000				
2018	3.92	70,000				
2019						
2020						
2021						
2022						
2023						
Total		\$ 734,000		\$1,045,000		\$1,415,000

Year Ending June 30	Special Assessment Notes		
	Street Improvement Issued Aug. 17, 2000		
Interest Rates	Amount		
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		\$ 55,000	
Total		\$ 11,894,000	

CITY OF NORTH LIBERTY

Bond and Note Maturities
(Page 2 of 2)
Year Ended June 30, 2005

Schedule 7

Year Ending June 30,	Enterprise Fund						Revenue Notes and Bonds						
	<u>Sewer Revenue Refunding</u> Issued April 1, 1989		<u>Water Revenue Refunding</u> Issued Sept. 1, 2003		<u>Water Revenue Series 2001</u> Issued Sept. 1, 2001		<u>Sewer Revenue Series 1998A</u> Issued March 23, 1998		<u>Sewer Revenue Series 1998B</u> Issued March 23, 1998		<u>Loan Agreement Anticipation</u> Issued April 26, 2005		
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2006	4.45%	\$ 20,000	2.15%	\$ 80,000	3.80%	\$ 20,000	3.92%	\$ 14,000	3.92%	\$ 159,000	2.60%	\$ 577,626	\$ 870,626
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>\$ 40,000</u>		<u>\$440,000</u>		<u>\$1,930,000</u>		<u>\$ 256,000</u>		<u>\$2,895,000</u>		<u>\$577,626</u>	<u>\$6,138,626</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,			
	2005	2004	2003	2002
Receipts:				
Property tax	\$ 1,582,974	\$ 1,355,034	\$ 1,050,948	\$ 908,944
Tax increment financing	1,116,247	1,290,281	1,001,279	991,905
Other city tax	130,557	126,764	117,007	105,903
Licenses and permits	656,054	579,106	363,961	190,821
Use of money and property	129,302	108,371	91,744	89,371
Intergovernmental	1,551,835	1,290,726	690,750	1,153,918
Charges for service	995,289	872,863	482,897	481,950
Special assessments	31,421	67,770	38,107	197,675
Miscellaneous	364,586	407,370	240,577	193,885
Total	\$ 6,558,265	\$ 6,098,285	\$ 4,077,270	\$ 4,314,372
Disbursements:				
Public safety	\$ 752,220	\$ 902,800	\$ 962,346	\$ 501,835
Public works	636,329	593,601	545,818	520,998
Health and social services	21,000	21,000	21,000	24,867
Culture and recreation	1,650,909	990,473	872,066	816,995
Community and economic development	249,352	200,518	125,461	202,433
General government	452,215	447,623	436,888	369,773
Debt service	1,636,989	2,455,627	1,388,454	1,128,794
Capital projects	2,669,922	5,773,910	1,871,426	1,773,501
Total	\$ 8,068,936	\$11,385,552	\$ 6,223,459	\$ 5,339,196

See accompanying independent auditor's report.



Greenwood and Crim, P.C.
Certified Public Accountants

Linda Crim Hopkins, C.P.A.
Steven J. Kuhl, C.P.A.

**INDEPENDENT AUDITOR'S REPORT IN INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of North Liberty
North Liberty, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 28, 2005. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of North Liberty's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of North Liberty's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of North Liberty. Since our audit was based on tests and samples, not all transactions that might have 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.

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 to be and should not be used by anyone other than these specified parties.

Greenwood and Cring, P.C.

November 28, 2005

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2005

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:

05-II-A. Official Depositories - A resolution naming official depositories has been adopted and approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

05-II-B. Certified Budget - Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public safety, community and economic development, and general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa.

Response - The budget will be amended in sufficient amounts in the future.

Conclusion - Response accepted.

05-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.

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

05-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, 2005.

05-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.

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2005

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

- 05-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 September 28, 2004, which were not published until October 20, 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.

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

- 05-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 have been working on amending our investment policy for reference to Chapters 12B and 12C of the Code of Iowa but we did not complete this during the year ended 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. We expect to complete this during the year ending June 30, 2006.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2005

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

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

Comment - The City authorized the investment of \$5,000 in the Community Foundation of Johnson County (Foundation) to establish an endowment fund for the North Liberty Community Library, as described in Note 2. The investment is pooled in the Foundation's investment portfolio, which is considerably invested in mutual funds which do not appear to comply with the City's investment policy or by statute.

Recommendation - We recommend that the City work with the Foundation to determine if the investment can be invested in a security which complies with state statute and the City's investment policy.

Response - We will review investment options with the Foundation to determine if the City's investment can be invested in a security which is allowed by state statute and the City's investment policy. If necessary, we will also review the City's investment policy for any possible changes that could be made to allow investments that do not subject the City to any market value risk.

Conclusion - Response accepted.

05-II-J. Financial Condition - At June 30, 2005, the City had deficit balances in the following funds:

Capital Projects - Community Center	\$ 34,016
Capital Projects - TIF Projects	99,098
Capital Projects - Liberty Centre	249,840
Water Enterprise - Water Capital Project	54,000
Sewer Enterprise - Sewer Capital Projects	50,224

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 balance in the TIF Projects capital project fund arose because the City was required to reimburse \$99,332 to the State of Iowa during the year ended June 30, 2004 due to Rudi's Bakery not creating the required minimum number of new jobs under two RISE grants. The City is pursuing 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.

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2005

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

05-II-K: Payment of General Obligation Bonds - Chapter 384.4 of the Code of Iowa states in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund". We noted that \$43,000 of general obligation bond principal and \$29,616 of general obligation bond interest of the General Obligation Sewer Improvement bond was paid from the Sewer Enterprise Fund - Sewer Reserve Sinking account during the year.

Recommendation - The City should transfer from the Sewer Enterprise Fund - Sewer Operating account to the Debt Service Fund - General Obligation Debt account for future payments of general obligation bond principal and interest. Payments of the bond principal and interest should then be disbursed from the Debt Service Fund.

Response - We will make the correct transfers in the future, as recommended, and will disburse the bond principal and interest payments from the Debt Service Fund.

Conclusion - Response accepted.