

CITY OF NORTH LIBERTY, IOWA

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

JUNE 30, 2011

CITY OF NORTH LIBERTY

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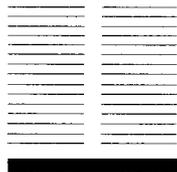
CITY OF NORTH LIBERTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
Tom Salm	Mayor	January 2014
Gerald Kuhl	Mayor Pro Tem	January 2014
Chris Hoffman	Council Member	January 2012
Terry Donahue	Council Member	January 2012
Coleen Chipman	Council Member	January 2012
Brian Wayson	Council Member	January 2014

City Staff

Ryan Heiar	City Administrator
Tracey Mulcahey	City Clerk/Assistant City Administrator
Debra Hilton	Treasurer
Scott Peterson	City Attorney



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of North Liberty's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012 on our consideration of the City of North Liberty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis (pages iv through xi) and budgetary comparison information (pages 18 and 19) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Liberty's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenwood and Crum, P.C.

February 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of North Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FY 2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$10,905,000, or 110.5%, from FY 2010 to FY 2011. Property tax receipts increased approximately \$400,000, tax increment financing increased approximately \$1,348,000, intergovernmental receipts increased approximately \$734,000 and miscellaneous receipts increased approximately \$299,000. Bond proceeds increased approximately \$8,002,000 due to two bond sales.
- Disbursements of the City's governmental activities increased approximately \$6,612,000, or 51.3%, from FY 2010 to FY 2011. Public safety disbursements increased approximately \$97,000, public works disbursements increased approximately \$100,000, culture and recreation disbursements increased approximately \$227,000, general government disbursements increased approximately \$173,000 and capital project disbursements increased approximately \$6,009,000.
- The City's total cash basis net assets increased 49.1%, or approximately \$2,329,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased by approximately \$1,737,000 and the assets of the business type activities decreased by approximately \$592,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets-Cash Basis. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

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

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

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

Other Supplementary Information provides detailed information about the General Fund, nonmajor governmental funds, proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets-Cash Basis presents the City's cash basis net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets-Cash Basis is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, tax increment financing and bond sale proceeds finance a significant portion of most of these activities.
- Business Type Activities include the water, sanitary sewer, and storm sewer utilities and utility deposits. These activities are financed primarily by user charges.

Fund Financial Statements

The City of North Liberty 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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Funds,

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

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary Funds account for the City's enterprise funds. Enterprise funds are used to report business type activities. The City maintains four enterprise funds to provide separate information on the Water and Sanitary Sewer and Storm Water utility funds and the Utility Deposits fund.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

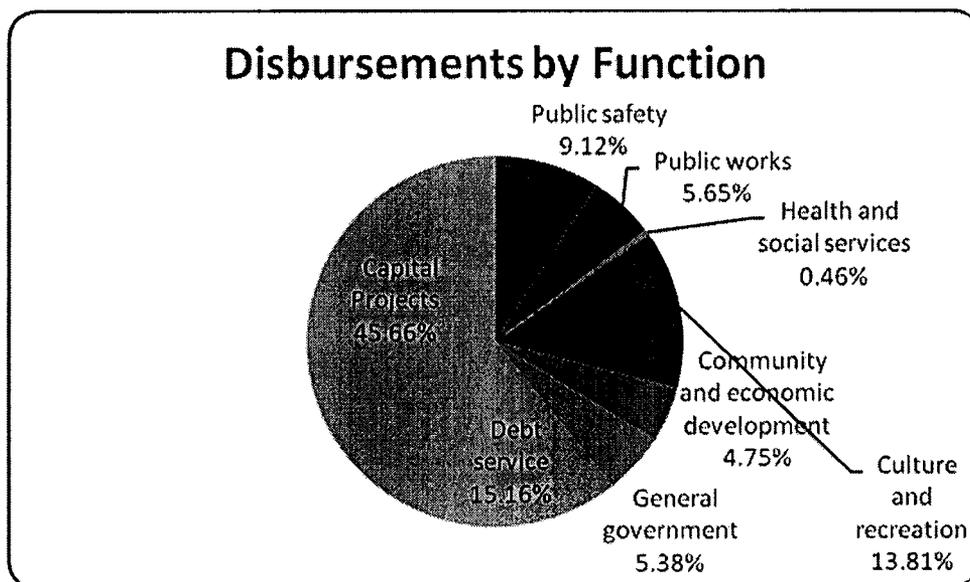
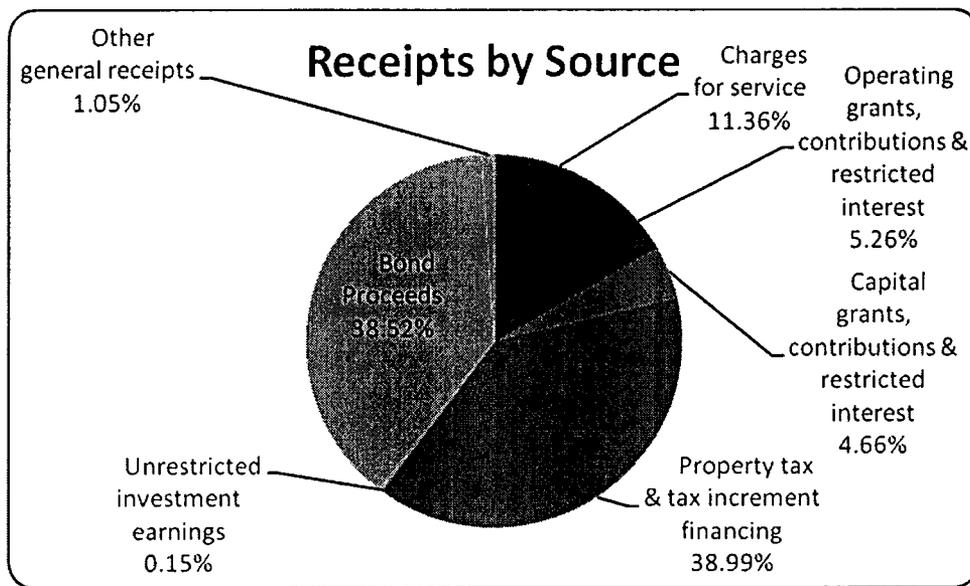
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$2,669,000 to \$4,406,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Government Activities
(Expressed in Thousands)

	Year ended June 30,	
	FY 2011	FY 2010
Receipts:		
Program Receipts:		
Charges for service	\$2,360	\$2,247
Operating grants, contributions & restricted interest	1,092	965
Capital grants, contributions & restricted interest	969	21
General Receipts:		
Property tax & tax increment financing	8,100	6,352
Unrestricted investment earnings	32	49
Bond Proceeds	8,002	
Other general receipts	218	234
Total Receipts	\$20,773	\$9,868
Disbursements:		
Public safety	\$1,779	\$1,682
Public works	1,102	1,002
Health and social services	90	56
Culture and recreation	2,693	2,466
Community and economic development	927	861

General government	1,048	875
Debt service	2,956	3,050
Capital projects	8,901	2,892
Total Disbursements	\$19,496	\$12,884
Change in cash basis net assets before transfers	\$1,277	(\$3,016)
Transfers, net	460	516
Change in cash basis net assets	\$1,737	(\$2,500)
Cash basis net assets, beginning of year	2,669	5,169
Cash basis net assets, end of year	\$4,406	\$2,669



The City's total receipts for governmental activities increased 110.5% or approximately \$10,905,000. The total cost of all programs and services increased approximately \$6,612,000 or 51.3% with no new programs being added. The significant increase in revenues is due to bond proceeds for capital projects.

The City increased property tax rates for fiscal year 2011 by 2.7%. This increase with the growth in taxable valuation increased the City's property tax receipts approximately \$400,000 in fiscal year 2011. Because of the growth in taxable valuation in the City of North Liberty from \$451,758,007 in FY 2010 to \$464,462,044 in FY 2011, general property tax revenues increased by \$103,000 even though the City's general city tax levy remained at the maximum \$8.10 per \$1,000 of taxable valuation. The total city levy increased to \$11.20264 in FY 11 from the levy of \$10.90993 in FY 2010. The balance of the levy was made up of a \$1.26279 debt service levy and a \$1.83985 employee benefits levy.

The cost of all governmental activities this year was approximately \$19,496,000, compared to approximately \$12,884,000 last year. General City operating expenses were fairly constant with more capital projects than the previous fiscal year.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for Service		
Water	\$2,066	\$1,841
Sanitary Sewer	2,476	2,461
Storm Water	155	136
Utility Deposits	149	186
General Receipts:		
Unrestricted interest on investments		
Water	5	4
Sanitary Sewer	5	4
Bond and note proceeds	525	676
Total receipts	\$5,381	\$5,308
Disbursements:		
Water	\$1,144	\$2,576
Sanitary Sewer	1,316	1,082
Storm Water	104	74
Utility Deposits	145	114
Debt Service	1,619	1,614
Total Disbursements	\$4,328	\$5,460
Change in net cash basis net assets before transfers	\$1,053	\$(152)

Transfers, net	(460)	(516)
Change in cash basis net assets	\$593	\$(668)
Cash basis net assets, beginning of year	2,067	2,735
Cash basis net assets, end of year	\$2,660	\$2,067

Total business type activities receipts for the fiscal year were approximately \$5.38 million compared to approximately \$5.31 million last year. The increase was primarily due to increased revenues for utility sales. The cash balance increased approximately \$590,000 due to reduced capital expenses and increased revenues. Total disbursements for the fiscal year decreased by 21% or approximately \$1.1 million due to fewer capital expenditures being made this fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As North Liberty completed the year, its governmental funds reported a combined fund balance of \$4,406,461, an increase of more than \$1,700,000 above last year's total of \$2,669,489. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

General Fund

- The General Fund - General fund cash balance increased \$421,879 from the prior year to \$2,028,696. Charges for service increased by \$133,915. Recreation fees account for a large portion of this increase due to the addition of an additional before and after school program and additional use of the recreation center facility. Other financing sources increased by \$190,651 from the prior year. Additional receipts from transfers in from other funds than in previous years accounted for most of this change.
- The General Fund - Transportation Impact Fees fund cash balance increased \$276,779 attributable to additional developer paid fees being received.

Special Revenue

- The Special Revenue, Urban Renewal Tax Increment fund cash balance increased \$281,223 due to increased collections of the tax increment financing receipts.

Capital Projects

- Capital Projects - Highway 965 Improvements fund cash balance increased by \$580,730 due to proceeds from the sale of general obligation bonds to pay for a major part of the project cost.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Enterprise Fund cash balance increased \$643,196 to \$646,468, due to an increase in the sale of water over the prior year and an increase in the water rates at the end of June 2010 and receipt of bond proceeds for capital projects completed in the prior year.
- The Sewer Enterprise Fund cash balance decreased \$47,383 to \$1,316,421 due to additional expenditures for debt service this year.
- The Utility Deposit Enterprise Fund cash balance increased \$3,702 to \$472,220 due to additional deposits received exceeding deposit refunds paid out.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 24, 2011 and resulted in an increase in operating disbursements of approximately \$1,500,000 due to numerous unplanned expenses including additional vehicle replacements due to accidents, rent of new city administration facilities that was not anticipated when the budget was created, and additional other unexpected expenses. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were more than \$150,000 than budgeted. This was primarily due to the City receiving additional recreation charges than anticipated, even after the amendment.

The actual disbursements for the year were less in all categories than budgeted except in Health and social services where the disbursements exceeded the amended budgeted amount by \$446. This was due to disbursements for social services that were required after the amendment was finalized. Capital project disbursements were almost \$3,500,000 less than budgeted due to delay of projects to future years.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$39,612,000 in bonds and long-term debt compared to \$34,254,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2011	2010
General obligation bonds	\$21,950	\$15,664
Revenue bonds	17,662	18,590
Total	\$39,612	\$34,254

Debt increased as a result of issuing general obligation bonds for street projects, various urban renewal projects and a water construction project.

The City of North Liberty carries a Moody's bond rating of Aa3 assigned by national rating agencies to the City's debt. The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$21,950,000 at June 30, 2011 is significantly below its constitutional debt limit of approximately \$47 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

North Liberty City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates, and fees charged for various City activities. Economic indicators such as unemployment, tax base growth, rollback increase were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$7 million, an increase of approximately 29%, most due to the increase in capital project costs. The City will be borrowing to cover the cost of most of these projects. Other funds on hand such as developer fees and fundraised dollars will contribute to these projects. The City has added no major new programs or initiatives to the fiscal year 2012 budget. If all of the budget estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$1.5 million by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tracey Mulcahey, City Clerk, 3 Quail Creek Circle, P.O. Box 77, North Liberty, IA 52317.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH LIBERTY

Statement of Activities and Net Assets - Cash Basis
(Page 1 of 2)

Year Ended June 30, 2011

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,779,435	\$ 43,383	\$ 141,203	\$ -
Public works	1,102,168	691,959	821,382	-
Health and social services	90,446	-	-	-
Culture and recreation	2,692,700	867,414	50,081	-
Community and economic development	927,060	-	71,729	7,846
General government	1,048,025	757,996	7,613	-
Debt service	2,956,440	-	-	-
Capital projects	8,901,225	-	-	961,607
Total governmental activities	\$ 19,497,499	\$ 2,360,752	\$ 1,092,008	\$ 969,453
Business type activities:				
Water	\$ 1,719,026	\$ 2,065,977	\$ -	\$ -
Sewer	2,359,944	2,475,625	-	-
Utility deposits	145,348	149,050	-	-
Stormwater management	103,915	154,962	-	-
Total business type activities	\$ 4,328,233	\$ 4,845,614	\$ -	\$ -
Total	\$ 23,825,732	\$ 7,206,366	\$ 1,092,008	\$ 969,453

General Receipts:
 Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Other purposes
 Unrestricted interest on investments
 Bond and note proceeds
 Miscellaneous
 Sale of capital assets

Transfers

Total general receipts and transfers

Exhibit A

Governmental Activities	Business Type Activities	Total
\$ (1,594,849)	\$ -	\$ (1,594,849)
411,173	-	411,173
(90,446)	-	(90,446)
(1,775,205)	-	(1,775,205)
(847,485)	-	(847,485)
(282,416)	-	(282,416)
(2,956,440)	-	(2,956,440)
(7,939,618)	-	(7,939,618)
<hr/>		
\$ (15,075,286)	\$ -	\$ (15,075,286)
<hr/>		
\$ -	\$ 346,951	\$ 346,951
-	115,681	115,681
-	3,702	3,702
-	51,047	51,047
<hr/>		
\$ -	\$ 517,381	\$ 517,381
<hr/>		
\$ (15,075,286)	\$ 517,381	\$ (14,557,905)
<hr/>		
\$ 3,799,607	\$ -	\$ 3,799,607
2,737,069	-	2,737,069
703,885	-	703,885
859,071	-	859,071
32,106	9,930	42,036
8,002,338	525,000	8,527,338
208,266	-	208,266
10,133	-	10,133
459,783	(459,783)	-
<hr/>		
\$ 16,812,258	\$ 75,147	\$ 16,887,405

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2011

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash Basis Net Assets

Restricted

Expendable:

Streets

Urban renewal

Capital equipment purchases

Property improvements

Employee benefits

Debt service

Hotel/motel tax

Tree purchases

Unrestricted

Total cash basis net assets

See accompanying notes to financial statements.

Exhibit A

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 1,736,972	\$ 592,528	\$ 2,329,500
2,669,489	2,067,562	4,737,051
<u>\$ 4,406,461</u>	<u>\$ 2,660,090</u>	<u>\$ 7,066,551</u>
(Exhibit B)	(Exhibit C)	

\$ 496,876	\$ -	\$ 496,876
917,133	-	917,133
43,280	-	43,280
9,663	-	9,663
2,876	-	2,876
69,345	1,188,307	1,257,652
90,472	-	90,472
4,000	-	4,000
2,772,816	1,471,783	4,244,599
<u>\$ 4,406,461</u>	<u>\$ 2,660,090</u>	<u>\$ 7,066,551</u>

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds
(Page 1 of 2)

Year Ended June 30, 2011

	General Fund	Special Revenue - Urban Renewal Tax Increment	Debt Service - General Obligation Debt
Receipts:			
Property tax	\$ 3,764,590	\$ -	\$ 698,484
Tax increment financing	-	2,737,069	-
Other city tax	273,822	-	5,401
Licenses and permits	475,789	-	-
Use of money and property	154,404	-	-
Intergovernmental	295,572	-	-
Charges for service	1,547,314	-	-
Special assessments	6,285	-	-
Miscellaneous	234,997	-	-
Total receipts	\$ 6,752,773	\$ 2,737,069	\$ 703,885
Disbursements:			
Public safety	\$ 1,779,435	\$ -	\$ -
Public works	586,379	-	-
Health and social services	90,446	-	-
Culture and recreation	2,692,700	-	-
Community and economic development	597,462	329,598	-
General government	1,048,025	-	-
Debt service	-	-	2,956,440
Capital projects	1,062,604	-	-
Total disbursements	\$ 7,857,051	\$ 329,598	\$ 2,956,440
Excess (deficiency) of receipts over (under) disbursements	\$ (1,104,278)	\$ 2,407,471	\$ (2,252,555)
Other financing sources (uses):			
Sale of capital assets	\$ 10,133	\$ -	\$ -
Proceeds from sale of general obligation bonds	124,000	-	110,072
Operating transfers in	1,695,680	-	2,207,884
Operating transfers (out)	(379,385)	(2,126,248)	-
Total other financing sources (uses)	\$ 1,450,428	\$ (2,126,248)	\$ 2,317,956
Net change in cash balances	\$ 346,150	\$ 281,223	\$ 65,401
Cash and cash investments, beginning of year	3,483,450	140,999	3,944
Cash and cash investments, end of year	\$ 3,829,600	\$ 422,222	\$ 69,345

Exhibit B

Capital Projects - Hwy. 965 Improvements	Other Nonmajor Governmental Funds	Total
\$ -	\$ 851,189	\$ 5,314,263
-	-	2,737,069
-	7,882	287,105
-	-	475,789
-	23,117	177,521
243,386	1,079,004	1,617,962
-	-	1,547,314
-	-	6,285
-	363,912	598,909
<u>\$ 243,386</u>	<u>\$ 2,325,104</u>	<u>\$ 12,762,217</u>
\$ -	\$ -	\$ 1,779,435
-	515,789	1,102,168
-	-	90,446
-	-	2,692,700
-	-	927,060
-	-	1,048,025
-	-	2,956,440
3,889,412	3,949,209	8,901,225
<u>\$ 3,889,412</u>	<u>\$ 4,464,998</u>	<u>\$ 19,497,499</u>
\$ (3,646,026)	\$ (2,139,894)	\$ (6,735,282)
\$ -	\$ -	\$ 10,133
4,226,756	3,541,510	8,002,338
-	5,000	3,908,564
-	(943,148)	(3,448,781)
<u>\$ 4,226,756</u>	<u>\$ 2,603,362</u>	<u>\$ 8,472,254</u>
\$ 580,730	\$ 463,468	\$ 1,736,972
(104,467)	(854,437)	2,669,489
<u>\$ 476,263</u>	<u>\$ (390,969)</u>	<u>\$ 4,406,461</u>

(Exhibit A)

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds
(Page 2 of 2)

Year Ended June 30, 2011

	General Fund	Special Revenue - Urban Renewal Tax Increment	Debt Service - General Obligation Debt
Cash basis fund balances:			
Restricted for:			
Street operations	\$ -	\$ -	\$ -
Street capital projects	-	-	-
Urban renewal purposes	-	422,222	-
Urban renewal projects	-	-	-
Capital equipment purchases	-	-	-
Property improvements	-	-	-
Employee benefits	-	-	-
Debt service	-	-	69,345
Hotel/motel tax	90,472	-	-
Tree purchases	4,000	-	-
Committed for:			
Street capital projects	-	-	-
Library expansion	-	-	-
Assigned for:			
Capital equipment purchases	481,411	-	-
Street capital projects	1,621,071	-	-
Park development	24,327	-	-
Stormwater capital projects	42,399	-	-
Youth scholarships/ recreation capital equipment	47,644	-	-
Unassigned	1,518,276	-	-
Total cash basis fund balances	<u>\$ 3,829,600</u>	<u>\$ 422,222</u>	<u>\$ 69,345</u>

See accompanying notes to financial statements.

Exhibit B

Capital Projects - Hwy. 965 Improvements	Other Nonmajor Governmental Funds	Total
\$ -	\$ 319,592	\$ 319,592
-	177,284	177,284
-	-	422,222
-	494,911	494,911
-	43,280	43,280
-	9,663	9,663
-	2,876	2,876
-	-	69,345
-	-	90,472
-	-	4,000
476,263	-	476,263
-	249,792	249,792
-	-	481,411
-	10,993	1,632,064
-	-	24,327
-	-	42,399
-	-	47,644
-	(1,699,360)	(181,084)
<u>\$ 476,263</u>	<u>\$ (390,969)</u>	<u>\$ 4,406,461</u>

CITY OF NORTH LIBERTY

Exhibit C

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

Year Ended June 30, 2011

	Water Enterprise	Sewer Enterprise	Utility Deposits	Other Nonmajor Proprietary Funds	Total
Operating receipts:					
Charges for service	\$ 2,001,366	\$ 2,470,717	\$ -	\$ 154,962	\$ 4,627,045
Miscellaneous	64,611	4,908	149,050	-	218,569
Total operating receipts	\$ 2,065,977	\$ 2,475,625	\$ 149,050	\$ 154,962	\$ 4,845,614
Operating disbursements:					
Business type activities	1,143,927	1,316,207	145,348	103,915	2,709,397
Excess of operating receipts over operating disbursements	\$ 922,050	\$ 1,159,418	\$ 3,702	\$ 51,047	\$ 2,136,217
Non-operating receipts and (disbursements):					
Interest on cash investments	\$ 5,149	\$ 4,781	\$ -	\$ -	\$ 9,930
Proceeds from sale of general obligation bonds	525,000	-	-	-	525,000
Debt service	(575,099)	(1,043,737)	-	-	(1,618,836)
Total non-operating receipts and (disbursements)	\$ (44,950)	\$ (1,038,956)	\$ -	\$ -	\$ (1,083,906)
Excess of receipts over disbursements	\$ 877,100	\$ 120,462	\$ 3,702	\$ 51,047	\$ 1,052,311
Operating transfers:					
Operating transfers in	\$ 776,773	\$ 1,622,056	\$ -	\$ -	\$ 2,398,829
Operating transfers (out)	(1,010,677)	(1,789,901)	-	(58,034)	(2,858,612)
Net operating transfers	\$ (233,904)	\$ (167,845)	\$ -	\$ (58,034)	\$ (459,783)
Net change in cash balances	\$ 643,196	\$ (47,383)	\$ 3,702	\$ (6,987)	\$ 592,528
Cash and cash investments, beginning of year	3,272	1,363,804	468,518	231,968	2,067,562
Cash and cash investments, end of year	\$ 646,468	\$ 1,316,421	\$ 472,220	\$ 224,981	\$ 2,660,090
					(Exhibit A)
Cash basis fund balances:					
Restricted for debt service	\$ 636,297	\$ 552,010	\$ -	\$ -	\$ 1,188,307
Unrestricted:					
Capital projects	(339,816)	(515,714)	-	-	(855,530)
Unreserved	349,987	1,280,125	472,220	224,981	2,327,313
Total cash basis fund balances	\$ 646,468	\$ 1,316,421	\$ 472,220	\$ 224,981	\$ 2,660,090

See accompanying notes to financial statements.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Liberty is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1913 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, utilities for its citizens, community and economic development, and general government services.

A. Reporting Entity and Jointly Governed Organizations

For financial reporting purposes, the City of North Liberty has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits or impose specific financial burdens on the City. The City of North Liberty has no component units which meet the Governmental Accounting Standards Board criteria.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is not ongoing financial interest or responsibility by the participating governments. The City and its officials are members of various jointly governed organizations, including the Johnson County Assessors Conference Board, Johnson County Joint E911 Service Board, Johnson County Council of Governments, East Central Iowa Council of Governments, and the Johnson County Compensation Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are to be reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City. The City has no net assets required to be reported in this category.

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

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

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

Debt Service:

The Debt Service Fund - General Obligation Debt Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The Capital Projects Fund - Hwy. 965 Improvements Fund is used to account for significant street improvement projects to the main thoroughfare through the City that are financed primarily by proceeds from the sale of general obligation bonds.

The City reports the following major proprietary funds:

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

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

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

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs with a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the programs. Generally, it is the City's policy to first apply cost-reimbursement grant resources to such programs and then with less-restrictive resources - committed, assigned and then unassigned fund balances.

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are to be classified as follows in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* :

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts restricted to use as a result of formal action of the Council and generally based on the occurrence of a specific event.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks and credit unions at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

On December 14, 2004, the City authorized the transfer of \$5,000 to the Community Foundation of Johnson County (Foundation) to establish an endowment fund for the North Liberty Community Library. The Foundation may make distributions to the City in accordance with the Foundation's spending policy of the year as determined annually by the Foundation's Board of Directors. The City's investment may be returned in full to the City upon request to the Foundation's Board of Directors. In December 2010, the City's investment of \$5,000, plus accumulated allocated investment income of \$3,279, was returned to the City.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and uses of the City.

NOTE 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and enterprise fund revenue bonds at June 30, 2011 are as follows:

Year Ending June 30,	General Obligation Bonds		Enterprise Fund Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 2,896,000	\$ 676,279	\$ 962,000	\$ 635,525
2013	2,593,000	589,434	996,000	601,875
2014	2,625,000	512,692	1,026,000	566,321
2015	2,513,000	434,097	1,066,000	529,130
2016	2,055,000	357,498	1,103,000	489,840
2017-2021	7,943,000	958,642	6,229,000	1,796,196
2022-2026	1,325,000	97,558	5,209,000	667,531
2027-2031	-	-	1,071,000	38,160
Total	\$ 21,950,000	\$ 3,626,200	\$ 17,662,000	\$ 5,324,578

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Year Ending June 30,	Total	
	Principal	Interest
2012	\$ 3,858,000	\$ 1,311,804
2013	3,589,000	1,191,309
2014	3,651,000	1,079,013
2015	3,579,000	963,227
2016	3,158,000	847,338
2017-2021	14,172,000	2,754,838
2022-2026	6,534,000	765,089
2027-2031	1,071,000	38,160
Total	\$ 39,612,000	\$ 8,950,778

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

The City has issued several general obligation urban renewal corporate purpose (tax increment financing) bonds for the purpose of defraying a portion of the costs of various construction and refurbishment projects within the City's urban renewal districts. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF districts and which are credited to the Special Revenue - Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds from the sales of the bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal areas. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2011, the outstanding balances on these bonds totaled \$14,215,525, which are payable through June 1, 2024. During the year, principal and interest paid on these bonds totaled \$1,671,400 and \$406,420, respectively. Tax increment financing receipts during the year were \$2,737,069.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay three water revenue bond issues totaling \$6,020,000. The bonds were issued between September 2001 and September 2008. Proceeds from the sales of the bonds provided financing for the construction of several water system improvement projects in the City. The bonds are payable solely from water customer defined net receipts and are payable through June 2026. Annual principal and interest payments on the bonds are expected to require less than 62 percent of defined net receipts. At June 30, 2011, total principal and interest remaining to be paid on the bonds was \$6,855,959. During the year, principal and interest paid on the bonds totaled \$330,000 and \$243,499, respectively. Total defined net receipts during the year were \$922,133.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay six sewer revenue bond issues totaling \$16,024,000. The bonds were issued between March 1998 and September 2008. Proceeds from the sales of the bonds provided financing for the construction of and improvements to the waste water treatment plant. The bonds are payable solely from sewer customer defined net receipts and are payable through June 2028. Annual principal and interest payments on the bonds are expected to require less than 65 percent of defined net receipts. At June 30, 2011, total principal and interest remaining to be paid on the bonds was \$16,130,620. During the year, principal and interest paid on the bonds totaled \$598,000 and \$424,206, respectively. Total defined net receipts during the year were \$1,570,904.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

The resolutions providing for the issuance of the enterprise fund revenue notes and bonds include the following provisions:

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate sewer and water revenue sinking accounts for the purpose of making the principal and interest payments when due.
- (c) The provisions of the Water Revenue Bond Series 2008D require that \$577,856 be set aside into the Water Reserve Fund and maintained until all water revenue bonds of the City have been fully redeemed.

The provisions of the Sewer Revenue Bond Series 2008C require that \$307,105 be set aside into the Sewer Reserve Fund and maintained until all sewer revenue bonds of the City have been fully redeemed.

- (d) All funds remaining in the sewer rental and water utilities accounts after the payments of all maintenance and operating expenses and required transfers shall be placed in separate water and sewer revenue surplus accounts. These accounts are restricted for the purpose of paying any deficiency in the sinking funds. As long as the sinking funds have the full amount required to be deposited, any balance in the surplus funds may be made available to the City as the Council may from time to time direct.
- (e) User rates shall be established at a level which produces and maintains defined net receipts at the following levels:
 - Water - equal to at least 120% of the average amount that will come due in any fiscal year during the life of the three water revenue bond issues.
 - Sewer - equal to at least 125% of the average amount that will come due in any fiscal year during the life of the six sewer revenue bond issues, and equal to at least 125% of the maximum amount that will come due in any fiscal year during the life of the six sewer revenue bonds.

NOTE 4. PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 4.50% of their annual covered compensation and the City is required to contribute 6.95% of covered compensation. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 and were \$269,136, \$238,282 and \$210,407, respectively, equal to the required contributions for each year.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon retirement, termination or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 19,780
Vacation	191,835
Total	<u>\$ 211,615</u>

This liability has been computed based on rates of pay as of June 30, 2011.

Sick leave is payable when used. It is not paid upon termination, retirement or death. The approximate liability for unused sick leave at June 30, 2011, based on rates of pay as of June 30, 2011, is \$663,633.

NOTE 6. SOLID WASTE DISPOSAL CONTRACT

An agreement between the City and Johnson County Refuse for the period July 1, 2009 through June 30, 2014, provides the City and its citizens with solid waste collection and disposal services. The agreement providing for the services includes the following provisions:

- (a) The City shall pay the contractor a monthly charge of \$4.25 per month for each single and two-family dwelling unit. These fees are for recyclables.
- (b) The fees for non-recyclable wastes are based on the current Iowa City Landfill tipping fee schedule and are subject to change in the event landfill fees increase or decrease.

NOTE 7. POLICE PROTECTION CONTRACT

An agreement dated February 13, 1979, between the City and the Johnson County Sheriff's office, provides the City and its citizens with police protection services totaling approximately thirty hours per week and dispatch services. The agreement providing for these services includes the following provisions:

- (a) Effective July 1, 2010, the City will pay Johnson County at a rate of \$34 per hour, for 30 hours of patrol services per week for the months of July through December 2010 and for 15 hours of patrol services per week for the months of January through June 2011. The total cost of this contract for the year ended June 30, 2011 is \$39,780.
- (b) Agreement to become effective July 1, 1979, and continue until terminated. This agreement was terminated effective September 30, 2011.
- (c) Agreement shall be modified, on or before January of any given year, to adjust hourly rates should this be necessary.
- (d) This agreement gives the Johnson County Sheriff's office an exclusive policing right which may be terminated upon thirty days notice.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 8. TRANSIT SERVICES CONTRACT

An agreement for the period September 1, 2010 through June 30, 2012, between the City and the City of Coralville, provides the City and its citizens with limited transit services. The agreement providing for these services includes the following provisions:

- (a) The City shall pay the City of Coralville a monthly charge for the operating cost per hour for the number of hours of transit services provided each month.
- (b) The City shall pay the City of Coralville for the amount the City of Coralville pays to Johnson County SEATS for paratransit services provided to citizens of the City of North Liberty.
- (c) All fares collected shall be kept by the City of Coralville.

NOTE 9. CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$10,079,000. The unpaid contract balances at June 30, 2011 totaled approximately \$5,563,000, which will be paid as work on the projects progresses.

NOTE 10. RISK MANAGEMENT

The City of North Liberty is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11. LITIGATION

The City is subject to pending litigation relating to a law enforcement matter. No estimate of any potential loss against the City is available at this time, but the City believes that in the event of a decision against the City, any claims will be covered by the City's insurance coverage.

The City was subject to litigation relating to a property acquisition matter and an assertion of an open meetings violation that arose during the year ended June 30, 2011. Plaintiffs filed a lawsuit against the City contesting the legality of an agreement for the acquisition and resale of land for a commercial development. A temporary injunction was granted on November 10, 2010, enjoining the City from completing the land transaction. On February 11, 2011, the District Court dismissed the temporary injunction. The City subsequently entered into a new agreement for the real estate matter. It is not known at this time how these matters will progress or what additional costs may be incurred, however, the City believes the real estate matter will not progress any further.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 12. DEFICIT BALANCES

The following funds had deficit balances at June 30, 2011, because the project costs were incurred prior to availability of funds:

General Fund - Park Development	\$ 471,042
Capital Projects - Community Center	67,903
Capital Projects - Trail Projects	88,935
Capital Projects - Penn St. Improvements	921,184
Capital Projects - Land and Facilities	621,338
Water Enterprise - Water Capital Projects	339,816
Sewer Enterprise - Sewer Capital Projects	515,714

Deficit balances in these funds arose because project and construction costs were incurred prior to the availability of funds. These deficits will be eliminated with contributions from the general public, developer contributions, impact fees, grants, proceeds from sales of bonds, future tax increment financing collections and other general City funds.

The General Fund - Liberty Centre Blues & BBQ fund had a deficit balance of \$2,772 at June 30, 2011 because several costs of the event were paid for during the year then ended and the event was delayed until July 2011 due to inclement weather that occurred during the regular scheduling of the event for May 2011.

NOTE 13. LEASE COMMITMENTS

The City entered into a lease agreement dated December 22, 2009 to lease commercial space for the City administrative offices for a three year period from January 1, 2010 to December 31, 2012. The City entered into a new lease agreement dated March 22, 2011 to lease commercial space for the City administrative offices and Council chambers for the period from April 1, 2011 to December 31, 2015. The lease agreement provides for the option to exercise up to four additional extensions of six months each at a rate not to exceed the previous year's rate plus three percent increase per annum.

Lease payments are due in six month intervals each January 15 and July 15. Lease expense for the year ended June 30, 2011 was \$69,561.

Future commitments under this lease as of June 30, 2011 are as follows:

Year ending June 30, 2012	\$ 125,013
2013	133,748
2014	137,748
2015	141,874
2016	71,981
	<hr/>
	\$ 610,364
	<hr/>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City allows employees and their qualified beneficiaries the opportunity to continue health insurance coverage under the City's health insurance plan under COBRA rules established by law. Employees are eligible to continue coverage when a "qualifying event" would normally result in the loss of eligibility. "Qualifying events" are defined in the City's employee manual. Employees and their beneficiaries are required to pay the full cost for the continuing coverage. Continuing coverage is available until the employees and their beneficiaries attain age 65. The cost of the continuing coverage is the same as the cost for active employees.

The City finances the health insurance plan through a fully-insured plan with Wellmark on a pay-as-you-go basis. The most recent monthly premium costs are \$247.33 for single coverage and \$759.05 for family coverage. There are 61 active employees and no retired members participating in the plan. During the year ended June 30, 2011, the City contributed \$288,911 and plan members contributed \$76,221 to the plan.

NOTE 15. INTERFUND AND INTRAFUND TRANSFERS

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

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise - Water Operating	\$ 195,345
	Sewer Enterprise - Sewer Operating	195,345
	Stormwater Management Enterprise	19,534
	Special Revenue - Employee Benefits	859,071
		<u>\$ 1,269,295</u>
General Fund - Equipment Revolving	Special Revenue - Road Use Tax	\$ 41,000
Debt Service Fund - General Obligation Debt	Special Revenue - Urban Renewal Tax Increment	\$ 2,085,741
	Special Revenue - Road Use Tax	43,077
	Water Enterprise - Water Revenue Sinking	79,066
		<u>\$ 2,207,884</u>
Water Enterprise - Water Operating	Special Revenue - Urban Renewal Tax Increment	\$ 40,507

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 15. INTERFUND AND INTRAFUND TRANSFERS (Continued)

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Equipment Revolving	Stormwater Management Enterprise	<u>\$ 11,000</u>
Capital Projects - Library Expansion	General Fund - Library Building/Endowment	<u>\$ 5,000</u>
		<u><u>\$ 3,574,686</u></u>

The detail of intrafund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Fire Equipment Reserve	General Fund	<u>\$ 132,375</u>
General Fund - Equipment Revolving	General Fund	<u>\$ 118,500</u>
General Fund - Telecommunications Equipment	General Fund	<u>\$ 20,000</u>
General Fund - Police Seized Funds	General Fund	<u>\$ 10</u>
General Fund - Recreation Capital	General Fund	<u>\$ 103,500</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	<u>\$ 653,766</u>
Water Enterprise - Water Utilities - Capital Reserve	Water Enterprise - Water Operating	<u>\$ 82,500</u>
Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	<u>\$ 1,094,256</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	<u>\$ 500,300</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Stormwater Management Enterprise	<u>\$ 27,500</u>
		<u><u>\$ 2,732,707</u></u>

Total transfers during the year ended June 30, 2011 were as follows:

Interfund transfers	<u>\$ 3,574,686</u>
Intrafund transfers	<u>2,732,707</u>
	<u><u>\$ 6,307,393</u></u>

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2011

NOTE 15. INTERFUND AND INTRAFUND TRANSFERS (Continued)

Reconciliation to the financial statements:

	Transfers In	Transfers Out
Governmental funds (Exhibit B)	\$ 3,908,564	\$ 3,448,781
Proprietary funds (Exhibit C)	2,398,829	2,858,612
	<u>\$ 6,307,393</u>	<u>\$ 6,307,393</u>

NOTE 16. CONDUIT DEBT OBLIGATIONS

During the year ended June 30, 2011, the City issued a total of \$2,032,000 of Midwest Disaster Area Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities in the community. The bonds are secured by the properties purchased with the bond proceeds and are payable solely from payments received on the underlying mortgage loans, derived from rents payable by the tenants of the properties. The bond principal and interest do not constitute liabilities of the City, and neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

NOTE 17. SUBSEQUENT EVENTS

The City sold the following general obligation bond issues after June 30, 2011:

- Series 2011A - \$790,000
- Series 2011B - \$5,810,000

The City approved the purchase of three dump trucks and related snow removal equipment at a total cost of \$377,871 in July 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH LIBERTY

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

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 5,314,263	\$ -	\$ 5,314,263
Tax increment financing	2,737,069	-	2,737,069
Other city tax	287,105	-	287,105
Licenses and permits	475,789	-	475,789
Use of money and property	177,521	9,930	187,451
Intergovernmental	1,617,962	-	1,617,962
Charges for service	1,547,314	4,627,045	6,174,359
Special assessments	6,285	-	6,285
Miscellaneous	598,909	218,569	817,478
Total receipts	\$ 12,762,217	\$ 4,855,544	\$ 17,617,761
Disbursements:			
Public safety	\$ 1,779,435	\$ -	\$ 1,779,435
Public works	1,102,168	-	1,102,168
Health and social services	90,446	-	90,446
Culture and recreation	2,692,700	-	2,692,700
Community and economic development	927,060	-	927,060
General government	1,048,025	-	1,048,025
Debt service	2,956,440	-	2,956,440
Capital projects	8,901,225	-	8,901,225
Business type activities	-	4,328,233	4,328,233
Total disbursements	\$ 19,497,499	\$ 4,328,233	\$ 23,825,732
Excess (deficiency) of receipts over (under) disbursements	\$ (6,735,282)	\$ 527,311	\$ (6,207,971)
Other financing sources (uses), net	8,472,254	65,217	8,537,471
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 1,736,972	\$ 592,528	\$ 2,329,500
Balances, beginning of year	2,669,489	2,067,562	4,737,051
Balances, end of year	\$ 4,406,461	\$ 2,660,090	\$ 7,066,551

There were no funds of the City not required to be budgeted during the year ended June 30, 2011.

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

Budgeted Amounts

<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
\$ 5,299,619	\$ 5,299,619	\$ 14,644
2,700,000	2,700,000	37,069
80,766	80,766	206,339
550,550	550,550	(74,761)
133,250	136,595	50,856
2,144,291	2,227,430	(609,468)
5,733,056	5,875,711	298,648
-	6,000	285
146,850	588,023	229,455
<u>\$ 16,788,382</u>	<u>\$ 17,464,694</u>	<u>\$ 153,067</u>
\$ 1,825,627	\$ 2,169,841	\$ 390,406
1,038,827	1,187,227	85,059
90,000	90,000	(446)
2,698,267	2,797,462	104,762
1,186,322	1,400,300	473,240
941,777	1,060,497	12,472
2,869,305	2,975,187	18,747
12,127,549	12,397,549	3,496,324
4,317,647	4,520,128	191,895
<u>\$ 27,095,321</u>	<u>\$ 28,598,191</u>	<u>\$ 4,772,459</u>
\$ (10,306,939)	\$ (11,133,497)	\$ 4,925,526
<u>11,312,837</u>	<u>11,412,837</u>	<u>(2,875,366)</u>
\$ 1,005,898	\$ 279,340	\$ 2,050,160
<u>6,535,709</u>	<u>4,737,051</u>	<u>-</u>
<u>\$ 7,541,607</u>	<u>\$ 5,016,391</u>	<u>\$ 2,050,160</u>

CITY OF NORTH LIBERTY

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements are required to be budgeted for all funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,502,870. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements in the health and social services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 1 of 3)
Year Ended June 30, 2011

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ	Tree Program
Receipts:							
Property tax	\$ 3,764,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax:							
Mobile home tax	\$ 18,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility tax replacement excise tax	16,605	-	-	-	-	-	-
Hotel/motel tax	67,729	-	-	-	-	-	-
Utility franchise fees	171,076	-	-	-	-	-	-
	<u>\$ 273,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Licenses and permits:							
Beer and liquor	\$ 11,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cigarette	900	-	-	-	-	-	-
Business/building trades	2,816	-	-	-	-	-	-
Pet and other	1,030	-	-	-	-	-	-
Building	459,209	-	-	-	-	-	-
	<u>\$ 475,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Use of money and property:							
Interest on cash investments	\$ 32,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	122,298	-	-	-	-	-	-
	<u>\$ 154,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Intergovernmental:							
FEMA grants	\$ 6,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State disaster assistance	807	-	-	-	-	-	-
State REAP grant	-	-	100,000	-	-	-	-
Housing rehabilitation grant	7,846	-	-	-	-	-	-
Police grants	10,602	-	-	-	-	-	-
Other state grants	2,800	-	-	-	-	-	-
Township fire protection	126,708	-	-	-	-	-	-
County library contribution	29,617	-	-	-	-	-	-
Library grants and open access	11,139	-	-	-	-	-	-
	<u>\$ 195,572</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charges for service:							
Inspection fees	\$ 25,099	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library fees	13,067	-	-	-	-	-	-
Police service fees	1,730	-	-	-	-	-	-
Zoning and subdivision	13,120	-	-	-	-	-	-
Garbage and recycling fees	397,160	-	-	-	-	-	-
Recreation charges	757,817	-	-	-	-	-	-
Cemetery plot location fees	300	-	-	-	-	-	-
Animal control	1,014	-	-	-	-	-	-
Maps and photocopy fees	4,073	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-
Administrative charges	29,880	-	-	-	-	-	-
Transit	797	-	-	-	-	-	-
	<u>\$ 1,244,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Special assessments	<u>\$ 6,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH LIBERTY
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
 (Page 2 of 3)
 Year Ended June 30, 2011

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ	Tree Program
Receipts: (continued)							
Miscellaneous:							
Refunds and reimbursements	\$ 53,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	54,329	-	-	-	-	-	-
Donations/contributions	753	2,525	2,000	-	2,000	2,000	2,000
Miscellaneous	3,139	-	-	14,905	-	-	-
Penalties	79,705	-	-	-	-	-	-
	<u>\$ 191,161</u>	<u>\$ 2,525</u>	<u>\$ 2,000</u>	<u>\$ 14,905</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Total receipts	\$ 6,305,680	\$ 2,525	\$ 102,000	\$ 14,905	\$ 2,000	\$ 2,000	\$ 2,000
Disbursements:							
Public Safety:							
Police	\$ 1,117,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency management	10,769	-	-	-	-	-	-
Fire	301,713	-	-	-	-	-	-
Building inspections/safety	331,150	-	-	-	-	-	-
Animal control	4,740	-	-	-	-	-	-
	<u>\$ 1,765,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total public safety	\$ 1,765,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Works:							
Roads, bridges and sidewalks	\$ 81,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Traffic control and safety	25,552	-	-	-	-	-	-
Sanitation	388,365	-	-	-	-	-	-
Transit	90,491	-	-	-	-	-	-
	<u>\$ 586,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total public works	\$ 586,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health and social services:							
Social services	\$ 90,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 90,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total health and social services	\$ 90,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation:							
Library	\$ 565,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parks	472,191	-	-	-	-	2,721	-
Recreation center	1,132,415	-	-	11,577	-	-	-
Aquatic center	500,733	-	-	-	-	-	-
Cemetery	8,024	-	-	-	-	-	-
	<u>\$ 2,678,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,577</u>	<u>\$ -</u>	<u>\$ 2,721</u>	<u>\$ -</u>
Total culture and recreation	\$ 2,678,402	\$ -	\$ -	\$ 11,577	\$ -	\$ 2,721	\$ -
Community and economic development:							
Community beautification	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000
Economic development	29,056	-	-	-	-	-	-
Housing rehabilitation	34,475	-	-	-	-	-	-
Tourism promotion	36,184	-	-	-	-	-	-
Planning and zoning	286,580	-	-	-	-	-	-
Telecommunications	208,167	-	-	-	-	-	-
	<u>\$ 594,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000</u>
Total community and economic development	\$ 594,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund
(Page 3 of 3)
Year Ended June 30, 2011

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Liberty Centre Blues & BBQ	Tree Program
Disbursements: (continued)							
General government:							
Mayor and council	\$ 17,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City administration	789,972	-	-	-	-	-	-
Elections	3,568	-	-	-	-	-	-
Legal services	216,374	-	-	-	-	-	-
Other general government	20,382	-	-	-	-	-	-
Total general government	\$ 1,048,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects:							
Capital projects	\$ 16,143	\$ 120,400	\$ 400,208	\$ -	\$ 17,467	\$ -	\$ -
Total disbursements	\$ 6,779,611	\$ 120,400	\$ 400,208	\$ 11,577	\$ 17,467	\$ 2,721	\$ 3,000
Excess (deficiency) of receipts over (under) disbursements	\$ (473,931)	\$ (117,875)	\$ (298,208)	\$ 3,328	\$ (15,467)	\$ (721)	\$ (1,000)
Other financing sources (uses):							
Sale of capital assets	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from sale of general obligation bonds	-	25,000	99,000	-	-	-	-
Operating transfers in	1,269,295	103,500	-	-	20,000	-	-
Operating transfers (out)	(374,385)	-	-	-	-	-	-
Total other financing sources (uses)	\$ 895,810	\$ 128,500	\$ 99,000	\$ -	\$ 20,000	\$ -	\$ -
Net change in cash balances	\$ 421,879	\$ 10,625	\$ (199,208)	\$ 3,328	\$ 4,533	\$ (721)	\$ (1,000)
Cash and cash investments, beginning of year	1,606,817	85,923	(271,834)	44,316	41,180	(2,051)	11,549
Cash and cash investments, end of year	\$ 2,028,696	\$ 96,548	\$ (471,042)	\$ 47,644	\$ 45,713	\$ (2,772)	\$ 10,549
Cash basis fund balances:							
Restricted for:							
Hotel/motel tax	\$ 90,472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tree purchases	-	-	-	-	-	-	4,000
Assigned for:							
Capital equipment purchases	-	96,548	-	-	45,713	-	-
Street capital projects	-	-	-	-	-	-	-
Park development	-	-	24,327	-	-	-	-
Stormwater capital projects	-	-	-	-	-	-	-
Youth scholarships/ recreation capital equipment	-	-	-	47,644	-	-	-
Unassigned	1,938,224	-	(495,369)	-	-	(2,772)	6,549
Total cash basis fund balances	\$ 2,028,696	\$ 96,548	\$ (471,042)	\$ 47,644	\$ 45,713	\$ (2,772)	\$ 10,549

See accompanying independent auditor's report.

Schedule 1

Library		Impact Fees							Total
Library Building/Endowment	Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Transportation	Storm Water		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,729	
-	-	-	-	-	-	-	-	789,972	
-	-	-	-	-	-	-	-	3,568	
-	-	-	-	-	-	-	-	216,374	
-	-	-	-	-	-	-	-	20,382	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,048,025	
\$ -	\$ -	\$ 261,754	\$ 208,070	\$ 14,362	\$ -	\$ -	\$ 24,200	\$ 1,062,604	
\$ -	\$ -	\$ 261,754	\$ 208,070	\$ 26,314	\$ 1,729	\$ -	\$ 24,200	\$ 7,857,051	
\$ -	\$ -	\$ (261,754)	\$ (190,212)	\$ (10,226)	\$ (1,729)	\$ 276,779	\$ (13,262)	\$ (1,104,278)	
\$ -	\$ -	\$ -	\$ 9,233	\$ -	\$ -	\$ -	\$ -	\$ 10,133	
-	-	-	-	-	-	-	-	124,000	
-	-	132,375	170,500	-	10	-	-	1,695,680	
(5,000)	-	-	-	-	-	-	-	(379,385)	
\$ (5,000)	\$ -	\$ 132,375	\$ 179,733	\$ -	\$ 10	\$ -	\$ -	\$ 1,450,428	
\$ (5,000)	\$ -	\$ (129,379)	\$ (10,479)	\$ (10,226)	\$ (1,719)	\$ 276,779	\$ (13,262)	\$ 346,150	
5,000	2,292	455,859	82,123	20,604	1,719	1,344,292	55,661	3,483,450	
\$ -	\$ 2,292	\$ 326,480	\$ 71,644	\$ 10,378	\$ -	\$ 1,621,071	\$ 42,399	\$ 3,829,600	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,472	
-	-	-	-	-	-	-	-	4,000	
-	2,292	326,480	-	10,378	-	-	-	481,411	
-	-	-	-	-	-	1,621,071	-	1,621,071	
-	-	-	-	-	-	-	-	24,327	
-	-	-	-	-	-	-	42,399	42,399	
-	-	-	-	-	-	-	-	47,644	
-	-	-	71,644	-	-	-	-	1,518,276	
\$ -	\$ 2,292	\$ 326,480	\$ 71,644	\$ 10,378	\$ -	\$ 1,621,071	\$ 42,399	\$ 3,829,600	

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2011

	Special Revenue		
	Road Use Tax	Employee Benefits	Drug Task Force
Receipts:			
Property tax	\$ -	\$ 851,189	\$ -
Other city tax	-	7,882	-
Use of money and property	-	-	-
Intergovernmental	821,382	-	3,345
Miscellaneous	-	-	-
Total receipts	\$ 821,382	\$ 859,071	\$ 3,345
Disbursements:			
Public works	\$ 515,789	\$ -	\$ -
Capital projects	-	-	10,207
Total disbursements	\$ 515,789	\$ -	\$ 10,207
Excess (deficiency) of receipts over (under) disbursements	\$ 305,593	\$ 859,071	\$ (6,862)
Other financing sources (uses):			
Proceeds from sale of general obligation bonds	\$ -	\$ -	\$ -
Operating transfers in	-	-	-
Operating transfers (out)	(84,077)	(859,071)	-
Total other financing sources (uses)	\$ (84,077)	\$ (859,071)	\$ -
Net change in cash balances	\$ 221,516	\$ -	\$ (6,862)
Cash and cash investments, beginning of year	98,076	2,876	50,142
Cash and cash investments, end of year	\$ 319,592	\$ 2,876	\$ 43,280
Cash basis fund balances:			
Restricted for:			
Street operations	\$ 319,592	\$ -	\$ -
Street capital projects	-	-	-
Urban renewal projects	-	-	-
Capital equipment purchases	-	-	43,280
Property improvements	-	-	-
Employee benefits	-	2,876	-
Committed for:			
Library expansion	-	-	-
Assigned for:			
Street capital projects	-	-	-
Unassigned	-	-	-
Total cash basis fund balances	\$ 319,592	\$ 2,876	\$ 43,280

See accompanying independent auditor's report.

Schedule 2

Other Capital Projects	Total
\$ -	\$ 851,189
-	7,882
23,117	23,117
254,277	1,079,004
363,912	363,912
<hr/>	<hr/>
\$ 641,306	\$ 2,325,104
<hr/>	<hr/>
\$ -	\$ 515,789
3,939,002	3,949,209
<hr/>	<hr/>
\$ 3,939,002	\$ 4,464,998
<hr/>	<hr/>
\$ (3,297,696)	\$ (2,139,894)
<hr/>	<hr/>
\$ 3,541,510	\$ 3,541,510
5,000	5,000
-	(943,148)
<hr/>	<hr/>
\$ 3,546,510	\$ 2,603,362
<hr/>	<hr/>
\$ 248,814	\$ 463,468
(1,005,531)	(854,437)
<hr/>	<hr/>
\$ (756,717)	\$ (390,969)
<hr/>	<hr/>
\$ -	\$ 319,592
177,284	177,284
494,911	494,911
-	43,280
9,663	9,663
-	2,876
249,792	249,792
10,993	10,993
(1,699,360)	(1,699,360)
<hr/>	<hr/>
\$ (756,717)	\$ (390,969)
<hr/>	<hr/>

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds -
Other Capital Projects Funds
(Page 1 of 2)

Year Ended June 30, 2011

	Ranshaw House Project	Street Capital Projects	Library Expansion	TIF Projects	Community Center
Receipts:					
Use of money and property:					
Interest on cash investments	\$ 32	\$ -	\$ -	\$ -	\$ -
Rent	-	-	-	-	-
Intergovernmental	-	176,260	-	-	-
Miscellaneous:					
Donations/contributions	100	-	284,462	-	-
Miscellaneous	-	15,000	-	-	-
Total receipts	\$ 132	\$ 191,260	\$ 284,462	\$ -	\$ -
Disbursements:					
Capital projects	25,887	1,488,703	38,880	-	-
Excess (deficiency) of receipts over (under) disbursements	\$ (25,755)	\$(1,297,443)	\$ 245,582	\$ -	\$ -
Other financing sources (uses):					
Proceeds from sale of general obligation bonds	\$ 30,000	\$ 883,610	\$ -	\$ 615,000	\$ -
Operating transfers in	-	-	5,000	-	-
Operating transfers (out)	-	-	-	-	-
Total other financing sources (uses)	\$ 30,000	\$ 883,610	\$ 5,000	\$ 615,000	\$ -
Net change in cash balances	\$ 4,245	\$ (413,833)	\$ 250,582	\$ 615,000	\$ -
Cash and cash investments, beginning of year	5,418	585,429	(790)	(198,748)	(67,903)
Cash and cash investments, end of year	\$ 9,663	\$ 171,596	\$ 249,792	\$ 416,252	\$ (67,903)

Schedule 3

Trail Projects	Penn Street Improvements	I-JOBS Street Projects	Entryway Development	Economic Development Projects	Land and Facilities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32
-	-	-	-	-	23,085	23,085
-	-	38,417	-	-	39,600	254,277
-	-	-	-	-	-	284,562
-	-	-	-	-	64,350	79,350
\$ -	\$ -	\$ 38,417	\$ -	\$ -	\$ 127,035	\$ 641,306
76,400	590,520	-	-	54,206	1,664,406	3,939,002
\$ (76,400)	\$ (590,520)	\$ 38,417	\$ -	\$ (54,206)	\$ (1,537,371)	\$ (3,297,696)
\$ -	\$ -	\$ 172,000	\$ -	\$ -	\$ 1,840,900	\$ 3,541,510
-	-	-	-	-	-	5,000
-	-	-	-	-	-	-
\$ -	\$ -	\$ 172,000	\$ -	\$ -	\$ 1,840,900	\$ 3,546,510
\$ (76,400)	\$ (590,520)	\$ 210,417	\$ -	\$ (54,206)	\$ 303,529	\$ 248,814
(12,535)	(330,664)	(204,729)	10,993	132,865	(924,867)	(1,005,531)
\$ (88,935)	\$ (921,184)	\$ 5,688	\$ 10,993	\$ 78,659	\$ (621,338)	\$ (756,717)

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds -
Other Capital Projects Funds
(Page 2 of 2)

Year Ended June 30, 2011

	Ranshaw House Project	Street Capital Projects	Library Expansion	TIF Projects	Community Center
Cash basis fund balances:					
Restricted for:					
Street capital projects	\$ -	\$ 171,596	\$ -	\$ -	\$ -
Urban renewal projects	-	-	-	416,252	-
Property improvements	9,663	-	-	-	-
Committed for:					
Library expansion	-	-	249,792	-	-
Assigned for:					
Street capital projects	-	-	-	-	-
Unassigned	-	-	-	-	(67,903)
	<hr/>				
Total cash basis fund balances	\$ 9,663	\$ 171,596	\$ 249,792	\$ 416,252	\$ (67,903)

See accompanying independent auditor's report.

Schedule 3

Trail Projects	Penn Street Improvements	I-JOBS Street Projects	Entryway Development	Economic Development Projects	Land and Facilities	Total
\$ -	\$ -	\$ 5,688	\$ -	\$ -	\$ -	\$ 177,284
-	-	-	-	78,659	-	494,911
-	-	-	-	-	-	9,663
-	-	-	-	-	-	249,792
-	-	-	10,993	-	-	10,993
(88,935)	(921,184)	-	-	-	(621,338)	(1,699,360)
<hr/>						
\$ (88,935)	\$ (921,184)	\$ 5,688	\$ 10,993	\$ 78,659	\$ (621,338)	\$ (756,717)

CITY OF NORTH LIBERTY

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

Year Ended June 30, 2011

	Water Enterprise					Total
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Projects	
Operating receipts:						
Charges for service	\$ 2,001,366	\$ -	\$ -	\$ -	\$ -	\$ 2,001,366
Miscellaneous	52,499	-	-	-	12,112	64,611
Total operating receipts	\$ 2,053,865	\$ -	\$ -	\$ -	\$ 12,112	\$ 2,065,977
Operating disbursements:						
Business type activities	1,131,732	-	-	-	12,195	1,143,927
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 922,133	\$ -	\$ -	\$ -	\$ (83)	\$ 922,050
Non-operating receipts and (disbursements):						
Interest on cash investments	\$ 5,149	\$ -	\$ -	\$ -	\$ -	\$ 5,149
Proceeds from sale of general obligation bonds	-	-	-	-	525,000	525,000
Debt service	-	(575,099)	-	-	-	(575,099)
Total non-operating receipts and (disbursements)	\$ 5,149	\$ (575,099)	\$ -	\$ -	\$ 525,000	\$ (44,950)
Excess (deficiency) of receipts over (under) disbursements	\$ 927,282	\$ (575,099)	\$ -	\$ -	\$ 524,917	\$ 877,100
Operating transfers:						
Operating transfers in	\$ 40,507	\$ 653,766	\$ -	\$ 82,500	\$ -	\$ 776,773
Operating transfers (out)	(931,611)	(79,066)	-	-	-	(1,010,677)
Net operating transfers	\$ (891,104)	\$ 574,700	\$ -	\$ 82,500	\$ -	\$ (233,904)
Net change in cash balances	\$ 36,178	\$ (399)	\$ -	\$ 82,500	\$ 524,917	\$ 643,196
Cash and cash investments, beginning of year	26,111	58,840	577,856	205,198	(864,733)	3,272
Cash and cash investments, end of year	\$ 62,289	\$ 58,441	\$ 577,856	\$ 287,698	\$ (339,816)	\$ 646,468
Cash basis fund balances:						
Restricted for debt service	\$ -	\$ 58,441	\$ 577,856	\$ -	\$ -	\$ 636,297
Unrestricted:						
Capital projects	-	-	-	-	(339,816)	(339,816)
Unrestricted	62,289	-	-	287,698	-	349,987
Total	\$ 62,289	\$ 58,441	\$ 577,856	\$ 287,698	\$ (339,816)	\$ 646,468

See accompanying independent auditor's report.

Schedule 4

Sewer Enterprise							
Sewer Operating	Sewer Revenue Sinking	Sewer Reserve	Sewer Rental - Capital Reserve	Sewer Capital Projects	Total	Utility Deposits	
\$ 2,459,798	\$ -	\$ -	\$ 10,919	\$ -	\$ 2,470,717	\$ -	
4,908	-	-	-	-	4,908	149,050	
\$ 2,464,706	\$ -	\$ -	\$ 10,919	\$ -	\$ 2,475,625	\$ 149,050	
893,802	-	-	240,387	182,018	1,316,207	145,348	
\$ 1,570,904	\$ -	\$ -	\$ (229,468)	\$ (182,018)	\$ 1,159,418	\$ 3,702	
\$ 4,781	\$ -	\$ -	\$ -	\$ -	\$ 4,781	\$ -	
-	-	-	-	-	-	-	
-	(1,043,737)	-	-	-	(1,043,737)	-	
\$ 4,781	\$ (1,043,737)	\$ -	\$ -	\$ -	\$ (1,038,956)	\$ -	
\$ 1,575,685	\$ (1,043,737)	\$ -	\$ (229,468)	\$ (182,018)	\$ 120,462	\$ 3,702	
\$ -	\$ 1,094,256	\$ -	\$ 500,300	\$ 27,500	\$ 1,622,056	\$ -	
(1,789,901)	-	-	-	-	(1,789,901)	-	
\$ (1,789,901)	\$ 1,094,256	\$ -	\$ 500,300	\$ 27,500	\$ (167,845)	\$ -	
\$ (214,216)	\$ 50,519	\$ -	\$ 270,832	\$ (154,518)	\$ (47,383)	\$ 3,702	
904,212	194,386	307,105	319,297	(361,196)	1,363,804	468,518	
\$ 689,996	\$ 244,905	\$ 307,105	\$ 590,129	\$ (515,714)	\$ 1,316,421	\$ 472,220	
\$ -	\$ 244,905	\$ 307,105	\$ -	\$ -	\$ 552,010	\$ -	
-	-	-	-	(515,714)	(515,714)	-	
689,996	-	-	590,129	-	1,280,125	472,220	
\$ 689,996	\$ 244,905	\$ 307,105	\$ 590,129	\$ (515,714)	\$ 1,316,421	\$ 472,220	

CITY OF NORTH LIBERTY

Schedule 5

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Nonmajor Proprietary Fund -
Stormwater Management Fund

Year Ended June 30, 2011

Operating receipts:	
Charges for service	\$ 154,962
Miscellaneous	<u>-</u>
Total operating receipts	\$ 154,962
Operating disbursements:	
Business type activities	<u>103,915</u>
Excess of operating receipts over operating disbursements	\$ 51,047
Operating transfers:	
Operating transfers (out)	<u>(58,034)</u>
Net change in cash balances	\$ (6,987)
Cash and cash investments, beginning of year	<u>231,968</u>
Cash and cash investments, end of year	<u><u>\$ 224,981</u></u>
Cash basis fund balances:	
Unrestricted - unrestricted	<u><u>\$ 224,981</u></u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY

Statement of Indebtedness

Year Ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
General Obligation Community Center	4/1/96	4.00-5.00	600,000
General Obligation Sewer Improvement	1/1/98	3.00	1,000,000
Urban Renewal Corporate Purpose	5/1/01	3.30-4.35	1,600,000
Urban Renewal Corporate Purpose	8/15/02	2.25-3.60	2,700,000
Corporate Purpose	9/1/03	3.40-4.50	4,200,000
Urban Renewal Corporate Purpose	8/15/04	2.10-3.60	1,560,000
Urban Renewal Corporate Purpose	11/9/05	3.45	3,500,000
Corporate Purpose	11/15/06	3.6-3.85	570,000
Urban Renewal Corporate Purpose	8/1/07	4.00	3,515,000
General Obligation Water Improvement	12/15/07	3.45-4.10	855,000
Corporate Purpose	6/30/08	2.50-3.95	1,940,000
Corporate Purpose	5/27/09	1.50-4.15	2,425,000
Corporate Purpose	10/25/10	1.0-2.6	1,730,000
Urban Renewal Corporate Purpose	10/25/10	2.0-2.75	6,765,000
Total			
Revenue Bonds:			
Sewer Revenue Bond Series 1998A	3/23/98	3.00	323,957
Sewer Revenue Bond Series 1998B	3/23/98	3.00	3,769,043
Water Revenue Bond Series 2001	9/1/01	3.00-5.30	2,000,000
Sewer Revenue Bond Series 2006A	4/15/06	4.05-4.55	1,860,000
Water Revenue Bond Series 2006B	11/15/06	4.375	1,670,000
Sewer Revenue Bond Series 2007	8/23/07	3.00	5,271,000
Sewer Revenue Bond Series 2008A	7/30/08	3.00	3,250,000
Sewer Revenue Bond Series 2008C	9/15/08	2.75-4.40	1,550,000
Water Revenue Bond Series 2008D	9/15/08	2.75-4.40	2,350,000
Total			

See accompanying independent auditor's report.

Schedule 6

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 220,000	\$ -	\$ 40,000	\$ 180,000	\$ 10,823	\$ -
494,000	-	54,000	440,000	14,010	-
195,000	-	195,000	-	8,482	-
790,000	-	390,000	400,000	28,050	-
3,150,000	-	205,000	2,945,000	132,315	-
680,000	-	160,000	520,000	23,245	-
2,145,000	-	400,000	1,745,000	74,233	-
425,000	-	55,000	370,000	15,870	-
2,605,000	-	325,000	2,280,000	104,200	-
760,000	-	50,000	710,000	29,066	-
1,775,000	-	190,000	1,585,000	60,258	-
2,425,000	-	145,000	2,280,000	76,252	-
-	1,730,000	-	1,730,000	18,072	-
-	6,765,000	-	6,765,000	87,810	-
\$ 15,664,000	\$ 8,495,000	\$ 2,209,000	\$ 21,950,000	\$ 682,686	\$ -
\$ 182,000	\$ -	\$ 17,000	\$ 165,000	\$ 5,205	\$ -
2,034,000	-	193,000	1,841,000	58,125	-
1,815,000	-	130,000	1,685,000	91,013	-
1,595,000	-	75,000	1,520,000	69,292	-
1,485,000	-	65,000	1,420,000	64,968	-
5,010,000	-	96,000	4,914,000	150,300	-
2,799,000	-	117,000	2,682,000	84,409	-
1,450,000	-	100,000	1,350,000	56,875	-
2,220,000	-	135,000	2,085,000	87,518	-
\$ 18,590,000	\$ -	\$ 928,000	\$ 17,662,000	\$ 667,705	\$ -

CITY OF NORTH LIBERTY

Bond and Note Maturities

(Page 1 of 2)

Year Ended June 30, 2011

Year Ending June 30	Community Center		Sewer Improvement		General Obligation Corporate Purpose	
	Issued April 1, 1996		Issued Jan. 6, 1998		Issued Aug. 15, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	4.875 %	\$ 40,000	3.00 %	\$ 56,000	3.60 %	\$ 400,000
2013	4.90	45,000	3.00	58,000		
2014	4.95	45,000	3.00	60,000		
2015	5.00	50,000	3.00	63,000		
2016			3.00	65,000		
2017			3.00	68,000		
2018			3.00	70,000		
2019						
2020						
2021						
2022						
2023						
2024						
Total		\$ 180,000		\$ 440,000		\$ 400,000

Year Ending June 30,	Corporate Purpose		Water Improvement		General Obligation Corporate Purpose	
	Issued Aug. 1, 2007		Issued Dec. 15, 2007		Issued June 30, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	4.00 %	\$ 345,000	3.60 %	\$ 50,000	3.00 %	\$ 200,000
2013	4.00	360,000	3.625	55,000	3.15	210,000
2014	4.00	370,000	3.65	55,000	3.25	220,000
2015	4.00	385,000	3.70	60,000	3.40	225,000
2016	4.00	400,000	3.75	60,000	3.60	235,000
2017	4.00	420,000	3.80	65,000	3.75	245,000
2018			3.85	65,000	3.95	250,000
2019			3.90	70,000		
2020			4.00	75,000		
2021			4.05	75,000		
2022			4.10	80,000		
2023						
2024						
Total		\$ 2,280,000		\$ 710,000		\$ 1,585,000

Bonds

Corporate Purpose Issued Sept. 1, 2003		Corporate Purpose Issued Aug. 15, 2004		Corporate Purpose Issued Nov. 9, 2005		Corporate Purpose Issued Nov. 15, 2006	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.90 %	\$ 220,000	3.35 %	\$ 165,000	3.45 %	\$ 410,000	3.65 %	\$ 55,000
3.90	235,000	3.45	175,000	3.45	430,000	3.70	60,000
3.90	210,000	3.60	180,000	3.45	445,000	3.70	60,000
4.00	215,000			3.50	460,000	3.75	60,000
4.10	220,000					3.80	65,000
4.15	225,000					3.85	70,000
4.25	230,000						
4.35	240,000						
4.40	250,000						
4.45	275,000						
4.45	300,000						
4.50	325,000						
	<u>\$2,945,000</u>		<u>\$ 520,000</u>		<u>\$ 1,745,000</u>		<u>\$ 370,000</u>

Bonds

Corporate Purpose Issued May 27, 2009		Corporate Purpose Issued Oct. 25, 2010		Corporate Purpose Issued Oct. 25, 2010		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.75 %	\$ 150,000	1.00 %	\$ 180,000	2.00 %	\$ 625,000	\$ 2,896,000
2.00	150,000	1.00	180,000	2.00	635,000	2,593,000
2.25	155,000	1.10	185,000	2.00	640,000	2,625,000
2.50	160,000	1.60	185,000	2.00	650,000	2,513,000
2.75	160,000	1.60	190,000	2.00	660,000	2,055,000
3.00	165,000	1.90	195,000	2.00	675,000	2,128,000
3.25	170,000	2.20	200,000	2.00	690,000	1,675,000
3.50	175,000	2.40	205,000	2.25	710,000	1,400,000
3.75	185,000	2.60	210,000	2.50	730,000	1,450,000
4.00	190,000			2.75	750,000	1,290,000
4.05	200,000					580,000
4.10	205,000					530,000
4.15	215,000					215,000
	<u>\$2,280,000</u>		<u>\$ 1,730,000</u>		<u>\$ 6,765,000</u>	<u>\$21,950,000</u>

CITY OF NORTH LIBERTY

Bond and Note Maturities
 (Page 2 of 2)
 Year Ended June 30, 2011

Year Ending June 30,	Enterprise Fund					
	Sewer Revenue Series 1998A		Sewer Revenue Series 1998B		Water Revenue Series 2001	
	Issued March 23, 1998		Issued March 23, 1998		Issued Sept. 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.00 %	\$ 18,000	3.00 %	\$ 200,000	4.65 %	\$ 135,000
2013	3.00	18,000	3.00	208,000	4.75	140,000
2014	3.00	19,000	3.00	217,000	4.85	145,000
2015	3.00	20,000	3.00	225,000	4.95	155,000
2016	3.00	21,000	3.00	234,000	5.05	160,000
2017	3.00	22,000	3.00	243,000	5.10	170,000
2018	3.00	23,000	3.00	252,000	5.15	180,000
2019	3.00	24,000	3.00	262,000	5.20	190,000
2020					5.25	200,000
2021					5.30	210,000
2022						
2023						
2024						
2025						
2026						
2027						
2028						
Total		<u>\$ 165,000</u>		<u>\$ 1,841,000</u>		<u>\$ 1,685,000</u>

Year Ending June 30,	Enterprise Fund					
	Sewer Revenue Series 2008A		Sewer Revenue Series 2008C		Water Revenue Series 2008D	
	Issued July 30, 2008		Issued Sept. 15, 2008		Issued Sept. 15, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.00 %	\$ 121,000	3.20 %	\$ 100,000	3.20 %	\$ 140,000
2013	3.00	125,000	3.40	100,000	3.40	145,000
2014	3.00	129,000	3.60	100,000	3.60	150,000
2015	3.00	133,000	3.75	100,000	3.75	155,000
2016	3.00	137,000	3.90	105,000	3.90	160,000
2017	3.00	141,000	4.00	105,000	4.00	165,000
2018	3.00	146,000	4.10	110,000	4.10	175,000
2019	3.00	151,000	4.20	115,000	4.20	180,000
2020	3.00	156,000	4.25	120,000	4.25	190,000
2021	3.00	161,000	4.30	125,000	4.30	200,000
2022	3.00	166,000	4.35	130,000	4.35	210,000
2023	3.00	171,000	4.40	140,000	4.40	215,000
2024	3.00	177,000				
2025	3.00	183,000				
2026	3.00	189,000				
2027	3.00	195,000				
2028	3.00	201,000				
Total		<u>\$ 2,682,000</u>		<u>\$ 1,350,000</u>		<u>\$ 2,085,000</u>

See accompanying independent auditor's report.

Revenue Bonds

Sewer Revenue Series 2006A Issued April 15, 2006		Water Revenue Series 2006B Issued Nov. 15, 2006		Sewer Revenue Series 2007 Issued Aug. 23, 2007	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
4.25 %	\$ 80,000	4.375 %	\$ 70,000	3.00 %	\$ 98,000
4.25	85,000	4.375	75,000	3.00	100,000
4.25	85,000	4.375	75,000	3.00	106,000
4.25	90,000	4.375	80,000	3.00	108,000
4.25	95,000	4.375	80,000	3.00	111,000
4.25	100,000	4.375	85,000	3.00	114,000
4.30	105,000	4.375	90,000	3.00	117,000
4.30	110,000	4.375	95,000	3.00	121,000
4.30	115,000	4.375	95,000	3.00	416,000
4.35	120,000	4.375	100,000	3.00	430,000
4.40	125,000	4.375	105,000	3.00	444,000
4.45	130,000	4.375	110,000	3.00	459,000
4.50	135,000	4.375	115,000	3.00	475,000
4.55	145,000	4.375	120,000	3.00	486,000
		4.375	125,000	3.00	654,000
				3.00	675,000
	<u>\$ 1,520,000</u>		<u>\$ 1,420,000</u>		<u>\$ 4,914,000</u>

Revenue Bonds

Total
\$ 962,000
996,000
1,026,000
1,066,000
1,103,000
1,145,000
1,198,000
1,248,000
1,292,000
1,346,000
1,180,000
1,225,000
902,000
934,000
968,000
870,000
201,000
<u>\$ 17,662,000</u>

CITY OF NORTH LIBERTY

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

Last Ten Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:				
Property tax	\$ 5,314,263	\$ 4,914,385	\$ 3,863,587	\$ 3,093,326
Tax increment financing	2,737,069	1,389,368	2,822,497	2,660,586
Other city tax	287,105	269,844	267,057	196,571
Licenses and permits	475,789	501,169	517,615	482,903
Use of money and property	177,521	162,861	189,544	180,001
Intergovernmental	1,617,962	883,561	1,078,608	800,564
Charges for service	1,547,314	1,437,878	1,240,283	1,228,972
Special assessments	6,285	9,620	10,383	24,347
Miscellaneous	598,909	299,628	205,944	313,332
Total	<u>\$ 12,762,217</u>	<u>\$ 9,868,314</u>	<u>\$ 10,195,518</u>	<u>\$ 8,980,602</u>
Disbursements:				
Public safety	\$ 1,779,435	\$ 1,682,165	\$ 1,560,255	\$ 1,424,463
Public works	1,102,168	1,001,921	1,148,712	1,143,600
Health and social services	90,446	56,050	70,600	35,020
Culture and recreation	2,692,700	2,466,178	2,578,532	2,281,120
Community and economic development	927,060	861,398	619,737	576,163
General government	1,048,025	875,271	739,891	842,771
Debt service	2,956,440	3,050,069	2,823,582	4,219,859
Capital projects	8,901,225	2,891,519	2,058,032	2,797,451
Total	<u>\$ 19,497,499</u>	<u>\$ 12,884,571</u>	<u>\$ 11,599,341</u>	<u>\$ 13,320,447</u>

See accompanying independent auditor's report.

Schedule 8

2007	2006	2005	2004	2003	2002
\$ 2,430,379	\$ 1,905,108	\$ 1,582,974	\$ 1,355,034	\$ 1,050,948	\$ 908,944
2,470,154	1,360,008	1,116,247	1,290,281	1,001,279	991,905
161,686	135,396	130,557	126,764	117,007	105,903
617,217	625,439	656,054	579,106	363,961	190,821
190,964	204,647	129,302	108,371	91,744	89,371
1,460,925	1,294,642	1,551,835	1,290,726	690,750	1,153,918
982,868	1,147,998	995,289	872,863	482,897	481,950
26,182	34,617	31,421	67,770	38,107	197,675
141,640	392,867	364,586	407,370	240,577	193,885
<u>\$ 8,482,015</u>	<u>\$ 7,100,722</u>	<u>\$ 6,558,265</u>	<u>\$ 6,098,285</u>	<u>\$ 4,077,270</u>	<u>\$ 4,314,372</u>
\$ 1,806,083	\$ 881,885	\$ 752,220	\$ 902,800	\$ 962,346	\$ 501,835
967,256	1,025,863	636,329	593,601	545,818	520,998
36,500	34,500	21,000	21,000	21,000	24,867
2,445,972	1,680,594	1,650,909	990,473	872,066	816,995
520,060	325,306	249,352	200,518	125,461	202,433
739,627	541,943	452,215	447,623	436,888	369,773
2,074,465	2,877,794	1,636,989	2,455,627	1,388,454	1,128,794
2,470,613	4,510,561	2,669,922	5,773,910	1,871,426	1,773,501
<u>\$ 11,060,576</u>	<u>\$ 11,878,446</u>	<u>\$ 8,068,936</u>	<u>\$ 11,385,552</u>	<u>\$ 6,223,459</u>	<u>\$ 5,339,196</u>

CITY OF NORTH LIBERTY

Schedule 9

Schedule of Expenditures of Federal Awards
(Page 1 of 2)

Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Program/ Award Amount	Federal Awards Expended
<u>U.S. Department of Transportation - Federal Highway Administration:</u>				
Passed through Iowa Department of Transportation:				
Highway Planning and Construction	20.205	STP-U-5557(615)--7O-52	\$ 274,000	\$ 262,991
Highway Planning and Construction	20.205	STP-E-5557(616)--8V-52	342,163	-
ARRA - Highway Planning and Construction	20.205	ESL-5557(614)--7S-52	285,000	203,766
				<u>\$ 466,757</u>
<u>U.S. Department of Transportation - National Highway Traffic Safety Administration:</u>				
Passed through Governor's Traffic Safety Bureau:				
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	PAP 10-410, Task 54	18,900	\$ 6,283
	20.601	PAP 11-410, Task 54	10,600	3,918
				<u>\$ 10,201</u>
Total U.S. Department of Transportation				<u>\$ 476,958</u>
<u>U.S. Department of Energy:</u>				
Passed through Office of Energy Independence:				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE-000812	39,600	\$ 39,600
<u>U.S. Department of Housing and Urban Development:</u>				
Passed through Iowa Department of Economic Development:				
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	09-HSG-036	214,234	\$ 25,821
	14.228	03-ED-014	138,750	-
				<u>\$ 25,821</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Iowa Homeland Security:				
Hazard Mitigation Grant	97.039	DR-1737-0005-01	\$ 7,500	\$ -

CITY OF NORTH LIBERTY

Schedule 9

Schedule of Expenditures of Federal Awards
(Page 2 of 2)

Year Ended June 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program/ Award Amount</u>	<u>Federal Awards Expended</u>
<u>U.S. Department of the Treasury:</u>				
Passed through Iowa Department of Economic Development:				
Temporary State Fiscal Relief (Jobs and Growth Tax Reconciliation Act of 2003)	21.000	11-CAT-020	161,846	\$ -
Total Expenditures of Federal Awards				<u>\$ 542,379</u>

See accompanying Independent Auditor's Report
and Notes to the Schedule of Expenditures of Federal Awards.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Note A. Basis of Accounting and Presentation

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

Note B. Risk-Based Audit Approach

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

Note C. Subrecipients of Federal Awards

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

Note D. Noncash Assistance

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



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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 23, 2012. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of North Liberty's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures during our audit of the financial statements of the City of North Liberty. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

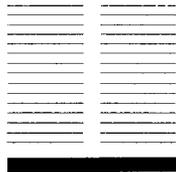
The City of North Liberty's responses to findings identified in our audit are described in Part IV of the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion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

We noted a certain matter that we have reported to the management of the City of North Liberty in a separate letter dated February 23, 2012.

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

Greenwood and Army P.C.

February 23, 2012



Greenwood and Crim, P.C.
Certified Public Accountants

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

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

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

Compliance

We have audited the City of North Liberty's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of North Liberty's major federal programs for the year ended June 30, 2011. The City of North Liberty's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of North Liberty's management. Our responsibility is to express an opinion on the City of North Liberty's compliance based on our audit.

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

In our opinion, the City of North Liberty complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of North Liberty is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of North Liberty's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of North Liberty's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The City of North Liberty's responses to the 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 of North Liberty's responses and, accordingly, we express no opinion on the responses.

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

Greenwood and Crui, P.C.

February 23, 2012

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs
(Page 1 of 3)

Year Ended June 30, 2011

Part I. Summary of the Independent Auditor's Results

- [a] Unqualified opinions were issued on the financial statements, which were prepared on the basis of cash receipts and disbursements. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.
- [b] There were no material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements.
- [c] The audit did not disclose any noncompliance which is material to the financial statements.
- [d] There were no material weaknesses in internal control over major programs disclosed by the audit of the financial statements.
- [e] An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- [f] The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- [g] The major programs are as follows:
 - U.S. Department of Transportation - Federal Highway Administration
 - CFDA Number 20.205 - Highway Planning and Construction
 - CFDA Number 20.205 - ARRA - Highway Planning and Construction
- [h] The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- [i] The City of North Liberty did not qualify as a low-risk auditee.

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

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

INSTANCES OF COMPLIANCE

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

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs (Page 2 of 3)

Year Ended June 30, 2011

Part III. Findings and Questioned Costs For Federal Awards

INSTANCES OF COMPLIANCE

There were no matters which were required to be reported in accordance with OMB Circular A-133.

INTERNAL CONTROL DEFICIENCIES

There were no material weaknesses noted which were required to be reported in accordance with OMB Circular A-133.

Part IV. Other Findings Related to Required Statutory Reporting

11-IV-A Certified Budget

Comment - Disbursements during the year ended June 30, 2011 exceeded the final amount budgeted in the health and social services function by \$446. 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

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

Response - The budget will be amended in sufficient amounts in future years

Conclusion - Response accepted.

11-IV-B **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

11-IV-D **Business Transactions with City Officials and Employees** - We noted no transactions between the City and City officials or employees during the year ended June 30, 2011.

11-IV-E **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

11-IV-F **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not. Publications of Council meeting minutes tested by us were published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

CITY OF NORTH LIBERTY

Schedule of Findings and Questioned Costs
(Page 3 of 3)

Year Ended June 30, 2011

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

11-IV-G Deposits and Investments

Comment - The City authorized the investment of \$5,000 in the Community Foundation of Johnson County (Foundation) during the year ended June 30, 2005 to establish an endowment fund for the North Liberty Community Library, as described in Note 2. In December 2010, the City's investment of \$5,000, plus accumulated allocated investment income of \$3,279, was returned to the City. The investment was pooled in the Foundation's investment portfolio and was covered by a pool of U.S. government bonds, which appears to comply with the City's investment policy. However, the value of the City's investment was still subject to the Foundation's overall investment performance, and the Foundation had investments in several mutual funds that do not comply with the City's investment policy.

Recommendation - We recommend that the City invest its funds only in investments as described in Note 2 to remain in compliance with the City's investment policy. Any investment arrangement that subjects the City to market value risk should not be entered into by the City.

Response - This matter has been resolved. The City will invest its funds only in accordance with the City's investment policy.

Conclusion - Response accepted.

11-IV-H Revenue Bonds - No instances of noncompliance with the revenue bond resolutions were noted.

11-IV-I Financial Condition

Comment - As disclosed in Note 12 to the financial statements, at June 30, 2011, the City had deficit balances in seven project funds that arose because project and construction costs were incurred prior to the availability of funds. In addition, the General Fund - Liberty Centre Blues & BBQ fund had a deficit balance of \$2,772 at June 30, 2011. This deficit was caused by 1) costs of the event paid for during the year and 2) the event was rescheduled from May 2011 to July 2011 due to inclement weather on the original date of the event.

Recommendation - In most situations common to governmental entities, the costs of construction projects and activities must be expended prior to the availability of certain funds. The City should make sure that there are adequate revenues, grants, proceeds from sales of bonds and available City funds to cover the costs of these projects and construction activities. The City should also monitor the results of the Liberty Centre Blues & BBQ event to ensure that contributions and other event receipts and budgeted City transfers are adequate to cover the costs of the event and to maintain a positive fund balance on an annual basis.

Response - This deficit will be eliminated during the year ending June 30, 2012 and the fund will be closed because the North Liberty Community Betterment Group will be the fiscal agent for this event in the future.

Conclusion - Response accepted.



Greenwood and Crim, P.C.
Certified Public Accountants

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

February 23, 2012

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

In planning and performing our audit of the financial statements of the City of North Liberty as of and for the year ended June 30, 2011, we considered the City of North Liberty's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the City of North Liberty's internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. We previously reported on the City of North Liberty's internal control in our report dated February 23, 2012. This letter does not affect our report dated February 23, 2012 on the financial statements of the City of North Liberty.

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

Use of Purchase Orders

During our testing of selected disbursements for compliance with the City's purchasing policy, we noted that two invoices exceeding \$1,000 were not accompanied by a purchase order, as required by City policy. In one of the instances, the use of a purchase order was simply overlooked. In the other instance, a purchase order was not used because the nature of the transaction was repairs to one of the City's fire vehicles. The Fire Chief commented that the repair work "was kind of an emergency fix to get the truck back in service" and this is probably why a purchase order was not used.

We recommend that in the case of a situation that may be an actual or perceived emergency, the department head immediately contact the City Administrator, or a designated person authorized to act in his absence, and discuss the nature of the situation to determine if the situation truly is an emergency situation, and would not require the use of a purchase order. Certain situations could be obvious emergencies, others could likely not be emergencies, and in other situations the extent of the emergency may be difficult to determine. It is our understanding that the City Administrator has met with the City's department heads to remind them of the purchasing policy requirements and provided additional training as needed.

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

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

Greenwood and Crim, P.C.