

**CITY OF NORTH LIBERTY, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

# CITY OF NORTH LIBERTY

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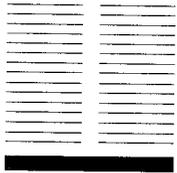
## CITY OF NORTH LIBERTY

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Mayor and Council</u></b>		
Before 2007 election:		
Tom Salm	Mayor	January 2008
Gerald Kuhl	Mayor Pro Tem	January 2010
Natalie Wilkerson	Council Member	January 2008
James Moody	Council Member	January 2008
Matthew Bahl	Council Member	January 2008
James Wozniak	Council Member	January 2010
After 2007 election:		
Tom Salm	Mayor	January 2012
Gerald Kuhl	Mayor Pro Tem	January 2010
James Wozniak	Council Member	January 2010
Chris Hoffman	Council Member	January 2012
Terry Donahue	Council Member	January 2012
Coleen Chipman	Council Member	January 2012

### **City Staff**

Ryan Heiar	City Administrator (started November 26, 2007)
Tracey Mulcahey	City Clerk/Assistant City Administrator (Acting City Administrator until Ryan Heiar hired)
Debra Hilton	Treasurer
Scott Peterson	City Attorney



**Greenwood and Crim, P.C.**  
Certified Public Accountants

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

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## 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, 2008, 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, 2008, 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 19, 2009 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 16 and 17) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied 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, 2007 (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 7 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 Crew, P.C.*

March 19, 2009

**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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow this Management's Discussion and Analysis.

### FY2008 Financial Highlights

Revenues of the City's governmental activities increased approximately \$498,587, or 5.88%, from FY2007 to FY2008. Major revenue increases include:

	<u>Increase in FY2008 from FY2007</u>	
Property Taxes	\$662,947	(27.28%)
Tax Increment Financing	\$190,432	(7.71%)
Recreation Charges for Service	\$ 63,476	(13.53%)
Miscellaneous Revenue	\$171,692	(121.22%)

Disbursements of the City's governmental activities increased approximately \$ 2,259,871, or 20.43%, from FY2007 to FY2008. Major disbursement increases by function include:

	<u>Increase in FY2008 from FY2007</u>	
Public Works	\$ 176,344	(18.23%)
General Government	\$ 103,144	(13.95%)
Debt Service	\$2,145,394	(103.42%)
Capital Projects	\$ 326,838	(13.23%)

The City's total cash basis net assets decreased \$166,606, or approximately 6.3%, from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities increased by approximately \$1,661,276 and the net assets of the business type activities decreased by approximately \$1,827,882. This deficit is directly related to expenditures for capital projects during the year that were reimbursed by revenues and other financing sources in FY2009. Several project funds, including the waste water treatment plant project, had negative fund balances at June 30, 2008. Funds were drawn from the SRF loan in FY2009 when the waste water treatment plant project was completed.

### 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.

## **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 four major enterprise funds to provide separate information on the Water and Sanitary Sewer utility funds, 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 76.55% from a year ago, from \$2,170,190 at June 30, 2007 to \$3,831,466 at June 30, 2008. The analysis that follows provides details on the changes in the City's cash balances.

Changes in Cash Basis Net Assets of Government Activities		
	FY2008	FY2007
<b>Receipts and Transfers</b>		
Program Receipts		
Charges for service	\$2,008,582	\$1,857,902
Operating grants, contributions & restricted interest	833,432	767,905
Capital grants, contributions & restricted interest	164,901	749,901
General Receipts		
Property tax & tax increment financing	5,803,905	4,950,710
Grants & contributions, not restricted	3,858	2,173
Unrestricted investment earnings	70,586	90,162
Sale of capital assets	5,033	68,000
Other general receipts	<u>95,338</u>	<u>63,262</u>
Total Operating Receipts	\$ 8,985,635	\$8,550,015
Bond and Note Proceeds	5,500,322	2,223,573
Transfers, net	<u>495,766</u>	<u>359,996</u>
Total Receipts and Transfers	<u>\$14,981,723</u>	<u>\$11,133,584</u>
<b>Disbursements</b>		
Public Safety	\$1,424,463	\$1,806,083
Public Works	1,143,600	967,256
Health & Social Services	35,020	36,500
Culture & Recreation	2,281,120	2,445,972
Community & Economic Development	576,163	520,060
General Government	842,771	739,627
Debt Service	4,219,859	2,074,465
Capital Projects	<u>2,797,451</u>	<u>2,470,613</u>

Total Disbursements	<u>\$13,320,447</u>	<u>\$11,060,576</u>
Increase in cash basis net assets	\$1,661,276	\$73,008
Cash basis net assets, beginning of year	<u>2,170,190</u>	<u>2,097,182</u>
Cash basis net assets, end of year	<u>\$3,831,466</u>	<u>\$2,170,190</u>

Because of the growth in taxable valuation in the City of North Liberty from \$230,775,778 in FY2007 to \$275,810,649 in FY2008, general property tax revenues increased by \$368,371 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 increased to \$10.96599 in FY2008 from the levy of \$10.12023 in FY2007. The balance of the levy was made up of a \$0.97873 debt service levy and a \$1.88726 employee benefits levy.

Increases in the City's receipts from governmental activities in FY2008 were as noted on page iv. Overall, total receipts from governmental activities increased by \$3,848,139, which was due in part to an increase in bond and note proceeds of \$3,276,749 and an increase of \$853,195 from property tax and tax increment financing.

The cost of all governmental activities this year was \$13,320,447 compared to \$11,060,576 last year. General City operating expenses increased and more capital projects were undertaken than in the previous year.

Changes in Cash Basis Net Assets of Business Type Activities		
	FY2008	FY2007
<u>Receipts</u>		
Charges for Service		
Water	\$1,567,529	\$1,326,928
Sanitary Sewer	1,692,408	1,214,229
Storm Water	128,954	118,046
Utility Deposits	140,215	101,450
General Receipts		
Unrestricted interest on investments		
Water	5,410	10,503
Sanitary Sewer	5,030	10,707
Bond and note proceeds	<u>6,007,225</u>	<u>1,844,146</u>
Total Receipts	<u>\$9,546,771</u>	<u>\$4,626,009</u>
<u>Disbursements and Transfers</u>		
Operating Disbursements		
Water	\$1,745,453	\$2,723,830
Sanitary Sewer	7,964,295	1,971,171
Storm Water	42,918	13,353
Utility Deposits	81,175	49,975
Debt Service		
Water	362,621	258,195
Sanitary Sewer	682,425	437,785

Net Operating Transfers		
Water	259,000	170,000
Sanitary Sewer	211,766	164,996
Storm Water	<u>25,000</u>	<u>25,000</u>
Total Disbursements and Transfers	<u>\$11,374,653</u>	<u>\$5,814,305</u>
(Decrease) in cash basis net assets	\$(1,827,882)	\$(1,188,296)
Cash basis net assets, beginning of year	<u>470,325</u>	<u>1,658,621</u>
Cash basis net assets, end of year	<u>\$(1,357,557)</u>	<u>\$470,325</u>

Total business type activities receipts for FY2008 were \$9,546,771, compared to \$4,626,009 last year. The \$4,920,762 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 FY2008 were used to pay for a portion of the capital project costs through June 30, 2008. Additional revenues and other bonds sold in FY2009 were used to pay for the balances of these capital project costs and eliminate the negative fund balances in these capital projects funds.

### **Individual Major Governmental Fund Analysis**

At the end of FY2008, the combined fund balance of the City of North Liberty's governmental funds was \$3,831,466, an increase of \$1,661,276 over the previous year balance of \$2,170,190. Highlights of the changes in the major funds of the governmental type activities follow.

General Fund. General Fund property taxes increased from \$1,853,319 in FY2007 to \$2,221,690 in FY2008. The increase resulted from an increase of approximately \$45,000,000 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, penalties and fines, and garbage and recycling. In FY2008, two additional officers were added to the police department, two part time paid positions were established in the fire department, results of the salary study were implemented, and operating costs such electricity and vehicle fuel increased.

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 \$190,432. The city only draws down enough increment each year to cover debt service needs of the city.

Debt Service Fund. The Debt Service levy decreased from \$1.29550 per \$1,000 of taxable valuation in FY2007 to \$0.97873 in FY2008 because of the increase in property valuations city-wide. A wider tax base allows for a lower debt service rate.

Capital Projects – Street Capital Projects Fund. Several City street-related projects were completed during FY2008 such as the 240<sup>th</sup> Street improvements, Highway 965/Forevergreen Road intersection improvements and the City's sand/salt storage facility.

### **Individual Major Business Type Fund Analysis**

Water Enterprise. The Water Fund cash balance at the end of FY2008 decreased by \$5,200 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 FY2008 was \$360,571, which includes a debt service reserve of \$354,990.

Sewer Enterprise. The Sewer Fund cash balance decreased by \$1,942,758 from the end of FY2007 to the end of FY2008. Total cash balance (deficit) of \$(2,235,994) includes a debt service reserve of \$205,846. The deficit balance was remedied early in FY2009 with the receipt of sewer revenue bonds issued for the West Trunk Sewer construction project and SRF proceeds for the waste water treatment plant project.

Utility Deposits. The Utility Deposits cash balance increased by \$59,040 from the end of FY2007 to the end of FY2008. The number of utility customers increased by almost 100 during the year. Utility deposits for new users were increased from \$100 to \$160 on November 13, 2007.

Stormwater Management. The Stormwater Management cash balance increased by \$86,036 from the end of FY2007 to the end of FY2008. Charges for service totaled \$128,954 and operating disbursements totaled \$42,918.

### **Budgetary Highlights**

The FY2008 budget was amended on May 27, 2008. Additional revenues from recreation fees, salvage inspection fees, development fees, and utility charges for service were used to offset increased electricity costs, increased vehicle fuel costs, personnel increases, increased demands for services, purchase of playground equipment, purchase of police equipment, hiring of additional police officers, additional crossing guard, Blues and BBQ Festival, legal and engineering fees, facility expansion consultant cost, police car replacement, building department vehicle purchase, NLTV playback system replacement, interim financing payoff, and additional capital projects. Many City capital projects that were projected to be completed in FY2007 were not completed until FY2008. Over \$3,500,000 of funds were expended in FY2008 that were not reimbursed with bond and other debt proceeds until after July 1, 2008.

The City exceeded the amounts budgeted in the public works and general government functions, primarily due to additional legal fees and increased garbage and recycling costs.

## Debt Administration

At June 30, 2008, the City had \$31,184,547 in bonds and long-term debt compared to \$23,732,547 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30, 2008	June 30, 2007
General Obligation Bonds and Notes	\$17,746,000	\$15,044,000
Special Assessment Notes	22,000	33,000
Revenue Notes	211,547	211,547
Revenue Bonds	<u>13,205,000</u>	<u>8,444,000</u>
Total	<u>\$31,184,547</u>	<u>\$23,732,547</u>

Debt increased as a result of issuing \$3,515,000 general obligation urban renewal bonds, \$855,000 general obligation water improvement bonds, \$1,940,000 in general obligation bonds, and \$5,271,000 in sewer revenue bonds.

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 \$17,768,000 at June 30, 2008 is below its constitutional debt limit of \$32,214,953.

## Economic Factors and Next Year's Budget and Rates

The total tax levy for the FY2009 budget for the City of North Liberty increased to \$11.33731, approximately \$0.37 more per \$1,000 from FY2008. The rollback for residential property changed from 45.5596% in FY2008 to 44.0803% in FY2009. The total property taxes expected to be received by the City in FY2009 will increase by approximately \$775,000 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, 2008

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Governmental activities:</b>				
Public safety	\$ 1,424,463	\$ 57,595	\$ 110,901	\$ 4,034
Public works	1,143,600	613,136	619,328	-
Health and social services	35,020	-	-	-
Culture and recreation	2,281,120	607,328	69,751	64,607
Community and economic development	576,163	1,410	7,000	-
General government	842,771	729,113	26,452	-
Debt service	4,219,859	-	-	-
Capital projects	2,797,451	-	-	96,260
<b>Total governmental activities</b>	<b>\$ 13,320,447</b>	<b>\$ 2,008,582</b>	<b>\$ 833,432</b>	<b>\$ 164,901</b>
<b>Business type activities:</b>				
Water	\$ 2,108,074	\$ 1,567,529	\$ -	\$ -
Sewer	8,646,720	1,692,408	-	-
Utility deposits	81,175	140,215	-	-
Stormwater management	42,918	128,954	-	-
<b>Total business type activities</b>	<b>\$ 10,878,887</b>	<b>\$ 3,529,106</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 24,199,334</b>	<b>\$ 5,537,688</b>	<b>\$ 833,432</b>	<b>\$ 164,901</b>
<b>General Receipts:</b>				
<b>Property tax levied for:</b>				
General purposes				
Tax increment financing				
Debt service				
Other purposes				
<b>Grants and contributions</b>				
not restricted to specific purposes				
<b>Unrestricted interest on investments</b>				
<b>Bond and note proceeds</b>				
<b>Miscellaneous</b>				
<b>Sale of capital assets</b>				
<b>Transfers</b>				
<b>Total general receipts and transfers</b>				

Exhibit A

Governmental Activities	Business Type Activities	Total
\$ (1,251,933)	\$ -	\$ (1,251,933)
88,864	-	88,864
(35,020)	-	(35,020)
(1,539,434)	-	(1,539,434)
(567,753)	-	(567,753)
(87,206)	-	(87,206)
(4,219,859)	-	(4,219,859)
(2,701,191)	-	(2,701,191)
<hr/>		
\$ (10,313,532)	\$ -	\$ (10,313,532)
<hr/>		
\$ -	\$ (540,545)	\$ (540,545)
-	(6,954,312)	(6,954,312)
-	59,040	59,040
-	86,036	86,036
<hr/>		
\$ -	\$ (7,349,781)	\$ (7,349,781)
<hr/>		
\$ (10,313,532)	\$ (7,349,781)	\$ (17,663,313)
<hr/>		
\$ 2,258,708	\$ -	\$ 2,258,708
2,660,586	-	2,660,586
363,154	-	363,154
521,457	-	521,457
3,858	-	3,858
70,586	10,440	81,026
5,500,322	6,007,225	11,507,547
95,338	-	95,338
5,033	-	5,033
495,766	(495,766)	-
<hr/>		
\$ 11,974,808	\$ 5,521,899	\$ 17,496,707

**CITY OF NORTH LIBERTY**

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

**Year Ended June 30, 2008**

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>
\$ 1,661,276	\$ (1,827,882)	\$ (166,606)
2,170,190	470,325	2,640,515
<u>\$ 3,831,466</u>	<u>\$ (1,357,557)</u>	<u>\$ 2,473,909</u>
(Exhibit B)	(Exhibit C)	
\$ 161,190	\$ -	\$ 161,190
1,093,609	-	1,093,609
45,187	-	45,187
596	560,836	561,432
2,530,884	(1,918,393)	612,491
<u>\$ 3,831,466</u>	<u>\$ (1,357,557)</u>	<u>\$ 2,473,909</u>

**CITY OF NORTH LIBERTY**

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

Year Ended June 30, 2008

	General Fund	Special Revenue - Urban Renewal Tax Increment	Debt Service - General Obligation Debt
Receipts:			
Property tax	\$ 2,221,690	\$ -	\$ 358,646
Tax increment financing	-	2,660,586	-
Other city tax	183,596	-	4,508
Licenses and permits	482,903	-	-
Use of money and property	154,772	-	-
Intergovernmental	177,774	-	-
Charges for service	1,075,798	-	-
Special assessments	16,916	-	-
Miscellaneous	217,072	-	-
	<hr/>		
Total receipts	\$ 4,530,521	\$ 2,660,586	\$ 363,154
	<hr/>		
Disbursements:			
Public safety	\$ 1,403,542	\$ -	\$ -
Public works	608,285	-	-
Health and social services	35,020	-	-
Culture and recreation	2,281,120	-	-
Community and economic development	471,163	-	5,000
General government	842,771	-	-
Debt service	-	-	4,207,159
Capital projects	-	-	-
	<hr/>		
Total disbursements	\$ 5,641,901	\$ -	\$ 4,212,159
	<hr/>		
Excess (deficiency) of receipts over (under) disbursements	\$ (1,111,380)	\$ 2,660,586	\$ (3,849,005)
	<hr/>		
Other financing sources (uses):			
Proceeds from sales of general obligation bonds	\$ 275,000	\$ -	\$ 136,369
Sale of capital assets	5,033	-	-
Operating transfers in	1,343,443	-	3,452,519
Operating transfers (out)	(202,220)	(3,426,053)	(5,269)
	<hr/>		
Total other financing sources (uses)	\$ 1,421,256	\$ (3,426,053)	\$ 3,583,619
	<hr/>		
Net change in cash balances	\$ 309,876	\$ (765,467)	\$ (265,386)
	<hr/>		
Cash and cash investments, beginning of year	1,592,607	1,859,076	265,982
	<hr/>		
Cash and cash investments, end of year	\$ 1,902,483	\$ 1,093,609	\$ 596
	<hr/>		
Cash basis fund balances:			
Reserved -			
Debt service funds	\$ -	\$ -	\$ 596
Unreserved -			
Special revenue funds	-	1,093,609	-
Capital projects funds	-	-	-
General fund	1,902,483	-	-
	<hr/>		
Total cash basis fund balances	\$ 1,902,483	\$ 1,093,609	\$ 596
	<hr/>		

See accompanying notes to financial statements.

**Exhibit B**

Capital Projects - Street Capital Projects	Other Nonmajor Governmental Funds	Total
\$ -	\$ 512,990	\$ 3,093,326
-	-	2,660,586
-	8,467	196,571
-	-	482,903
-	25,229	180,001
-	622,790	800,564
-	153,174	1,228,972
-	7,431	24,347
-	96,260	313,332
<hr/>	<hr/>	<hr/>
\$ -	\$ 1,426,341	\$ 8,980,602
<hr/>	<hr/>	<hr/>
\$ -	\$ 20,921	\$ 1,424,463
-	535,315	1,143,600
-	-	35,020
-	-	2,281,120
-	100,000	576,163
-	-	842,771
-	12,700	4,219,859
696,605	2,100,846	2,797,451
<hr/>	<hr/>	<hr/>
\$ 696,605	\$ 2,769,782	\$ 13,320,447
<hr/>	<hr/>	<hr/>
\$ (696,605)	\$ (1,343,441)	\$ (4,339,845)
<hr/>	<hr/>	<hr/>
\$ 1,533,753	\$ 3,555,200	\$ 5,500,322
-	-	5,033
-	405,269	5,201,231
-	(1,071,923)	(4,705,465)
<hr/>	<hr/>	<hr/>
\$ 1,533,753	\$ 2,888,546	\$ 6,001,121
<hr/>	<hr/>	<hr/>
\$ 837,148	\$ 1,545,105	\$ 1,661,276
(364,113)	(1,183,362)	2,170,190
<hr/>	<hr/>	<hr/>
\$ 473,035	\$ 361,743	\$ 3,831,466
<hr/>	<hr/>	<hr/>
		(Exhibit A)
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 596
-	211,075	1,304,684
473,035	150,668	623,703
-	-	1,902,483
<hr/>	<hr/>	<hr/>
\$ 473,035	\$ 361,743	\$ 3,831,466
<hr/>	<hr/>	<hr/>

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

Year Ended June 30, 2008

	Water Enterprise	Sewer Enterprise	Utility Deposits	Stormwater Management	Total
Operating receipts:					
Charges for service	\$ 1,536,242	\$ 1,692,408	\$ -	\$ 128,954	\$ 3,357,604
Miscellaneous	31,287	-	140,215	-	171,502
Total operating receipts	\$ 1,567,529	\$ 1,692,408	\$ 140,215	\$ 128,954	\$ 3,529,106
Operating disbursements:					
Business type activities	1,745,453	7,964,295	81,175	42,918	9,833,841
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (177,924)	\$ (6,271,887)	\$ 59,040	\$ 86,036	\$ (6,304,735)
Non-operating receipts and (disbursements):					
Interest on cash investments	\$ 5,410	\$ 5,030	\$ -	\$ -	\$ 10,440
Proceeds from sale of general obligation bonds	788,935	-	-	-	788,935
Proceeds from State Revolving Fund note draws	-	5,218,290	-	-	5,218,290
Debt service	(362,621)	(682,425)	-	-	(1,045,046)
Total non-operating receipts and (disbursements)	\$ 431,724	\$ 4,540,895	\$ -	\$ -	\$ 4,972,619
Excess (deficiency) of receipts over (under) disbursements	\$ 253,800	\$ (1,730,992)	\$ 59,040	\$ 86,036	\$ (1,332,116)
Operating transfers:					
Operating transfers in	\$ 818,161	\$ 356,269	\$ -	\$ -	\$ 1,174,430
Operating transfers (out)	(1,077,161)	(568,035)	-	(25,000)	(1,670,196)
Net operating transfers	\$ (259,000)	\$ (211,766)	\$ -	\$ (25,000)	\$ (495,766)
Net change in cash balances	\$ (5,200)	\$ (1,942,758)	\$ 59,040	\$ 61,036	\$ (1,827,882)
Cash and cash investments, beginning of year	365,771	(293,236)	258,294	139,496	470,325
Cash and cash investments, end of year	\$ 360,571	\$ (2,235,994)	\$ 317,334	\$ 200,532	\$ (1,357,557)
					(Exhibit A)
Cash basis fund balances:					
Reserved - debt service	\$ 354,990	\$ 205,846	\$ -	\$ -	\$ 560,836
Unreserved:					
Capital projects	(346,477)	(3,211,998)	-	-	(3,558,475)
Unreserved	352,058	770,158	317,334	200,532	1,640,082
Total cash basis fund balances	\$ 360,571	\$ (2,235,994)	\$ 317,334	\$ 200,532	\$ (1,357,557)

See accompanying notes to financial statements.

# CITY OF NORTH LIBERTY

## Notes to Financial Statements

June 30, 2008

### 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, 2008

### 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 Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The Capital Projects Fund - Street Capital Projects Fund is used to account for significant general street improvement projects that are financed primarily by proceeds from the sale of general obligation bonds.

The City reports the following major proprietary funds:

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

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

The Utility Deposits Fund accounts for the receipt of utility service deposits received from the City's water and sewer customers. Deposits are refunded to customers when they no longer receive water and sewer service from the City.

The Stormwater Management Fund accounts for the operation and maintenance of the City's stormwater management system.

# CITY OF NORTH LIBERTY

## Notes to Financial Statements

June 30, 2008

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus and Basis of Accounting

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

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. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then by general receipts.

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, 2008, disbursements exceeded the amounts budgeted in the public works and general government functions.

### NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks and credit unions at June 30, 2008 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.

**CITY OF NORTH LIBERTY**

Notes to Financial Statements

June 30, 2008

**NOTE 2. CASH AND POOLED INVESTMENTS (Continued)**

The City's investment of \$5,000 is carried at cost and is included in the City's amount of cash and cash investments at June 30, 2008. 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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and uses of the City.

**NOTE 3. BONDS AND NOTES PAYABLE**

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

Year Ending June 30,	General Obligation Notes and Bonds		Special Assessment Notes	
	Principal	Interest	Principal	Interest
2009	\$ 2,155,000	\$ 668,567	\$ 11,000	\$ 1,133
2010	2,352,000	590,894	11,000	567
2011	2,064,000	500,551	-	-
2012	1,941,000	425,731	-	-
2013	1,628,000	355,811	-	-
2014-2018	5,916,000	948,890	-	-
2019-2023	1,690,000	226,640	-	-
2024-2028	-	-	-	-
<b>Total</b>	<b>\$ 17,746,000</b>	<b>\$ 3,717,084</b>	<b>\$ 22,000</b>	<b>\$ 1,700</b>

Year Ending June 30,	Enterprise Fund Revenue Bonds		Enterprise Fund Revenue Notes	
	Principal	Interest	Principal	Interest
2009	\$ 528,000	\$ 476,628	\$ -	\$ -
2010	556,000	458,385	211,547	-
2011	576,000	438,904	-	-
2012	601,000	417,722	-	-
2013	626,000	395,382	-	-
2014-2018	3,527,000	1,603,393	-	-
2019-2023	3,861,000	892,829	-	-
2024-2028	2,930,000	234,477	-	-
<b>Total</b>	<b>\$ 13,205,000</b>	<b>\$ 4,917,720</b>	<b>\$ 211,547</b>	<b>\$ -</b>

**CITY OF NORTH LIBERTY**

Notes to Financial Statements

June 30, 2008

**NOTE 3. BONDS AND NOTES PAYABLE (Continued)**

Total	
Principal	Interest
\$ 2,694,000	\$ 1,146,328
3,130,547	1,049,846
2,640,000	939,455
2,542,000	843,453
2,254,000	751,193
9,443,000	2,552,283
5,551,000	1,119,469
2,930,000	234,477
\$ 31,184,547	\$ 8,636,504

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$48,000 of general obligation bond principal and \$24,304 of general obligation bond interest was paid from the Sewer Enterprise Fund.

General Obligation Urban Renewal Corporate Purpose (Tax Increment Financing) Revenue Bonds

The City has issued several general obligation urban renewal corporate purpose (tax increment financing) revenue bonds for the purpose of defraying a portion of the costs of various construction and refurbishment projects within the City's urban renewal districts. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF districts and which are credited to the Special Revenue - Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds from the sales of the bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal areas. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2008, the outstanding balances on these bonds totaled \$10,521,000, which are payable through December 2017. During the year, principal and interest paid on these bonds totaled \$1,643,000 and \$440,236, respectively. Tax increment financing receipts during the year were \$2,660,586.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay three water revenue bond issues. The bonds were issued between September 2001 and November 2006. Proceeds from the sales of the bonds provided financing for the construction of several water system improvement projects in the City. The bonds are payable solely from water customer net receipts and are payable through June 2026. Annual principal and interest payments on the bonds are expected to require less than 80 percent of net receipts. At June 30, 2008, total principal and interest remaining to be paid on the bonds was \$5,212,473. During the year, principal and interest paid on the bonds totaled \$170,000 and \$176,295, respectively. Total customer net receipts during the year were \$680,042.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2008

**NOTE 3. BONDS AND NOTES PAYABLE (Continued)**

Revenue Bonds (Continued)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay four sewer revenue bond issues. The bonds were issued between March 1998 and August 2007. Proceeds from the sales of the bonds provided financing for the construction of and improvements to the waste water treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through June 2027. Annual principal and interest payments on the bonds are expected to require less than 80 percent of net receipts. At June 30, 2008, total principal and interest remaining to be paid on the bonds was \$12,910,248. During the year, principal and interest paid on the bonds totaled \$340,000 and \$254,822, respectively. Total customer net receipts during the year were \$1,118,804.

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.

Adjustment of Interest Rate on Bonds

Effective June 1, 2008, the interest rate on the General Obligation Sewer Improvement Bond Series 1998, the Sewer Revenue Bond Series 1998A and the Sewer Revenue Bond Series 1998B was adjusted from 3.92% to 3.0% on the remaining unpaid bonds. Annual principal maturities of the bonds were not changed. The effect of the reduction of the interest rate on the bonds was a decrease in the amount of interest payable on the bonds to final maturity, as follows:

GO Sewer Improvement Series 1998	\$	29,118
Sewer Revenue Series 1998A		11,661
Sewer Revenue Series 1998B		129,798

**CITY OF NORTH LIBERTY**

Notes to Financial Statements

June 30, 2008

**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 3.90% of their annual covered compensation and the City is required to contribute 6.05% of covered compensation. 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, 2008, 2007 and 2006 were \$178,033, \$136,679 and \$115,399, respectively, equal to the required contributions for each year.

**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, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 22,408
Vacation	<u>131,424</u>
Total	<u>\$ 153,832</u>

This liability has been computed based on rates of pay as of June 30, 2008.

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, 2008, based on rates of pay as of June 30, 2008, is \$430,265.

**NOTE 6. SOLID WASTE DISPOSAL CONTRACT**

An agreement between the City and Johnson County Refuse for the period July 1, 2004 through June 30, 2009, provides the City and its citizens with solid waste collection and disposal services. The agreement providing for the services includes the following provisions:

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

## CITY OF NORTH LIBERTY

### Notes to Financial Statements

June 30, 2008

#### **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, 2007, 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.

#### **NOTE 8. TRANSIT SERVICES CONTRACT**

An agreement for the period September 5, 2006 through September 4, 2008, between the City and the City of Coralville, provides the City and its citizens with limited transit services. The agreement providing for these services includes the following provisions:

- (a) The City shall pay the City of Coralville a monthly charge for the operating cost per hour for the number of hours of transit services provided each month.
- (b) The City shall pay the City of Coralville for 50 percent of the value of the assigned bus providing transit services to the City, plus 50 percent of future capital expenditures.

#### **NOTE 9. CONSTRUCTION CONTRACTS**

The City has entered into various construction contracts totaling approximately \$9,700,000. The unpaid contract balances at June 30, 2008 totaled approximately \$2,466,000, which will be paid as work on the projects progresses.

#### **NOTE 10. 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 11. LITIGATION**

The City is subject to a pending complaint relating to a law enforcement matter. The complaint is currently under investigation by the Iowa Civil Rights Commission. No estimate of any potential loss against the City is available at this time, but the City believes that in the event of a decision against the City, such claim will be covered by the City's insurance coverage.

**CITY OF NORTH LIBERTY**

Notes to Financial Statements

June 30, 2008

**NOTE 12. DEFICIT BALANCES**

The following funds had deficit balances at June 30, 2008, because the project costs were incurred prior to availability of funds:

General Fund - Library Reserve	\$ 1,029
General Fund - Park Development	131,555
Capital Projects - Community Center	67,139
Capital Projects - Trail Projects	21,927
Capital Projects - Penn St. Improvements	249,216
Capital Projects - Land and Facilities	179,828
Water Enterprise - Water Capital Projects	346,477
Sewer Enterprise - Sewer Capital Projects	3,211,998

Deficit balances in these funds arose because project and 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.

**NOTE 13. SUBSEQUENT EVENTS**

The City sold the following bonds for community development projects:

- \$3,250,000 SRF sewer revenue bonds for wastewater treatment plant improvements.
- \$2,350,000 water revenue bonds for water system improvements.
- \$1,550,000 sewer revenue bonds for wastewater treatment plant improvements.

The City approved the following construction contracts:

- St. Andrews Drive overlay project - \$119,284
- ASR well project - \$1,160,857

**NOTE 14. INTERFUND AND INTRAFUND TRANSFERS**

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.

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise -	
	Water Operating	\$ 190,000
	Sewer Enterprise -	
	Sewer Operating	179,766
	Special Revenue -	
	Employee Benefits	521,457
		<u>\$ 891,223</u>

**CITY OF NORTH LIBERTY**

Notes to Financial Statements

June 30, 2008

**NOTE 14. INTERFUND AND INTRAFUND TRANSFERS (Continued)**

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Equipment Revolving	Special Revenue - Road Use Tax	\$ 124,000
	Water Enterprise - Water Operating	69,000
	Sewer Enterprise - Sewer Operating	32,000
	Stormwater Management Enterprise	25,000
		<u>\$ 250,000</u>
Debt Service Fund - General Obligation Debt	Special Revenue - Urban Renewal Tax Increment	\$ 3,426,053
	Special Revenue - Road Use Tax	26,466
		<u>\$ 3,452,519</u>
		<u>\$ 4,593,742</u>

The detail of intrafund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Recreation Equipment	General Fund	<u>\$ 50,000</u>
General Fund - Fire Equipment Reserve	General Fund	<u>\$ 64,720</u>
General Fund - Equipment Revolving	General Fund	<u>\$ 77,500</u>
General Fund - Liberty Centre Blues & BBQ	General Fund	<u>\$ 10,000</u>
Debt Service - Special Assessments	Debt Service - General Obligation Debt	<u>\$ 5,269</u>
Capital Projects - Liberty Centre	Capital Projects - Hwy. 965 Improvements	<u>\$ 400,000</u>
Water Enterprise - Water Operating	Water Enterprise - Water Revenue Sinking	<u>\$ 235,000</u>

**CITY OF NORTH LIBERTY**

Notes to Financial Statements

June 30, 2008

**NOTE 14. INTERFUND AND INTRAFUND TRANSFERS (Continued)**

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Water Enterprise - Water Utilities - Capital Reserve	Water Enterprise - Water Operating	<u>\$ 150,000</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	<u>\$ 302,161</u>
Water Enterprise - Water Reserve	Water Enterprise - Water Capital Projects	<u>\$ 131,000</u>
Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	<u>\$ 320,101</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	<u>\$ 36,168</u>
		<u><u>\$ 1,781,919</u></u>

Total transfers during the year ended June 30, 2008 were as follows:

Interfund transfers	\$ 4,593,742
Intrafund transfers	<u>1,781,919</u>
	<u><u>\$ 6,375,661</u></u>

Reconciliation to the financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds (Exhibit B)	\$ 5,201,231	\$ 4,705,465
Proprietary funds (Exhibit C)	<u>1,174,430</u>	<u>1,670,196</u>
	<u><u>\$ 6,375,661</u></u>	<u><u>\$ 6,375,661</u></u>

**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, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 3,093,326	\$ -
Tax increment financing	2,660,586	-
Other city tax	196,571	-
Licenses and permits	482,903	-
Use of money and property	180,001	10,440
Intergovernmental	800,564	-
Charges for service	1,228,972	3,357,604
Special assessments	24,347	-
Miscellaneous	313,332	171,502
	<hr/>	<hr/>
Total receipts	\$ 8,980,602	\$ 3,539,546
	<hr/>	<hr/>
Disbursements:		
Public safety	\$ 1,424,463	\$ -
Public works	1,143,600	-
Health and social services	35,020	-
Culture and recreation	2,281,120	-
Community and economic development	576,163	-
General government	842,771	-
Debt service	4,219,859	-
Capital projects	2,797,451	-
Business type activities	-	10,878,887
	<hr/>	<hr/>
Total disbursements	\$ 13,320,447	\$ 10,878,887
	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	\$ (4,339,845)	\$ (7,339,341)
	<hr/>	<hr/>
Other financing sources (uses), net	6,001,121	5,511,459
	<hr/>	<hr/>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 1,661,276	\$ (1,827,882)
	<hr/>	<hr/>
Balances, beginning of year	2,170,190	470,325
	<hr/>	<hr/>
Balances, end of year	\$ 3,831,466	\$ (1,357,557)
	<hr/>	<hr/>

There were no funds of the City not required to be budgeted during the year ended June 30, 2008.

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

Budgeted Amounts

Net	Original	Final	Final to Net Variance
\$ 3,093,326	\$ 3,103,643	\$ 3,103,643	\$ (10,317)
2,660,586	2,654,761	2,654,761	5,825
196,571	53,494	53,494	143,077
482,903	767,178	767,178	(284,275)
190,441	185,170	185,170	5,271
800,564	1,775,108	1,638,991	(838,427)
4,586,576	3,840,064	4,239,664	346,912
24,347	-	-	24,347
484,834	203,700	630,200	(145,366)
<u>\$ 12,520,148</u>	<u>\$ 12,583,118</u>	<u>\$ 13,273,101</u>	<u>\$ (752,953)</u>
\$ 1,424,463	\$ 1,304,571	\$ 1,469,298	\$ 44,835
1,143,600	968,487	995,433	(148,167)
35,020	52,500	62,500	27,480
2,281,120	2,266,811	2,366,231	85,111
576,163	678,577	634,927	58,764
842,771	709,550	826,472	(16,299)
4,219,859	2,693,629	4,493,629	273,770
2,797,451	6,135,800	6,779,800	3,982,349
10,878,887	11,589,585	13,770,931	2,892,044
<u>\$ 24,199,334</u>	<u>\$ 26,399,510</u>	<u>\$ 31,399,221</u>	<u>\$ 7,199,887</u>
\$ (11,679,186)	\$ (13,816,392)	\$ (18,126,120)	\$ 6,446,934
<u>11,512,580</u>	<u>14,244,800</u>	<u>17,767,053</u>	<u>(6,254,473)</u>
\$ (166,606)	\$ 428,408	\$ (359,067)	\$ 192,461
<u>2,640,515</u>	<u>4,287,630</u>	<u>2,170,190</u>	<u>470,325</u>
<u>\$ 2,473,909</u>	<u>\$ 4,716,038</u>	<u>\$ 1,811,123</u>	<u>\$ 662,786</u>

## CITY OF NORTH LIBERTY

### Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2008

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 \$4,999,711. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements in the public works and general government functions exceeded the amounts 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, 2008

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ
<b>Receipts:</b>						
Property tax	\$ 2,221,690	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other city tax:</b>						
Mobile home tax	\$ 19,809	\$ -	\$ -	\$ -	\$ -	\$ -
Utility tax replacement excise tax	17,209	-	-	-	-	-
Utility franchise fees	126,973	-	-	-	19,605	-
	<u>\$ 163,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,605</u>	<u>\$ -</u>
<b>Licenses and permits:</b>						
Beer and liquor	\$ 8,799	\$ -	\$ -	\$ -	\$ -	\$ -
Cigarette	550	-	-	-	-	-
Business/building trades	5,573	-	-	-	-	-
Pet and other	473	-	-	-	-	-
Building	467,508	-	-	-	-	-
	<u>\$ 482,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Use of money and property:</b>						
Interest on cash investments	\$ 69,342	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	85,415	-	-	-	-	-
	<u>\$ 154,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Intergovernmental:</b>						
FEMA grants	\$ 26,452	\$ -	\$ -	\$ -	\$ -	\$ -
Township fire protection	107,439	-	-	-	-	-
County library contribution	29,617	-	-	-	-	-
Library grants and open access	14,266	-	-	-	-	-
	<u>\$ 177,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Charges for service:</b>						
Inspection fees	\$ 39,848	\$ -	\$ -	\$ -	\$ -	\$ -
Library fees	10,013	-	-	-	-	-
Police service fees	1,125	-	-	-	-	-
Zoning and subdivision	21,515	-	-	-	-	-
Garbage and recycling fees	259,691	-	-	-	-	-
Recreation charges	532,578	-	-	-	-	-
Cemetery plot location fees	145	-	-	-	-	-
Animal control	2,612	-	-	-	-	-
Maps and photocopy fees	3,574	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Administrative charges	14,763	-	-	-	-	-
Transit	430	-	-	-	-	-
	<u>\$ 886,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Special assessments</b>	<u>\$ 16,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Miscellaneous:</b>						
Refunds and reimbursements	\$ 2,937	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	20,459	-	-	-	-	-
Donations/contributions	8,790	-	58,850	8,000	-	12,586
Miscellaneous	601	-	-	13,769	908	-
Penalties	59,884	-	-	-	-	-
	<u>\$ 92,671</u>	<u>\$ -</u>	<u>\$ 58,850</u>	<u>\$ 21,769</u>	<u>\$ 908</u>	<u>\$ 12,586</u>
<b>Total receipts</b>	<u>\$ 4,196,996</u>	<u>\$ -</u>	<u>\$ 58,850</u>	<u>\$ 21,769</u>	<u>\$ 20,513</u>	<u>\$ 12,586</u>

Tree Program	Library			Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Impact Fees		Total	
	Library Building/Endowment	TAG Group	Library Reserve				Transportation	Storm Water		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,221,690	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	19,809	
-	-	-	-	-	-	-	-	-	17,209	
-	-	-	-	-	-	-	-	-	146,578	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,596	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8,799	
-	-	-	-	-	-	-	-	-	550	
-	-	-	-	-	-	-	-	-	5,573	
-	-	-	-	-	-	-	-	-	473	
-	-	-	-	-	-	-	-	-	467,508	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 482,903	
\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	69,357	
-	-	-	-	-	-	-	-	-	85,415	
\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,772	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	26,452	
-	-	-	-	-	-	-	-	-	107,439	
-	-	-	-	-	-	-	-	-	29,617	
-	-	-	-	-	-	-	-	-	14,266	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,774	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	39,848	
-	-	-	-	-	-	-	-	-	10,013	
-	-	-	-	-	-	-	14,010	-	15,135	
-	-	-	-	-	-	-	-	-	21,515	
-	-	-	-	-	-	-	-	-	259,691	
-	-	-	-	-	-	-	-	-	532,578	
-	-	-	-	-	-	-	-	-	145	
-	-	-	-	-	-	-	-	-	2,612	
-	-	-	-	-	-	-	-	-	3,574	
-	-	-	-	-	-	-	-	175,494	175,494	
-	-	-	-	-	-	-	-	-	14,763	
-	-	-	-	-	-	-	-	-	430	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,010	\$ 175,494	\$ -	\$ 1,075,798
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,916
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,549	\$ -	\$ -	\$ 13,486
-	-	-	-	-	-	-	-	-	-	20,459
7,000	-	350	5,757	3,925	-	109	-	-	-	105,367
1,410	-	1,188	-	-	-	-	-	-	-	17,876
-	-	-	-	-	-	-	-	-	-	59,884
\$ 8,410	\$ -	\$ 1,538	\$ 5,757	\$ 3,925	\$ 10,549	\$ 109	\$ -	\$ -	\$ -	\$ 217,072
\$ 8,410	\$ -	\$ 1,553	\$ 5,757	\$ 3,925	\$ 10,549	\$ 14,119	\$ 175,494	\$ -	\$ -	\$ 4,530,521

**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, 2008

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ
<b>Disbursements:</b>						
<b>Public Safety:</b>						
Police	\$ 776,830	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency management	6,270	-	-	-	-	-
Fire	245,737	-	-	-	-	-
Building inspections/safety	301,249	-	-	-	-	-
Animal control	2,553	-	-	-	-	-
<b>Total public safety</b>	<b>\$ 1,332,639</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Public Works:</b>						
Roads, bridges and sidewalks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Traffic control and safety	18,377	-	-	-	-	-
Sanitation	246,909	-	-	-	-	-
Transit	98,057	-	-	-	-	-
<b>Total public works</b>	<b>\$ 363,343</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Health and social services:</b>						
Social services	\$ 35,020	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Culture and recreation:</b>						
Library	\$ 454,334	\$ -	\$ -	\$ -	\$ -	\$ -
Parks	388,106	-	8,046	-	-	16,556
Recreation center	741,018	84,132	-	9,926	-	-
Aquatic center	481,613	-	-	-	-	-
Cemetery	2,948	-	-	-	-	-
<b>Total culture and recreation</b>	<b>\$ 2,068,019</b>	<b>\$ 84,132</b>	<b>\$ 8,046</b>	<b>\$ 9,926</b>	<b>\$ -</b>	<b>\$ 16,556</b>
<b>Community and economic development:</b>						
Community beautification	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	29,000	-	-	-	-	-
Planning and zoning	260,544	-	-	-	-	-
Telecommunications	168,225	-	-	-	7,002	-
<b>Total community and economic development</b>	<b>\$ 457,769</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,002</b>	<b>\$ -</b>
<b>General government:</b>						
Mayor and council	\$ 22,602	\$ -	\$ -	\$ -	\$ -	\$ -
City administration	583,329	-	-	-	-	-
Elections	7,784	-	-	-	-	-
Legal services	108,901	-	-	-	-	-
Other general government	29,791	-	-	-	-	-
<b>Total general government</b>	<b>\$ 752,407</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total disbursements</b>	<b>\$ 5,009,197</b>	<b>\$ 84,132</b>	<b>\$ 8,046</b>	<b>\$ 9,926</b>	<b>\$ 7,002</b>	<b>\$ 16,556</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>\$ (812,201)</b>	<b>\$ (84,132)</b>	<b>\$ 50,804</b>	<b>\$ 11,843</b>	<b>\$ 13,511</b>	<b>\$ (3,970)</b>

Tree Program	Library			Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Impact Fees		Total
	Library Building/ Endowment	TAG Group	Library Reserve				Trans- portation	Storm Water	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,652	\$ 25,480	\$ -	\$ -	\$ 804,962
-	-	-	-	-	-	-	-	-	6,270
-	-	-	-	21,617	-	-	-	-	267,354
-	-	-	-	-	21,154	-	-	-	322,403
-	-	-	-	-	-	-	-	-	2,553
\$ -	\$ -	\$ -	\$ -	\$ 21,617	\$ 23,806	\$ 25,480	\$ -	\$ -	\$ 1,403,542
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,204	\$ -	\$ -	\$ -	\$ 217,204
-	-	-	-	-	-	-	-	-	18,377
-	-	-	-	-	-	-	-	-	246,909
-	-	-	-	-	27,738	-	-	-	125,795
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,942	\$ -	\$ -	\$ -	\$ 608,285
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,020
\$ -	\$ -	\$ 2,900	\$ 24,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 481,850
-	-	-	-	-	66,925	-	-	-	479,633
-	-	-	-	-	-	-	-	-	835,076
-	-	-	-	-	-	-	-	-	481,613
-	-	-	-	-	-	-	-	-	2,948
\$ -	\$ -	\$ 2,900	\$ 24,616	\$ -	\$ 66,925	\$ -	\$ -	\$ -	\$ 2,281,120
\$ 6,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,392
-	-	-	-	-	-	-	-	-	29,000
-	-	-	-	-	-	-	-	-	260,544
-	-	-	-	-	-	-	-	-	175,227
\$ 6,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471,163
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,602
-	-	-	-	-	90,364	-	-	-	673,693
-	-	-	-	-	-	-	-	-	7,784
-	-	-	-	-	-	-	-	-	108,901
-	-	-	-	-	-	-	-	-	29,791
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,364	\$ -	\$ -	\$ -	\$ 842,771
\$ 6,392	\$ -	\$ 2,900	\$ 24,616	\$ 21,617	\$ 426,037	\$ 25,480	\$ -	\$ -	\$ 5,641,901
\$ 2,018	\$ -	\$ (1,347)	\$ (18,859)	\$ (17,692)	\$ (415,488)	\$ (11,361)	\$ 175,494	\$ -	\$ (1,111,380)

**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, 2008

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ
Other financing sources (uses):						
Proceeds from sales of general obligation bonds	\$ 25,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	-	-	-
Operating transfers in	891,223	50,000	-	-	-	10,000
Operating transfers (out)	(202,220)	-	-	-	-	-
Total other financing sources (uses)	\$ 714,003	\$ 300,000	\$ -	\$ -	\$ -	\$ 10,000
Net change in cash balances	\$ (98,198)	\$ 215,868	\$ 50,804	\$ 11,843	\$ 13,511	\$ 6,030
Cash and cash investments, beginning of year	505,238	103,713	(182,359)	27,545	1,728	(3,272)
Cash and cash investments, end of year	\$ 407,040	\$ 319,581	\$ (131,555)	\$ 39,388	\$ 15,239	\$ 2,758
Cash basis fund balances:						
Unreserved - General fund	\$ 407,040	\$ 319,581	\$ (131,555)	\$ 39,388	\$ 15,239	\$ 2,758

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					Trans- portation	Storm Water	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,000
-	-	-	-	-	-	5,033	-	-	-	5,033
-	-	-	-	64,720	327,500	-	-	-	-	1,343,443
-	-	-	-	-	-	-	-	-	-	(202,220)
\$ -	\$ -	\$ -	\$ -	\$ 64,720	\$ 332,533	\$ -	\$ -	\$ -	\$ -	\$ 1,421,256
\$ 2,018	\$ -	\$ (1,347)	\$ (18,859)	\$ 47,028	\$ (82,955)	\$ (11,361)	\$ 175,494	\$ -	\$ -	\$ 309,876
13,501	13,500	6,896	17,830	146,803	141,506	13,517	767,223	19,238		1,592,607
\$ 15,519	\$ 13,500	\$ 5,549	\$ (1,029)	\$ 193,831	\$ 58,551	\$ 2,156	\$ 942,717	\$ 19,238	\$ -	\$ 1,902,483
\$ 15,519	\$ 13,500	\$ 5,549	\$ (1,029)	\$ 193,831	\$ 58,551	\$ 2,156	\$ 942,717	\$ 19,238	\$ -	\$ 1,902,483

**CITY OF NORTH LIBERTY**

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

Year Ended June 30, 2008

	Special Revenue	
	Road Use Tax	Employee Benefits
Receipts:		
Property tax	\$ -	\$ 512,990
Other city tax	-	8,467
Use of money and property	-	-
Intergovernmental	619,328	-
Charges for service	-	-
Special assessments	-	-
Miscellaneous	-	-
	\$ 619,328	\$ 521,457
 Total receipts	 \$ 619,328	 \$ 521,457
Disbursements:		
Public safety	\$ -	\$ -
Public works	535,315	-
Community and economic development	-	-
Debt service	-	-
Capital projects	-	-
	\$ 535,315	\$ -
 Total disbursements	 \$ 535,315	 \$ -
 Excess (deficiency) of receipts over (under) disbursements	 \$ 84,013	 \$ 521,457
Other financing sources (uses):		
Proceeds from sale of general obligation bonds	\$ -	\$ -
Operating transfers in	-	-
Operating transfers (out)	(150,466)	(521,457)
	\$ (150,466)	\$ (521,457)
 Total other financing sources (uses)	 \$ (150,466)	 \$ (521,457)
 Net change in cash balances	 \$ (66,453)	 \$ -
 Cash and cash investments, beginning of year	 227,643	 4,698
 Cash and cash investments, end of year	 \$ 161,190	 \$ 4,698
Cash basis fund balances:		
Reserved -		
Debt service fund	\$ -	\$ -
Unreserved -		
Special revenue funds	161,190	4,698
Capital projects funds	-	-
	\$ 161,190	\$ 4,698
 Total cash basis fund balances	 \$ 161,190	 \$ 4,698

See accompanying independent auditor's report.

**Schedule 2**

Debt Service -				
Drug Task Force	Special Assessments	Capital Projects	Total	
\$ -	\$ -	\$ -	\$ -	\$ 512,990
-	-	-	-	8,467
698	-	24,531	-	25,229
3,462	-	-	-	622,790
-	-	153,174	-	153,174
-	7,431	-	-	7,431
-	-	96,260	-	96,260
<hr/>				
\$ 4,160	\$ 7,431	\$ 273,965	\$ -	\$ 1,426,341
<hr/>				
\$ 20,921	\$ -	\$ -	\$ -	\$ 20,921
-	-	-	-	535,315
-	-	100,000	-	100,000
-	12,700	-	-	12,700
-	-	2,100,846	-	2,100,846
<hr/>				
\$ 20,921	\$ 12,700	\$ 2,200,846	\$ -	\$ 2,769,782
<hr/>				
\$ (16,761)	\$ (5,269)	\$ (1,926,881)	\$ -	\$ (1,343,441)
<hr/>				
\$ -	\$ -	\$ 3,555,200	\$ -	\$ 3,555,200
-	5,269	400,000	-	405,269
-	-	(400,000)	-	(1,071,923)
<hr/>				
\$ -	\$ 5,269	\$ 3,555,200	\$ -	\$ 2,888,546
<hr/>				
\$ (16,761)	\$ -	\$ 1,628,319	\$ -	\$ 1,545,105
61,948	-	(1,477,651)	-	(1,183,362)
<hr/>				
\$ 45,187	\$ -	\$ 150,668	\$ -	\$ 361,743
<hr/>				
\$ -	\$ -	\$ -	\$ -	\$ -
45,187	-	-	-	211,075
-	-	150,668	-	150,668
<hr/>				
\$ 45,187	\$ -	\$ 150,668	\$ -	\$ 361,743
<hr/>				

**CITY OF NORTH LIBERTY**

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

Year Ended June 30, 2008

	Ranshaw House Project	Front Street Reconstruction	Cherry Street Reconstruction	TIF Projects	Community Center
<b>Receipts:</b>					
Use of money and property:					
Interest on cash investments	\$ 84	\$ -	\$ -	\$ -	\$ 447
Rent	-	-	-	-	-
Charges for service:					
Impact fees	-	-	-	-	-
Miscellaneous:					
Donations/contributions	8,010	-	-	-	13,250
<b>Total receipts</b>	<b>\$ 8,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,697</b>
<b>Disbursements:</b>					
Community and economic development:					
Economic development	\$ -	\$ -	\$ -	\$ 100,000	\$ -
Capital projects	-	-	-	543,343	-
<b>Total disbursements</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 643,343</b>	<b>\$ -</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>\$ 8,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (643,343)</b>	<b>\$ 13,697</b>
<b>Other financing sources (uses):</b>					
Proceeds from sale of general obligation bonds					
	\$ -	\$ -	\$ -	\$ 800,000	\$ -
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 800,000</b>	<b>\$ -</b>
<b>Net change in cash balances</b>	<b>\$ 8,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 156,657</b>	<b>\$ 13,697</b>
Cash and cash investments, beginning of year	-	14,196	2,407	958	(80,836)
Cash and cash investments, end of year	<u>\$ 8,094</u>	<u>\$ 14,196</u>	<u>\$ 2,407</u>	<u>\$ 157,615</u>	<u>\$ (67,139)</u>
Cash basis fund balances:					
Unreserved - capital projects funds	<u>\$ 8,094</u>	<u>\$ 14,196</u>	<u>\$ 2,407</u>	<u>\$ 157,615</u>	<u>\$ (67,139)</u>

See accompanying independent auditor's report.

**Schedule 3**

Trail Projects	Penn Street Improvements	Entryway Development	Hwy. 965 Improvements	Economic Development Projects	Liberty Centre	Land and Facilities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531
-	-	-	-	-	-	24,000	24,000
-	-	-	-	153,174	-	-	153,174
-	-	-	-	-	75,000	-	96,260
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,174</u>	<u>\$ 75,000</u>	<u>\$ 24,000</u>	<u>\$ 273,965</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
-	115,626	(164)	56,560	421,245	-	964,236	2,100,846
<u>\$ -</u>	<u>\$ 115,626</u>	<u>\$ (164)</u>	<u>\$ 56,560</u>	<u>\$ 421,245</u>	<u>\$ -</u>	<u>\$ 964,236</u>	<u>\$ 2,200,846</u>
\$ -	\$ (115,626)	\$ 164	\$ (56,560)	\$ (268,071)	\$ 75,000	\$ (940,236)	\$ (1,926,881)
\$ -	\$ 1,255,200	\$ -	\$ -	\$ 575,000	\$ -	\$ 925,000	\$ 3,555,200
-	-	-	-	-	400,000	-	400,000
-	-	-	(400,000)	-	-	-	(400,000)
<u>\$ -</u>	<u>\$ 1,255,200</u>	<u>\$ -</u>	<u>\$ (400,000)</u>	<u>\$ 575,000</u>	<u>\$ 400,000</u>	<u>\$ 925,000</u>	<u>\$ 3,555,200</u>
\$ -	\$ 1,139,574	\$ 164	\$ (456,560)	\$ 306,929	\$ 475,000	\$ (15,236)	\$ 1,628,319
(21,927)	(1,388,790)	10,829	592,603	(172,201)	(270,298)	(164,592)	(1,477,651)
<u>\$ (21,927)</u>	<u>\$ (249,216)</u>	<u>\$ 10,993</u>	<u>\$ 136,043</u>	<u>\$ 134,728</u>	<u>\$ 204,702</u>	<u>\$ (179,828)</u>	<u>\$ 150,668</u>
<u>\$ (21,927)</u>	<u>\$ (249,216)</u>	<u>\$ 10,993</u>	<u>\$ 136,043</u>	<u>\$ 134,728</u>	<u>\$ 204,702</u>	<u>\$ (179,828)</u>	<u>\$ 150,668</u>

**CITY OF NORTH LIBERTY**

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

Year Ended June 30, 2008

	Water Enterprise					Total
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Projects	
Operating receipts:						
Charges for service	\$ 1,521,403	\$ -	\$ -	\$ 14,839	\$ -	\$ 1,536,242
Miscellaneous	31,287	-	-	-	-	31,287
<b>Total operating receipts</b>	<b>\$ 1,552,690</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,839</b>	<b>\$ -</b>	<b>\$ 1,567,529</b>
Operating disbursements:						
Business type activities	872,648	-	-	7,116	865,689	1,745,453
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 680,042	\$ -	\$ -	\$ 7,723	\$ (865,689)	\$ (177,924)
Non-operating receipts and (disbursements):						
Interest on cash investments	\$ 5,410	\$ -	\$ -	\$ -	\$ -	\$ 5,410
Proceeds from sale of general obligation bonds	-	73,935	-	-	715,000	788,935
Proceeds from State Revolving Fund note draws	-	-	-	-	-	-
Debt service	-	(362,621)	-	-	-	(362,621)
<b>Total non-operating receipts and (disbursements)</b>	<b>\$ 5,410</b>	<b>\$ (288,686)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 715,000</b>	<b>\$ 431,724</b>
Excess (deficiency) of receipts over (under) disbursements	\$ 685,452	\$ (288,686)	\$ -	\$ 7,723	\$ (150,689)	\$ 253,800
Operating transfers:						
Operating transfers in	\$ 235,000	\$ 302,161	\$ 131,000	\$ 150,000	\$ -	\$ 818,161
Operating transfers (out)	(711,161)	(235,000)	-	-	(131,000)	(1,077,161)
<b>Net operating transfers</b>	<b>\$ (476,161)</b>	<b>\$ 67,161</b>	<b>\$ 131,000</b>	<b>\$ 150,000</b>	<b>\$ (131,000)</b>	<b>\$ (259,000)</b>
<b>Net change in cash balances</b>	<b>\$ 209,291</b>	<b>\$ (221,525)</b>	<b>\$ 131,000</b>	<b>\$ 157,723</b>	<b>\$ (281,689)</b>	<b>\$ (5,200)</b>
Cash and cash investments, beginning of year	141,547	222,602	222,913	(156,503)	(64,788)	365,771
Cash and cash investments, end of year	\$ 350,838	\$ 1,077	\$ 353,913	\$ 1,220	\$ (346,477)	\$ 360,571
Cash basis fund balances:						
Reserved - debt service	\$ -	\$ 1,077	\$ 353,913	\$ -	\$ -	\$ 354,990
Unreserved:						
Capital projects	-	-	-	-	(346,477)	(346,477)
Unreserved	350,838	-	-	1,220	-	352,058
<b>Total cash basis fund balances</b>	<b>\$ 350,838</b>	<b>\$ 1,077</b>	<b>\$ 353,913</b>	<b>\$ 1,220</b>	<b>\$ (346,477)</b>	<b>\$ 360,571</b>

See accompanying independent auditor's report.

Sewer Enterprise									
Sewer Operating	Sewer Revenue Sinking	Sewer Reserve	Sewer Rental - Capital Reserve	Sewer Capital Projects	Total	Utility Deposits	Stormwater Management		
\$ 1,634,414	\$ -	\$ -	\$ 57,994	\$ -	\$ 1,692,408	\$ -	\$ 128,954		
-	-	-	-	-	-	140,215	-		
\$ 1,634,414	\$ -	\$ -	\$ 57,994	\$ -	\$ 1,692,408	\$ 140,215	\$ 128,954		
515,610	-	-	125,771	7,322,914	7,964,295	81,175	42,918		
\$ 1,118,804	\$ -	\$ -	\$ (67,777)	\$ (7,322,914)	\$ (6,271,887)	\$ 59,040	\$ 86,036		
\$ 5,030	\$ -	\$ -	\$ -	\$ -	\$ 5,030	\$ -	\$ -		
-	-	-	-	-	-	-	-		
-	(682,425)	-	-	5,218,290	5,218,290	-	-		
-					(682,425)				
\$ 5,030	\$ (682,425)	\$ -	\$ -	\$ 5,218,290	\$ 4,540,895	\$ -	\$ -		
\$ 1,123,834	\$ (682,425)	\$ -	\$ (67,777)	\$ (2,104,624)	\$ (1,730,992)	\$ 59,040	\$ 86,036		
\$ -	\$ 320,101	\$ -	\$ 36,168	\$ -	\$ 356,269	\$ -	\$ -		
(568,035)	-	-	-	-	(568,035)	-	(25,000)		
\$ (568,035)	\$ 320,101	\$ -	\$ 36,168	\$ -	\$ (211,766)	\$ -	\$ (25,000)		
\$ 555,799	\$ (362,324)	\$ -	\$ (31,609)	\$ (2,104,624)	\$ (1,942,758)	\$ 59,040	\$ 61,036		
96,651	416,572	151,598	149,317	(1,107,374)	(293,236)	258,294	139,496		
\$ 652,450	\$ 54,248	\$ 151,598	\$ 117,708	\$ (3,211,998)	\$ (2,235,994)	\$ 317,334	\$ 200,532		
\$ -	\$ 54,248	\$ 151,598	\$ -	\$ -	\$ 205,846	\$ -	\$ -		
-	-	-	-	(3,211,998)	(3,211,998)	-	-		
652,450	-	-	117,708		770,158	317,334	200,532		
\$ 652,450	\$ 54,248	\$ 151,598	\$ 117,708	\$ (3,211,998)	\$ (2,235,994)	\$ 317,334	\$ 200,532		

**CITY OF NORTH LIBERTY**

Statement of Indebtedness

Year Ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
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 Corporate Purpose	1/1/98	3.00 *	1,000,000
Urban Renewal 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
Urban Renewal Corporate Purpose	8/1/07	4.00	3,515,000
General Obligation Water Improvement Corporate Purpose	12/15/07	3.45-4.10	855,000
	6/30/08	2.50-3.95	1,940,000
Total			
Special Assessment Notes:			
Street Improvement	8/17/00	5.15	110,000
Revenue Notes:			
Sewer Revenue SRF Interim Loan	10/20/06	-	550,000
Revenue Bonds:			
Sewer Revenue Bond Series 1998A	3/23/98	3.00 *	323,957
Sewer Revenue Bond Series 1998B	3/23/98	3.00 *	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
Sewer Revenue Bond Series 2007	8/23/07	3.00	5,271,000
Total			

\* - the interest rate on these 3 bond issues was lowered from 3.92% to 3.00% beginning June 1, 2008.

See accompanying independent auditor's report.

**Schedule 5**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 150,000	\$ -	\$ 75,000	\$ 75,000	\$ 5,189	\$ -
1,640,000	-	1,640,000	-	15,785	-
<u>\$ 1,790,000</u>	<u>\$ -</u>	<u>\$ 1,715,000</u>	<u>\$ 75,000</u>	<u>\$ 20,974</u>	<u>\$ -</u>
\$ 330,000	\$ -	\$ 35,000	\$ 295,000	\$ 16,123	\$ -
644,000	-	48,000	596,000	24,304	-
1,085,000	-	345,000	740,000	59,150	-
725,000	-	170,000	555,000	30,757	-
1,865,000	-	345,000	1,520,000	62,510	-
3,705,000	-	170,000	3,535,000	151,385	-
1,130,000	-	145,000	985,000	35,717	-
3,200,000	-	300,000	2,900,000	110,630	-
570,000	-	45,000	525,000	21,090	-
-	3,515,000	290,000	3,225,000	117,167	-
-	855,000	-	855,000	14,926	-
-	1,940,000	-	1,940,000	-	-
<u>\$ 13,254,000</u>	<u>\$ 6,310,000</u>	<u>\$ 1,893,000</u>	<u>\$ 17,671,000</u>	<u>\$ 643,759</u>	<u>\$ -</u>
\$ 33,000	\$ -	\$ 11,000	\$ 22,000	\$ 1,700	\$ -
<u>\$ 211,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,547</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 228,000	\$ -	\$ 15,000	\$ 213,000	\$ 8,644	\$ -
2,571,000	-	172,000	2,399,000	97,412	-
1,890,000	-	25,000	1,865,000	94,212	-
275,000	-	85,000	190,000	9,020	-
1,810,000	-	70,000	1,740,000	78,395	-
1,670,000	-	60,000	1,610,000	73,062	-
-	5,271,000	83,000	5,188,000	70,372	-
<u>\$ 8,444,000</u>	<u>\$ 5,271,000</u>	<u>\$ 510,000</u>	<u>\$ 13,205,000</u>	<u>\$ 431,117</u>	<u>\$ -</u>

**CITY OF NORTH LIBERTY**

Bond and Note Maturities  
(Page 1 of 2)  
Year Ended June 30, 2008

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
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>\$ 740,000</u>		<u>\$ 3,535,000</u>		<u>\$ 75,000</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
2009	3.00 %	\$ 50,000	4.20 %	\$ 175,000	2.75 %	\$ 150,000
2010	3.00	52,000	4.30	185,000	3.00	155,000
2011	3.00	54,000	4.35	195,000	3.25	160,000
2012	3.00	56,000			3.35	165,000
2013	3.00	58,000			3.45	175,000
2014	3.00	60,000			3.60	180,000
2015	3.00	63,000				
2016	3.00	65,000				
2017	3.00	68,000				
2018	3.00	70,000				
2019						
2020						
2021						
2022						
2023						
Total		<u>\$ 596,000</u>		<u>\$ 555,000</u>		<u>\$ 985,000</u>

Schedule 6

<u>Community Center</u> <u>Issued April 1, 1996</u>		<u>Corporate Purpose</u> <u>Issued Aug. 15, 2002</u>		<u>Corporate Purpose</u> <u>Issued Nov. 9, 2005</u>		<u>Water Improvement</u> <u>Issued Dec. 15, 2007</u>	
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
4.80 %	\$ 35,000	3.20 %	\$ 355,000	3.45 %	\$ 370,000	3.45 %	\$ 45,000
4.85	40,000	3.40	375,000	3.45	385,000	3.50	50,000
4.85	40,000	3.50	390,000	3.45	400,000	3.55	50,000
4.875	40,000	3.60	400,000	3.45	410,000	3.60	50,000
4.90	45,000			3.45	430,000	3.625	55,000
4.95	45,000			3.45	445,000	3.65	55,000
5.00	50,000			3.50	460,000	3.70	60,000
						3.75	60,000
						3.80	65,000
						3.85	65,000
						3.90	70,000
						4.00	75,000
						4.05	75,000
						4.10	80,000
	<u>\$ 295,000</u>		<u>\$ 1,520,000</u>		<u>\$ 2,900,000</u>		<u>\$ 855,000</u>

<u>Corporate Purpose</u> <u>Issued Nov. 15, 2006</u>		<u>Corporate Purpose</u> <u>Issued Aug. 1, 2007</u>		<u>Corporate Purpose</u> <u>Issued June 30, 2008</u>		<u>Total</u>
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
3.60 %	\$ 50,000	4.00 %	\$ 305,000		\$ -	\$ 2,155,000
3.60	50,000	4.00	315,000	2.50	165,000	2,352,000
3.65	55,000	4.00	325,000	2.80	190,000	2,064,000
3.65	55,000	4.00	345,000	3.00	200,000	1,941,000
3.70	60,000	4.00	360,000	3.15	210,000	1,628,000
3.70	60,000	4.00	370,000	3.25	220,000	1,645,000
3.75	60,000	4.00	385,000	3.40	225,000	1,518,000
3.80	65,000	4.00	400,000	3.60	235,000	1,045,000
3.85	70,000	4.00	420,000	3.75	245,000	1,093,000
				3.95	250,000	615,000
						310,000
						325,000
						350,000
						380,000
						325,000
	<u>\$ 525,000</u>		<u>\$ 3,225,000</u>		<u>\$ 1,940,000</u>	<u>\$ 17,746,000</u>

**CITY OF NORTH LIBERTY**

Bond and Note Maturities

(Page 2 of 2)

Year Ended June 30, 2008

Year Ending June 30,	Water Revenue Series 2006B		Water Revenue Refunding		Enterprise Fund Water Revenue Series 2001	
	Issued Nov. 15, 2006		Issued Sept. 1, 2003		Issued Sept. 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	4.375 %	\$ 60,000	3.30 %	\$ 90,000	4.25 %	\$ 25,000
2010	4.375	65,000	3.50	100,000	4.40	25,000
2011	4.375	65,000			4.50	130,000
2012	4.375	70,000			4.65	135,000
2013	4.375	75,000			4.75	140,000
2014	4.375	75,000			4.85	145,000
2015	4.375	80,000			4.95	155,000
2016	4.375	80,000			5.05	160,000
2017	4.375	85,000			5.10	170,000
2018	4.375	90,000			5.15	180,000
2019	4.375	95,000			5.20	190,000
2020	4.375	95,000			5.25	200,000
2021	4.375	100,000			5.30	210,000
2022	4.375	105,000				
2023	4.375	110,000				
2024	4.375	115,000				
2025	4.375	120,000				
2026	4.375	125,000				
2027						
<b>Total</b>		<b>\$ 1,610,000</b>		<b>\$ 190,000</b>		<b>\$ 1,865,000</b>

Enterprise Fund Revenue Bonds			
Year Ending June 30,	Sewer Revenue Series 2007		
	Issued Aug. 23, 2007		
	Interest Rates	Amount	Total
2009	3.00 %	\$ 89,000	\$ 528,000
2010	3.00	89,000	556,000
2011	3.00	96,000	576,000
2012	3.00	98,000	601,000
2013	3.00	100,000	626,000
2014	3.00	106,000	647,000
2015	3.00	108,000	678,000
2016	3.00	111,000	701,000
2017	3.00	114,000	734,000
2018	3.00	117,000	767,000
2019	3.00	121,000	802,000
2020	3.00	416,000	826,000
2021	3.00	430,000	860,000
2022	3.00	444,000	674,000
2023	3.00	459,000	699,000
2024	3.00	475,000	725,000
2025	3.00	486,000	751,000
2026	3.00	654,000	779,000
2027	3.00	675,000	675,000
<b>Total</b>		<b>\$ 5,188,000</b>	<b>\$ 13,205,000</b>

See accompanying independent auditor's report.



**CITY OF NORTH LIBERTY**

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

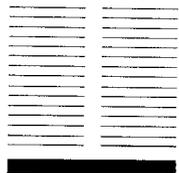
	Years Ended			
	2008	2007	2006	2005
<b>Receipts:</b>				
Property tax	\$ 3,093,326	\$ 2,430,379	\$ 1,905,108	\$ 1,582,974
Tax increment financing	2,660,586	2,470,154	1,360,008	1,116,247
Other city tax	196,571	161,686	135,396	130,557
Licenses and permits	482,903	617,217	625,439	656,054
Use of money and property	180,001	190,964	204,647	129,302
Intergovernmental	800,564	1,460,925	1,294,642	1,551,835
Charges for service	1,228,972	982,868	1,147,998	995,289
Special assessments	24,347	26,182	34,617	31,421
Miscellaneous	313,332	141,640	392,867	364,586
<b>Total</b>	<b>\$ 8,980,602</b>	<b>\$ 8,482,015</b>	<b>\$ 7,100,722</b>	<b>\$ 6,558,265</b>
<b>Disbursements:</b>				
Public safety	\$ 1,424,463	\$ 1,806,083	\$ 881,885	\$ 752,220
Public works	1,143,600	967,256	1,025,863	636,329
Health and social services	35,020	36,500	34,500	21,000
Culture and recreation	2,281,120	2,445,972	1,680,594	1,650,909
Community and economic development	576,163	520,060	325,306	249,352
General government	842,771	739,627	541,943	452,215
Debt service	4,219,859	2,074,465	2,877,794	1,636,989
Capital projects	2,797,451	2,470,613	4,510,561	2,669,922
<b>Total</b>	<b>\$ 13,320,447</b>	<b>\$ 11,060,576</b>	<b>\$ 11,878,446</b>	<b>\$ 8,068,936</b>

See accompanying independent auditor's report.

Schedule 7

June 30,

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,355,034	\$ 1,050,948	\$ 908,944
1,290,281	1,001,279	991,905
126,764	117,007	105,903
579,106	363,961	190,821
108,371	91,744	89,371
1,290,726	690,750	1,153,918
872,863	482,897	481,950
67,770	38,107	197,675
407,370	240,577	193,885
<u>\$ 6,098,285</u>	<u>\$ 4,077,270</u>	<u>\$ 4,314,372</u>
\$ 902,800	\$ 962,346	\$ 501,835
593,601	545,818	520,998
21,000	21,000	24,867
990,473	872,066	816,995
200,518	125,461	202,433
447,623	436,888	369,773
2,455,627	1,388,454	1,128,794
5,773,910	1,871,426	1,773,501
<u>\$ 11,385,552</u>	<u>\$ 6,223,459</u>	<u>\$ 5,339,196</u>



**Greenwood and Crim, P.C.**  
Certified Public Accountants

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

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

To the Honorable Mayor and  
Members of the City Council  
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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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 an 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of North Liberty's operations for the year ended June 30, 2008 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. 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.

We noted certain other matters that we reported to the management of the City of North Liberty in a separate letter dated March 19, 2009.

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 19, 2009

# CITY OF NORTH LIBERTY

## Schedule of Findings

Year Ended June 30, 2008

### Part I. Findings Related to the Financial Statements

#### INTERNAL CONTROL

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

#### COMPLIANCE

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

### Part II. Other Findings Related to Required Statutory Reporting

08-II-A **Certified Budget** - Disbursements during the year ended June 30, 2008, exceeded the final amounts budgeted in the public works and general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

**Response** - When budgets are amended in future years, we will make every attempt to ensure that the amendments are sufficient. The new purchasing policy we have implemented requires verification of availability of budgeted funds before a purchase is authorized.

**Conclusion** - Response accepted.

08-II-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.

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

08-II-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, 2008.

08-II-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.

**CITY OF NORTH LIBERTY**

Schedule of Findings

Year Ended June 30, 2008

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

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

- a) **Comment** - The minutes of the Council meeting held February 26, 2008 do not include a total of disbursements by fund.

**Recommendation** - The minutes publications should include a total of disbursements by fund as required by Chapter 372 of the Code of Iowa.

**Response** - We will make sure that the published minutes include a total of disbursements by fund.

**Conclusion** - Response accepted.

- b) **Comment** - Four of the minutes publications we tested did not include a total of disbursements by fund, though we noted that the City's file copies of the prepared minutes do include those totals.

**Recommendation** - The City should remind the newspaper publisher that the publications must include the total of disbursements by fund.

**Response** - We will contact the publisher and remind them of the requirement to include a total of disbursements by fund that we submit for publication. We believe that this information was not published likely because of lack of available space in the newspaper.

**Conclusion** - Response accepted.

- c) **Comment** - The publications of the minutes of the Council meetings held September 25, 2007 and January 8, 2008 indicate that the applicable summaries of receipts were included as items in the Consent Agenda.

**Recommendation** - Summaries of receipts should be shown as a separate item in the minutes publications and should not be a part of the Consent Agenda.

**Response** - We will make sure that the detail of the summary of receipts is published as a separate item and not included as a part of the Consent Agenda.

**Conclusion** - Response accepted.

- d) **Comment** - The publication of the wages paid to employees for 2007 included all employees but some of the amounts were omitted from the publication.

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

**Response** - We believe that the publisher unintentionally omitted some of the wage amounts when preparing the publication. We will thoroughly review future publications of wages paid to employees to ensure that all wages are shown, and if there are any errors, we will have the publications repeated with the correct information.

**Conclusion** - Response accepted.

## CITY OF NORTH LIBERTY

### Schedule of Findings

Year Ended June 30, 2008

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

##### 08-II-G Deposits and Investments

- a) **Comment** - 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 are continuing 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. The City may also have to consider withdrawing those funds from the Foundation and invest them in an investment that meets the City's investment policy.

**Conclusion** - Response accepted.

- b) **Comment** - We noted that four certificates of deposit did not have interest rates that meet the minimum required rates established by the State Rate Setting Committee.

**Recommendation** - The City should contact the bank and have the rates adjusted to meet the minimum required rates and make sure that the bank pays any additional interest to reflect the adjustment to the rates.

**Response** - We have contacted the bank and the rates have been adjusted to be in compliance with minimum statutory rates and the City has received the additional interest due.

**Conclusion** - Response accepted.

##### 08-II-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 at June 30, 2008 was \$353,913. The City made a transfer of \$131,000 to the fund at the beginning of the year in order to make up the deficiency in the balance of the fund, however, the fund balance is still deficient by \$721.

**Recommendation** - The City should transfer \$721 from the Water Capital Projects Fund to the Water Reserve Fund in order for the reserve balance to be in compliance with the resolutions of the bond issue.

**CITY OF NORTH LIBERTY**

Schedule of Findings

Year Ended June 30, 2008

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

**08-II-H Revenue Notes and Bonds (Continued)**

**Response** - We made an error in calculating the necessary transfer in order to bring the City in compliance with the bond resolutions. We will transfer an additional \$721 in order for the reserve balance to be in compliance with the resolutions of the bond issue.

**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 below the required balances at June 30, 2008. The sinking fund balance deficiencies at June 30, 2008 were \$27,680 for water and \$17,124 for sewer.

**Recommendation** - The City should transfer funds from the water and sewer operating funds to the sinking funds in order for the balances to be in compliance with the provisions of the resolutions of the bond issues.

**Response** - For the water sinking fund, we made an error calculating the monthly transfer amount in order to maintain the minimum required balance in the fund. We will make a transfer to cover the fund balance deficiency. For the sewer sinking fund, we overlooked adjusting the monthly transfer amount after the sale of the 2007 sewer revenue bonds in August 2007. We will make a transfer to cover the fund balance deficiency.

**Conclusion** - Response accepted.

**08-II-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.

**Response** - We will 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. We have deleted the incorrect general ledger accounts in the Sewer Revenue Sinking Fund so the transaction cannot be posted to this fund.

**Conclusion** - Response accepted.

CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2008

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

08-II-J **Financial Condition** - As disclosed in Note 12 to the financial statements, at June 30, 2008, the City had deficit balances in eight project funds that arose because project and construction costs were incurred prior to the availability of funds.

**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 these project and construction activities. We realize that the costs of these types of projects must be expended prior to the availability of certain funds.

**Response** - Deficit balances in these 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.

**Conclusion** - Response accepted.

08-II-K **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 and should file a corrected report.

**Response** - The original report was prepared and published prior to any adjustments we made and prior to any audit adjustments that were approved and made by us. We have filed and published a corrected report for the year.

**Conclusion** - Response accepted.

08-II-L **Special Assessments** - We noted that \$1,677.47 of Zeller Street special assessments received during the year were deposited to the General Fund instead of the Debt Service Fund - Special Assessments Fund. The Zeller Street special assessments must be deposited to the debt service fund to pay the annual principal and interest on the special assessment bonds.

**Recommendation** - The City should transfer \$1,677.47 from the General Fund to the Debt Service Fund - Special Assessments Fund.

**Response** - We will make this corrective transfer during the year ending June 30, 2009.

**Conclusion** - Response accepted.

**CITY OF NORTH LIBERTY**

Schedule of Findings

Year Ended June 30, 2008

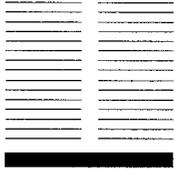
**Part II. Other Findings Related to Required Statutory Reporting (Continued)**

08-II-M **Payment of Tax Increment Financing Incentive Grant** - We noted that payments to a new local business that received a tax increment financing incentive grant from the City were charged to the Debt Service Fund - General Obligation Debt Fund. These payments do not appear to meet the purpose of allowable disbursements from the debt service fund, and we believe these payments should have been charged to the Special Revenue Fund - Urban Renewal Tax Increment Fund because the local business receiving the grant is located in one of the City's urban renewal areas.

**Recommendation** - The City should transfer \$5,000 from the Special Revenue Fund - Urban Renewal Tax Increment Fund to the Debt Service Fund - General Obligation Debt Fund to reimburse the debt service fund for the payments. Future tax increment financing grants and payments should be charged to the tax increment fund.

**Response** - We will make this corrective transfer during the year ending June 30, 2009.

**Conclusion** - Response accepted.



**Greenwood and Crim, P.C.**  
Certified Public Accountants

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

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March 19, 2009

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

In planning and performing our audit of the financial statements of the City of North Liberty as of and for the year ended June 30, 2008, we considered the City of North Liberty's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the City of North Liberty's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the City of North Liberty's internal control in our report dated March 19, 2009. This letter does not affect our report dated March 19, 2009 on the financial statements of the City of North Liberty.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### **Travel Expense Reimbursements**

From our testing of travel and entertainment expenses, we noted that two City employees attended the same conference, both drove their own vehicles, and both submitted mileage reimbursement requests that were paid by the City. Whenever possible, City employees attending the same conference, meeting, etc. should ride together. Whether or not the employees ride together, only one mileage reimbursement should be paid for the conference, meeting, etc. attended.

#### **Outstanding Obligations Disclosure Statement**

We noted that the June 30, 2008 outstanding balance of the 2007 General Obligation Water Improvement Bond issue was incorrectly reported on the statement filed with the State Treasurer's Office. Because it appears that a corrected statement cannot be filed, the correct balance should be reported in the report that will be filed for the outstanding balances at June 30, 2009.

#### **Approval of Reimbursements to City Employees**

While we were testing cash disbursements and reviewing reimbursements paid to City employees, we noted one instance where the medical expense reimbursement that was prepared by the City Treasurer for her reimbursement was also approved by her instead of by the City Administrator. Reimbursement requests should not be prepared by and approved by the same person. The accounts payable clerk should be instructed to return any reimbursement request that is prepared by and approved by the same person to that person for submission to the proper person that is to review and approve such requests in accordance with the City's policies and procedures.

### **Transfers to Capital Reserve Funds**

During our testing of transfers made by the City during the year ended June 30, 2008, we noted that the Water Operating Fund, the Sewer Operating Fund and the Stormwater Management Fund made transfers to the General Fund - Equipment Revolving Fund. Transfers for capital purchases for the enterprise funds should be made to the capital reserve fund for the corresponding enterprise fund (i.e. the transfers from the Water Operating Fund should be made to the Water Utilities - Capital Reserve Fund) and when the purchase of the capital asset is made, the disbursement should be charged to the capital reserve fund. We recommend that City staff review the transfers made during at least the past three years and any purchases of capital assets during the same time period to determine the net unspent balances and transfer those unspent balances to the capital reserve fund of the corresponding enterprise fund.

### **Inactive Funds**

We noted that the Capital Projects Fund - Front Street Reconstruction Fund and the Capital Projects Fund - Cherry Street Reconstruction Fund are inactive but still have balances remaining at June 30, 2008. Because there are no special assessment bonds payable associated with these projects, and any special assessments received from property owners along these streets are deposited to the General Fund, we recommend that these funds be closed out to the General Fund or another appropriate fund if there are no future projects anticipated for these two streets.

We wish to thank all City staff for their support and assistance during our audit.

This report, a public record by law, is intended solely for the information and use of the Mayor, Council Members and management of the City of North Liberty and is not intended to be and should not be used by anyone other than these specified parties.

*Greenwood and Crum, P.C.*