

**CITY OF WEST LIBERTY**  
**West Liberty, Iowa**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2009**

CITY OF WEST LIBERTY

INDEPENDENT AUDITOR'S REPORTS  
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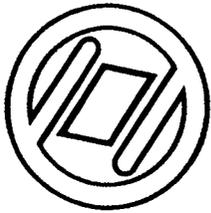
JUNE 30, 2009

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CITY OF WEST LIBERTY  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chad Thomas	Mayor	Jan 2010
Jose Elizondo	Council Member	Jan 2010
Robert Hartman	Council Member	Jan 2010
William Cline	Council Member	Jan 2012
Tom Pace	Council Member	Jan 2012
Gary Wickham	Council Member	Jan 2012
Chris Ward	City Manager/Clerk	Appointed-Jan 2010
P.J. Brewer	Chief of Police	Appointed-Jan 2010
Curt Newcomb	Fire Chief	Appointed-Jan 2010
Karen A. Thurness	Deputy Clerk	Appointed-Jan 2010
Connie S. Black	Treasurer	Appointed-Jan 2010



# Taylor, Rees, Beckey & Co., P.C.

Certified Public Accountants • Multi-dimensional Business and Tax Concepts

500 Cedar / Muscatine, IA 52761 / (563) 264-CPA'S (2727) / FAX (563) 263-7777 / www.cpaabv.com / 1800 Fifth Avenue / Rock Island, IL 61201 / (309) 788-2034

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

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 West Liberty, Iowa, as of and for the year ended June 30, 2009, 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 West Liberty's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2009 on our consideration of the City of West Liberty internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 47 and 48 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty 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, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, 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.

*Taylor, Rees, Beckey & Co., P.C.*

TAYLOR, REES, BECKEY & CO., P.C.  
Certified Public Accountants

November 30, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

City of West Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 10.90%, or approximately \$274,097, from fiscal 2008 to fiscal 2009. Property tax increased approximately \$98,678.

Program expenses totaled \$9,018,197. Expenses included \$731,034, for public safety, \$673,947 for culture and recreation and \$6,848,513 for business type activities.

### USING THIS ANNUAL REPORT

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

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

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of West Liberty as a whole and present an overall view of the City's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

### REPORTING THE CITY'S FINANCIAL ACTIVITIES

#### Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report 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 tax, local option tax and state and federal grants finance most of these activities.
- Business type activities include the water, the sanitary sewer system, electric system and the City's solid waste department. These activities are financed primarily by user charges.

#### Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental 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 balance sheet and a statement of revenues, expenditures and changes in fund balances.

(2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Sewer, Electric and Solid Waste Funds, with Water, Sewer and Electric considered to be major funds of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

Net Assets  
June 30, 2009

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Current and other assets	\$ 1,950,121	8,223,564	10,173,685
Capital assets	7,897,505	16,689,085	24,586,590
Total assets	<u>9,847,626</u>	<u>24,912,649</u>	<u>34,760,275</u>
Long-term liabilities	1,667,348	7,543,756	9,211,104
Other liabilities	561,209	613,832	1,175,041
Total liabilities	<u>2,228,557</u>	<u>8,157,588</u>	<u>10,386,145</u>
Net assets:			
Invested in capital assets, net of related debt	5,911,860	2,492,988	8,404,848
Restricted	150,648	2,857,064	3,007,712
Unrestricted	<u>1,556,561</u>	<u>11,405,009</u>	<u>12,961,570</u>
Total net assets	<u>\$ 7,619,069</u>	<u>16,755,061</u>	<u>24,374,130</u>

Net assets of governmental activities decreased from FY08 by approximately \$18,516, or .24%. Net assets of business type activities decreased from FY08 by approximately \$195,030, or 1.15%. The largest portion of the City's net assets is the amount invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$12,961,570 at the end of this year.

Changes in Net Assets  
Year ended June 30, 2009

	Governmental Activities	Business Type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$ 157,475	6,389,952	6,547,427
General revenues:			
Property tax levied for:			
General purposes	908,174		908,174
Tax increment financing revenues	77,854		77,854
Local option sales tax	404,484		404,484
Intergovernmental	371,963		371,963
Licenses & permits	10,380		10,380
Unrestricted investment earnings	35,028	174,272	209,300
Miscellaneous	194,155	774	194,929
Contributions	80,140	-	80,140
Total revenues	<u>2,239,653</u>	<u>6,564,998</u>	<u>8,804,651</u>
Program expenses:			
Public safety	731,034		731,034
Public works	346,666		346,666
Culture and recreation	673,947		673,947
Community & Economic Development	-		-
General government	136,410		136,410
Debt Service	93,934		93,934
Capital Projects	187,693		187,693
Water		383,141	383,141
Sewer		1,548,903	1,548,903
Electric		4,622,830	4,622,830
Solid Waste	-	293,639	293,639
Total expenses	<u>2,169,684</u>	<u>6,848,513</u>	<u>9,018,197</u>
Transfers In	198,762	130,848	329,610
Transfers (Out)	(287,247)	(42,363)	(329,610)
Change in net assets	(18,516)	(195,030)	(213,546)
Net assets beginning of year	<u>7,637,585</u>	<u>16,950,091</u>	<u>24,587,676</u>
Net assets end of year	<u>\$ 7,619,069</u>	<u>16,755,061</u>	<u>24,374,130</u>

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$1,707,209, which is less than the \$2,013,135 total fund balance at June 30, 2008. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed an increase of \$277,191 from the prior year to \$609,851.

The Dutton Complex (Special Revenue Fund) ended fiscal year 2009 with a \$77,559 deficit balance. Capital improvements exceeded contributions, interest income and prior fund balance.

The Debt Service Fund ended fiscal 2009 with a \$150,648 balance compared to the prior year ending balance of \$135,460. The fiscal 2008 increase is a result of property tax and transfers exceeding interest expense and bond principal payments.

#### Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2009 with a \$2,061,493 net asset balance compared to the prior year ending net asset balance of \$2,114,283.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2009 with a \$5,026,954 net asset balance compared to the prior year ending net asset balance of \$4,583,583.

The Electric Fund, which accounts for the operation and maintenance of the City's electrical system, ended fiscal 2009 with a \$9,357,719 net asset balance compared to the prior year ending net asset balance of \$9,924,024.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City of West Liberty amended its budget one time. The amendment was done in May 2009. These amendments were needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$7,897,505 (net of accumulated depreciation) at June 30, 2009. Capital assets for business type activities totaled \$16,689,085 (net of accumulated depreciation) at June 30, 2009. See Note 3 to the financial statements for more information about the City's capital assets.

##### Long-Term Debt

At June 30, 2009, the City had \$1,660,960, in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$7,543,756 at June 30, 2009.

#### ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City of West Liberty in setting its fiscal 2009 budget. The City of West Liberty will experience a significant change in General Fund revenues and expenditures from fiscal year 2009 to fiscal year 2010. The major factors that will play a role in this change are the intergovernmental revenue and the property valuation for fiscal 2009 in which the State of Iowa has issued the Assessment Limitation Order to be 48% for residential property and 66% for agricultural property.

Inflation in the State is somewhat higher than the national Consumer Price Index (CPI) increase. The State of Iowa CPI increase was .2 percent for fiscal year 2009 compared with the national rate of (1.4) percent. Inflation has been modest here due, in part, to the slowing of the residential housing market state wide but there has been an increase in energy prices, which has also been a major influence on this budget. City staff and management could not anticipate the dramatic increase in fuel cost for this budget year.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2009 are provided below:

General levy	\$ 8.10
Debt Service levy	1.12
Tort Liability	0.55
Employee Benefits	2.38
Emergency Levy	<u>0.27</u>
Total	<u>\$ 12.42</u>

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact the City Manager, Mr. Chris Ward, City of West Liberty, 409 N. Calhoun Street, West Liberty, Iowa 52776 or by telephone at (319) 627-2418.

Basic Financial Statements

City of West Liberty  
 Statement of Net Assets  
 June 30, 2009

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b>Assets</b>			
Cash and pooled investments	\$ 1,868,758	3,667,119	5,535,877
Receivables:			
Property tax	16,087		16,087
Accounts	11,392	961,793	973,185
Accrued interest	634	12,608	13,242
Due from other governments	-		-
Due from other funds		329,910	329,910
Inventories		191,476	191,476
Prepaid Expenses	41,637	71,036	112,673
Bond Issuance	11,613	132,558	144,171
Restricted assets:			
Cash and pooled investments		2,857,064	2,857,064
Capital assets (net of accumulated depreciation)	7,897,505	16,689,085	24,586,590
<b>Total Assets</b>	<u>9,847,626</u>	<u>24,912,649</u>	<u>34,760,275</u>
<b>Liabilities</b>			
Accounts payable	179,183	467,844	647,027
Salaries and benefits payable	51,571	34,724	86,295
GO Bonds payable current plus interest		21,109	21,109
Due to other governments	545	2,057	2,602
Due to other funds	329,910		329,910
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits		74,161	74,161
General obligation bonds/notes	201,880	13,120	215,000
Revenue notes payable		435,000	435,000
Bank note		21,366	21,366
Accrued interest payable	6,388	13,937	20,325
Portion due or payable after one year:			
General obligation bonds/notes (net of unamortized discount)	1,459,080	45,920	1,505,000
Revenue notes payable		6,970,000	6,970,000
Bank note payable	-	58,350	58,350
<b>Total Liabilities</b>	<u>2,228,557</u>	<u>8,157,588</u>	<u>10,386,145</u>

City of West Liberty  
Statement of Net Assets  
June 30, 2009

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,911,860	2,492,988	8,404,848
Restricted for:			
Debt service	150,648		150,648
Revenue note retirement		1,226,382	1,226,382
Improvements		1,630,682	1,630,682
Unrestricted	1,556,561	11,405,009	12,961,570
	<u>7,619,069</u>	<u>16,755,061</u>	<u>24,374,130</u>
<b>Total Net Assets</b>			
	<u>7,619,069</u>	<u>16,755,061</u>	<u>24,374,130</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,847,626</u>	<u>24,912,649</u>	<u>34,760,275</u>

See notes to financial statements.

City of West Liberty

Statement of Activities  
Year ended June 30, 2009

Functions / Programs:	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Service</u>
<b>Primary Government:</b>		
Governmental activities:		
Public safety	\$ 731,034	99,386
Public works	346,666	
Culture and recreation	673,947	33,760
Beautification	-	
General government	136,410	24,329
Debt Service	93,934	
Capital Projects	187,693	
Total governmental activities	<u>2,169,684</u>	<u>157,475</u>
Business type activities:		
Water	383,141	321,531
Sewer	1,548,903	1,942,543
Electric	4,622,830	3,855,094
Solid Waste	293,639	270,784
Total business type activities	<u>6,848,513</u>	<u>6,389,952</u>
Total Primary Government	<u>\$ 9,018,197</u>	<u>6,547,427</u>
<b>General Revenues:</b>		
Property and other city tax levied for:		
General purposes		
Tax increment financing		
Local option sales tax		
Intergovernmental		
Licenses & permits		
Use of money and property		
Miscellaneous		
Contributions		
Total general revenues		
Transfers In		
Transfers (Out)		
Change in net assets		
Net assets beginning of year		
Net assets end of year		

See notes to financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government

Governmental Activities	Business Type Activities	Total
(631,648)		(631,648)
(346,666)		(346,666)
(640,187)		(640,187)
-		-
(112,081)		(112,081)
(93,934)		(93,934)
(187,693)	-	(187,693)
<u>(2,012,209)</u>	<u>-</u>	<u>(2,012,209)</u>
	(61,610)	(61,610)
	393,640	393,640
	(767,736)	(767,736)
-	(22,855)	(22,855)
<u>-</u>	<u>(458,561)</u>	<u>(458,561)</u>
<u>(2,012,209)</u>	<u>(458,561)</u>	<u>(2,470,770)</u>
908,174		908,174
77,854		77,854
404,484		404,484
371,963		371,963
10,380		10,380
35,028	174,272	209,300
194,155	774	194,929
80,140		80,140
<u>2,082,178</u>	<u>175,046</u>	<u>2,257,224</u>
198,762	130,848	329,610
(287,247)	(42,363)	(329,610)
(18,516)	(195,030)	(213,546)
<u>7,637,585</u>	<u>16,950,091</u>	<u>24,587,676</u>
<u>\$ 7,619,069</u>	<u>16,755,061</u>	<u>24,374,130</u>

City of West Liberty  
 Balance Sheet  
 Governmental Funds  
 June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project Dutton Complex</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 658,265	147,496	13,972	1,049,025	1,868,758
Receivables:					
Property tax	12,935	3,152			16,087
Accounts	9,152			2,240	11,392
Accrued interest	304			330	634
Due from other governments				-	-
Prepaid Expenses	34,353			7,284	41,637
<b>Total assets</b>	<u>\$ 715,009</u>	<u>150,648</u>	<u>13,972</u>	<u>1,058,879</u>	<u>1,938,508</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 61,717		91,531	25,935	179,183
Salaries and benefits payable	42,896			8,675	51,571
Due to other governments	545			-	545
Due to other funds	-			-	-
<b>Total Liabilities</b>	<u>105,158</u>	<u>-</u>	<u>91,531</u>	<u>34,610</u>	<u>231,299</u>
Fund balances					
Reserved for debt service		150,648			150,648
Unreserved:					
Undesignated:					
Reported in:					
General fund	609,851				609,851
Special revenue funds			(77,559)	579,520	501,961
Capital Projects				444,749	444,749
<b>Total fund balances</b>	<u>609,851</u>	<u>150,648</u>	<u>(77,559)</u>	<u>1,024,269</u>	<u>1,707,209</u>
<b>Total liabilities and fund balances</b>	<u>\$ 715,009</u>	<u>150,648</u>	<u>13,972</u>	<u>1,058,879</u>	<u>1,938,508</u>

See notes to financial statements.

City of West Liberty

City of West Liberty  
 Reconciliation of the Balance Sheet –  
 Governmental Funds to the Statement of Net Assets

June 30, 2009

**Total governmental fund balances (page 21)** \$ 1,707,209

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$13,225,335 and the accumulated depreciation is \$5,327,830. 7,897,505

The cost of bond issuance is \$15,525 and the accumulated amortization is \$3,912 11,613

Long-term liabilities, including bonds payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (1,997,258)

***Net assets of governmental activities (page 15)*** \$ 7,619,069

See notes to financial statements.

## City of West Liberty

Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit)  
Governmental Funds

Year ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project Dutton Complex</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Property tax	\$ 776,411	\$ 131,763			908,174
Tax increment financing				77,854	77,854
Local option tax	269,656			134,828	404,484
Licenses and permits	10,380				10,380
Use of money and property	11,619	2,782	2,754	17,873	35,028
Intergovernmental	17,081			354,882	371,963
Charges for service	114,302			43,173	157,475
Miscellaneous	49,761			144,394	194,155
Contributions - Gifts/Grants	5,540		62,000	12,600	80,140
Total revenues	<u>1,254,750</u>	<u>134,545</u>	<u>64,754</u>	<u>785,604</u>	<u>2,239,653</u>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety	606,363			105,512	711,875
Public works	38,769			346,714	385,483
Culture and recreation	620,206		554,522	40,466	1,215,194
Community & Economic Development					-
General government	59,664			74,066	133,730
Debt service		303,119			303,119
Capital projects				70,136	70,136
Total expenditures	<u>1,325,002</u>	<u>303,119</u>	<u>554,522</u>	<u>636,894</u>	<u>2,819,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(70,252)</u>	<u>(168,574)</u>	<u>(489,768)</u>	<u>148,710</u>	<u>(579,884)</u>
<b>Other financing sources (uses):</b>					
Bond proceeds					-
Operating transfers in		183,762		15,000	198,762
Operating transfers out	(15,000)			(272,247)	(287,247)
Total other financing sources (uses)	<u>(15,000)</u>	<u>183,762</u>	<u>-</u>	<u>(257,247)</u>	<u>(88,485)</u>
Net change in fund balances	(85,252)	15,188	(489,768)	(108,537)	(668,369)
Fund balances beginning of year, as restated	695,103	135,460	412,209	1,132,806	2,375,578
Fund balances (deficit) end of year	<u>\$ 609,851</u>	<u>150,648</u>	<u>(77,559)</u>	<u>1,024,269</u>	<u>1,707,209</u>

See notes to financial statements.

City of West Liberty

City of West Liberty

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities

Year ended June 30, 2009

**Net change in fund balances - Total governmental funds (page 21)** \$ (668,369)

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. Capital outlay expenditures  
exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	837,538
Depreciation expense	(429,403)
Amortization Expense	(1,467)

Proceeds from issuing long-term liabilities provide current financial  
resources to governmental funds, but issuing debt increases long-term  
liabilities in the Statement of Net Assets. Repayment of long-term  
liabilities is an expenditure in the governmental funds, but the repayment  
reduces long-term liabilities in the Statement of Net Assets. Current year  
issues exceeded repayments, as follows:

Proceeds	-
Repaid	(119,258)

Restate beginning fund balance (Note 20)	<u>362,443</u>
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**Change in net assets of governmental activities (page 17)** \$ (18,516)

See notes to financial statements.

City of West Liberty  
Statement of Net Assets  
Proprietary Funds

June 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Fund Electric</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ (56,152)	1,000,634	2,590,962	131,675	3,667,119
Receivables (net of allowance for uncollectibles):					
Accounts	70,400	238,252	599,865	53,276	961,793
Accrued interest	1,859	635	9,998	116	12,608
Due from other funds			329,910		329,910
Inventories	29,772	785	160,919		191,476
Prepaid expenses	7,339	9,653	46,552	7,492	71,036
Bond issuance		79,882	52,676		132,558
Restricted assets:					
Cash and pooled investments	736,259	857,727	1,245,878	17,200	2,857,064
Capital assets (net of accumulated depreciation)	1,296,235	7,051,785	8,153,721	187,344	16,689,085
<b>Total assets</b>	<u>2,085,712</u>	<u>9,239,353</u>	<u>13,190,481</u>	<u>397,103</u>	<u>24,912,649</u>
<b>Liabilities</b>					
Accounts payable	18,330	100,457	345,931	3,126	467,844
Salaries and benefits payable	5,887	6,793	16,682	5,362	34,724
Go Bonds payable current plus interest		21,109			21,109
Due to other governments			2,052	5	2,057
Customer deposits			74,161		74,161
Payable from restricted assets:					
General Obligation bonds/notes		13,120			13,120
Revenue notes payable		125,000	310,000		435,000
Accrued interest payable			13,937		13,937
Long-term liabilities:					
GO Bonds payable		45,920			45,920
Revenue notes payable		3,900,000	3,070,000		6,970,000
Bank note payable				79,716	79,716
<b>Total liabilities</b>	<u>24,217</u>	<u>4,212,399</u>	<u>3,832,763</u>	<u>88,209</u>	<u>8,157,588</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	9,992	2,481,396	1,600		2,492,988
Restricted for:					
Revenue note retirement		560,612	665,770		1,226,382
Improvement	736,259	297,115	580,108	17,200	1,630,682
Unrestricted	1,315,242	1,687,831	8,110,241	291,695	11,405,009
<b>Total net assets</b>	<u>\$ 2,061,493</u>	<u>5,026,954</u>	<u>9,357,719</u>	<u>308,895</u>	<u>16,755,061</u>

See notes to financial statements.

City of West Liberty

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	<u>Enterprise Fund</u>				<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	
Operating revenues:					
Charges for service	\$ 321,531	1,942,543	3,855,094	270,784	6,389,952
Total operating revenues	<u>321,531</u>	<u>1,942,543</u>	<u>3,855,094</u>	<u>270,784</u>	<u>6,389,952</u>
Operating expenses:					
Business type activities:					
Cost of sales and services	255,527	1,123,547	3,886,737	257,473	5,523,284
Depreciation	127,614	214,500	563,629	31,356	937,099
Total operating expenses	<u>383,141</u>	<u>1,338,047</u>	<u>4,450,366</u>	<u>288,829</u>	<u>6,460,383</u>
Operating income (loss)	<u>(61,610)</u>	<u>604,496</u>	<u>(595,272)</u>	<u>(18,045)</u>	<u>(70,431)</u>
Non-operating revenues (expenses):					
Sale of property/Insurance proceeds	-	-	30	744	774
Interest income	19,411	28,168	123,888	2,805	174,272
Interest expense	-	(210,856)	(172,464)	(4,810)	(388,130)
Transfers In	-	53,335	77,513	-	130,848
Transfers (Out)	(10,591)	(31,772)	-	-	(42,363)
Total non-operating revenues (expenses)	<u>8,820</u>	<u>(161,125)</u>	<u>28,967</u>	<u>(1,261)</u>	<u>(124,599)</u>
Change in net assets	(52,790)	443,371	(566,305)	(19,306)	(195,030)
Net assets beginning of year	<u>2,114,283</u>	<u>4,583,583</u>	<u>9,924,024</u>	<u>328,201</u>	<u>16,950,091</u>
Net assets end of year	<u>\$ 2,061,493</u>	<u>5,026,954</u>	<u>9,357,719</u>	<u>308,895</u>	<u>16,755,061</u>

See notes to financial statements.

City of West Liberty

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2009

Enterprise Fund

	Water	Sewer	Electric	Solid Waste	Total
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ (52,790)	443,371	(566,305)	(19,306)	(195,030)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	127,614	214,500	563,629	31,356	937,099
(Increase) Decrease in customer accounts receivable and unbilled usage and other accounts receivable	(6,810)	(28,953)	(43,215)	(2,515)	(81,493)
(Increase ) Decrease in inventories, at cost	916	12	11,816	-	12,744
(Increase ) Decrease in prepaid expenses and bond issuance cost	(864)	(59,700)	5,172	2,223	(53,169)
Increase (Decrease) in accounts payable	(2,573)	84,347	78,293	(1,954)	158,113
Increase (Decrease) in salaries payable	235	541	2,348	(370)	2,754
Increase in customer deposits	-	-	(1,558)	-	(1,558)
Increase in due to other governments	-	-	(758)	(35)	(793)
Net cash provided (used) by operating activities	65,728	654,118	49,422	9,399	778,667
<b>Cash flows from capital and related financing activities:</b>					
Net increase of capital assets	(112,592)	(1,535,191)	(533,610)	(4,351)	(2,185,744)
Increase (Decrease) in long term debt		2,577,097	(296,044)	(20,274)	2,260,779
Net cash provided (used) for capital and related financing activities	(112,592)	1,041,906	(829,654)	(24,625)	75,035
Net increase (decrease) in cash and cash equivalents	(46,864)	1,696,024	(780,232)	(15,226)	853,702
Cash and cash equivalents beginning of year	726,971	162,337	4,617,072	164,101	5,670,481
Cash and cash equivalents end of year	\$ 680,107	1,858,361	3,836,840	148,875	6,524,183

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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City of West Liberty

Notes to Financial Statements

June 30, 2009

NOTE 1- Summary of Significant Accounting Policies

City of West Liberty is a political subdivision of the State of Iowa located in Muscatine County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Liberty provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. It also provides electric, water, sewer and solid waste utilities.

The financial statements of the City of West Liberty have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of West 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 to or impose specific financial burdens on the City.

These financial statements present the City of West Liberty (the primary government) and any component units of which it has none.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Assessor's Conference Board, County Emergency Management Commission, Muscatine County Landfill Commission and Muscatine County Joint E911 Service Board, West Liberty Community School District, Muscatine County Engineer.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property 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 Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

“Invested in capital assets, net of related debt” consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

“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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary 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:

**General Fund:**

The General Fund is the general operating fund of the City. All general tax revenues and other revenues 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 expenditures, the fixed charges and the capital improvement costs not paid from other funds.

**Debt Service:**

Debt Service Fund is used to account for the payment of interest and principal on the Cities general long term debt.

**Capital Project:**

The Dutton Fund is used to account for all resources used in the acquisition and construction of the Dutton Athletic Complex.

The City reports the following major proprietary funds:

**Enterprise:**

The Electric Fund is used to account for the operation and maintenance of the City’s electric system.

The Water Fund is used to account for the operation and maintenance of the City’s water system.

The Sewer Fund is used to account for the operation and maintenance of the City’s wastewater treatment and sanitary sewer system.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2009 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivables have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2008.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	2,500
Infrastructure	35,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	15-50 years
Vehicles	3-15 years
Equipment	5-30 years
Infrastructure	15-20 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and if material, a fund liability of the governmental fund that will pay it. At June 30, 2009 the liability was not material to the financial statements.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2- Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**NOTE 3- Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

<b>Primary Government</b>	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 861,272	456,268	-	1,317,540
Total capital assets not being depreciated	<u>861,272</u>	<u>456,268</u>	<u>-</u>	<u>1,317,540</u>
Capital assets being depreciated:				
Buildings	3,746,771	139,320	-	3,886,091
Improvements other than buildings	870,763	41,997	-	912,760
Equipment and vehicles	1,400,441	129,818	(113,720)	1,416,539
Infrastructure, road network	5,622,270	70,135	-	5,692,405
Total capital assets being depreciated	<u>11,640,245</u>	<u>381,270</u>	<u>(113,720)</u>	<u>11,907,795</u>
Less accumulated depreciation for:				
Buildings	1,637,946	65,204	-	1,703,150
Improvements other than buildings	398,348	48,798	-	447,146
Equipment and vehicles	861,395	127,708	(113,720)	875,383
Infrastructure, road network	2,114,458	187,693	-	2,302,151
Total accumulated depreciation	<u>5,012,147</u>	<u>429,403</u>	<u>(113,720)</u>	<u>5,327,830</u>
Total capital assets being depreciated, net	<u>6,628,098</u>	<u>(48,133)</u>	<u>-</u>	<u>6,579,965</u>
Governmental activities capital assets, net	<u>\$ 7,489,370</u>	<u>408,135</u>	<u>-</u>	<u>7,897,505</u>
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 2,484,897	-	-	2,484,897
Equipment and vehicles	17,560,207	2,117,352	-	19,677,559
Infrastructure, water and sewer network	8,692,483	68,390	-	8,760,873
Total capital assets being depreciated	<u>28,737,587</u>	<u>2,185,742</u>	<u>-</u>	<u>30,923,329</u>
Less accumulated depreciation for:				
Buildings	558,206	78,519	-	636,725
Equipment and vehicles	7,412,292	573,533	-	7,985,825
Infrastructure, water and sewer network	5,326,649	285,045	-	5,611,694
Total accumulated depreciation	<u>13,297,147</u>	<u>937,097</u>	<u>-</u>	<u>14,234,244</u>
Total capital assets being depreciated, net	<u>15,440,440</u>	<u>1,248,645</u>	<u>-</u>	<u>16,689,085</u>
Business type activities capital assets, net	<u>\$ 15,440,440</u>	<u>1,248,645</u>	<u>-</u>	<u>16,689,085</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 80,126
Public works	235,289
Culture and recreation	111,307
General government	<u>2,681</u>
Total depreciation expense - governmental activities	<u>\$ 429,403</u>
Business type activities:	
Water	\$ 127,614
Sewer	214,500
Solid Waste	31,356
Electric	<u>563,629</u>
Total depreciation expense - business type activities	<u>\$ 937,099</u>

NOTE 4- Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year (as restated, note 13)	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 1,878,000	-	217,040	1,660,960	201,880
Total	<u>\$ 1,878,000</u>	<u>-</u>	<u>217,040</u>	<u>1,660,960</u>	<u>201,880</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Bank Note	\$ 99,990		20,274	79,716	21,366
General Obligation Bonds	82,000		22,960	59,040	13,120
Revenue notes	5,105,000	4,100,000	1,800,000	7,405,000	435,000
Total	<u>\$ 5,286,990</u>	<u>4,100,000</u>	<u>1,843,234</u>	<u>7,543,756</u>	<u>469,486</u>

General obligation bonds/notes

Four issues of unmatured general obligation bonds/notes, totaling \$1,720,000, are outstanding at June 30, 2009. General obligation bonds/notes bear interest at rates ranging from 3.80% to 5.3% and mature in varying annual amounts, ranging from \$13,120 to \$140,000 with the final maturities due in the year ending 2017.

Details of governmental fund general obligation bonds/notes payable at June 30, 2009 are as follows:

Governmental activities:	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2009</u>
General obligation bonds/notes:						
Street Improvement bond	3/1/2001	4.5%-5.3%	6/30/2016	Various	1,490,000	835,000
Pool Capital Note	9/1/2002	2.75%-4.7%	6/30/2013	Various	400,000	120,960
Elm Street Capital Note	11/1/2006	3.75%-4.7%	6/1/2017	Various	850,000	705,000
Total governmental activities						<u>\$ 1,660,960</u>

A summary of the annual governmental fund general obligation bond/note principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	201,880	76,659	278,539
2011	215,240	67,653	282,893
2012	230,240	57,925	288,165
2013	238,600	47,354	285,954
2014	215,000	36,238	251,238
2015	225,000	26,138	251,138
2016	235,000	15,465	250,465
2017	100,000	4,150	104,150
Total	<u>\$ 1,660,960</u>	<u>331,582</u>	<u>1,992,542</u>

Revenue notes

Three issues of unmatured revenue notes, totaling \$7,484,716 are outstanding at June 30, 2009. These notes bear interest at rates of 4.25% to 7.05% and mature in varying annual amounts ranging from \$21,366 to \$455,000 with the final maturity due in the year ending 2028.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to separate wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

(d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2009, the City was in compliance with the revenue note provisions.

Details of proprietary fund revenue and general obligation notes payable at June 30, 2009 are as follows:

Business type activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2009
Bank Note	12/12/2007	5.00%	10/15/2012	Various	110,612	79,716
Revenue notes:						
Electric	9/1/2002	2.5-5.3%	6/30/2017	Various	5,000,000	3,380,000
Sewer	12/15/2008	4.0 - 7.05%	6/1/2028	Various	4,100,000	4,025,000
Total						7,405,000
General Obligation note:						
Sewer	9/1/2002	2.75-4.7%	6/30/2013	Various	195,000	59,040
Total						<u>\$ 7,543,756</u>

A summary of the annual proprietary fund bank, revenue and general obligation note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2010	469,486	438,732	908,218
2011	487,207	418,756	905,963
2012	508,340	397,096	905,436
2013	528,723	360,982	889,705
2014	520,000	322,653	842,653
2015	550,000	295,773	845,773
2016	575,000	266,568	841,568
2017	610,000	235,104	845,104
2018	640,000	201,128	841,128
2019	195,000	177,785	372,785
2020	210,000	165,695	375,695
2021	225,000	152,465	377,465
2022	235,000	138,065	373,065
2023	250,000	122,790	372,790
2024	270,000	106,290	376,290
2025	285,000	88,200	373,200
2026	305,000	68,820	373,820
2027	330,000	47,775	377,775
2028	350,000	24,675	374,675
Total	<u>\$ 7,543,756</u>	<u>4,029,349</u>	<u>11,573,105</u>

NOTE 5- Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Fire Reserve	General	\$ 15,000
Electric	Special Rev.	77,513
Sewer	Street Imp.	53,335
Debt Service	Water	10,591
Debt Service	Sewer	31,772
Debt Service	Road Use	7,414
Debt Service	Street Imp.	56,131
Debt Service	TIF	77,854

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

NOTE 6- Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise: Electric	Special Revenue: General	<u>\$ 329,910</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

NOTE 7- Pension and Retirement Benefits

IPERS

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

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll except for police employees, in which case the percentages are 5.63% and 8.45%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$88,099, \$79,673 and \$74,663, respectively, equal to the required contributions for each year.

NOTE 8- Risk Management

The City 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 9 - LOCAL OPTION SALES TAX

Commencing on July 1, 1995, the City began collecting a one percent local option sales tax. As approved by voters, the City is required to utilize the sales tax revenue it receives as follows:

From January 1, 2005

- 33 1/3% for local property tax relief
- 33 1/3% for streets, curbs & gutters
- 33 1/3% for community development projects including improvement of library, other facilities, community cleanup and infrastructure

NOTE 10 - CODE OF IOWA, CHAPTER 28E, ORGANIZATIONS

On September 11, 1983, the City entered into an agreement with the Muscatine County Solid Waste Management Agency for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of providing solid waste disposal facilities in Muscatine County, Iowa. The City has no direct financial commitment to the entity. The City is obligated to remain a member of the Agency for as long as bonds remain outstanding that the City of Muscatine issued in fiscal year 1997 for construction of collection and disposal facilities.

On October 4, 1994, the City entered into an agreement with the Resale Power Group of Iowa for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of providing for the purchase, generation transmission distribution, sale and interchange of electric energy and related services. The agreement was modified on May 20, 1998 to include the purpose of contracting for electrical power and energy on a wholesale basis.

On January 3, 1995, the City entered into an agreement with other governmental units in the area for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of mutual fire aid protection in Muscatine County, Iowa. The City has no direct financial commitment to the entity. The City is obligated to share its fire protection resources with other governmental units of the entity. On October 7, 1997 the City entered into an agreement under Chapter 28E of the Code of Iowa with the West Liberty Community School District for the purpose of allowing for relocation of a fence.

On January 20, 1998, the City, entered into an agreement with the City of Wilton, Iowa under Chapter 28E of the Code of Iowa for the purpose of sharing equally the cost of sewer line televising equipment.

On February 11, 2000, the City entered into an agreement with the Muscatine County Sheriff's Office, the City of Muscatine Police Department and the Muscatine County Attorney's Office for the establishment of a jointly governed public agency, the Muscatine County Drug Task Force, under Chapter 28E of the Code of Iowa for the purpose of coordinating their controlled substances investigations, under Chapter 28D, enforcement and prosecution efforts and to share resources available through various sources of funding. The City has no direct financial commitment to the entity. The City is obligated to share its law enforcement resources with the other governmental units of the entity.

On June 6, 2002, the City entered into an agreement under Chapter 28E with the West Liberty Volunteer Fire Department and the West Liberty Rural Communities Ambulance District for the purpose of jointly owned ambulance equipment and the allocation of operating and maintenance expense.

On June 2, 2002, the City entered into an agreement under Chapter 28E with the West Liberty Volunteer Fire Department and the West Liberty Rural Fire Department for the purpose of jointly owned firefighting equipment and the allocation of operating and maintenance expense.

On October 18, 2006, the City entered into an agreement under Chapter 28E with the West Liberty School District for the purpose of joint use of recreational facilities of the City and the school for adult and youth recreation programs.

On December 18, 2006, the City entered into an agreement under Chapter 28E with the West Liberty School District for the purpose of providing recreational and social opportunities for the youth of the City of West Liberty.

#### NOTE 11- RPGI PARTICIPANT (AGENCY) AGREEMENT & RPGI PRO RATA GUARANTY

The City signed a RPGI Participant Agreement dated April 15<sup>th</sup>, 2006 with the Resale Power Group of Iowa (RPGI), an Iowa Chapter 28E Organization of which the City is a member. The purpose of the agreement is to permit RPGI to act as an agent for the City for entering into agreements for the purchase, generation, distribution, sale and interchange of electric energy. The agreement shall continue for successive five year terms until terminated by either party.

Related to the preceding agreement, the City also signed a RPGI Pro Rata Guaranty dated April 16<sup>th</sup>, 2006 with the Resale Power Group of Iowa (RPGI). The purpose of the guaranty is to obligate the City to be contingently liable to RPGI in its role as a contracting agent and guarantor for the purchase of electric energy from Ameren Energy Marketing Company (AEM) of Illinois in behalf of the members of RPGI. The City's share of the RPGI's \$20M guaranty to AEM is 7.61%, or \$1,528,088 based upon the agreement among the members of RPGI. The guaranty agreement was to terminate on February 15<sup>th</sup>, 2009, unless the agreement with AEM terminates prior to that date. On February 15, 2009, the guaranty agreement was extended for five years.

#### NOTE 12 - STREET CONSTRUCTION G.O. CAPITAL LOAN NOTE

During the fiscal year ended June 30, 2000, the City received proceeds of \$1,000,000 from a bond anticipatory note for purposes of street construction. The debt dated May 3, 2000 carried an interest rate of 5.1% and was due June 1, 2001. The liability for the note was shown in the special revenue street fund. The refinancing of the short term note on a long term basis was anticipated to be completed during the fiscal year ended June 30, 2001. The street construction loan was not included in the general long term debt account group.

During the fiscal year ended June 30, 2001, the City received proceeds of \$1,490,000 from a General Obligation Capital Loan Note for the purposes of refinancing the fore mentioned note and additional street construction. The debt, dated March 22, 2001, carries an average interest rate of 5.0527% and is due June 1, 2016.

#### NOTE 13 - CAPITAL LOAN NOTES

##### Water Pollution Control

The City issued general obligation capital loan notes dated January 1, 1994 in the aggregate amount of \$350,000 for the purpose of financing construction of Water Pollution Control plant and sewer improvements. The notes mature serially between 1997 and 2009 and carry an average interest rate of 4.867%. As of July 1, 2002 the remaining notes payable totaled \$190,000.

The above remaining capital loan notes of \$190,000 were retired by refunding the debt with General Obligation Capital Loan Notes dated September 1, 2002 for a total of \$195,000. These refunding Capital Loan Notes are included as a part of the \$595,000 of Capital Loan Notes issued that date of which \$400,000 was issued for the purpose of the swimming pool renovation project.

Therefore, 32.7731% of principal and interest debt service payments on the \$595,000 of Capital Loan Notes are allocated to the Water Pollution Control proprietary enterprise fund. The notes mature serially between 2010 and 2013 and carry an average interest rate of 4.51%.

#### Pool Renovation Project

Dated September 1, 2002, the City issued \$400,000 of General Obligation Capital Loan Notes to fund renovation of the Municipal Swimming Pool. These Capital Loan Notes are included as a part of the \$595,000 of Capital Loan Notes issued that date of which \$195,000 was issued for the purpose of refunding Water Pollution Control Capital Loan Notes dated January 1, 1994. Therefore, 67.227% of principal and interest debt service payments on the \$595,000 of Capital Loan Notes are allocated to the Debt Service Fund. The notes mature serially between 2010 and 2013 and carry an average interest rate of 4.51%.

#### NOTE 14 - NOTE INDEBTEDNESS - REVENUE NOTE REQUIREMENTS

##### Water Pollution Control Revenue Notes

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$3,115,000 of Sewer Revenue Capital Loan Notes, dated March 1, 1995, to finance the construction of improvements to the Water Pollution Control facility and related improvements.

The ordinance provides that these notes will be retired from the revenue of the municipal Sewer Utility. The ordinance creates the following three funds to provide for the retirement of the notes:

1. Note and Interest Sinking Fund - Monthly deposits are to be made to this fund from the operations account amounting to one-sixth of the interest coming due at the next semiannual interest payment date, plus one-twelfth of the notes maturing on the next maturity date. Notes and interest are paid by this fund.
2. Debt Service Reserve Fund - Monthly deposits of 25% of the amount required for the above Note and Interest Sinking Fund from the operations account are to be made into this fund until the fund balance has reached the Reserve Fund Requirement. The Reserve Fund Requirement equals the lesser of the maximum interest and principal coming due or ten percent of the principal amount outstanding.
3. Sewer Improvement Fund - Monthly payments of \$5,000 are to be made to this fund. This fund is to be used, if necessary, to finance accounts #1 and #2 above and for repairs or construction of additional works and facilities. Payments are to continue until \$300,000 has been accumulated in the account. If the account balance drops below this minimum balance, the monthly \$5,000 payments must recommence.

The bonds mature serially starting March 1, 1997, through March 1, 2010. Interest is payable semiannually on March 1 and September 1.

The ordinance also requires that other covenants be complied with as follows:

- a. The City will maintain the Water Pollution Control Facility in good condition; operate it in an efficient manner and at reasonable cost.
- b. The City will produce sufficient net revenue adequate to pay principal and interest on notes and fund reserve and improvement funds, but not less than 125% of the principal and interest requirements each year.
- c. The City will maintain adequate insurance on the facilities.

- d. The City will have an annual audit by an independent auditor and provide a copy to the original purchaser and other note holders. The audit report must include the following:
  - i. An evaluation of covenant compliances.
  - ii. Statement of revenues and expenses.
  - iii. Balance sheet.
  - iv. Rates in effect at the end of the fiscal year, the number of customers of the system and an analysis of the rates of debt service to net revenues.
  - v. Schedule of insurance.
  - iv. Evaluation of internal controls and sufficiency of fidelity bonding.
  - vii. Listing of public officials.
  - viii. Statement addressing any events or circumstances which might affect the financial status of the system.
- e. The City will operate the system in compliance with state laws.
- f. The City will not sell, lease or in any other manner dispose of any of the system, generally.
- g. Sufficient fidelity bond coverage will be maintained by the City.
- h. The City will require proper connecting charges and security from customers for payment of service charges.
- i. The City will adopt a system budget each year.

The note was paid off in full December 23, 2008 with a new Sewer Revenue Capital note (See note 19).

Electric Utility Revenue Notes

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$5,000,000 of Electric Revenue Capital Loan Notes, dated September 1, 2002, to finance the construction of improvements to the Municipal Electric Utility of the City including additional generating capacity.

The ordinance provides that these notes will be retired from the revenue of the Municipal Electric Utility. The ordinance creates the following four funds to provide for the retirement of the notes:

1. Operation & Maintenance Fund - Monthly deposits are to be made to this fund from operating revenues sufficient to meet the current operating expenses of the month plus an amount equal to one-twelfth of the expenses payable annually.
2. Sinking Fund - Monthly deposits are to be made to this fund from the operations account amounting to one-sixth of the interest coming due at the next semiannual interest payment date, plus one-twelfth of the notes maturing on the next maturity date. Notes and interest are paid by this fund.
3. Reserve Fund - Monthly deposits of 25% of the amount required for the above Sinking Fund from the operations account are to be made into this fund until the fund balance has reached the Reserve Fund Requirement. The Reserve Fund Requirement equals the lesser of the (1) maximum interest and principal coming due, (2) ten percent of the principal amount outstanding, or (3) 125% of the average annual principal and interest coming due. An initial deposit of \$471,000 to the Reserve Fund was required.
4. Improvement Fund - Monthly payments of \$4,000 are to be made to this fund. This fund is to be used, if necessary, to finance accounts #2 and #3 above and for repairs or construction of additional works and facilities. Payments are to continue until \$500,000 has been accumulated in the account. If the account balance drops below this minimum balance, the

monthly \$4,000 payments must recommence. An initial deposit of \$500,000 to the Improvement Fund was required.

The bonds mature serially starting December 1, 2009, through December 1, 2017. Notes maturing after December 1, 2010 may be called for redemption on said date or anytime thereafter at par by giving thirty (30) days notice of redemption. Interest is payable semiannually on June 1 and December 1. Monthly deposits to above funds #1, #2, #3 and #4 were made correctly during the year in accordance with the above requirements.

The ordinance required that the accrued interest of \$19,918.22 received from issuance of the notes be deposited to the Sinking Fund. Also, it required \$471,000 from funds on hand to be deposited in the Reserve Fund and \$500,000 from funds on hand to be deposited to the Improvement Fund. All three of these requirements have been completed.

The ordinance also requires that other covenants be complied with as follows:

- a. The City will maintain the Electric Utility System in good condition; operate it in an efficient manner and at reasonable cost.
- b. The City will produce sufficient net revenue adequate to pay principal and interest on notes and fund Reserve and Improvement Funds.
- c. The City will maintain adequate insurance on the facilities. Proceeds of any insurance will be used to repair or replace destroyed parts of the system or shall be placed in the Improvement Fund.
- d. The City will have an annual audit by an independent auditor and provide a copy to the original purchaser and other note holders, upon request.
- e. The City will operate the system in compliance with state laws.
- f. The City will not sell, lease or in any other manner dispose of any of the system, generally.
- g. Sufficient fidelity bond coverage will be maintained by the City.
- h. The City will require proper connecting charges or other security for payment of service charges.
- i. The City will approve and conduct operations pursuant to a system budget of revenues and expenses for each fiscal year.

The City complied with the preceding covenants for the fiscal year ended June 30, 2009.

#### NOTE 15 – SEWER REVENUE CAPITAL LOAN NOTE

On June 27, 2007 the City of West Liberty was issued an \$800,000 Sewer Revenue note for the purpose of paying costs of improvement and extension of the sewer system. This note is intended to serve as interim financing. The note was scheduled to mature July 1, 2008 but has been extended for 1 year. The note has an interest rate of 6%.

To insure the sufficiency of the Project Fund, the City covenants that 1) it will use the Fund only for the purpose of the payment of costs of acquisition of the project to be financed or for the payment of principal and interest on the Project Notes; 2) it will from time to time increase the amount of the appropriations to the Fund to the extent necessary to assure that the expected receipts and any moneys appropriated for the purpose will be sufficient to pay the principal of the interest on the Project Notes; and 3) it will obtain the collection of funds and the proceeds of

the sale of bonds anticipated to be received in the Fund and , if not paid from other sources, apply the same to the payment of the Project Notes and interest thereon. This note was paid in full December 23, 2008 with a new Sewer Revenue Capital note (See note 19).

NOTE 16 – ELM STREET GENERAL OBLIGATION NOTE

On November 1, 2006, the City of West Liberty issued an \$850,000 general obligation note for the purpose of financing improvements to Elm Street. The notes mature serially between 2009 and 2017 and carry interest notes from 3.80%-4.15%. As of June 30, 2009, the note payable balance is \$705,000.

NOTE 17 – SOLID WASTE TRUCK LOAN

During the fiscal year ended June 30, 2008, the city received a loan of \$110,612 to be used to for the purchase of a new garbage truck. The loan, dated December 12, 2007, carries an interest rate of 5.0% and is due on October 15, 2012. As of June 30, 2009 the remaining balance was \$79,716. The loan is secured by the garbage truck.

NOTE 18 - SEWER UTILITY REVENUE CAPITAL LOAN NOTES

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$4,100,000 of Sewer Revenue Capital Loan Notes, dated December 15, 2008, to finance the construction of improvements and extensions to the sewer system of the City and current refunding on December 23, 2008, the June 27, 2007 project notes and the remaining portion of the March 1, 1995 Sewer Revenue Capital Loan Notes.

The ordinance provides that these notes will be retired from the revenue of the Municipal Sewer Utility. The ordinance creates the following three funds to provide for the retirement of the notes:

Security and Source of Payment

Source of payment – the Notes herein authorized and Parity Notes and Parity Obligations and the interest thereon shall be payable solely and only out of the net earnings of the System shall be a first lien on the future net revenues of the System. The Notes shall not be general obligations of the Issuer nor shall they be payable in any manner by taxation and the Issuer shall be in no manner liable by reason of the failure of the net revenues to be sufficient for the payment of the Notes.

Sinking Fund – Money in the Revenue Fund shall next be disbursed to make deposits into a separate and special fund to pay the principal and interest requirements of the fiscal year on the Notes and Parity Obligations. The fund shall be known as the Sewer Revenue Note and Interest Sinking Fund (the “Sinking Fund”). The required amount to be deposited in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date on the then outstanding Notes and Parity Obligations, plus the equal monthly amount necessary to pay in full the installment of principal coming due on such Notes on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Notes and Parity Obligations as the same shall become due and payable.

Reserve Fund – Money in the Revenue Fund shall be disbursed to maintain a debt service reserve in an amount equal to the Reserve Fund Requirement. Such fund shall be known as the Sewer Revenue Debt Service Reserve Fund (the “Reserve Fund”). In each month there shall be deposited in the Reserve Fund an amount equal to 25% of the amount required by this resolution to be deposited in such month in the Sinking Fund; provided, however, that when the amount on

deposit in the Reserve Fund shall be not less than the Reserve Fund Requirement, no further deposits shall be made into the Reserve Fund except to maintain such level, and when the amount on deposit in the Reserve Fund is greater than the balance required above, such additional amounts shall be withdrawn and paid into the Revenue Fund. Money in the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the Notes and Parity Obligations for the payment of which insufficient money shall be available in the Sinking Fund. Whenever, it shall become necessary to use money in the Reserve Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount. The amount of \$377,982.50 will be deposited in the Reserve Fund, at closing, from cash-on-hand.

Improvement Fund – Money in the Revenue Fund shall next be disbursed to maintain a fund to be known as the Sewer Revenue Improvement Fund (the “Improvement Fund”). The minimum amount to be deposited in the Improvement Fund each month shall be \$1,500, provided, however, that when the amount of such deposits in the fund shall equal or exceed \$150,000, no further monthly deposits need to be made into the Improvement fund except to maintain it at such level. Money in the Improvement Fund not otherwise specially limited by other provisions of this resolution shall be used solely for the purpose of paying principal of or interest on the Notes or Parity Obligations when there shall be insufficient money in the Sinking Fund and the Reserve Fund; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget of revenues and current expenses, payment of rentals on any part of the System or payments due for any property purchased as a part of the system, and for capital improvements to the System. Whenever, it shall become necessary to so use money in the Improvement Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

#### Redemption Provisions

Notes maturing after June 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date to call. Thirty days’ notice of redemption shall be given by registered mail to the registered owner of the notes. Failure to give such notice by mail to any registered owner of the notes or any defect therein shall not affect the validity of any proceedings for the redemption of the notes. If selection by lot within a maturity is required, the registrar shall designate the notes to be redeemed by random selection of the names of the registered owners of the entire annual maturity until the total amount of notes to be called has been reached.

The City was in compliance with the sewer utility capital loan note requirements for the year ending June 30, 2009.

#### NOTE 19 – CONTRACT COMMITMENTS

As of June 30, 2009, the City was obligated under the following contract commitments:

Operations Management International, Inc. for operation of the Wastewater Treatment Plant, Sludge Disposal and Industrial Monitoring program under a five year amended contract dated June 10, 2006 that began July 1, 2006, at a monthly fee of \$43,185, adjusted annually. The monthly fees for 2008-2009 fiscal year were \$59,093.

Solar Turbines Incorporated for maintenance of the two turbine generator sets under a five year contract dated June 1, 2005 at a monthly fee of \$4,500, adjusted annually for inflation. The monthly fees for the 2008-2009 fiscal year were \$4,900 July 2008 – April 2009 and \$5,194 for May & June of 2009.

NOTE 20 – RESTATEMENT OF PRIOR PERIOD FUND

During the year ended June 30, 2008, the general fund borrowed \$362,443 from the electric fund for the purchase of the land to build Dutton Athletic Complex. On the cash basis governmental financial statements, the fund was listed as a liability rather than an expenditure.

General Fund balance beginning of year, as last reported	\$ 332,660
Expenditure for land purchase	<u>362,443</u>
General Fund balance beginning of year, restated	\$ <u>695,103</u>

NOTE 21 – CONTRACTUAL COMMITMENT

On July 1, 2008 the City of West Liberty and McAninch Corporation entered into a contract whereas McAninch accepted the proposal as the contractor for the construction of Dutton Athletic Complex for a bid of \$998,021. Several change orders and payments were made throughout the fiscal year ended June 30, 2009. The project was not completed as of June 30, 2009. Payments made on contract by the City during the fiscal year ended June 30, 2009 totaled \$554,522.

NOTE 22 – CONTRACTUAL COMMITMENT

On September 16, 2008 the City of West Liberty and Wendler Construction entered into a contract whereas Wendler Construction would be the contractor for the improvements to the Waste Water Treatment Facility at a bid of \$2,188,800.

Several change orders and payments were made throughout the fiscal year ended June 30, 2009. The project was not complete as of June 30, 2009. Payments made on contract by the City during the fiscal year ended June 30, 2009 totaled \$1,326,095.

Required Supplementary Information

City of West Liberty

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>	Original <u>Budget</u>	Final <u>Budget</u>	Actual to Budget <u>Variance</u>
<b>Receipts:</b>						
Property tax	\$ 908,174		908,174	840,630	840,630	67,544
Tax increment financing	77,854		77,854	125,004	125,004	(47,150)
Local Option	404,484		404,484	351,582	351,582	52,902
Licenses and permits	10,380		10,380	39,000	39,000	(28,620)
Use of money and property	35,028	174,272	209,300	384,539	384,539	(175,239)
Intergovernmental	371,963		371,963	326,261	326,261	45,702
Charges for service	157,475	6,389,952	6,547,427	7,482,777	7,482,777	(935,350)
Miscellaneous	194,155	774	194,929	110,468	110,468	84,461
Contributions	80,140		80,140			80,140
Total receipts	<u>2,239,653</u>	<u>6,564,998</u>	<u>8,804,651</u>	<u>9,660,261</u>	<u>9,660,261</u>	<u>(855,610)</u>
<b>Disbursements:</b>						
Public safety	711,875		711,875	656,777	721,327	9,452
Public works	385,483		385,483	402,130	402,130	16,647
Culture and recreation	1,215,194		1,215,194	596,975	1,311,975	96,781
General government	133,730		133,730	99,870	117,870	(15,860)
Community & Economic Dev.						-
Debt service	303,119		303,119	303,120	303,120	1
Capital projects	70,136		70,136			(70,136)
Business type activities		6,848,513	6,848,513	7,258,300	7,258,300	409,787
Total disbursements	<u>2,819,537</u>	<u>6,848,513</u>	<u>9,668,050</u>	<u>9,317,172</u>	<u>10,114,722</u>	<u>446,672</u>
Excess (deficiency) of receipts over (under) disbursements	(579,884)	(283,515)	(863,399)	343,089	(454,461)	(408,938)
Transfers In	198,762	130,848	329,610	120,908	120,908	(208,702)
Transfers (Out)	(287,247)	(42,363)	(329,610)	(120,908)	(120,908)	208,702
Other financing sources, net	<u>(88,485)</u>	<u>88,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(668,369)	(195,030)	(863,399)	343,089	(454,461)	(408,938)
Balances beginning of year, as restated	<u>2,375,578</u>	<u>16,950,091</u>	<u>19,325,669</u>	<u>17,695,707</u>	<u>17,695,707</u>	
Balances end of year	<u>\$ 1,707,209</u>	<u>16,755,061</u>	<u>18,462,270</u>	<u>18,038,796</u>	<u>17,241,246</u>	<u>(408,938)</u>

See accompanying independent auditors' report.

City of West Liberty  
Notes to Required Supplementary Information – Budgetary Reporting  
Year ended June 30, 2009

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. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget amendments increased budgeted disbursements by \$797,550. The budget amendment is reflected in the final budgeted amounts.

City of West Liberty

Other Supplementary Information

City of West Liberty

Combining Balance Sheet  
Nonmajor Funds

June 30, 2009

	Special Law Enforcement	Crees Cemetery	Road Use	FEMA	TIF Urban Renewal	Fire Trust and Agency	Library Trust	Insurance Reserve	Ambulance Reserve
Cash and pooled investments	\$ 1,681	42,858	(73,554)	8,951	5,404	12,719	116,237	167,934	162,733
Receivables:									
Property Tax Accounts		136				30		164	
Accrued interest									
Due from other governments									
Prepays	-		7,284						
<b>Total assets</b>	<b>\$ 1,681</b>	<b>42,994</b>	<b>(66,270)</b>	<b>8,951</b>	<b>5,404</b>	<b>12,749</b>	<b>116,237</b>	<b>168,098</b>	<b>162,733</b>

Liabilities and Fund Equity

Liabilities:									
Accounts payable		\$ 452	4,199				4,895	10,129	227
Accrued payroll			8,675						
Due to other funds									
Fund equity:									
Fund balances:	1,681	42,542	(79,144)	8,951	5,404	12,749	111,342	157,969	162,506
Unreserved, undesignated									
<b>Total liabilities and fund equity</b>	<b>\$ 1,681</b>	<b>42,994</b>	<b>(66,270)</b>	<b>8,951</b>	<b>5,404</b>	<b>12,749</b>	<b>116,237</b>	<b>168,098</b>	<b>162,733</b>

See accompanying independent auditors' report.

City of West Liberty  
 Combining Balance Sheet  
 Nonmajor Funds  
 June 30, 2009

Fire Reserve	Cash Clearing	Subtotal Special Revenue	Capital Projects	Total
148,117	5,163	598,243	450,782	1,049,025
	2,240	2,240		2,240
		330		330
		7,284		7,284
<u>148,117</u>	<u>7,403</u>	<u>608,097</u>	<u>450,782</u>	<u>1,058,879</u>
		19,902	6,033	25,935
		8,675		8,675
<u>148,117</u>	<u>7,403</u>	<u>579,520</u>	<u>444,749</u>	<u>1,024,269</u>
<u>148,117</u>	<u>7,403</u>	<u>608,097</u>	<u>450,782</u>	<u>1,058,879</u>

See accompanying independent auditors' report.

City of West Liberty  
 Combining Schedule of Revenues, Expenditures and  
 Changes in Fund Balances  
 Nonmajor Funds  
 Year ended June 30, 2009

	Special Law Enforcement	Crees Cemetery	Road Use	FEMA	TIF Urban Renewal	Fire Trust and Agency	Library Trust	Insurance Reserve	Ambulance Reserve
Revenues:									
Property tax					77,854				
Tax increment financing									
Local Option Tax									
Use of money and property	22	1,019	277,369	77,513	84	450	1,714	2,705	2,162
Intergovernmental									
Charge for service						9,740		86,970	43,173
Miscellaneous							2,860		32,173
Contributions - Gifts/Grants						10,190	4,574	89,675	77,508
Total revenues	22	1,019	277,369	77,513	77,938	10,190	4,574	89,675	77,508
Expenditures:									
Operating:									
Public Safety						43,272			62,240
Public Works			346,714				17,337		
Culture and Recreation									
Beautification									
General Government								74,066	
Debt Service									
Capital Projects									
Total expenditures	-	-	346,714	-	-	43,272	17,337	74,066	62,240
Excess (deficiency) of revenues over (under) expenditures	22	1,019	(69,345)	77,513	77,938	(33,082)	(12,763)	15,609	15,268
Other financing sources (uses):									
Operating transfers in (out)	-		(7,414)	(77,513)	(77,854)				
Total other financing sources (uses)	-	-	(7,414)	(77,513)	(77,854)	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	22	1,019	(76,759)	-	84	(33,082)	(12,763)	15,609	15,268
Fund balances beginning of year	1,659	41,523	(2,385)	8,951	5,320	45,831	124,105	142,360	147,238
Fund balances end of year	\$ 1,681	42,542	(79,144)	8,951	5,404	12,749	111,342	157,969	162,506

See accompanying independent auditors' report.

City of West Liberty  
 Combining Schedule of Revenues, Expenditures and  
 Changes in Fund Balances  
 Nonmajor Funds  
 Year Ended June 30, 2009

Fire Reserve	Cash Clearing	Subtotal Special Revenue	Capital Projects	Total
1,720		9,876	134,828	77,854
		354,882	7,997	134,828
		43,173		17,873
22,500	2,751	144,394		354,882
		12,600		43,173
24,220	2,751	642,779	142,825	144,394
				12,600
				785,604
		105,512		105,512
		346,714		346,714
		17,337	23,129	40,466
		74,066		74,066
			70,136	70,136
		543,629	93,265	636,894
24,220	2,751	99,150	49,560	148,710
		(147,781)	(109,466)	(257,247)
15,000		(147,781)	(109,466)	(257,247)
15,000		(147,781)	(109,466)	(257,247)
39,220	2,751	(48,631)	(59,906)	(108,537)
108,897	4,652	628,151	504,655	1,132,806
148,117	7,403	579,520	444,749	1,024,269

## City of West Liberty

Schedule of Revenues by Source and Expenditures by Function-  
All Governmental Funds

For the Last Four Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Property tax	908,174	809,496	759,669	712,714
Tax increment financing revenue	77,854	149,195	181,404	177,787
Local Option Tax	404,484	360,873	358,319	309,232
Licenses and permits	10,380	13,303	15,211	21,076
Use of money and property	35,028	78,024	96,442	64,049
Intergovernmental	371,963	311,618	293,258	807,700
Charges for service	157,475	172,235	133,751	126,936
Miscellaneous	194,155	125,794	116,680	153,687
Contributions	80,140	496,013	-	-
Total	<u>\$ 2,239,653</u>	<u>2,516,551</u>	<u>1,954,734</u>	<u>2,373,181</u>
Expenditures:				
Operating:				
Public safety	\$ 711,875	695,671	518,950	660,357
Public works	385,483	518,212	324,907	291,609
Culture and recreation	1,215,194	991,550	550,833	431,894
Community and economic development	-	316	-	-
General government	133,730	103,678	111,083	168,056
Debt service	303,119	302,660	223,045	205,702
Capital projects	70,136	374,089	80,605	827,118
Total	<u>\$ 2,819,537</u>	<u>2,986,176</u>	<u>1,809,423</u>	<u>2,584,736</u>

See accompanying independent auditors' report.

City of West Liberty

Insurance in Force  
June 30, 2009

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>	<u>Remarks</u>	<u>Policy Number</u>	<u>Term</u>	<u>Inception Date</u>
Employers Mutual Co.	Property Liability	\$ 14,301,852	4/1/2010	90% cash value	8A9-30-44---09	1 yr.	4/1/2009
		1,000,000	Each Occurrence		Package		
		2,000,000	Aggregate				
		1,000,000					
			10,000				
			10,000				
			17,076,567				
			Various Per Item		As caused		
					Included in property		
					Included in property		
					Included in property		
					Included in property		
	The Hartford Accident and Indemnity Company	Business auto	5,000,000				
Crime coverage		10,000					
Loss inside premises		10,000,000					
Loss outside premises		1,000,000					
Boiler and machinery		500,000					
Limit per accident		25,000					
Inland marine		10,000					
EDP							
Citizen band radios							
Contractors equipment form							
Miscellaneous property form							
Umbrella liability							
Self Insured Retention							
Linebacker							
Worker's compensation							
Employee Dishonesty							
Forgery							
	Volunteer firefighters	50,000	3/23/2010	Volunteer firefighters	83-VP-730207	1 yr.	3/23/2009
	Accidental death & dismember benefit	100		blanket			
	Accident total disability benefit	25,000		Accident policy			
	Accelerated Benefit (Living Benefit Option)			weekly benefit			
				Up to age 65			

City of West Liberty

Bond and Note Maturities  
June 30, 2009

General Obligation and Revenue Bonds & Notes

Year Ending June 30,	Pool Project Issued September 1, 2002		Street Improvements Bond Issued March 1, 2001		Elm Street GO Note Issued November 1, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	4.30%	26,880	5.00%	100,000	3.80%	75,000
2011	4.45%	30,240	5.05%	105,000	3.85%	80,000
2012	4.60%	30,240	5.10%	115,000	3.90%	85,000
2013	4.70%	33,600	5.15%	120,000	3.95%	85,000
2014			5.20%	125,000	4.00%	90,000
2015			5.25%	130,000	4.05%	95,000
2016			5.30%	140,000	4.10%	95,000
2017		-		-	4.15%	100,000
Total		\$ 120,960		835,000		705,000

City of West Liberty

Bond and Note Maturities  
June 30, 2009

General Obligation and Revenue Bonds & Notes

Year Ending June 30,	<u>Electric Revenue</u> <u>Issued September 1, 2002</u>		<u>Sewer GO Note</u> <u>Issued September 1, 2002</u>		<u>Sewer Revenue Capital Note</u> <u>Issued December 15, 2008</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2010	4.40%	310,000	4.30%	13,120	4.25%	125,000
2011	4.55%	320,000	4.45%	14,760	4.50%	130,000
2012	4.70%	335,000	4.60%	14,760	4.75%	135,000
2013	4.85%	355,000	4.70%	16,400	5.00%	145,000
2014	4.95%	370,000			5.25%	150,000
2015	5.05%	390,000			5.50%	160,000
2016	5.15%	410,000			5.75%	165,000
2017	5.25%	435,000			6.00%	175,000
2018	5.30%	455,000			6.10%	185,000
2019					6.20%	195,000
2020					6.30%	210,000
2021					6.40%	225,000
2022					6.50%	235,000
2023					6.60%	250,000
2024					6.70%	270,000
2025					6.80%	285,000
2026					6.90%	305,000
2027					7.00%	330,000
2028					7.05%	350,000
TOTAL		\$ 3,380,000		59,040		4,025,000

## City of West Liberty

Bond and Note Maturities  
June 30, 2009

## General Obligation and Revenue Bonds &amp; Notes

Solid Waste Garbage Truck  
Issued December 12, 2007

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2010	5.00%	21,366
2011	5.00%	22,447
2012	5.00%	23,580
2013	5.00%	<u>12,323</u>
TOTAL		<u><u>79,716</u></u>

## City of West Liberty

Computation of Legal Debt Margin  
June 30, 2009

Actual Valuation at January 1, 2007	\$ 133,880,269
Times %	x 5%
Legal Debt Limitation	<u>6,694,013</u>
Debt Applicable to Limitation	
Outstanding General Obligation Bonds and Notes at June 30, 2008	<u>1,720,000</u>
Legal Debt Margin	<u>\$ 4,974,013</u>

## City of West Liberty

Electric Utility  
 Restricted Accounts Required By Bond Ordinance  
 June 30, 2009

	<u>Account</u>			<u>Total</u>
	<u>Current Debt Service</u>	<u>Future Debt Service Reserve</u>	<u>Contingency (Renewal and Replacement)</u>	
Cash and Investments - Beginning of Year	\$ 187,065	471,000	580,108	1,238,173
Cash Receipts - Transfers From Operating Cash	<u>475,169</u>			<u>475,169</u>
Total Cash and Investments Available	<u>662,234</u>	<u>471,000</u>	<u>580,108</u>	<u>1,713,342</u>
Cash Disbursements				
Principal Payments	295,000			295,000
Interest Payments	<u>172,464</u>			<u>172,464</u>
Total Cash Disbursement	<u>467,464</u>	<u>-</u>	<u>-</u>	<u>467,464</u>
Cash and Investments - End of Year	<u><u>\$ 194,770</u></u>	<u><u>471,000</u></u>	<u><u>580,108</u></u>	<u><u>1,245,878</u></u>

## City of West Liberty

Sewer Utility – Revenue Bond & Note  
 Restricted Accounts Required By Bond Ordinance  
 June 30, 2009

	<u>Account</u>			<u>Total</u>
	<u>Current Debt Service</u>	<u>Future Debt Service Reserve</u>	<u>Contingency (Renewal and Replacement)</u>	
Cash and Investments - Beginning of Year	\$ 154,320	-	676,685	831,005
Cash Receipts - Transfers In (Out) From Operating Cash	<u>1,590,598</u>	<u>378,000</u>	<u>(229,570)</u>	<u>1,739,028</u>
Total Cash and Investments Available	<u>1,744,918</u>	<u>378,000</u>	<u>447,115</u>	<u>2,570,033</u>
Cash Disbursements				-
Transfers				-
Principal Payments	1,505,000			1,505,000
Interest Payments	207,306			207,306
Total Cash Disbursements	<u>1,712,306</u>	<u>-</u>	<u>-</u>	<u>1,712,306</u>
Cash and Investments - End of Year	<u>\$ 32,612</u>	<u>378,000</u>	<u>447,115</u>	<u>857,727</u>

City of West Liberty  
Sewer Rates and Customers

Number of Sewer Customers as of June 30, 2009: 1513

Sewer Rates as of June 30, 2009: \$4.05/1,000 gallons/month plus \$18.50 user fee/month  
minimum for 0-1,000 gallons \$22.55

Rural usage: \$4.68/1,000 gallons/month plus \$26.83 user fee/month  
minimum for 0-1,000 gallons \$31.51

City of West Liberty

Independent Auditors' 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



# Taylor, Rees, Beckey & Co., P.C.

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited 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 West Liberty (the City), Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 U.S. generally accepted accounting principles such that there is more than a remote likelihood 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 a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that would be material weaknesses.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of The City of West Liberty and other parties to whom the City 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Liberty during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Taylor, Rees, Beckey & Co., P.C.*

TAYLOR, REES, BECKEY & CO., P.C.  
Certified Public Accountants

November 30, 2009

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City of West Liberty

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Federal program expenditures for the year did not exceed \$500,000.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted. Since expenditures of federal awards did not exceed \$500,000, a "Single Audit" was not performed.

REPORTABLE CONDITIONS:

No matters were noted. Since expenditures of federal awards did not exceed \$500,000, a "Single Audit" was not performed.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Financial Condition – The Water Fund, a proprietary fund, had a negative cash balance at June 30, 2009 of \$56,152

Recommendation – The City should make an inter-fund loan until an alternate recovery plan is in place.

Response – The City will make an inter-fund loan until an alternate recovery plan has begun.

Conclusion – Response accepted.

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IV-B-09 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted that represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa.

IV-D-09 Business Transactions – Business transactions between the City and City officials or employees are noted as follows:

Name, Title, and Business Connection	Transaction Description	Amount
William Cline – Council Member HD Cline Company	Parts, Repairs	\$8,179

From our review of the purchases in accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with HD Cline Company do not appear to represent conflicts of interest.

IV-E-09 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 insure the coverage is adequate for current operations.

IV-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-09 Financial Condition – The Road Use, a special revenue fund, had a deficit balance at June 30, 2009 of \$79,144. The Dutton Complex, a capital project fund, had a deficit balance at June 30, 2009 of \$77,559.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – Expenditures will be budgeted to offset the deficit balances.

Conclusion – Response accepted.

IV-I-09 Financial Condition – The Road Use, a special revenue fund, had a negative cash balance at June 30, 2009 of \$73,554.

Recommendation – The City should make an inter-fund loan until an alternate recovery plan is in place.

Response – The City will make an inter-fund loan until an alternate recovery plan has begun.

Conclusion – Response accepted.

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IV-K-09

Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted, in the general government and capital projects 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.