

**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, 2010**

CITY OF WEST LIBERTY

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BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
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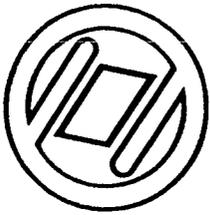
JUNE 30, 2010

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CITY OF WEST LIBERTY  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chad Thomas	Mayor	Jan 2014
Clinton Esbenshade	Council Member	Jan 2014
Robert Hartman	Council Member	Jan 2014
William Cline	Council Member	Jan 2012
Tom Pace	Council Member	Jan 2012
Gerry Wickham	Council Member	Jan 2012
Chris Ward	City Manager/Clerk	Appointed-Jan 2011
P.J. Brewer	Chief of Police	Appointed-Jan 2011
Robbie Rock	Fire Chief	Appointed-Jan 2011
Karen A. Thurness	Deputy Clerk	Appointed-Jan 2011
Connie S. Black	Treasurer	Appointed-Jan 2011



# 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) 788-2054

## 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, 2010, 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, 2010, 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 April 29, 2011 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 4 through 9 and 39 and 40 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, 2009 (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

April 29, 2011

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, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Current and Other Assets	\$ 1,713,070	6,961,253	8,674,323
Capital Assets	9,374,466	17,450,098	26,824,564
Total Assets	<u>11,087,536</u>	<u>24,411,351</u>	<u>35,498,887</u>
Long-term Liabilities	3,160,932	7,125,309	10,286,241
Other Liabilities	553,960	508,264	1,062,224
Total Liabilities	<u>3,714,892</u>	<u>7,633,573</u>	<u>11,348,465</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,990,271	2,442,008	8,432,279
Restricted	147,786	2,793,905	2,941,691
Unrestricted	1,234,587	11,541,865	12,776,452
Total Net Assets	<u>\$ 7,372,644</u>	<u>16,777,778</u>	<u>24,150,422</u>

Net assets of governmental activities decreased from FY09 by approximately \$246,425, or 3.23%. Net assets of business type activities increased from FY09 by approximately \$22,717, or .13%. 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 \$12,776,452 at the end of this year.

Changes in Net Assets  
Year ended June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for service	\$ 163,550	7,065,919	7,229,469
General revenues:			
Property tax levied for:			
General purposes	885,240		885,240
Tax increment financing revenues	128,126		128,126
Local option sales tax	346,164		346,164
Intergovernmental	355,020		355,020
Licenses & permits	12,138		12,138
Unrestricted investment earnings	24,846	142,877	167,723
Miscellaneous	146,849	-	146,849
Contributions	84,374	-	84,374
Total revenues	2,146,307	7,208,796	9,355,103
Program expenses:			
Public safety	784,850		784,850
Public works	340,509		340,509
Culture and recreation	678,784		678,784
Community & Economic Development	-		-
General government	128,715		128,715
Debt Service	120,607		120,607
Capital Projects	351,948		351,948
Water		400,273	400,273
Sewer		1,636,601	1,636,601
Electric		4,768,331	4,768,331
Solid Waste	-	368,193	368,193
Total expenses	2,405,413	7,173,398	9,578,811
Transfers In	2,126,842	38,821	2,165,663
Transfers (Out)	(2,114,161)	(51,502)	(2,165,663)
Change in net assets	(246,425)	22,717	(223,708)
Net assets beginning of year	7,619,069	16,755,061	24,374,130
Net assets end of year	\$ 7,372,644	16,777,778	24,150,422

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 \$1,382,373, which is less than the \$1,707,209 total fund balance at June 30, 2009. 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 a decrease of \$605,209 from the prior year to \$4,642.

The Road Use (Special Revenue Fund) ended fiscal year 2010 with a \$55,637 deficit balance. Road Use tax proceeds exceeded Public Works expenditures and Transfers Out decreasing the prior period Negative Fund balance by \$23,507.

#### Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2010 with a \$1,977,900 net asset balance compared to the prior year ending net asset balance of \$2,061,493.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2010 with a \$5,525,440 net asset balance compared to the prior year ending net asset balance of \$5,026,954.

The Electric Fund, which accounts for the operation and maintenance of the City's electrical system, ended fiscal 2010 with a \$9,049,891 net asset balance compared to the prior year ending net asset balance of \$9,357,719.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City of West Liberty amended its budget one time. The amendment was done in May 2010. 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 \$9,374,466 (net of accumulated depreciation) at June 30, 2010. Capital assets for business type activities totaled \$17,450,098 (net of accumulated depreciation) at June 30, 2010. See Note 3 to the financial statements for more information about the City's capital assets.

##### Long-Term Debt

At June 30, 2010, the City had \$3,099,080, in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$7,074,329 at June 30, 2010.

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

Several economic factors affected decisions made by the City of West Liberty in setting its fiscal 2010 budget. The City of West Liberty will experience insignificant changes in General Fund revenues and expenditures from fiscal year 2010 to fiscal year 2011. The major factors that will play a role are the intergovernmental revenue and the property valuation for fiscal 2010 in which the State of Iowa has issued the Assessment Limitation Order to be 47% for residential property and 66% for agricultural property which are unchanged from fiscal year 2009.

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 2010 compared with the national rate of (.1) 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 2010 are provided below:

General Levy	\$	8.10
Debt Service Levy		0.67
Tort Liability		0.41
Employee Benefits		2.97
Emergency Levy		<u>0.27</u>
Total	\$	<u><u>12.42</u></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.

City of West Liberty  
Statement of Net Assets  
June 30, 2010

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
<b>Assets</b>			
Cash and Pooled Investments	\$ 1,568,327	2,461,530	4,029,857
Receivables:			
Property Tax	20,179		20,179
Accounts	16,195	1,054,082	1,070,277
Accrued Interest	332	6,764	7,096
Due from Other Funds		295,669	295,669
Inventories		155,003	155,003
Prepaid Expenses	41,631	72,544	114,175
Bond Issuance	66,406	121,756	188,162
Restricted Assets:			
Cash and Pooled Investments		2,793,905	2,793,905
Capital Assets (Net of Accumulated Depreciation)	9,374,466	17,450,098	26,824,564
<b>Total Assets</b>	<u>11,087,536</u>	<u>24,411,351</u>	<u>35,498,887</u>
<b>Liabilities</b>			
Accounts Payable	205,092	346,728	551,820
Salaries and Benefits Payable	52,359	45,341	97,700
GO Bonds Payable Current Plus Interest		20,619	20,619
Due to Other Governments	840	2,842	3,682
Due to Other Funds	295,669		295,669
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Customer Deposits		79,934	79,934
General Obligation Bonds/Notes	325,240	14,760	340,000
Revenue Notes Payable		450,000	450,000
Bank Note		25,084	25,084
Accrued Interest Payable	9,759	12,800	22,559
Portion Due or Payable After One Year:			
General Obligation Bonds/Notes (Net of Unamortized Discount)	2,773,840	31,160	2,805,000
Revenue Notes Payable		6,520,000	6,520,000
Bank Note Payable		33,325	33,325
Net Other Post Employment Benefits Obligation	52,093	50,980	103,073
<b>Total Liabilities</b>	<u>3,714,892</u>	<u>7,633,573</u>	<u>11,348,465</u>

City of West Liberty  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,990,271	2,442,008	8,432,279
Restricted for:			
Debt Service	147,786		147,786
Revenue Note Retirement		1,231,143	1,231,143
Improvements		1,562,762	1,562,762
Unrestricted	<u>1,234,587</u>	<u>11,541,865</u>	<u>12,776,452</u>
<b>Total Net Assets</b>	<u>7,372,644</u>	<u>16,777,778</u>	<u>24,150,422</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 11,087,536</u>	<u>24,411,351</u>	<u>35,498,887</u>

See Notes to Financial Statements.



Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
(676,856)		(676,856)
(340,509)		(340,509)
(647,391)		(647,391)
-		-
(104,552)		(104,552)
(120,607)		(120,607)
(351,948)	-	(351,948)
<u>(2,241,863)</u>	<u>-</u>	<u>(2,241,863)</u>
	(89,838)	(89,838)
	506,641	506,641
	(475,801)	(475,801)
-	(48,481)	(48,481)
<u>-</u>	<u>(107,479)</u>	<u>(107,479)</u>
<u>(2,241,863)</u>	<u>(107,479)</u>	<u>(2,349,342)</u>
885,240		885,240
128,126		128,126
346,164		346,164
355,020		355,020
12,138		12,138
24,846	142,877	167,723
146,849	-	146,849
84,374		84,374
<u>1,982,757</u>	<u>142,877</u>	<u>2,125,634</u>
2,126,842	38,821	2,165,663
<u>(2,114,161)</u>	<u>(51,502)</u>	<u>(2,165,663)</u>
(246,425)	22,717	(223,708)
<u>7,619,069</u>	<u>16,755,061</u>	<u>24,374,130</u>
<u>\$ 7,372,644</u>	<u>16,777,778</u>	<u>24,150,422</u>

## City of West Liberty

Balance Sheet  
Governmental Funds

June 30, 2010

	<u>General</u>	<u>Road Use</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>				
Cash and Pooled Investments	\$ 22,825	(53,496)	1,598,998	1,568,327
Receivables:				
Property Tax	16,798	-	3,381	20,179
Accounts	9,087	-	1,108	10,195
Accrued Interest	134	-	198	332
Prepaid Expenses	35,544	6,087	-	41,631
<b>Total Assets</b>	<u>\$ 84,388</u>	<u>(47,409)</u>	<u>1,603,685</u>	<u>1,640,664</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 31,920	\$ 2,855	170,317	205,092
Salaries and Benefits Payable	46,986	5,373	-	52,359
Due to Other Governments	840	-	-	840
<b>Total Liabilities</b>	<u>79,746</u>	<u>8,228</u>	<u>170,317</u>	<u>258,291</u>
Fund Balances				
Reserved for Debt Service	-	-	147,786	147,786
Unreserved:				
Undesignated:				
Reported in:				
General Fund	4,642	-	-	4,642
Special Revenue Funds	-	(55,637)	754,328	698,691
Capital Projects	-	-	531,254	531,254
<b>Total Fund Balances</b>	<u>4,642</u>	<u>(55,637)</u>	<u>1,433,368</u>	<u>1,382,373</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 84,388</u>	<u>(47,409)</u>	<u>1,603,685</u>	<u>1,640,664</u>

See Notes to Financial Statements.



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City of West Liberty

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

June 30, 2010

**Total Governmental Fund Balances (Page 16)** \$ 1,382,373

***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 \$15,277,057 and the Accumulated Depreciation is \$5,902,591. 9,374,466

The Cost of Bond Issuance is \$75,680 and the Accumulated Amortization is \$9,274 66,406

Additional Transfers In Incurred Due to Moving Bond Proceeds Onto Debt Service Trial Balance. (1,563,030)

Additional Transfers Out Incurred Due to Moving Bond Proceeds Onto Debt Service Trial Balance. 1,563,030

Receivable From Fixed Asset Vendor. 6,000

Long-Term Liabilities, Including Bonds Payable, Compensated Absences and Accrued Interest Payable and Net Other Post Employment Benefit Obligations Are Not Due and Payable in the Current Period and, Therefore, Are Not Reported as Liabilities in the Funds. (3,456,601)

***Net Assets of Governmental Activities (Page 11)*** \$ 7,372,644

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, 2010

	<u>General</u>	<u>Road Use</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Property Tax	\$ 834,885		50,355	885,240
Tax Increment Financing			128,126	128,126
Local Option Tax	188,243		157,921	346,164
Licenses and Permits	12,138			12,138
Use of Money and Property	5,466		19,380	24,846
Intergovernmental	16,651	294,529	43,840	355,020
Charges for Service	112,893		50,657	163,550
Miscellaneous	51,534		95,315	146,849
Contributions - Gifts/Grants	16,993		67,381	84,374
<b>Total Revenues</b>	<u>1,238,803</u>	<u>294,529</u>	<u>612,975</u>	<u>2,146,307</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public Safety	676,115		15,847	691,962
Public Works	174,640	263,805	-	438,445
Culture and Recreation	612,574		383,702	996,276
Community & Economic Development				-
General Government	58,400		67,313	125,713
Debt Service			336,939	336,939
Capital Projects			1,534,489	1,534,489
<b>Total Expenditures</b>	<u>1,521,729</u>	<u>263,805</u>	<u>2,338,290</u>	<u>4,123,824</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(282,926)</u>	<u>30,724</u>	<u>(1,725,315)</u>	<u>(1,977,517)</u>
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds			1,640,000	1,640,000
Operating Transfers In	22		563,790	563,812
Operating Transfers Out	(322,305)	(7,217)	(221,609)	(551,131)
<b>Total Other Financing Sources (Uses)</b>	<u>(322,283)</u>	<u>(7,217)</u>	<u>1,982,181</u>	<u>1,652,681</u>
<b>Net change in Fund Balances</b>	<u>(605,209)</u>	<u>23,507</u>	<u>256,866</u>	<u>(324,836)</u>
<b>Fund Balances Beginning of Year, as Restated</b>	<u>609,851</u>	<u>(79,144)</u>	<u>1,176,502</u>	<u>1,707,209</u>
<b>Fund Balances (Deficit) End of Year</b>	<u>\$ 4,642</u>	<u>(55,637)</u>	<u>1,433,368</u>	<u>1,382,373</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, 2010

Net Change in Fund Balances - Total Governmental Funds (Page 16)	\$	(324,836)
<p>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:</p>		
Expenditures for Capital Assets		2,104,914
Depreciation Expense		(627,953)
Amortization Expense		(5,362)
Accrued Interest Expense		(3,371)
Receivable From Fixed Asset Vendor		6,000
Bond Issuance Expense		60,155
<p>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:</p>		
Proceeds		(1,640,000)
Repaid		236,121
Annual Other Post Employment Benefit Cost		<u>(52,093)</u>
Change in Net Assets of Governmental Activities (Page 13)	\$	<u><u>(246,425)</u></u>

See Notes to Financial Statements.

City of West Liberty  
Statement of Net Assets  
Proprietary Funds

June 30, 2010

	<u>Enterprise Fund</u>				<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	
<b>Assets</b>					
Cash and Pooled Investments	\$ 20,324	119,656	2,236,200	85,350	2,461,530
Receivables (Net of Allowance for Uncollectibles):					
Accounts	72,562	254,148	665,590	61,782	1,054,082
Accrued Interest	929	259	5,543	33	6,764
Due From Other Funds			295,669		295,669
Inventories	35,766	770	118,467		155,003
Prepaid Expenses	5,992	10,032	46,761	9,759	72,544
Bond Issuance		75,402	46,354		121,756
<b>Restricted Assets:</b>					
Cash and Pooled Investments	606,903	919,227	1,250,575	17,200	2,793,905
Capital Assets (Net of Accumulated Depreciation)	1,265,184	8,135,621	7,876,684	172,609	17,450,098
<b>Total Assets</b>	<b>2,007,660</b>	<b>9,515,115</b>	<b>12,541,843</b>	<b>346,733</b>	<b>24,411,351</b>
<b>Liabilities</b>					
Accounts Payable	22,788	13,060	306,847	4,033	346,728
Salaries and Benefits Payable	6,972	10,076	19,529	8,764	45,341
Go Bonds Payable Current Plus Interest		20,619			20,619
Due to Other Governments			2,842		2,842
Customer Deposits			79,934		79,934
<b>Payable from Restricted Assets:</b>					
General Obligation Bonds/Notes		14,760			14,760
Revenue Notes Payable		130,000	320,000		450,000
Accrued Interest Payable			12,800		12,800
Bank Note Payable Due Within One Year				25,084	25,084
<b>Long-term Liabilities:</b>					
GO Bonds Payable		31,160			31,160
Revenue Notes Payable		3,770,000	2,750,000		6,520,000
Bank Note Payable				33,325	33,325
<b>Total Liabilities</b>	<b>29,760</b>	<b>3,989,675</b>	<b>3,491,952</b>	<b>71,206</b>	<b>7,582,593</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	9,992	2,481,396	1,600		2,492,988
<b>Restricted For:</b>					
Revenue Note Retirement		560,676	670,467		1,231,143
Improvement	606,903	358,551	580,108	17,200	1,562,762
Unrestricted	1,361,005	2,124,817	7,797,716	258,327	11,541,865
<b>Total Net Assets</b>	<b>\$ 1,977,900</b>	<b>5,525,440</b>	<b>9,049,891</b>	<b>275,527</b>	<b>16,828,758</b>

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, 2010

	<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	\$ 310,435	2,143,242	4,292,530	319,712	7,065,919
Total Operating Revenues	<u>310,435</u>	<u>2,143,242</u>	<u>4,292,530</u>	<u>319,712</u>	<u>7,065,919</u>
Operating Expenses:					
Business Type Activities:					
Cost of Sales and Services	258,138	1,047,692	4,018,853	327,287	5,651,970
Depreciation	133,157	322,546	566,097	32,850	1,054,650
Total Operating Expenses	<u>391,295</u>	<u>1,370,238</u>	<u>4,584,950</u>	<u>360,137</u>	<u>6,706,620</u>
Operating Income (Loss)	<u>(80,860)</u>	<u>773,004</u>	<u>(292,420)</u>	<u>(40,425)</u>	<u>359,299</u>
Non-Operating Revenues (Expenses):					
Sale of Property/Insurance Proceeds	-	-	-	-	-
Interest Income	12,708	14,281	114,005	1,883	142,877
Interest Expense	-	(252,738)	(159,283)	(3,777)	(415,798)
Transfers In	-	-	29,870	8,951	38,821
Transfers (Out)	<u>(15,441)</u>	<u>(36,061)</u>	<u>-</u>	<u>-</u>	<u>(51,502)</u>
Total Non-Operating Revenues (Expenses)	<u>(2,733)</u>	<u>(274,518)</u>	<u>(15,408)</u>	<u>7,057</u>	<u>(285,602)</u>
Change in Net Assets	(83,593)	498,486	(307,828)	(33,368)	73,697
Net Assets Beginning 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>
Net Assets End of Year	<u>\$ 1,977,900</u>	<u>5,525,440</u>	<u>9,049,891</u>	<u>275,527</u>	<u>16,828,758</u>

See Notes to Financial Statements.

City of West Liberty

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2010

	<u>Enterprise Fund</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income	\$ (83,593)	498,486	(307,828)	(33,368)	73,697
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation Expense	133,157	322,546	566,097	32,850	1,054,650
Increase in Customer Accounts Receivable and Unbilled Usage and Other Accounts Receivable (Increase ) Decrease in Inventories, at Cost	(1,233)	(15,520)	(27,028)	(8,421)	(52,202)
(Increase ) Decrease in Prepaid Expenses and Bond Issuance Cost	(5,994)	15	42,452	-	36,473
Increase (Decrease) in Accounts Payable	1,347	4,101	6,112	(2,267)	9,293
Increase in Salaries Payable	4,458	(87,887)	(40,221)	907	(122,743)
Increase in Customer Deposits	1,085	3,282	2,847	3,403	10,617
Increase (Decrease) in Due to Other Governments	-	-	5,773	-	5,773
Net Cash Provided (Used) by Operating Activities	49,227	725,023	248,994	(6,901)	1,016,343
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Net Increase of Capital Assets	(102,107)	(1,406,381)	(289,059)	(18,114)	(1,815,661)
Decrease in Long-Term Debt	-	(138,120)	(310,000)	(21,310)	(469,430)
Net Cash Used For Capital and Related Financing Activities	(102,107)	(1,544,501)	(599,059)	(39,424)	(2,285,091)
Net Increase (Decrease) in Cash and Cash Equivalents	(52,880)	(819,478)	(350,065)	(46,325)	(1,268,748)
Cash and Cash Equivalents Beginning of Year	680,107	1,858,361	3,836,840	148,875	6,524,183
Cash and Cash Equivalents End of Year	\$ 627,227	1,038,883	3,486,775	102,550	5,255,435

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

City of West Liberty

Notes to Financial Statements

June 30, 2010

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.

**Road Use:**

Road Use Fund is used to account for the collection of road use tax and the expenditure of those funds on repair and maintenance.

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

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, 2010 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, 2010 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, 2010 was as follows:

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
<b>Primary Government</b>				
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,317,540	-	-	1,317,540
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,317,540</b>	<b>-</b>	<b>-</b>	<b>1,317,540</b>
Capital Assets Being Depreciated:				
Buildings	3,886,091	530,045	-	4,416,136
Improvements Other Than Buildings	912,760	-	-	912,760
Equipment and Vehicles	1,416,539	77,350	(53,192)	1,440,697
Infrastructure, Road Network	5,692,405	1,497,519	-	7,189,924
<b>Total Capital Assets Being Depreciated</b>	<b>11,907,795</b>	<b>2,104,914</b>	<b>(53,192)</b>	<b>13,959,517</b>
Less Accumulated Depreciation For:				
Buildings	1,703,150	82,916	-	1,786,066
Improvements Other Than Buildings	447,146	49,930	-	497,076
Equipment and Vehicles	875,383	143,159	(53,192)	965,350
Infrastructure, Road Network	2,302,151	351,948	-	2,654,099
<b>Total Accumulated Depreciation</b>	<b>5,327,830</b>	<b>627,953</b>	<b>(53,192)</b>	<b>5,902,591</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>6,579,965</b>	<b>1,476,961</b>	<b>-</b>	<b>8,056,926</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,897,505</b>	<b>1,476,961</b>	<b>-</b>	<b>9,374,466</b>
Business Type Activities:				
Capital Assets Being Depreciated:				
Buildings	\$ 2,484,897	-	-	2,484,897
Equipment and Vehicles	19,677,559	1,702,528	(64,093)	21,315,994
Infrastructure, Water and Sewer Network	8,760,873	113,135	-	8,874,008
<b>Total Capital Assets Being Depreciated</b>	<b>30,923,329</b>	<b>1,815,663</b>	<b>(64,093)</b>	<b>32,674,899</b>
Less Accumulated Depreciation For:				
Buildings	636,725	78,520	-	715,245
Equipment and Vehicles	7,985,825	691,772	(64,093)	8,613,504
Infrastructure, Water and Sewer Network	5,611,694	284,358	-	5,896,052
<b>Total Accumulated Depreciation</b>	<b>14,234,244</b>	<b>1,054,650</b>	<b>(64,093)</b>	<b>15,224,801</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>16,689,085</b>	<b>761,013</b>	<b>-</b>	<b>17,450,098</b>
<b>Business Type Activities Capital Assets, Net</b>	<b>\$ 16,689,085</b>	<b>761,013</b>	<b>-</b>	<b>17,450,098</b>

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

Governmental Activities:

Public Safety	\$	85,769
Public Works		425,712
Culture and Recreation		114,306
General Government		<u>2,166</u>
Total Depreciation Expense - Governmental Activities	\$	<u>627,953</u>

Business Type Activities:

Water	\$	133,157
Sewer		322,546
Solid Waste		32,850
Electric		<u>566,097</u>
Total Depreciation Expense - Business Type Activities	\$	<u>1,054,650</u>

NOTE 4- Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Notes	\$ 1,660,960	1,640,000	201,880	3,099,080	325,240
Total	<u>\$ 1,660,960</u>	<u>1,640,000</u>	<u>201,880</u>	<u>3,099,080</u>	<u>325,240</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business Type Activities:					
Bank Note	\$ 79,716		21,307	58,409	25,084
General Obligation Bonds	59,040		13,120	45,920	14,760
Revenue Notes	7,405,000		435,000	6,970,000	450,000
Total	<u>\$ 7,543,756</u>	<u>-</u>	<u>469,427</u>	<u>7,074,329</u>	<u>489,844</u>

General Obligation Bonds/Notes

Four issues of unmatured general obligation bonds/notes, totaling \$3,145,000, are outstanding at June 30, 2010. General obligation bonds/notes bear interest at rates ranging from 1.25% to 4.7% and mature in varying annual amounts, ranging from \$14,760 to \$135,000 with the final maturities due in the year ending 2025.

Details of governmental fund general obligation bonds/notes payable at June 30, 2010 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
General Obligation Bonds/Notes:						
Street Improvement Bond	8/15/2009	1.25-2.80%	6/1/2016	Various	775,000	775,000
Pool Capital Note	9/1/2002	2.75%-4.7%	6/30/2013	Various	400,000	94,080
Elm Street Capital Note	11/1/2006	3.75%-4.7%	6/1/2017	Various	850,000	630,000
Elm Street Capital Note	12/15/2009	1.05%-4.10%	6/1/2025	Various	1,600,000	1,600,000
Total Governmental Activities						<u>\$ 3,099,080</u>

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

Year Ending June 30,	Principal	Interest	Total
2011	320,240	94,641	414,881
2012	335,240	87,770	423,010
2013	338,600	79,900	418,500
2014	315,000	71,092	386,092
2015	320,000	62,655	382,655
2016	325,000	53,135	378,135
2017	200,000	42,800	242,800
2018	105,000	35,600	140,600
2019	105,000	32,188	137,188
2020	110,000	28,565	138,565
2021	115,000	24,605	139,605
2022	120,000	20,293	140,293
2023	125,000	15,673	140,673
2024	130,000	10,735	140,735
2025	135,000	5,535	140,535
Total	<u>\$ 3,099,080</u>	<u>\$ 665,187</u>	<u>\$ 3,764,267</u>

#### Revenue Notes

Three issues of unmatured revenue notes, totaling \$6,970,000 are outstanding at June 30, 2010. These notes bear interest at rates of 4.45% to 7.05% and mature in varying annual amounts ranging from \$45,920 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, 2010, the City was in compliance with the revenue note provisions.

Details of proprietary fund revenue and general obligation notes payable and bank note 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	58,409
Revenue Notes:						
Electric	9/1/2002	2.5-5.3%	6/30/2017	Various	5,000,000	3,070,000
Sewer	12/15/2008	4.0 - 7.05%	6/1/2028	Various	4,100,000	3,900,000
Total						<u>6,970,000</u>
General Obligation Note:						
Sewer	9/1/2002	2.75-4.7%	6/30/2013	Various	195,000	<u>45,920</u>
Total						<u>\$ 7,074,329</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
2011	489,844	396,309	886,153
2012	508,340	373,517	881,857
2013	526,145	348,747	874,892
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>\$ 7,074,329</u>	<u>3,532,359</u>	<u>10,606,688</u>

NOTE 5- Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
General	Pool Imp.	\$ 22
Debt Service	Road Use	7,216
Debt Service	Street Imp.	54,640
Debt Service	Water	15,442
Debt Service	Sewer	36,061
Debt Service	TIF	128,126
Dutton Complex	General	303,305
Ambulance	General	4,000
Fire Reserve	General	15,000
Sewer	Special Rev.	8,951
Electric	Special Rev.	29,870
Street Imp.	Debt Service	1,563,030

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, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise: Electric	General Fund: General Fund	\$ <u>295,669</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 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll except for police employees, in which case the percentages are 6.14% and 9.20%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$101,891, \$88,099 and \$79,673, respectively, equal to the required contributions for each year.

Deferred Compensation Plan (457(b))

On April 20, 2010 the City of West Liberty City Council passed a resolution that the City provides a one dollar for one dollar match up to \$150 per month per full time employee that participates in the optional 457(b) Deferred Compensation Plan.

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. The City is a member of Iowa Association of Municipal Utilities.

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.

The above street improvement bond was called in fiscal year ended June 30, 2010. The City used the proceeds from new street improvement bond dated August 15, 2010, in the amount of \$775,000 to pay off the balance on the March 22, 2001 bond. The new bond has an average interest rate of 2.00% and is due June 1, 2016.

During the fiscal year ended June 30, 2010, the City received proceeds of \$1,600,000 from a General Obligation Capital Loan Note for additional street construction purposes. The debt, dated December 15, 2009, carries an average interest rate of 2.97% and is due June 1, 2025.

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

##### 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, 2010.

NOTE 15 – 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 rates from 3.80%-4.15%. As of June 30, 2010, the note payable balance was \$630,000.

NOTE 16 – 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, 2010 the remaining balance was \$58,409. The loan is secured by the garbage truck.

NOTE 17 - 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 was 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, 2010 and had a remaining note balance of \$3,900,000.

#### NOTE 18 – CONTRACT COMMITMENTS

As of June 30, 2010, 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 the 2009-2010 fiscal year were \$61,083.

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 2009-2010 fiscal year were \$5,194.

#### NOTE 19 – 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 and June 30, 2010. The project was not completed as of June 30, 2010. Payments made on contract by the City during the fiscal year ended June 30, 2009 totaled \$554,522 and payments made during the fiscal year ended June 30, 2010 totaled \$370,689.

#### NOTE 20 – CONTRACTUAL COMMITMENT

During the fiscal year ended June 30, 2010 the City of West Liberty and All American Concrete entered into a contract whereas All American Concrete would be the contractor for the improvements to Elm Street at a bid of \$1,727,499.

Several payments were made throughout the fiscal year ended June 30, 2010. The project was not complete as of June 30, 2010. Payments made on contract by the City during the fiscal year ended June 30, 2010 totaled \$779,821.

NOTE 21 – DEFICIT BALANCES

At June 30, 2010, funds with deficit balances were as follows:

Special Revenue, Road Use Fund	\$ 55,637
Capital Projects Fund, Dutton Complex	\$ 48,399

These deficit balances are the result of project costs in excess of available funds. These deficits will be eliminated upon collection of road use tax and transfers to the Capital Project Fund.

NOTE 22 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical prescription drug and dental benefits for retirees and their dependents under certain conditions. There are 29 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, prescription drug and dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual Required Contribution	\$ 103,073
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
	<hr/>
Annual OPEB Cost	103,073
	<hr/>
Contributions Made	-
	<hr/>
<b>Increase in Net OPEB Obligation</b>	<b>103,073</b>
	<hr/>
Net OPEB Obligation Beginning of Year	-
	<hr/>
Net OPEB Obligation End of Year	<u>103,073</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed \$169,373 to the medical plan. Plan members eligible for benefits contributed \$26,014 or 13% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$103,073	0%	103,073

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$646,107, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$646,107. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,141,399 and the ratio of the UAAL to covered payroll was 56.6%. As of June 30, 2010, there were no trust funds assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the Alternative Measurement Method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Annual retirement was based on historical average retirement age for the covered group, active plan members were assumed to retire at age 57, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$958 per month for retirees less than age 65. There were no retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 23 - SUBSEQUENT EVENTS

Management evaluated subsequent events through April 29, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to April 29, 2011 that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2010.

**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, 2010

	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	\$ 885,240		885,240	872,983	872,983	12,257
Tax Increment Financing	128,126		128,126	125,306	125,306	2,820
Local Option	346,164		346,164	373,466	373,466	(27,302)
Licenses and Permits	12,138		12,138	43,786	43,786	(31,648)
Use of Money and Property	24,846	142,877	167,723	263,556	263,556	(95,833)
Intergovernmental	355,020		355,020	339,589	339,589	15,431
Charges for Service	163,550	7,065,919	7,229,469	7,507,340	7,507,340	(277,871)
Miscellaneous	146,849	-	146,849	100,330	100,330	46,519
Contributions	84,374		84,374	-	-	84,374
<b>Total Receipts</b>	<b>2,146,307</b>	<b>7,208,796</b>	<b>9,355,103</b>	<b>9,626,356</b>	<b>9,626,356</b>	<b>(271,253)</b>
<b>Disbursements:</b>						
Public Safety	691,962		691,962	727,798	743,038	51,076
Public Works	438,445		438,445	404,984	461,528	23,083
Culture and Recreation	996,276		996,276	659,419	1,059,419	63,143
General Government	125,713		125,713	116,913	116,913	(8,800)
Community & Economic Dev.						-
Debt Service	336,939		336,939	278,545	278,545	(58,394)
Capital Projects	1,534,489		1,534,489		1,132,007	(402,482)
Business Type Activities		7,122,418	7,122,418	8,770,541	9,063,486	1,941,068
<b>Total Disbursements</b>	<b>4,123,824</b>	<b>7,122,418</b>	<b>11,246,242</b>	<b>10,958,200</b>	<b>12,854,936</b>	<b>1,608,694</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>(1,977,517)</b>	<b>86,378</b>	<b>(1,891,139)</b>	<b>(1,331,844)</b>	<b>(3,228,580)</b>	<b>1,337,441</b>
Bond Proceeds	1,640,000		1,640,000	-	1,600,000	(40,000)
Transfers In	563,812	38,821	602,633	120,095	373,300	(229,333)
Transfers (Out)	(551,131)	(51,502)	(602,633)	(120,095)	(373,300)	229,333
<b>Other Financing Sources, Net</b>	<b>1,652,681</b>	<b>(12,681)</b>	<b>1,640,000</b>	<b>-</b>	<b>1,600,000</b>	<b>(40,000)</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>(324,836)</b>	<b>73,697</b>	<b>(251,139)</b>	<b>(1,331,844)</b>	<b>(1,628,580)</b>	<b>1,377,441</b>
Balances Beginning of Year, as Restated	1,707,209	16,755,061	18,462,270	16,813,330	16,813,330	
<b>Balances End of Year</b>	<b>\$ 1,382,373</b>	<b>16,828,758</b>	<b>18,211,131</b>	<b>15,481,486</b>	<b>15,184,750</b>	<b>1,377,441</b>

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 \$2,149,941 and increased budgeted revenues by \$1,853,205. 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, 2010

	Special Law Enforcement	Crees Cemetery	FEMA	TIF Urban Renewal	Fire Trust and Agency	Library Trust	Insurance Reserve	Ambulance Reserve
<b>Assets</b>								
Cash and pooled investments	\$ 1,698	43,688	13,970	5,461	23,186	102,695	171,163	213,262
Receivables:								
Property Tax								
Accounts								
Accrued Interest		83			16		99	
Due From Other Governments								
Prepays								
<b>Total Assets</b>	<b>\$ 1,698</b>	<b>43,771</b>	<b>13,970</b>	<b>5,461</b>	<b>23,202</b>	<b>102,695</b>	<b>171,262</b>	<b>213,262</b>
<b>Liabilities and Fund Equity</b>								
Liabilities:								
Accounts Payable							131	525
<b>Fund Equity:</b>								
Fund Balances:								
Unreserved, Undesignated	1,698	43,771	13,970	5,461	23,202	102,695	171,131	212,737
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,698</b>	<b>43,771</b>	<b>13,970</b>	<b>5,461</b>	<b>23,202</b>	<b>102,695</b>	<b>171,262</b>	<b>213,262</b>

See Accompanying Independent Auditors' Report.

City of West Liberty  
 Combining Balance Sheet  
 Nonmajor Funds  
 June 30, 2010

Fire Reserve	Cash Clearing	Subtotal Special Revenue	Debt Service	Capital Projects	Total
172,260	6,295	753,678	144,405	700,915	1,598,998
	1,108	-	3,381		3,381
		1,108			1,108
		198			198
		-			-
		-			-
172,260	7,403	754,984	147,786	700,915	1,603,685
		656		169,661	170,317
172,260	7,403	754,328	147,786	531,254	1,433,368
172,260	7,403	754,984	147,786	700,915	1,603,685

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, 2010

	Special Law Enforcement	Crees Cemetery	FEMA	TIF Urban Renewal	Fire Trust and Agency	Library Trust	Insurance Reserve	Ambulance Reserve
Revenues:								
Property Tax				128,126				
Tax Increment Financing								
Local Option Tax								
Use of Money and Property	17	1,229	43,840	57	283	1,152	2,160	1,921
Intergovernmental								
Charge for Service								
Miscellaneous					10,170		78,315	50,657
Contributions - Gifts/Grants								9,500
Total Revenues	17	1,229	43,840	128,183	10,453	1,152	80,475	62,078
Expenditures:								
Operating:								
Public Safety								15,847
Public Works								
Culture and Recreation						9,799		
Beautification								
General Government							67,313	
Debt Service								
Capital Projects								
Total Expenditures	-	-	-	-	-	9,799	67,313	15,847
Excess (Deficiency) of Revenues Over (Under) Expenditures	17	1,229	43,840	128,183	10,453	(8,647)	13,162	46,231
Other Financing Sources (Uses):								
Bond Proceeds								
Operating Transfers In (Out)			(38,821)	(128,126)				4,000
Total Other Financing Sources (Uses)	-	-	(38,821)	(128,126)	-	-	-	4,000
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	17	1,229	5,019	57	10,453	(8,647)	13,162	50,231
Fund Balances Beginning of Year	1,681	42,542	8,951	5,404	12,749	111,342	157,969	162,506
Fund Balances End of Year	\$ 1,698	\$ 43,771	\$ 13,970	\$ 5,461	\$ 23,202	\$ 102,695	\$ 171,131	\$ 212,737

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, 2010

Fire Reserve	Cash Clearing	Subtotal Special Revenue	Debt Service	Capital Projects	Total
		-	50,355		50,355
		128,126			128,126
1,643		8,462	2,237	157,921	157,921
		43,840		8,681	19,380
		50,657			43,840
7,500		95,315			50,657
		10,170		57,211	95,315
9,143	-	336,570	52,592	223,813	67,381
					612,975
		15,847			15,847
		9,799		373,903	383,702
		67,313			67,313
			336,939		336,939
				1,534,489	1,534,489
		92,959	336,939	1,908,392	2,338,290
9,143	-	243,611	(284,347)	(1,684,579)	(1,725,315)
		-	40,000	1,600,000	1,640,000
15,000		(147,947)	241,485	248,643	342,181
15,000		(147,947)	281,485	1,848,643	1,982,181
24,143	-	95,664	(2,862)	164,064	256,866
148,117	7,403	658,664	150,648	367,190	1,176,502
172,260	7,403	754,328	147,786	531,254	1,433,368

## City of West Liberty

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

For the Last Four Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>				
Property Tax	\$ 885,240	908,174	809,496	759,669
Tax Increment Financing Revenue	128,126	77,854	149,195	181,404
Local Option Tax	346,164	404,484	360,873	358,319
Licenses and Permits	12,138	10,380	13,303	15,211
Use of Money and Property	24,846	35,028	78,024	96,442
Intergovernmental	355,020	371,963	311,618	293,258
Charges for Service	163,550	157,475	172,235	133,751
Miscellaneous	146,849	194,155	125,794	116,680
Contributions	84,374	80,140	496,013	-
	<u>2,146,307</u>	<u>2,239,653</u>	<u>2,516,551</u>	<u>1,954,734</u>
<b>Total</b>	<b>\$ 2,146,307</b>	<b>2,239,653</b>	<b>2,516,551</b>	<b>1,954,734</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public Safety	\$ 691,962	711,875	695,671	518,950
Public Works	438,445	385,483	518,212	324,907
Culture and Recreation	996,276	1,215,194	991,550	550,833
Community and Economic Development	-	-	316	-
General Government	125,713	133,730	103,678	111,083
Debt Service	336,939	303,119	302,660	223,045
Capital Projects	1,534,489	70,136	374,089	80,605
	<u>4,123,824</u>	<u>2,819,537</u>	<u>2,986,176</u>	<u>1,809,423</u>
<b>Total</b>	<b>\$ 4,123,824</b>	<b>2,819,537</b>	<b>2,986,176</b>	<b>1,809,423</b>

See Accompanying Independent Auditors' Report.

City of West Liberty

Insurance in Force  
June 30, 2010

<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	\$ 15,079,922	4/1/2011	90% cash value	8A9-30-44---11	1 yr.	4/1/2010	
		1,000,000	Each Occurrence		8E9-30-44---11			
		2,000,000	Aggregate					
		1,000,000						
	Business Auto				8F9-30-44---11	1 yr.	4/1/2010	
	Crime Coverage	10,000						
	Loss Inside Premises	10,000						
	Loss Outside Premises	25,000						
	Employee Dishonesty	10,000						
	Forgery							
	Inland Marine	Various Per Item				8C9-30-44---11	1 yr.	4/1/2010
		Electronic Data Processing						
		Contractors Equipment	5,000,000			8J9-30-44---11	1 yr.	4/1/2010
	Scheduled Property Floater	10,000						
	Umbrella Liability	500,000			8H9-30-44---11	1 yr.	4/1/2010	
	Self Insured Retention	1,000,000						
	Worker's Compensation	1,000,000			8X9-30-44---11	1 yr.	4/1/2010	
	Commercial Output	1,000,000	Each Occurrence					
	Linebacker	2,000,000	Aggregate					
	Law Enforcement							
	Volunteer Firefighters		3/23/2011	Volunteer Firefighters	83-VP-730207	1 yr.	3/23/2010	
The Hartford Accident and Indemnity Company	Accidental Death & Dismember Benefit	50,000		Blanket				
	Accident Total Disability Benefit	100		Accident Policy				
	Accelerated Benefit (Living Benefit Option)	25,000		Weekly Benefit Up to Age 65				

City of West Liberty

Bond and Note Maturities  
June 30, 2010

General Obligation and Revenue Bonds & Notes

Year Ending June 30,	Pool Project Issued September 1, 2002		Street Improvements Bond Issued August 15, 2009		Elm Street GO Note Issued November 1, 2006		GO Capital Loan Issued December 15, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	4.45%	30,240	1.25%	120,000	3.85%	80,000	1.05%	90,000
2012	4.60%	30,240	1.50%	130,000	3.90%	85,000	1.35%	90,000
2013	4.70%	33,600	1.80%	130,000	3.95%	85,000	1.70%	90,000
2014			2.15%	130,000	4.00%	90,000	2.15%	95,000
2015			2.50%	130,000	4.05%	95,000	2.55%	95,000
2016			2.80%	135,000	4.10%	95,000	2.80%	95,000
2017					4.15%	100,000	3.05%	100,000
2018							3.25%	105,000
2019							3.45%	105,000
2020							3.60%	110,000
2021							3.75%	115,000
2022							3.85%	120,000
2023							3.95%	125,000
2024							4.00%	130,000
2025							4.10%	135,000
Total		\$ 94,080		775,000		630,000		1,600,000

City of West Liberty

Bond and Note Maturities  
June 30, 2010

General Obligation and Revenue Bonds & Notes

Year Ending June 30,	Electric Revenue Issued September 1, 2002		Sewer GO Note Issued September 1, 2002		Sewer Revenue Capital Note Issued December 15, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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		\$ 3,070,000		45,920		3,900,000

## City of West Liberty

Bond and Note Maturities  
June 30, 2010

## 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>
2011	5.00%	25,084
2012	5.00%	23,580
2013	5.00%	<u>9,745</u>
TOTAL		<u><u>58,409</u></u>

## City of West Liberty

Computation of Legal Debt Margin  
June 30, 2010

Actual Valuation at January 1, 2008	\$ 136,554,273
Times %	x 5%
Legal Debt Limitation	<u>6,827,714</u>
Debt Applicable to Limitation	
Outstanding General Obligation Bonds and Notes at June 30, 2010	<u>3,145,000</u>
Legal Debt Margin	<u>\$ 3,682,714</u>

City of West Liberty  
 Electric Utility  
 Restricted Accounts Required By Bond Ordinance  
 June 30, 2010

	<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	\$ 194,770	471,000	580,108	1,245,878
Cash Receipts - Transfers From Operating Cash	<u>473,980</u>			<u>473,980</u>
Total Cash and Investments Available	<u>668,750</u>	<u>471,000</u>	<u>580,108</u>	<u>1,719,858</u>
Cash Disbursements				
Principal Payments	310,000			310,000
Interest Payments	<u>159,283</u>			<u>159,283</u>
Total Cash Disbursement	<u>469,283</u>	<u>-</u>	<u>-</u>	<u>469,283</u>
Cash and Investments - End of Year	<u>\$ 199,467</u>	<u>471,000</u>	<u>580,108</u>	<u>1,250,575</u>

## City of West Liberty

Sewer Utility – Revenue Bond & Note  
 Restricted Accounts Required By Bond Ordinance  
 June 30, 2010

	<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	\$ 32,612	378,000	447,115	857,727
Cash Receipts - Transfers In (Out) From Operating Cash	525,622	-	(88,564)	437,058
Total Cash and Investments Available	<u>558,234</u>	<u>378,000</u>	<u>358,551</u>	<u>1,294,785</u>
Cash Disbursements				
Transfers				-
Principal Payments	125,000			125,000
Interest Payments	250,558			250,558
Total Cash Disbursements	<u>375,558</u>	<u>-</u>	<u>-</u>	<u>375,558</u>
Cash and Investments - End of Year	<u>\$ 182,676</u>	<u>378,000</u>	<u>358,551</u>	<u>919,227</u>

City of West Liberty  
Sewer Rates and Customers

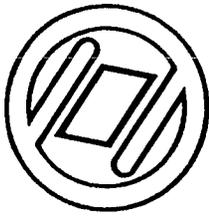
Number of Sewer Customers as of June 30, 2010: 1575

Sewer Rates as of June 30, 2010: \$4.10/1,000 gallons/month plus \$18.50 user fee/month  
minimum for 0-1,000 gallons \$22.60

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2011. 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 as defined below.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of West Liberty's GAAP financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or a combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2010 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

April 29, 2011

City of West Liberty

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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-10 Financial Condition – The Road Use, a special revenue fund, had a negative cash balance at June 30, 2010 of \$53,496. The Dutton Complex, a capital project fund, had a negative cash balance at June 30, 2010 of \$45,699.

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.

IV-B-10 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-10 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-10 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	\$23,197

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-10 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-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 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-10 Financial Condition – The Road Use, a special revenue fund, had a deficit fund balance at June 30, 2010 of \$55,637. The Dutton Complex, a capital project fund, had a deficit fund balance at June 30, 2010 of \$48,399.

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-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted, in the general government, debt services 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.

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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.

IV-J-10

Financial Condition – At June 30, 2010 the General Fund had a fund balance of \$4,642. This low fund balance means that the City will need to borrow from other City funds early in the fiscal year that begins July 1, 2010 in order to fund operations until real estate tax revenues begin to be received in early fall of 2010. This low General Fund balance was partially created by expenditures from that fund totaling \$303,305 during the fiscal year ended June 30, 2010 for capital improvements to the City's park facilities known as the Dutton Complex. Due to these expenditures and others, the City overspent the Capital Projects budget amount for the fiscal year ended June 30, 2010. The City should have amended its Capital Projects budget before making the Dutton Complex expenditures.

Recommendation – The City should increase the general fund balance by increasing the general fund revenues, decreasing general fund expenditures or a combination of both in future periods sufficient so as to avoid a general fund deficit.

Response – Steps will be put in place to increase the general fund balance to avoid future deficits.

Conclusion – Response accepted.

IV-K-10

Unbudgeted Transfer – During the fiscal year ending June 30, 2010, the City transferred \$303,305 from the general fund to the Dutton Complex Capital Projects Fund without budget authorization. The transfer was made with the misunderstanding there were unspent local option sales tax funds dedicated to improvement of parks available from prior years for use in the current fiscal year. The local option sales tax revenue has been budgeted and expended on an annual basis and therefore only \$57,694 was available from the current fiscal year to be transferred.

Recommendation – Expenditures need to be budgeted prior to expending funds.

Response – Expenditures will be budgeted prior to expending funds.

Conclusion – Response accepted.