

CITY OF NORTH LIBERTY, IOWA

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

JUNE 30, 2007

CITY OF NORTH LIBERTY

Table of Contents

		<u>Page</u>
Officials		i
Independent Auditor's Report		ii-iii
Management's Discussion and Analysis		iv-x
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets - Cash Basis	A	1-2
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	3
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	4
Notes to Financial Statements		5-14
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		15
Notes to Required Supplementary Information - Budgetary Reporting		16
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds - General Fund	1	17-19
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	2	20
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds - Capital Projects Funds	3	21
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds - Water and Sewer Enterprise	4	22
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	5	23
Schedule of Indebtedness	6	24
Bond and Note Maturities	7	25-26
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	8	27
Schedule of Expenditures of Federal Awards	9	28
Notes to the Schedule of Expenditures of Federal Awards	10	29

CITY OF NORTH LIBERTY

Table of Contents

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30-31
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	32-33
Schedule of Findings and Questioned Costs	34-39

CITY OF NORTH LIBERTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
David Franker (*)	Mayor (through March 27, 2007)	January 2010
Tom Salm (**)	Mayor (appointed April 24, 2007)	January 2008
Gerald Kuhl	Mayor Pro Tem	January 2010
Tom Salm (**)	Council Member	January 2008
Natalie Wilkerson (**)	Council Member	January 2008
James Moody	Council Member	January 2008
Matthew Bahl	Council Member	January 2008
James Wozniak	Council Member	January 2010

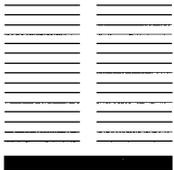
City Staff

Debra Hilton	Treasurer
Tracey Mulcahey (***)	City Clerk/Assistant City Administrator (Acting City Administrator after resignation of Brian James)
William Sueppel	City Attorney (through August 22,2006)
Scott Peterson	City Attorney (since August 22,2006)
Brian James (***)	City Administrator (through April 2, 2007)

(*) David Franker resigned as Mayor effective March 27, 2007.

(**) Tom Salm was appointed as Mayor to January 2008 on April 24, 2007.
Natalie Wilkerson was appointed to fill Tom Salm's Council Member position on May 8, 2007.

(***) Brian James resigned as City Administrator effective April 2, 2007. Tracey Mulcahey was appointed as Acting City Administrator after Brian James' resignation.



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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of 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 accounting 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, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2008 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 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 15-16) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenwood and Crum, P.C.

March 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of North Liberty provides this overview and analysis of its financial statements and activities for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow this Management's Discussion and Analysis.

FY2007 Financial Highlights

Revenues of the City's governmental activities increased approximately \$1,381,293, or 19.45%, from FY2006 to FY2007. Major revenue increases include:

	<u>Increase in FY2007 from FY2006</u>	
Property taxes	\$525,271	(27.57%)
Tax increment financing	\$1,110,146	(81.63%)
Garbage and recycling fees	\$27,704	(12.92%)
FEMA grants	\$71,690	(206.64%)
Inspection fees	\$50,874	(116.17%)

Disbursements of the City's governmental activities decreased approximately \$817,870, or 6.89%, from FY2006 to FY2007. Major disbursement increases by function include:

	<u>Increase in FY2007 from FY2006</u>	
Public safety	\$924,198	(104.80%)
Culture and recreation	\$765,378	(45.54%)
Community and economic development	\$194,754	(59.87%)
General government	\$197,684	(36.48%)

The City's total cash basis net assets decreased \$1,115,288, or approximately 29.70%, from June 30, 2006 to June 30, 2007. Of this amount, the net assets of the governmental activities increased by approximately \$73,008 and the net assets of the business type activities decreased by approximately \$1,188,296. This deficit is directly related to expenditures for capital projects during the year that were reimbursed by revenues and other financing sources in FY2008.

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 of 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 to 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, and the Schedule of Expenditures of Federal Awards provides details of various federal programs that benefit the City.

Basis of Accounting

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

Government-wide Financial Statement

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and bond sale proceeds finance a significant portion of most of these activities.
- Business Type Activities include the water, sanitary sewer and storm sewer utilities. These activities are financed primarily 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 3.5% from a year ago, from \$2,097,182 at June 30, 2006 to \$2,170,190 at June 30, 2007. The analysis that follows provides details on the changes in the City's cash balances.

Changes in Cash Basis Net Assets of Government Activities		
	FY2007	FY2006
Receipts and Transfers		
Program Receipts		
Charges for service	\$1,857,902	\$2,019,494
Operating grants, contributions & restricted interest	767,905	780,613
Capital grants, contributions & restricted interest	749,901	790,454
General Receipts		
Property tax & tax increment financing	4,950,710	3,314,280
Grants & contributions, not restricted	2,173	270
Unrestricted investment earnings	90,162	114,845
Sale of capital assets	68,000	--
Other general receipts	<u>63,262</u>	<u>80,766</u>
Total Operating Receipts	\$8,550,015	\$7,100,722
Bond and Note Proceeds	2,223,573	4,724,063
Transfers, net	<u>359,996</u>	<u>324,996</u>
Total Receipts and Transfers	<u>\$11,133,584</u>	<u>\$12,149,781</u>
Disbursements		
Public Safety	\$1,806,083	\$881,885
Public Works	967,256	1,025,863
Health & Social Services	36,500	34,500
Culture & Recreation	2,445,972	1,680,594
Community & Economic Development	520,060	325,306
General Government	739,627	541,943
Debt Service	2,074,465	2,877,794
Capital Projects	<u>2,470,613</u>	<u>4,510,561</u>

Total Disbursements	<u>\$11,060,576</u>	<u>\$11,878,446</u>
Increase in cash basis net assets	\$73,008	\$271,335
Cash basis net assets, beginning of year	<u>2,097,182</u>	<u>1,825,847</u>
Cash basis net assets, end of year	<u>\$2,170,190</u>	<u>\$2,097,182</u>

Because of the growth in taxable valuation in the City of North Liberty from \$180,748,571 in FY2006 to \$230,775,778 in FY2007, general property tax revenues increased by \$384,075 even though the City's general city tax levy remained at the maximum \$8.10 per \$1,000 of taxable valuation. The total city levy decreased to \$10.12023 in FY2007 from the levy of \$10.15516 in FY2006. The balance of the levy was made up of a \$1.29550 debt service levy, a \$0.57451 employee benefits levy and a \$0.15022 insurance levy.

Increases in the City's receipts from governmental activities in FY2007 were as noted on page iv. Overall, total receipts from governmental activities decreased by \$1,016,197, which was due in part to a decrease in bond and note proceeds of \$2,500,490.

The cost of all governmental activities this year was \$11,060,576 compared to \$11,878,446 last year. General City operating expenses increased and fewer capital projects were undertaken than in the previous year.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>		
	<u>FY2007</u>	<u>FY2006</u>
<u>Receipts</u>		
Charges for Service		
Water	\$1,326,928	\$1,268,659
Sanitary Sewer	1,214,229	1,221,053
Storm Water	118,046	105,092
Utility Deposits	101,450	73,045
General Receipts		
Unrestricted interest on investments		
Water	10,503	5,322
Sanitary Sewer	10,707	4,999
Bond and note proceeds	<u>1,844,146</u>	<u>1,245,918</u>
Total Receipts	<u>\$4,626,009</u>	<u>\$3,924,088</u>
<u>Disbursements and Transfers</u>		
Operating Disbursements		
Water	\$2,723,830	\$861,230
Sanitary Sewer	1,971,171	1,507,720
Storm Water	13,353	28,110
Utility Deposits	49,975	42,279
Debt Service		
Water	258,195	202,858
Sanitary Sewer	437,785	336,749

Net Operating Transfers		
Water	170,000	164,996
Sanitary Sewer	164,996	135,000
Storm Water	<u>25,000</u>	<u>25,000</u>
Total Disbursements and Transfers	<u>\$5,814,305</u>	<u>\$3,303,942</u>
Increase (decrease) in cash basis net assets	\$(1,188,296)	\$620,146
Cash basis net assets, beginning of year	<u>1,658,621</u>	<u>1,038,475</u>
Cash basis net assets, end of year	<u>\$470,325</u>	<u>\$1,658,621</u>

Total business type activities receipts for FY2007 were \$4,626,009, compared to \$3,924,088 last year. The \$701,921 increase was additional water, sanitary sewer and storm water operating revenues and bond and note proceeds.

The major disbursement increases include increased costs for utility services, other increased expenses due to increased usage and pumpage, and capital projects at the water and wastewater plants.

The decrease in the cash basis net assets of the City's business type activities was due to expenditures for water and wastewater capital projects. Bond sale and note proceeds in FY2007 and FY2006 were used to pay for the costs of the capital projects. Additional revenues and other financing sources in FY2008 were used to pay for these capital project costs.

Individual Major Governmental Fund Analysis

At the end of FY2007, the combined fund balance of the City of North Liberty's governmental funds was \$2,170,190, an increase of \$73,008 over the previous year balance of \$2,097,182. Highlights of the increases in the major funds of the governmental type activities follow.

General Fund. General Fund property taxes increased from \$1,469,630 in FY2006 to \$1,853,319 in FY2007. The increase resulted from an increase of approximately \$50,000,000 in taxable valuation. The General Fund levy remained at \$8.10 per \$1,000 of taxable valuation. Other General Fund revenue increases include recreation programming, utility franchise fees, FEMA grants, inspection fees and garbage and recycling. In FY2007, an additional officer was added to the police department, a compensation study was completed, a parks study and facilities study were completed, an additional building inspector was added, and a city planner was added.

Urban Renewal Tax Increment Fund. Incremental taxes in the urban renewal areas increased with the growth in the tax increment districts. The taxes collected increased by \$1,110,146.

Debt Service Fund. The Debt Service levy decreased from \$1.39955 per \$1,000 of taxable valuation in FY2006 to \$1.29550 in FY2007 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 FY2007 decreased by \$181,995 due to increased operating expenses and water plant capital projects. Water rates were amended to remedy the operating deficiency. The cash balance at the end of FY2007 was \$365,771, which includes a debt service reserve of \$445,515.

Sewer Enterprise. The Sewer Fund cash balance decreased by \$1,137,469 from the end of FY2006 to the end of FY2007. Total cash balance (deficit) of \$(293,236) includes a debt service reserve of \$568,170. The deficit balance was remedied early in FY2008 with the receipt of sewer revenue bonds issued for the wastewater treatment plant construction project.

Budgetary Highlights

The FY2007 budget was amended on May 22, 2007. Additional revenues from building permits, inspection fees, rental receipts, FEMA grants, garbage and recycling fees, and water and sewer utility billings were used to offset increased electricity costs, increased fuel costs, personnel increases, increased demands for services, purchase of playground equipment, purchase of police equipment, and water and sewer capital projects. Many City capital projects that were projected to be completed in FY2006 were not completed until FY2007. Over \$2,000,000 of funds were expended in FY2007 that were not reimbursed with bond and other debt proceeds until after July 1, 2007.

The City exceeded the amount budgeted in the community and economic development function by \$1,896, primarily due to additional planning and zoning costs.

Debt Administration

At June 30, 2007, the City had \$23,732,547 in bonds and long-term debt compared to \$21,472,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30, 2007	June 30, 2006
General Obligation Bonds and Notes	\$15,044,000	\$14,300,000
Special Assessment Notes	33,000	44,000
Revenue Notes	211,547	20,000
Revenue Bonds	<u>8,444,000</u>	<u>7,108,000</u>
Total	<u>\$23,732,547</u>	<u>\$21,472,000</u>

Debt increased as a result of issuing \$1,670,000 in water revenue bonds, \$570,000 in general obligation bonds, \$1,640,000 in general obligation anticipatory notes and \$211,547 in revenue notes.

The City of North Liberty carries a Moody's bond rating of A2 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 a city's corporate limits. The City's outstanding general obligation and special assessment debt of \$15,077,000 at June 30, 2007 is below its constitutional debt limit of \$27,377,601.

Economic Factors and Next Year's Budget and Rates

The total tax levy for the FY2008 budget for the City of North Liberty increased to \$10.96599, approximately \$0.85 more per \$1,000 from FY2007. The rollback for residential property changed from 45.9960% in FY2007 to 45.5596% in FY2008. The total property taxes expected to be received by the City in FY2008 will increase by approximately \$380,000 due to increased valuations. The City's cost of operations has increased dramatically due to the City's growth. The City Council approved the increase in the levy rate to provide increased services to residents, including additional police officers and costs associated with the additional officers, compensation increases for staff to bring their pay in line with the local market, and additional costs of operations including, but not limited to, utilities and insurance.

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)

Year Ended June 30, 2007

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,806,083	\$ 108,417	\$ 111,536	\$ 107,633
Public works	967,256	389,093	602,500	-
Health and social services	36,500	-	-	-
Culture and recreation	2,445,972	536,893	53,869	12,751
Community and economic development	520,060	5,625	-	2,000
General government	739,627	817,874	-	-
Debt service	2,074,465	-	-	-
Capital projects	2,470,613	-	-	627,517
Total governmental activities	\$ 11,060,576	\$ 1,857,902	\$ 767,905	\$ 749,901
Business type activities:				
Water	\$ 2,982,025	\$ 1,326,928	\$ -	\$ -
Sewer	2,408,956	1,214,229	-	-
Utility deposits	49,975	101,450	-	-
Stormwater management	13,353	118,046	-	-
Total business type activities	\$ 5,454,309	\$ 2,760,653	\$ -	\$ -
Total	\$ 16,514,885	\$ 4,618,555	\$ 767,905	\$ 749,901

General Receipts:
 Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Other purposes
 Grants and contributions
 not restricted to specific purposes
 Unrestricted interest on investments
 Bond and note proceeds
 Miscellaneous
 Sale of capital assets

Transfers

Total general receipts and transfers

Exhibit A

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,478,497)	\$ -	\$ (1,478,497)
24,337	-	24,337
(36,500)	-	(36,500)
(1,842,459)	-	(1,842,459)
(512,435)	-	(512,435)
78,247	-	78,247
(2,074,465)	-	(2,074,465)
(1,843,096)	-	(1,843,096)
<hr/>		
\$ (7,684,868)	\$ -	\$ (7,684,868)
<hr/>		
\$ -	\$ (1,655,097)	\$ (1,655,097)
-	(1,194,727)	(1,194,727)
-	51,475	51,475
-	104,693	104,693
<hr/>		
\$ -	\$ (2,693,656)	\$ (2,693,656)
<hr/>		
\$ (7,684,868)	\$ (2,693,656)	\$ (10,378,524)
<hr/>		
\$ 1,893,462	\$ -	\$ 1,893,462
2,470,154	-	2,470,154
418,181	-	418,181
168,913	-	168,913
2,173	-	2,173
90,162	21,210	111,372
2,223,573	1,844,146	4,067,719
63,262	-	63,262
68,000	-	68,000
359,996	(359,996)	-
<hr/>		
\$ 7,757,876	\$ 1,505,360	\$ 9,263,236
<hr/>		

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2007

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

 Restricted:

 Streets

 Urban renewal purposes

 Drug task force

 Debt service

 Unrestricted

 Total cash basis net assets

See accompanying notes to financial statements.

Exhibit A

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ 73,008	\$ (1,188,296)	\$ (1,115,288)
2,097,182	1,658,621	3,755,803
<u>\$ 2,170,190</u>	<u>\$ 470,325</u>	<u>\$ 2,640,515</u>
(Exhibit B)	(Exhibit C)	
\$ 227,643	\$ -	\$ 227,643
1,859,076	-	1,859,076
61,948	-	61,948
265,982	1,013,685	1,279,667
(244,459)	(543,360)	(787,819)
<u>\$ 2,170,190</u>	<u>\$ 470,325</u>	<u>\$ 2,640,515</u>

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2007

	General Fund	Special Revenue - Urban Renewal Tax Increment	Debt Service - General Obligation Debt
Receipts:			
Property tax	\$ 1,853,319	\$ -	\$ 411,728
Tax increment financing	-	2,470,154	-
Other city tax	151,652	-	6,453
Licenses and permits	617,217	-	-
Use of money and property	165,039	-	-
Intergovernmental	261,827	-	-
Charges for service	889,220	-	-
Special assessments	-	-	-
Miscellaneous	108,476	-	-
	<hr/>		
Total receipts	\$ 4,046,750	\$ 2,470,154	\$ 418,181
	<hr/>		
Disbursements:			
Public safety	\$ 1,806,083	\$ -	\$ -
Public works	459,295	-	-
Health and social services	36,500	-	-
Culture and recreation	2,445,972	-	-
Community and economic development	420,060	-	-
General government	739,627	-	-
Debt service	-	-	2,061,178
Capital projects	-	-	-
	<hr/>		
Total disbursements	\$ 5,907,537	\$ -	\$ 2,061,178
	<hr/>		
Excess (deficiency) of receipts over (under) disbursements	\$ (1,860,787)	\$ 2,470,154	\$ (1,642,997)
	<hr/>		
Other financing sources (uses):			
Proceeds from sales of general obligation bonds and notes	\$ 566,873	\$ -	\$ 1,640,000
Proceeds from sales of revenue bonds	-	-	16,700
Sale of capital assets	17,000	-	-
Operating transfers in	711,598	-	703,626
Operating transfers (out)	(119,689)	(624,361)	(6,274)
	<hr/>		
Total other financing sources (uses)	\$ 1,175,782	\$ (624,361)	\$ 2,354,052
	<hr/>		
Net change in cash balances	\$ (685,005)	\$ 1,845,793	\$ 711,055
	<hr/>		
Cash and cash investments, beginning of year	2,277,612	13,283	(445,073)
	<hr/>		
Cash and cash investments, end of year	\$ 1,592,607	\$ 1,859,076	\$ 265,982
	<hr/>		
Cash basis fund balances:			
Reserved -			
Debt service funds	\$ -	\$ -	\$ 265,982
Unreserved -			
Special revenue funds	-	1,859,076	-
Capital projects funds	-	-	-
General fund	1,592,607	-	-
	<hr/>		
Total cash basis fund balances	\$ 1,592,607	\$ 1,859,076	\$ 265,982
	<hr/>		

See accompanying notes to financial statements.

Exhibit B

Other Nonmajor Governmental Funds	Total
\$ 165,332	\$ 2,430,379
-	2,470,154
3,581	161,686
-	617,217
25,925	190,964
1,199,098	1,460,925
93,648	982,868
26,182	26,182
33,164	141,640

\$ 1,546,930 \$ 8,482,015

\$ -	\$ 1,806,083
507,961	967,256
-	36,500
-	2,445,972
100,000	520,060
-	739,627
13,287	2,074,465
2,470,613	2,470,613

\$ 3,091,861 \$ 11,060,576

\$ (1,544,931) \$ (2,578,561)

\$ -	\$ 2,206,873
-	16,700
51,000	68,000
226,274	1,641,498
(531,178)	(1,281,502)

\$ (253,904) \$ 2,651,569

\$ (1,798,835) \$ 73,008

251,360 2,097,182

\$ (1,547,475) \$ 2,170,190

(Exhibit A)

\$ - \$ 265,982

294,289	2,153,365
(1,841,764)	(1,841,764)
-	1,592,607

\$ (1,547,475) \$ 2,170,190

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

Year Ended June 30, 2007

	Water Enterprise	Sewer Enterprise	Other Nonmajor Enterprise Funds	Total
Operating receipts:				
Charges for service	\$ 1,293,332	\$ 1,214,229	\$ 118,046	\$ 2,625,607
Miscellaneous	33,596	-	101,450	135,046
Total operating receipts	\$ 1,326,928	\$ 1,214,229	\$ 219,496	\$ 2,760,653
Operating disbursements:				
Business type activities	2,723,830	1,971,171	63,328	4,758,329
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (1,396,902)	\$ (756,942)	\$ 156,168	\$ (1,997,676)
Non-operating receipts and (disbursements):				
Interest on cash investments	\$ 10,503	\$ 10,707	\$ -	\$ 21,210
Proceeds from sale of revenue bonds	1,632,599	-	-	1,632,599
Proceeds from State Revolving Fund note draws	-	211,547	-	211,547
Debt service	(258,195)	(437,785)	-	(695,980)
Total non-operating receipts and (disbursements)	\$ 1,384,907	\$ (215,531)	\$ -	\$ 1,169,376
Excess (deficiency) of receipts over (under) disbursements	\$ (11,995)	\$ (972,473)	\$ 156,168	\$ (828,300)
Operating transfers:				
Operating transfers in	\$ 359,788	\$ 561,604	\$ -	\$ 921,392
Operating transfers (out)	(529,788)	(726,600)	(25,000)	(1,281,388)
Net operating transfers	\$ (170,000)	\$ (164,996)	\$ (25,000)	\$ (359,996)
Net change in cash balances	\$ (181,995)	\$ (1,137,469)	\$ 131,168	\$ (1,188,296)
Cash and cash investments, beginning of year	547,766	844,233	266,622	1,658,621
Cash and cash investments, end of year	\$ 365,771	\$ (293,236)	\$ 397,790	\$ 470,325
				(Exhibit A)
Cash basis fund balances:				
Reserved - debt service	\$ 445,515	\$ 568,170	\$ -	\$ 1,013,685
Unreserved:				
Capital projects	(64,788)	(1,107,374)	-	(1,172,162)
Unreserved	(14,956)	245,968	397,790	628,802
Total cash basis fund balances	\$ 365,771	\$ (293,236)	\$ 397,790	\$ 470,325

See accompanying notes to financial statements.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

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

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

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

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

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

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.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs with a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the programs.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the community and economic development function.

NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks and credit unions at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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 and is covered by a pool of U.S. government bonds.

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

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, 2007. No adjustment for any change in the fair value of the City's investment has been made. The investment is subject to the overall increases and decreases 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 but the maturities shall be consistent with the needs and uses of the City.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

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,	General Obligation Notes and Bonds		Special Assessment Notes	
	Principal	Interest	Principal	Interest
2008	\$ 3,318,000	\$ 516,841	\$ 11,000	\$ 1,700
2009	1,805,000	453,256	11,000	1,133
2010	1,822,000	383,679	11,000	566
2011	1,499,000	311,324	-	-
2012	1,346,000	256,093	-	-
2013-2017	3,564,000	700,485	-	-
2018-2022	1,365,000	253,852	-	-
2023-2027	325,000	14,625	-	-
Total	\$ 15,044,000	\$ 2,890,155	\$ 33,000	\$ 3,399

Year Ending June 30,	Enterprise Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2008	\$ 427,000	\$ 360,746	\$ 3,756,000	\$ 879,287
2009	439,000	344,125	2,255,000	798,514
2010	467,000	326,731	2,300,000	710,976
2011	480,000	307,995	1,979,000	619,319
2012	503,000	287,755	1,849,000	543,848
2013-2017	2,847,000	1,095,701	6,411,000	1,796,186
2018-2022	2,401,000	464,734	3,766,000	718,586
2023-2027	880,000	90,228	1,205,000	104,853
Total	\$ 8,444,000	\$ 3,278,015	\$ 23,521,000	\$ 6,171,569

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$46,000 of general obligation bond principal and \$26,146 of general obligation bond interest was paid from the Sewer Enterprise Fund. Also, during the year, \$40,210 of water revenue bond interest was charged to the Debt Service Fund.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

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 \$354,634.

An amount must be set aside into the Sewer Reserve Fund equal to the lesser of (i) the maximum amount of principal and interest of the 2006 sewer revenue bonds coming due in any year, (ii) 125% of the average amount of principal and interest of the 2006 sewer revenue bonds coming due in any year, or (iii) 10% of the issue amount of the 2006 sewer revenue bonds. This amount must be maintained until the sewer revenue bonds have been fully redeemed. The amount required to be set aside is \$151,598.

- (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.

Most regular 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. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$136,679, \$115,399 and \$97,152, respectively, equal to the required contributions for each year.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

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, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 16,433
Vacation	108,500
Total	<u>\$ 124,933</u>

This liability has been computed based on rates of pay as of June 30, 2007.

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, 2007, based on rates of pay as of June 30, 2007, is \$345,818.

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.

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, 2006, the City will pay Johnson County at a rate of \$108,000 per year payable in monthly installments of \$9,000.
- (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.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

NOTE 8. CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$13,685,000. The unpaid contract balances at June 30, 2007 totaled approximately \$10,440,000, 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, 2007, because the project costs were incurred prior to availability of funds:

General Fund - Park Development	\$ 182,359
Capital Projects - Community Center	80,836
Capital Projects - Street Capital Projects	364,113
Capital Projects - Liberty Centre	270,298
Capital Projects - Trail Projects	21,927
Capital Projects - Land and Facilities	164,592
Capital Projects - Economic Development Projects	172,201
Capital Projects - Penn St. Improvements	1,388,790
Water Enterprise - Water Utilities - Capital Reserve	156,503
Water Enterprise - Water Capital Projects	64,788
Sewer Enterprise - Sewer Capital Projects	1,107,374

Deficit balances in these funds 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, impact fees, grants, proceeds from sales of bonds and future tax increment financing collections.

The deficit balance of \$3,272 in the General Fund - Liberty Centre Blues & BBQ Fund arose primarily because the program did not generate sufficient contributions from the general public. The program was established to promote the City and the Liberty Centre park area as a community focal point for recreation and business development purposes. The deficit balance will be covered with a transfer from the General Fund.

NOTE 11. SUBSEQUENT EVENTS

The City sold the following bonds for community development projects:

- \$5,271,000 SRF sewer revenue bonds for wastewater treatment plant improvements .
- \$3,515,000 general obligation urban renewal bonds for several capital projects.
- \$855,000 general obligation water improvement bonds for water system capital projects.

The City approved the purchase of approximately 30 acres of land for the public works facility at a cost of \$936,540.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

NOTE 11. SUBSEQUENT EVENTS (Continued)

The City was notified that it was awarded a \$50,000 Community Attraction and Tourism grant for the purpose of funding a portion of the improvements to the proposed community welcome and visitors' center. The City must obligate \$110,000 towards this project within 90 days of the date of the grant award in order to proceed with receiving the grant funds.

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise - Water Operating	\$ 150,000
	Sewer Enterprise - Sewer Operating	144,996
	Special Revenue - Employee Benefits	168,913
		<u>\$ 463,909</u>
General Fund - Equipment Revolving	Special Revenue - Road Use Tax	\$ 63,000
	Water Enterprise - Water Operating	20,000
	Sewer Enterprise - Sewer Operating	20,000
	Stormwater Management Enterprise	25,000
		<u>\$ 128,000</u>
Debt Service Fund - General Obligation Debt	Special Revenue - Urban Renewal Tax Increment	\$ 404,361
	Capital Projects - Liberty Centre	299,265
		<u>\$ 703,626</u>
Capital Projects - TIF Projects	Special Revenue - Urban Renewal Tax Increment	\$ 220,000
		<u>\$ 1,515,535</u>

The detail of intrafund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Recreation Equipment	General Fund	\$ 10,000
General Fund - Park Development	General Fund	\$ 5,000

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS (Continued)

General Fund - Fire Equipment Reserve	General Fund	<u>\$ 46,189</u>
General Fund - Equipment Revolving	General Fund	<u>\$ 58,500</u>
Debt Service - Special Assessments	Debt Service - General Obligation Debt	<u>\$ 6,274</u>
Water Enterprise - Water Utilities - Capital Reserve	Water Enterprise - Water Operating	<u>\$ 30,000</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	<u>\$ 329,788</u>
Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	<u>\$ 536,604</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	<u>\$ 25,000</u>
		<u><u>\$ 1,047,355</u></u>

Total transfers during the year ended June 30, 2007 were as follows:

Interfund transfers	\$ 1,515,535
Intrafund transfers	<u>1,047,355</u>
	<u><u>\$ 2,562,890</u></u>

Reconciliation to the financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds (Exhibit B)	\$ 1,641,498	\$ 1,281,502
Proprietary funds (Exhibit C)	<u>921,392</u>	<u>1,281,388</u>
	<u><u>\$ 2,562,890</u></u>	<u><u>\$ 2,562,890</u></u>

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

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2007

NOTE 13. LITIGATION

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 2,430,379	\$ -	\$ 2,430,379
Tax increment financing	2,470,154	-	2,470,154
Other city tax	161,686	-	161,686
Licenses and permits	617,217	-	617,217
Use of money and property	190,964	21,210	212,174
Intergovernmental	1,460,925	-	1,460,925
Charges for service	982,868	2,625,607	3,608,475
Special assessments	26,182	-	26,182
Miscellaneous	141,640	135,046	276,686
	<hr/>	<hr/>	<hr/>
Total receipts	\$ 8,482,015	\$ 2,781,863	\$ 11,263,878
	<hr/>	<hr/>	<hr/>
Disbursements:			
Public safety	\$ 1,806,083	\$ -	\$ 1,806,083
Public works	967,256	-	967,256
Health and social services	36,500	-	36,500
Culture and recreation	2,445,972	-	2,445,972
Community and economic development	520,060	-	520,060
General government	739,627	-	739,627
Debt service	2,074,465	-	2,074,465
Capital projects	2,470,613	-	2,470,613
Business type activities	-	5,454,309	5,454,309
	<hr/>	<hr/>	<hr/>
Total disbursements	\$ 11,060,576	\$ 5,454,309	\$ 16,514,885
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	\$ (2,578,561)	\$ (2,672,446)	\$ (5,251,007)
Other financing sources (uses), net	2,651,569	1,484,150	4,135,719
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 73,008	\$ (1,188,296)	\$ (1,115,288)
Balances, beginning of year	2,097,182	1,658,621	3,755,803
	<hr/>	<hr/>	<hr/>
Balances, end of year	\$ 2,170,190	\$ 470,325	\$ 2,640,515
	<hr/>	<hr/>	<hr/>

There were no funds of the City not required to be budgeted during the year ended June 30, 2007.

See accompanying independent auditor's report and
accompanying Notes to Required Supplementary Information.

Budgeted Amounts

<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
\$ 2,491,796	\$ 2,491,796	\$ (61,417)
2,249,935	2,249,935	220,219
-	-	161,686
594,955	709,955	(92,738)
101,900	163,900	48,274
1,422,113	1,855,117	(394,192)
2,967,221	3,482,571	125,904
-	23,183	2,999
100,000	439,721	(163,035)
<u>\$ 9,927,920</u>	<u>\$ 11,416,178</u>	<u>\$ (152,300)</u>
\$ 981,810	\$ 1,827,161	\$ 21,078
658,118	1,036,478	69,222
37,500	37,500	1,000
2,150,279	2,558,903	112,931
521,281	518,164	(1,896)
592,349	822,043	82,416
2,361,809	2,361,809	287,344
5,485,800	3,196,000	725,387
4,136,501	5,527,335	73,026
<u>\$ 16,925,447</u>	<u>\$ 17,885,393</u>	<u>\$ 1,370,508</u>
\$ (6,997,527)	\$ (6,469,215)	\$ 1,218,208
<u>7,316,765</u>	<u>3,871,982</u>	<u>263,737</u>
\$ 319,238	\$ (2,597,233)	\$ 1,481,945
<u>2,694,732</u>	<u>3,755,803</u>	<u>-</u>
<u>\$ 3,013,970</u>	<u>\$ 1,158,570</u>	<u>\$ 1,481,945</u>

CITY OF NORTH LIBERTY

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2007

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 fund.

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements 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 \$959,946. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements in the community and economic development function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 1 of 3)
Year Ended June 30, 2007

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ
Receipts:						
Property tax	\$ 1,853,319	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax:						
Mobile home tax	\$ 22,296	\$ -	\$ -	\$ -	\$ -	\$ -
Utility tax replacement excise tax	17,847	-	-	-	-	-
Utility franchise fees	111,509	-	-	-	-	-
	<u>\$ 151,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Licenses and permits:						
Beer and liquor	\$ 6,901	\$ -	\$ -	\$ -	\$ -	\$ -
Cigarette	900	-	-	-	-	-
Business/building trades	6,440	-	-	-	-	-
Pet and other	519	-	-	-	-	-
Building	602,457	-	-	-	-	-
	<u>\$ 617,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Use of money and property:						
Interest on cash investments	\$ 88,219	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	76,802	-	-	-	-	-
	<u>\$ 165,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Intergovernmental:						
FEMA grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Police grants	759	-	-	-	-	-
Township fire protection	106,658	-	-	-	-	-
County library contribution	29,617	-	-	-	-	-
Library grants and open access	16,454	-	-	-	-	-
	<u>\$ 153,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charges for service:						
Inspection fees	\$ 94,665	\$ -	\$ -	\$ -	\$ -	\$ -
Library fees	9,067	-	-	-	-	-
Police service fees	810	-	-	-	-	-
Zoning and subdivision	29,200	-	-	-	-	-
Garbage and recycling fees	242,190	-	-	-	-	-
Recreation charges	469,102	-	-	-	-	-
Cemetery plot location fees	90	-	-	-	-	-
Animal control	1,087	-	-	-	-	-
Maps and photocopy fees	4,081	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Transit	581	-	-	-	-	-
	<u>\$ 850,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Miscellaneous:						
Refunds and reimbursements	\$ 996	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	10,782	-	-	-	-	-
Donations/contributions	2,643	8,263	2,120	1,398	2,000	5,172
Miscellaneous	373	-	-	12,632	-	-
Penalties	42,976	-	-	-	-	-
	<u>\$ 57,770</u>	<u>\$ 8,263</u>	<u>\$ 2,120</u>	<u>\$ 14,030</u>	<u>\$ 2,000</u>	<u>\$ 5,172</u>
Total receipts	\$ 3,849,340	\$ 8,263	\$ 2,120	\$ 14,030	\$ 2,000	\$ 5,172

Tree Program	Library			Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Impact Fees		Total	
	Library Building/Endowment	TAG Group	Library Reserve				Transportation	Storm Water		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,853,319	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	22,296	
-	-	-	-	-	-	-	-	-	17,847	
-	-	-	-	-	-	-	-	-	111,509	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,652	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,901	
-	-	-	-	-	-	-	-	-	900	
-	-	-	-	-	-	-	-	-	6,440	
-	-	-	-	-	-	-	-	-	519	
-	-	-	-	-	-	-	-	-	602,457	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 617,217	
\$ -	\$ -	\$ -	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ -	88,237	
-	-	-	-	-	-	-	-	-	76,802	
\$ -	\$ -	\$ -	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,039	
\$ -	\$ -	\$ -	\$ -	\$ 106,383	\$ -	\$ -	\$ -	\$ -	106,383	
-	-	-	-	-	-	1,956	-	-	2,715	
-	-	-	-	-	-	-	-	-	106,658	
-	-	-	-	-	-	-	-	-	29,617	
-	-	-	-	-	-	-	-	-	16,454	
\$ -	\$ -	\$ -	\$ -	\$ 106,383	\$ -	\$ 1,956	\$ -	\$ -	\$ 261,827	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	94,665	
-	-	-	-	-	-	-	-	-	9,067	
-	-	-	-	-	-	-	11,855	-	12,665	
-	-	-	-	-	-	-	-	-	29,200	
-	-	-	-	-	-	-	-	-	242,190	
-	-	-	-	-	-	-	-	-	469,102	
-	-	-	-	-	-	-	-	-	90	
-	-	-	-	-	-	-	-	-	1,087	
-	-	-	-	-	-	-	-	-	4,081	
-	-	-	-	-	-	-	17,545	8,947	26,492	
-	-	-	-	-	-	-	-	-	581	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,855	\$ 17,545	\$ 8,947	\$ 889,220
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,135	\$ -	\$ -	\$ -	\$ 9,131	
-	-	-	-	-	-	-	-	-	10,782	
-	-	758	2,368	250	-	1,000	-	-	25,972	
5,625	-	985	-	-	-	-	-	-	19,615	
-	-	-	-	-	-	-	-	-	42,976	
\$ 5,625	\$ -	\$ 1,743	\$ 2,368	\$ 250	\$ 8,135	\$ 1,000	\$ -	\$ -	\$ 108,476	
\$ 5,625	\$ -	\$ 1,761	\$ 2,368	\$ 106,633	\$ 8,135	\$ 14,811	\$ 17,545	\$ 8,947	\$ 4,046,750	

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 2 of 3)
Year Ended June 30, 2006

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ
Disbursements:						
Public Safety:						
Police	\$ 541,809	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency management	13,973	-	-	-	-	-
Fire	193,725	-	-	-	-	-
Building inspections/safety	272,100	-	-	-	-	-
Animal control	732	-	-	-	-	-
Total public safety	\$ 1,022,339	\$ -	\$ -	\$ -	\$ -	\$ -
Public Works:						
Roads, bridges and sidewalks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Traffic control and safety	16,929	-	-	-	-	-
Sanitation	238,376	-	-	-	-	-
Transit	51,246	-	-	-	-	-
Total public works	\$ 306,551	\$ -	\$ -	\$ -	\$ -	\$ -
Health and social services:						
Social services	\$ 36,500	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation:						
Library	\$ 364,000	\$ -	\$ -	\$ -	\$ -	\$ -
Parks	335,520	-	417,709	-	-	8,444
Recreation center	676,590	28,116	-	12,599	-	-
Aquatic center	479,572	-	-	-	-	-
Cemetery	5,556	-	-	-	-	-
Total culture and recreation	\$ 1,861,238	\$ 28,116	\$ 417,709	\$ 12,599	\$ -	\$ 8,444
Community and economic development:						
Community beautification	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	15,000	-	-	-	-	-
Planning and zoning	258,437	-	-	-	-	-
Telecommunications	136,025	-	-	-	6,317	-
Total community and economic development	\$ 409,462	\$ -	\$ -	\$ -	\$ 6,317	\$ -

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 3 of 3)
Year Ended June 30, 2007

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ
Disbursements: (continued)						
General government:						
Mayor and council	\$ 19,281	\$ -	\$ -	\$ -	\$ -	\$ -
City administration	552,998	-	-	-	-	-
Legal services	146,995	-	-	-	-	-
Other general government	20,353	-	-	-	-	-
Total general government	\$ 739,627	\$ -	\$ -	\$ -	\$ -	\$ -
Total disbursements	\$ 4,375,717	\$ 28,116	\$ 417,709	\$ 12,599	\$ 6,317	\$ 8,444
Excess (deficiency) of receipts over (under) disbursements	\$ (526,377)	\$ (19,853)	\$ (415,589)	\$ 1,431	\$ (4,317)	\$ (3,272)
Other financing sources (uses):						
Proceeds from sales of general obligation bonds and notes	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	-	-	-
Operating transfers in	463,909	10,000	5,000	-	-	-
Operating transfers (out)	(119,689)	-	-	-	-	-
Total other financing sources (uses)	\$ 344,220	\$ 10,000	\$ 45,000	\$ -	\$ -	\$ -
Net change in cash balances	\$ (182,157)	\$ (9,853)	\$ (370,589)	\$ 1,431	\$ (4,317)	\$ (3,272)
Cash and cash investments, beginning of year	687,395	113,566	188,230	26,114	6,045	-
Cash and cash investments, end of year	\$ 505,238	\$ 103,713	\$ (182,359)	\$ 27,545	\$ 1,728	\$ (3,272)
Cash basis fund balances: Unreserved - General fund	\$ 505,238	\$ 103,713	\$ (182,359)	\$ 27,545	\$ 1,728	\$ (3,272)

See accompanying independent auditor's report.

Tree Program	Library				Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Impact Fees		Total
	Library Building/Endowment	TAG Group	Library Reserve					Transportation	Storm Water	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,281
-	-	-	-	-	-	-	-	-	-	552,998
-	-	-	-	-	-	-	-	-	-	146,995
-	-	-	-	-	-	-	-	-	-	20,353
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739,627
\$ 4,281	\$ -	\$ 1,945	\$ 113	\$ 712,163	\$ 330,321	\$ 9,812	\$ -	\$ -	\$ -	\$ 5,907,537
\$ 1,344	\$ -	\$ (184)	\$ 2,255	\$ (605,530)	\$ (322,186)	\$ 4,999	\$ 17,545	\$ 8,947	\$ -	\$ (1,860,787)
\$ -	\$ -	\$ -	\$ -	\$ 526,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 566,873
-	-	-	-	17,000	-	-	-	-	-	17,000
-	-	-	-	46,189	186,500	-	-	-	-	711,598
-	-	-	-	-	-	-	-	-	-	(119,689)
\$ -	\$ -	\$ -	\$ -	\$ 590,062	\$ 186,500	\$ -	\$ -	\$ -	\$ -	\$ 1,175,782
\$ 1,344	\$ -	\$ (184)	\$ 2,255	\$ (15,468)	\$ (135,686)	\$ 4,999	\$ 17,545	\$ 8,947	\$ -	\$ (685,005)
12,157	13,500	7,080	15,575	162,271	277,192	8,518	749,678	10,291		2,277,612
\$ 13,501	\$ 13,500	\$ 6,896	\$ 17,830	\$ 146,803	\$ 141,506	\$ 13,517	\$ 767,223	\$ 19,238	\$ -	\$ 1,592,607
\$ 13,501	\$ 13,500	\$ 6,896	\$ 17,830	\$ 146,803	\$ 141,506	\$ 13,517	\$ 767,223	\$ 19,238	\$ -	\$ 1,592,607

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2007

	Special Revenue		
	Road Use Tax	Employee Benefits	Drug Task Force
Receipts:			
Property tax	\$ -	\$ 165,332	\$ -
Other city tax	-	3,581	-
Use of money and property	-	-	1,102
Intergovernmental	602,500	-	2,163
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total receipts	\$ 602,500	\$ 168,913	\$ 3,265
Disbursements:			
Public works	\$ 507,961	\$ -	\$ -
Community and economic development	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	\$ 507,961	\$ -	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ 94,539	\$ 168,913	\$ 3,265
Other financing sources (uses):			
Sale of capital assets	\$ -	\$ -	\$ -
Operating transfers in	-	-	-
Operating transfers (out)	(63,000)	(168,913)	-
Total other financing sources (uses)	\$ (63,000)	\$ (168,913)	\$ -
Net change in cash balances	\$ 31,539	\$ -	\$ 3,265
Cash and cash investments, beginning of year	196,104	4,698	58,683
Cash and cash investments, end of year	\$ 227,643	\$ 4,698	\$ 61,948
Cash basis fund balances:			
Reserved -			
Debt service fund	\$ -	\$ -	\$ -
Unreserved -			
Special revenue funds	227,643	4,698	61,948
Capital projects funds	-	-	-
Total cash basis fund balances	\$ 227,643	\$ 4,698	\$ 61,948

See accompanying independent auditor's report.

Schedule 2

Debt Service - Special Assessments	Capital Projects	Total
\$ -	\$ -	\$ 165,332
-	-	3,581
-	24,823	25,925
-	594,435	1,199,098
-	93,648	93,648
7,013	19,169	26,182
-	33,164	33,164
<u>\$ 7,013</u>	<u>\$ 765,239</u>	<u>\$ 1,546,930</u>
\$ -	\$ -	\$ 507,961
-	100,000	100,000
13,287	-	13,287
-	2,470,613	2,470,613
<u>\$ 13,287</u>	<u>\$ 2,570,613</u>	<u>\$ 3,091,861</u>
<u>\$ (6,274)</u>	<u>\$ (1,805,374)</u>	<u>\$ (1,544,931)</u>
\$ -	\$ 51,000	\$ 51,000
6,274	220,000	226,274
-	(299,265)	(531,178)
<u>\$ 6,274</u>	<u>\$ (28,265)</u>	<u>\$ (253,904)</u>
\$ -	\$ (1,833,639)	\$ (1,798,835)
-	(8,125)	251,360
<u>\$ -</u>	<u>\$ (1,841,764)</u>	<u>\$ (1,547,475)</u>
\$ -	\$ -	\$ -
-	-	294,289
-	(1,841,764)	(1,841,764)
<u>\$ -</u>	<u>\$ (1,841,764)</u>	<u>\$ (1,547,475)</u>

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2007

	Street Capital Projects	Front Street Reconstruction	Cherry Street Reconstruction	TIF Projects	Community Center
Receipts:					
Use of money and property:					
Interest on cash investments	\$ -	\$ -	\$ -	\$ -	\$ 823
Rent	-	-	-	-	-
Intergovernmental:					
Iowa Department of Economic Development	-	-	-	-	-
Iowa Department of Transportation	-	-	-	-	-
Charges for service:					
Impact fees	-	-	-	-	-
Special assessments	-	5,566	1,183	-	-
Miscellaneous:					
Donations/contributions	-	-	-	-	33,082
Miscellaneous	-	-	-	-	-
Total receipts	\$ -	\$ 5,566	\$ 1,183	\$ -	\$ 33,905
Disbursements:					
Community and economic development:					
Economic development	\$ -	\$ -	\$ -	\$ 100,000	\$ -
Capital projects	618,967	-	-	-	19,343
Total disbursements	\$ 618,967	\$ -	\$ -	\$ 100,000	\$ 19,343
Excess (deficiency) of receipts over (under) disbursements	\$ (618,967)	\$ 5,566	\$ 1,183	\$ (100,000)	\$ 14,562
Other financing sources (uses):					
Sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	220,000	-
Operating transfers (out)	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ 220,000	\$ -
Net change in cash balances	\$ (618,967)	\$ 5,566	\$ 1,183	\$ 120,000	\$ 14,562
Cash and cash investments, beginning of year	254,854	8,630	1,224	(119,042)	(95,398)
Cash and cash investments, end of year	\$ (364,113)	\$ 14,196	\$ 2,407	\$ 958	\$ (80,836)
Cash basis fund balances:					
Unreserved - capital projects funds	\$ (364,113)	\$ 14,196	\$ 2,407	\$ 958	\$ (80,836)

See accompanying independent auditor's report.

Trail Projects	Penn Street Improvements	Entryway Development	Hwy. 965 Improvements	Economic Development Projects	Liberty Centre	Land and Facilities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 823
-	-	-	-	-	-	24,000	24,000
-	-	-	-	-	368,506	-	368,506
165,608	-	-	-	60,321	-	-	225,929
22,500	71,148	-	-	-	-	-	93,648
-	-	-	12,420	-	-	-	19,169
-	-	-	-	-	-	-	33,082
-	-	-	-	-	-	82	82
<u>\$188,108</u>	<u>\$ 71,148</u>	<u>\$ -</u>	<u>\$ 12,420</u>	<u>\$ 60,321</u>	<u>\$ 368,506</u>	<u>\$ 24,082</u>	<u>\$ 765,239</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
119,778	1,337,059	6,519	-	21,135	279,376	68,436	2,470,613
<u>\$119,778</u>	<u>\$ 1,337,059</u>	<u>\$ 6,519</u>	<u>\$ -</u>	<u>\$ 21,135</u>	<u>\$ 279,376</u>	<u>\$ 68,436</u>	<u>\$ 2,570,613</u>
<u>\$ 68,330</u>	<u>\$ (1,265,911)</u>	<u>\$ (6,519)</u>	<u>\$ 12,420</u>	<u>\$ 39,186</u>	<u>\$ 89,130</u>	<u>\$ (44,354)</u>	<u>\$ (1,805,374)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,000	\$ 51,000
-	-	-	-	-	-	-	220,000
-	-	-	-	-	(299,265)	-	(299,265)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (299,265)</u>	<u>\$ 51,000</u>	<u>\$ (28,265)</u>
<u>\$ 68,330</u>	<u>\$ (1,265,911)</u>	<u>\$ (6,519)</u>	<u>\$ 12,420</u>	<u>\$ 39,186</u>	<u>\$ (210,135)</u>	<u>\$ 6,646</u>	<u>\$ (1,833,639)</u>
<u>(90,257)</u>	<u>(122,879)</u>	<u>17,348</u>	<u>580,183</u>	<u>(211,387)</u>	<u>(60,163)</u>	<u>(171,238)</u>	<u>(8,125)</u>
<u>\$ (21,927)</u>	<u>\$ (1,388,790)</u>	<u>\$ 10,829</u>	<u>\$ 592,603</u>	<u>\$ (172,201)</u>	<u>\$ (270,298)</u>	<u>\$ (164,592)</u>	<u>\$ (1,841,764)</u>
<u>\$ (21,927)</u>	<u>\$ (1,388,790)</u>	<u>\$ 10,829</u>	<u>\$ 592,603</u>	<u>\$ (172,201)</u>	<u>\$ (270,298)</u>	<u>\$ (164,592)</u>	<u>\$ (1,841,764)</u>

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2007

	Water Enterprise				
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Projects
Operating receipts:					
Charges for service	\$ 1,276,917	\$ -	\$ -	\$ 16,415	\$ -
Miscellaneous	33,596	-	-	-	-
Total operating receipts	\$ 1,310,513	\$ -	\$ -	\$ 16,415	\$ -
Operating disbursements:					
Business type activities	788,515	-	-	351,052	1,584,263
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 521,998	\$ -	\$ -	\$ (334,637)	\$ (1,584,263)
Non-operating receipts and (disbursements):					
Interest on cash investments	\$ 10,503	\$ -	\$ -	\$ -	\$ -
Proceeds from sale of revenue bonds	-	-	-	-	1,632,599
Proceeds from State Revolving Fund note draws	-	-	-	-	-
Debt service	-	(258,195)	-	-	-
Total non-operating receipts and (disbursements)	\$ 10,503	\$ (258,195)	\$ -	\$ -	\$ 1,632,599
Excess (deficiency) of receipts over (under) disbursements	\$ 532,501	\$ (258,195)	\$ -	\$ (334,637)	\$ 48,336
Operating transfers:					
Operating transfers in	\$ -	\$ 329,788	\$ -	\$ 30,000	\$ -
Operating transfers (out)	(529,788)	-	-	-	-
Net operating transfers	\$ (529,788)	\$ 329,788	\$ -	\$ 30,000	\$ -
Net change in cash balances	\$ 2,713	\$ 71,593	\$ -	\$ (304,637)	\$ 48,336
Cash and cash investments, beginning of year	138,834	151,009	222,913	148,134	(113,124)
Cash and cash investments, end of year	\$ 141,547	\$ 222,602	\$ 222,913	\$ (156,503)	\$ (64,788)
Cash basis fund balances:					
Reserved - debt service	\$ -	\$ 222,602	\$ 222,913	\$ -	\$ -
Unreserved:					
Capital projects	-	-	-	-	(64,788)
Unreserved	141,547	-	-	(156,503)	-
Cash basis fund balances	\$ 141,547	\$ 222,602	\$ 222,913	\$ (156,503)	\$ (64,788)

See accompanying independent auditor's report.

Sewer Enterprise

Total	Sewer Operating	Sewer Reserve	Sewer Revenue Sinking	Sewer Rental - Capital Reserve	Sewer Capital Projects	Total
\$ 1,293,332	\$ 1,186,538	\$ -	\$ -	\$ 27,691	\$ -	\$ 1,214,229
33,596	-	-	-	-	-	-
\$ 1,326,928	\$ 1,186,538	\$ -	\$ -	\$ 27,691	\$ -	\$ 1,214,229
2,723,830	631,804	-	-	38,010	1,301,357	1,971,171
\$ (1,396,902)	\$ 554,734	\$ -	\$ -	\$ (10,319)	\$ (1,301,357)	\$ (756,942)
\$ 10,503	\$ 10,707	\$ -	\$ -	\$ -	\$ -	\$ 10,707
1,632,599	-	-	-	-	-	-
-	-	-	-	-	211,547	211,547
(258,195)	-	-	(437,785)	-	-	(437,785)
\$ 1,384,907	\$ 10,707	\$ -	\$ (437,785)	\$ -	\$ 211,547	\$ (215,531)
\$ (11,995)	\$ 565,441	\$ -	\$ (437,785)	\$ (10,319)	\$ (1,089,810)	\$ (972,473)
\$ 359,788	\$ -	\$ -	\$ 536,604	\$ 25,000	\$ -	\$ 561,604
(529,788)	(726,600)	-	-	-	-	(726,600)
\$ (170,000)	\$ (726,600)	\$ -	\$ 536,604	\$ 25,000	\$ -	\$ (164,996)
\$ (181,995)	\$ (161,159)	\$ -	\$ 98,819	\$ 14,681	\$ (1,089,810)	\$ (1,137,469)
547,766	257,810	151,598	317,753	134,636	(17,564)	844,233
\$ 365,771	\$ 96,651	\$ 151,598	\$ 416,572	\$ 149,317	\$ (1,107,374)	\$ (293,236)
\$ 445,515	\$ -	\$ 151,598	\$ 416,572	\$ -	\$ -	\$ 568,170
(64,788)	-	-	-	-	(1,107,374)	(1,107,374)
(14,956)	96,651	-	-	149,317	-	245,968
\$ 365,771	\$ 96,651	\$ 151,598	\$ 416,572	\$ 149,317	\$ (1,107,374)	\$ (293,236)

CITY OF NORTH LIBERTY

Schedule 5

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

Year Ended June 30, 2007

	Enterprise Funds		
	Utility Deposits	Stormwater Management	Total
Operating receipts:			
Charges for service	\$ -	\$ 118,046	\$ 118,046
Miscellaneous	101,450	-	101,450
Total operating receipts	\$ 101,450	\$ 118,046	\$ 219,496
Operating disbursements:			
Business type activities	49,975	13,353	63,328
Excess of operating receipts over operating disbursements	\$ 51,475	\$ 104,693	\$ 156,168
Operating transfers:			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers (out)	-	(25,000)	(25,000)
Net operating transfers	\$ -	\$ (25,000)	\$ (25,000)
Net change in cash balances	\$ 51,475	\$ 79,693	\$ 131,168
Cash and cash investments, beginning of year	206,819	59,803	266,622
Cash and cash investments, end of year	\$ 258,294	\$ 139,496	\$ 397,790
Cash basis fund balances:			
Unreserved - unreserved	\$ 258,294	\$ 139,496	\$ 397,790

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

Statement of Indebtedness

Year Ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Used
General Obligation Notes:			
Equipment Acquisition Note	5/19/06	3.45 %	\$ 225,000
Urban Renewal Corporate Purpose Anticipation Note	6/29/07	5.50	1,640,000
General Obligation Bonds:			
General Obligation Community Center	4/1/96	4.00-5.00	600,000
General Obligation Sewer Improvement	1/1/98	3.92	1,000,000
Corporate Purpose	6/1/00	5.25-5.50	3,065,000
Urban Renewal Corporate Purpose	5/1/01	3.30-4.35	1,600,000
Urban Renewal Corporate Purpose	8/15/02	2.25-3.60	2,700,000
Corporate Purpose	9/1/03	3.40-4.50	4,200,000
Urban Renewal Corporate Purpose	8/15/04	2.10-3.60	1,560,000
Urban Renewal Corporate Purpose	11/9/05	3.45	3,500,000
Corporate Purpose	11/15/06	3.6-3.85	570,000
 Total			
Special Assessment Notes:			
Street Improvement	8/17/00	5.15	110,000
Revenue Notes:			
Sewer Revenue Refunding	4/1/89	4.45	222,504
Sewer Revenue Interim Loan SRF	10/20/06	-	550,000
 Total			
Revenue Bonds:			
Sewer Revenue Bond Series 1999A	3/23/98	3.92	323,957
Sewer Revenue Bond Series 1999B	3/23/98	3.92	3,769,043
Water Revenue Bond Series 2001	9/1/01	3.00-5.30	2,000,000
Water Revenue Refunding Series 2003	9/1/03	1.30-3.50	600,000
Sewer Revenue Bond Series 2006A	4/15/06	4.05-4.55	1,860,000
Water Revenue Bond Series 2006B	11/15/06	4.375	1,670,000
 Total			

See accompanying independent auditor's report.

Schedule 6

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 225,000	\$ -	\$ 75,000	\$ 150,000	\$ 7,805	\$ -
-	1,640,000	-	1,640,000	-	-
<u>\$ 225,000</u>	<u>\$ 1,640,000</u>	<u>\$ 75,000</u>	<u>\$ 1,790,000</u>	<u>\$ 7,805</u>	<u>\$ -</u>
\$ 360,000	\$ -	\$ 30,000	\$ 330,000	\$ 17,563	\$ -
690,000	-	46,000	644,000	26,146	-
1,410,000	-	325,000	1,085,000	76,537	-
890,000	-	165,000	725,000	37,358	-
2,200,000	-	335,000	1,865,000	71,723	-
3,850,000	-	145,000	3,705,000	156,315	-
1,275,000	-	145,000	1,130,000	39,052	-
3,400,000	-	200,000	3,200,000	117,530	-
-	570,000	-	570,000	11,482	-
<u>\$ 14,075,000</u>	<u>\$ 570,000</u>	<u>\$ 1,391,000</u>	<u>\$ 13,254,000</u>	<u>\$ 553,706</u>	<u>\$ -</u>
\$ 44,000	\$ -	\$ 11,000	\$ 33,000	\$ 2,287	\$ -
\$ 20,000	\$ -	\$ 20,000	\$ -	\$ 890	\$ -
-	211,547	-	211,547	-	-
<u>\$ 20,000</u>	<u>\$ 211,547</u>	<u>\$ 20,000</u>	<u>\$ 211,547</u>	<u>\$ 890</u>	<u>\$ -</u>
\$ 242,000	\$ -	\$ 14,000	\$ 228,000	\$ 9,212	\$ -
2,736,000	-	165,000	2,571,000	104,017	-
1,910,000	-	20,000	1,890,000	95,013	-
360,000	-	85,000	275,000	11,251	-
1,860,000	-	50,000	1,810,000	90,696	-
-	1,670,000	-	1,670,000	39,778	-
<u>\$ 7,108,000</u>	<u>\$ 1,670,000</u>	<u>\$ 334,000</u>	<u>\$ 8,444,000</u>	<u>\$ 349,967</u>	<u>\$ -</u>

CITY OF NORTH LIBERTY

Bond and Note Maturities

(Page 1 of 2)

Year Ended June 30, 2007

Year Ending June 30	General Obligation Notes and Bonds					
	Corporate Purpose Issued June 1, 2000		Corporate Purpose Issued Sept. 1, 2003		Equipment Acquisition Issued May 19, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	5.40 %	\$ 345,000	3.40 %	\$ 170,000	3.45 %	\$ 75,000
2009	5.45	360,000	3.40	185,000	3.45	75,000
2010	5.50	380,000	3.50	200,000		
2011			3.90	205,000		
2012			3.90	220,000		
2013			3.90	235,000		
2014			3.90	210,000		
2015			4.00	215,000		
2016			4.10	220,000		
2017			4.15	225,000		
2018			4.25	230,000		
2019			4.35	240,000		
2020			4.40	250,000		
2021			4.45	275,000		
2022			4.45	300,000		
2023			4.50	325,000		
Total		<u>\$ 1,085,000</u>		<u>\$ 3,705,000</u>		<u>\$ 150,000</u>

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
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		<u>\$ 644,000</u>		<u>\$ 725,000</u>		<u>\$ 1,130,000</u>

Revenue Bonds

Sewer Revenue Series 1998A Issued March 23, 1998		Sewer Revenue Series 1998B Issued March 23, 1998		Sewer Revenue Series 2006A Issued April 15, 2006		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.92 %	\$ 15,000	3.92 %	\$ 172,000	4.20 %	\$ 70,000	\$ 427,000
3.92	15,000	3.92	179,000	4.25	70,000	439,000
3.92	16,000	3.92	186,000	4.25	75,000	467,000
3.92	17,000	3.92	193,000	4.25	75,000	480,000
3.92	18,000	3.92	200,000	4.25	80,000	503,000
3.92	18,000	3.92	208,000	4.25	85,000	526,000
3.92	19,000	3.92	217,000	4.25	85,000	541,000
3.92	20,000	3.92	225,000	4.25	90,000	570,000
3.92	21,000	3.92	234,000	4.25	95,000	590,000
3.92	22,000	3.92	243,000	4.25	100,000	620,000
3.92	23,000	3.92	252,000	4.30	105,000	650,000
3.92	24,000	3.92	262,000	4.30	110,000	681,000
				4.30	115,000	410,000
				4.35	120,000	430,000
				4.40	125,000	230,000
				4.45	130,000	240,000
				4.50	135,000	250,000
				4.55	145,000	265,000
						125,000
	<u>\$ 228,000</u>		<u>\$ 2,571,000</u>		<u>\$ 1,810,000</u>	<u>\$ 8,444,000</u>

CITY OF NORTH LIBERTY

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

	Years Ended June 30,			
	2007	2006	2005	2004
Receipts:				
Property tax	\$ 2,430,379	\$ 1,905,108	\$ 1,582,974	\$ 1,355,034
Tax increment financing	2,470,154	1,360,008	1,116,247	1,290,281
Other city tax	161,686	135,396	130,557	126,764
Licenses and permits	617,217	625,439	656,054	579,106
Use of money and property	190,964	204,647	129,302	108,371
Intergovernmental	1,460,925	1,294,642	1,551,835	1,290,726
Charges for service	982,868	1,147,998	995,289	872,863
Special assessments	26,182	34,617	31,421	67,770
Miscellaneous	141,640	392,867	364,586	407,370
Total	\$ 8,482,015	\$ 7,100,722	\$ 6,558,265	\$ 6,098,285
Disbursements:				
Public safety	\$ 1,806,083	\$ 881,885	\$ 752,220	\$ 902,800
Public works	967,256	1,025,863	636,329	593,601
Health and social services	36,500	34,500	21,000	21,000
Culture and recreation	2,445,972	1,680,594	1,650,909	990,473
Community and economic development	520,060	325,306	249,352	200,518
General government	739,627	541,943	452,215	447,623
Debt service	2,074,465	2,877,794	1,636,989	2,455,627
Capital projects	2,470,613	4,510,561	2,669,922	5,773,910
Total	\$ 11,060,576	\$ 11,878,446	\$ 8,068,936	\$ 11,385,552

See accompanying independent auditor's report.

Schedule 8

<u>2003</u>	<u>2002</u>
\$ 1,050,948	\$ 908,944
1,001,279	991,905
117,007	105,903
363,961	190,821
91,744	89,371
690,750	1,153,918
482,897	481,950
38,107	197,675
240,577	193,885
<u>\$ 4,077,270</u>	<u>.\$ 4,314,372</u>
\$ 962,346	\$ 501,835
545,818	520,998
21,000	24,867
872,066	816,995
125,461	202,433
436,888	369,773
1,388,454	1,128,794
1,871,426	1,773,501
<u>\$ 6,223,459</u>	<u>\$ 5,339,196</u>

CITY OF NORTH LIBERTY

Schedule 9

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program/ Award Amount</u>	<u>Federal Awards Expended</u>
<u>Environmental Protection Agency</u>				
Passed through Iowa Finance Authority:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	PD-CW-06-28	\$ 458,333	\$ 341,121
	66.458	CS-192333-01	4,392,500	<u>327,709</u>
				<u>\$ 668,830</u>
<u>Department of Homeland Security</u>				
Direct Programs:				
Assistance to Firefighters Grant	97.044	EMW-2005-FG-16119	74,338	\$ 74,338
Assistance to Firefighters Grant	97.044	EMW-2006-FG-14386	66,738	<u>52,082</u>
				<u>\$ 126,420</u>
<u>U.S. Department of Transportation</u>				
Passed through Iowa Department of Transportation:				
Highway Planning and Construction	20.205	STP-E-5557(613)-8V-52	175,000	\$ 78,568
Passed through Governor's Traffic Safety Bureau:				
Safety Belt Performance Grants	20.609	PAP 06-157, Task 123	3,450	755
Passed through Governor's Traffic Safety Bureau:				
Alcohol Traffic Safety and Drunk Driving Prevention Innovative Grants	20.601	PAP 06-163, Task 49	1,500	<u>384</u>
				<u>\$ 79,707</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Iowa Department of Economic Development:				
Community Development Block Grants/State's Program	14.228	03-ED-014	138,750	\$ 480
Total Expenditures of Federal Awards				<u><u>\$ 875,437</u></u>

See accompanying independent auditor's report and Notes to the Schedule of Expenditures of Federal Awards.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Note A. Basis of Accounting and Presentation

The Schedule of Expenditures of Federal Awards includes the federal award activity of the City of North Liberty and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B. Risk-Based Audit Approach

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The City does not qualify as a low-risk auditee.

Note C. Subrecipients of Federal Awards

There were no subrecipients of federal awards received by the City during the year.

Note D. Noncash Assistance

The City did not receive any federal noncash assistance during the year.



Greenwood and Crim, P.C.
Certified Public Accountants

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

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

To the Honorable Mayor and
Members of the City Council
City of 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2008. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of North Liberty's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of North Liberty's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the basis of accounting utilized by the City, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City of North Liberty's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures 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.

The City of North Liberty's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

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

Greenwood and Crum, P.C.

March 18, 2008



Greenwood and Crim, P.C.
Certified Public Accountants

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of North Liberty with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to the City's major federal program for the year ended June 30, 2007. The City of North Liberty's major federal program is identified in the Summary of Auditor's Results section (Part I) of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the City's major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City of North Liberty's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular -133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of North Liberty's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of North Liberty's compliance with those requirements.

In our opinion, the City of North Liberty complied, in all material respects, with the requirements referred to above that are applicable to the City's major program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of North Liberty is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over noncompliance that we consider to be material weaknesses as defined above.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Greenwood and Crum, P.C.

March 18, 2008

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) There were no material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) There were no material weaknesses in internal control over major programs disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was:
Environmental Protection Agency -
CFDA Number 66.458 - Capitalization Grants for Clean Water State Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of North Liberty did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

There were no findings noted.

Part III: Findings and Questioned Costs for Federal Awards:

There were no findings or questioned costs noted.

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part IV. Other Findings Related to Required Statutory Reporting:

07-IV-A **Certified Budget** - Disbursements during the year ended June 30, 2007, exceeded the final amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.20 of the Code of Iowa.

Response - We will make sure that when budgets are amended in future years, the budgets will be amended in sufficient amounts.

Conclusion - Response accepted.

07-IV-B **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.

07-IV-C **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

07-IV-D **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, 2007.

07-IV-E **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.

07-IV-F **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.

a) **Comment** - The Council went into closed session on May 8, 2007. The minutes of the Council meeting do not document the reason for the closed session and the specific reference to the chapter of the Code of Iowa pertaining to the purpose of the closed session. The Council also went into closed session on May 22, 2007. The minutes of the Council meeting do not contain any itemization of the vote to go into closed session as required by Chapter 21 of the Code of Iowa, except that the minutes state that the motion to go into the closed session was carried.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa by stating the specific reason for the closed session, the applicable chapter of the Code of Iowa relating to the closed session, and the itemization of the vote to go into closed session should be shown in the minutes.

Response - We will comply with the Code of Iowa requirements for closed sessions as noted above.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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

07-IV-F Council Minutes (Continued)

- b) **Comment** - The minutes of the Council meetings held March 27, 2007, May 8, 2007 and May 22, 2007 include lists of disbursements in detail but there were no totals of the disbursements by fund.

Recommendation - The list of disbursements should include totals by fund as required by Chapter 372 of the Code of Iowa.

Response - We will make sure that the listing of disbursements also includes totals by fund.

Conclusion - Response accepted.

- c) **Comment** - Although minutes of the May 22, 2007 Council meeting were published, they were not published until June 13, 2007. Minutes of the Council meetings are required to be published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with the applicable provisions of the Code of Iowa by publishing minutes within 15 days of the meeting.

Response - We will make sure that the minutes are published within 15 days. We believe this was an isolated incident.

Conclusion - Response accepted.

- d) **Comment** - Although we did not test all of the publications of the minutes, we were unable to determine if the City included a summary of receipts for each of the twelve months of the fiscal year. It appears from our testing that summaries of receipts were included in the minutes on a sporadic basis.

Recommendation - The City should ensure that a summary of each month's receipts are published on a regular basis.

Response - We will make sure that the minutes include a summary of receipts on a regular basis. The summary will include all receipts for the month.

Conclusion - Response accepted.

- e) **Comment** - Although the City published salaries and wages paid for calendar year 2006, we noted that the listing of salaries and wages included only those persons who were employed by the City at the end of 2006.

Recommendation - The City publication should include compensation paid to all City employees during the year.

Response - We will make sure that the publication of annual salaries and wages includes amounts paid to all City employees. We believe that the publication for 2006 included only current City employees due to an editing error.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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

07-IV-G **Deposits and Investments** - The City authorized the investment of \$5,000 in the Community Foundation of Johnson County (Foundation) during the year ended June 30, 2005 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 and is covered by a pool of U.S. government bonds, which appears to comply with the City's investment policy. However, the value of the City's investment is still subject to the Foundation's overall investment performance, and the Foundation has investments in several mutual funds that do not comply with the City's investment policy. Accordingly, the City's value of its investment is subject to the market value change of all of the Foundation's investments.

Recommendation - We recommend that the City continue to work with the Foundation to determine if the investment can be invested in a security which complies with the City's investment policy and will not be subject to valuation based on the Foundation's investment valuation policy.

Response - We will continue to review investment options with the Foundation to determine if the City's investment can be invested in a security which complies with the City's investment policy and which does not subject the City to the overall market value risk for valuation.

Conclusion - Response accepted.

07-IV-H **Revenue Notes and Bonds** - The following matters were noted during our testing of certain provisions of the City's revenue bonds and notes.

a) **Comment** - The resolutions of the Water Revenue Bond Series 2006B require that the Water Enterprise - Water Reserve Fund should have a balance of \$354,364 after the sale of the 2006B bond issue. The balance in that fund was \$222,913 at all times during the year ended June 30, 2007. The City did not transfer the appropriate amount from the proceeds of the sale of the bonds to the Water Reserve Fund in order to reach a balance of \$354,364.

Recommendation - The City should transfer at least \$131,451 to the Water Reserve Fund in order for the reserve balance to be in compliance with the resolutions of the bond issue.

Response - This transfer was inadvertently overlooked and we made a transfer after June 30, 2007 in order to bring the City in compliance with the bond resolutions.

Conclusion - Response accepted.

b) **Comment** - We noted from our testing of the sinking fund balances for the water and sewer revenue bonds that the balances in both sinking funds are far in excess of the required balances. At June 30, 2007, the balance in the sinking fund for the water revenue bonds was \$193,744 more than the required amount and the balance in the sinking fund for the sewer revenue bonds was \$285,978 more than the required amount.

Recommendation - The City should review the balances in the sinking funds and determine if any of the excess balances should be transferred out to the water and sewer operating funds.

Response - We will review the balances in the sinking funds and consult with legal counsel about this matter.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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

07-IV-H Revenue Notes and Bonds (Continued)

c) **Comment** - The June 1, 2007 payment of interest on the Sewer Revenue Bond Series 2006A was paid from the Debt Service Fund instead of the Sewer Enterprise - Sewer Revenue Sinking Fund.

Recommendation - The City should transfer funds from the Sewer Revenue Sinking Fund to the Debt Service Fund to reimburse for the interest payment made erroneously from the Debt Service Fund.

Response - We will transfer funds from the Sewer Revenue Sinking Fund to the Debt Service Fund. We will make sure all future payments on the sewer revenue bond principal and interest are made from the sinking fund.

Conclusion - Response accepted.

07-IV-I General Obligation Notes and Bonds

Comment - The principal and interest payments on the 1998 general obligation sewer improvement bond were paid from the Sewer Enterprise - Sewer Revenue Sinking Fund instead of the Debt Service Fund. The City should have transferred funds from the Sewer Enterprise - Sewer Operating Fund to the Debt Service Fund in order to make the payments from the Debt Service Fund.

Recommendation - Future payments of principal and interest on this bond should be made from the Debt Service Fund after a transfer from the Sewer Revenue Sinking Fund has been made. The Sewer Operating Fund should transfer \$72,146.40 to the Sewer Sinking Fund to reimburse the sinking fund for the payments made.

Response - We will make the corrective transfer and we will also make sure that the principal and interest payments on this bond are made from the Debt Service Fund after a transfer has been made to it from the Sewer Operating Fund.

Conclusion - Response accepted.

07-IV-J Financial Condition - As disclosed in Note 10 to the financial statements, at June 30, 2007, the City had deficit balances in eleven project funds that arose because construction costs were incurred prior to the availability of funds. The City also had a deficit balance in the General Fund - Liberty Centre Blues & BBQ Fund at June 30, 2007.

Recommendation - The City should make sure that there are adequate revenues, proceeds from sales of bonds, and available City funds to cover the deficit balances caused by construction activities. We realize that the costs of construction projects must be expended prior to the availability of certain funds. The City should review possible alternatives to eliminate the deficit in the General Fund - Liberty Centre Blues & BBQ Fund and return this fund to a sound financial condition.

Response - Deficit balances in the construction-related funds will be monitored to ensure that there are adequate resources to eliminate the deficits by the time the projects are completed and paid for. The deficit in the Liberty Centre Blues & BBQ Fund will be eliminated with a transfer from the General Fund.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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

07-IV-K **Insurance Levy Proceeds** - We noted that the property taxes derived from the General Fund insurance levy during the year ended June 30, 2007 were deposited into the Special Revenue Fund - Employee Benefits Fund. Tax receipts from this levy should be deposited to a separate revenue account in the General Fund. We noted that all of the property taxes received from the insurance levy were transferred to the General Fund by June 30, 2007.

Recommendation - The City should deposit the receipts from this levy in the General Fund.

Response - We will make sure that the receipts from the insurance levy are deposited into the General Fund in future years.

Conclusion - Response accepted.

07-IV-L **Annual Financial Report** - We noted numerous significant differences between amounts of the actual revenues and expenses recorded in the City's books and reported in the published 2007 Annual Financial Report.

Recommendation - The City should consult with its legal counsel for disposition of this matter, including the possibility of filing a corrected report.

Response - We will consult with our legal counsel about this matter. We believe a corrected report should be filed to correct the significant differences.

Conclusion - Response accepted.

07-IV-M **Approval of Medical Expense Reimbursement** - We noted from our testing of several disbursements made by the City that a medical expense reimbursement to the City Treasurer did not indicate if approval was made by the City Administrator.

Recommendation - All expense reimbursements made to the City Treasurer, whether for medical expense reimbursement or reimbursement of other expenses, are to be approved by the City Administrator before payment is made. We recommend that each approved reimbursement show proper approval by the City Administrator by initialing and dating the reimbursement request form.

Response - We will make sure that all reimbursement requests show proper approval before payment is made. We will make sure that all reimbursements to City employees, whether for medical expense reimbursement or reimbursement of any other valid City expense, show proper approval by the appropriate supervisory person. We will also instruct the accounts payable clerk to inspect all reimbursement requests for proper signature or initial, and date of approval, before a check is prepared.

Conclusion - Response accepted.