

CITY OF WEST LIBERTY

Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings

June 30, 2011

CITY OF WEST LIBERTY

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CITY OF WEST LIBERTY

Officials

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

CITY OF WEST LIBERTY



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TD&T Financial Group, P.C.

Additional Offices:
Burlington
Cedar Rapids
Centerville
Fairfield
Mt. Pleasant
Oskaloosa
Ottumwa
Pella
Sigourney

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 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 West Liberty's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012 on our consideration of the City of West Liberty's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 9 and 41 through 44 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 West Liberty's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

T&T Financial Group, P.C.

Muscatine, Iowa
April 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 18.6%, or approximately \$399,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$118,000.

Program expenses of the City's governmental activities decreased 5.8%, or approximately \$144,000, from fiscal year 2010 to fiscal year 2011. Public safety expenses and public works expenses decreased approximately \$24,000 and \$126,000, respectively.

The City's net assets decreased 0.3%, or approximately \$79,000, from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities increased approximately \$254,000 and the net assets of the business type activities decreased approximately \$333,000.

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.

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds, bonds and notes payable, legal debt margin, restricted accounts required by bond ordinances, and fiscal year sewer rates and customers.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is

similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, local option sales tax and state and federal grants finance most of these activities.
- Business type activities include the water, the sanitary sewer system, the electric system and the City's solid waste system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets at Year-end					
	Governmental		Business Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 2,130,537	\$ 2,942,355	\$ 7,196,258	\$ 6,883,488	\$ 9,326,795	\$ 9,825,843
Capital assets	10,624,127	9,374,466	16,635,212	17,450,098	27,259,339	26,824,564
Total assets	12,754,664	12,316,821	23,831,470	24,333,586	36,586,134	36,650,407
Long-term liabilities	2,561,445	2,890,983	6,219,033	6,777,415	8,780,478	9,668,398
Other liabilities	2,545,588	2,031,901	1,403,301	1,014,188	3,948,889	3,046,089
Total liabilities	5,107,033	4,922,884	7,622,334	7,791,603	12,729,367	12,714,487
Net assets:						
Invested in capital assets,						
net of related debt	6,944,895	5,990,271	10,004,019	2,442,008	16,948,914	8,432,279
Restricted	1,156,889	147,786	2,740,282	2,793,905	3,897,171	2,941,691
Unrestricted	(454,153)	1,255,880	3,464,835	11,306,070	3,010,682	12,561,950
Total net assets	\$ 7,647,631	\$ 7,393,937	\$ 16,209,136	\$ 16,541,983	\$ 23,856,767	\$ 23,935,920

Net assets of governmental activities increased from fiscal year 2010 by approximately \$254,000, or 3.4%. Net assets of business type activities decreased from fiscal year 2010 by approximately \$333,000, or 2.0%. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$(454,000) at the end of this year.

	Changes in Net Assets for the Year ended June 30,					
	Governmental		Business Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for service	\$ 272,117	\$ 175,821	\$ 7,584,334	\$ 7,048,591	\$ 7,856,451	\$ 7,224,412
Operating grants, contributions and restricted interest	385,383	360,766	-	-	385,383	360,766
Capital grants, contributions and restricted interest	291,352	58,393	-	-	291,352	58,393
General revenues:						
Property tax levied for:						
General purposes	890,313	835,546	-	-	890,313	835,546
Debt Service	112,764	49,694	-	-	112,764	49,694
Tax increment financing revenues	128,722	128,126	-	-	128,722	128,126
Local option sales tax	340,424	348,948	-	-	340,424	348,948
Grants and contributions not restricted to specific purposes	5,249	1,790	-	-	5,249	1,790
Unrestricted investment earnings	2,285	3,978	76,173	142,877	78,458	146,855
Miscellaneous	115,293	181,921	-	-	115,293	181,921
Total revenues	2,543,902	2,144,983	7,660,507	7,191,468	10,204,409	9,336,451
Program expenses:						
Public safety	761,107	784,850	-	-	761,107	784,850
Public works	249,454	375,473	-	-	249,454	375,473
Culture and recreation	665,290	678,784	-	-	665,290	678,784
General government	547,847	507,095	-	-	547,847	507,095
Interest on long-term debt	99,461	120,607	-	-	99,461	120,607
Water	-	-	457,225	404,662	457,225	404,662
Sewer	-	-	1,942,600	1,673,559	1,942,600	1,673,559
Electric	-	-	5,105,204	4,833,434	5,105,204	4,833,434
Solid waste	-	-	455,374	403,728	455,374	403,728
Total expenses	2,323,159	2,466,809	7,960,403	7,315,383	10,283,562	9,782,192
Transfers in	515,868	2,126,842	241,908	38,821	757,776	2,165,663
Transfers (out)	(482,917)	(2,114,161)	(274,859)	(51,502)	(757,776)	(2,165,663)
Change in net assets	253,694	(309,145)	(332,847)	(136,596)	(79,153)	(445,741)
Net assets beginning of year, as restated	7,393,937	7,703,082	16,541,983	16,678,579	23,935,920	24,381,661
Net assets end of year	\$ 7,647,631	\$ 7,393,937	\$ 16,209,136	\$ 16,541,983	\$ 23,856,767	\$ 23,935,920

The City's net assets of governmental activities increased approximately \$254,000 during the year. Revenues for governmental activities increased approximately \$399,000 over the prior year, with capital grants, contributions and restricted interest increasing approximately \$233,000.

The cost of all governmental activities this year was approximately \$2.3 million compared to approximately \$2.5 million last year. However, as shown in the Statement of Activities on page 12, the amount the taxpayers ultimately financed for these activities was only \$1.4 million because some of the cost was paid by those directly benefited from the programs (\$272,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$677,000).

The City's net assets of business type activities decreased approximately \$333,000 during the year. Revenues for business type activities increased approximately \$469,000 over the prior year while total expenses were approximately \$645,000 higher than the prior fiscal year.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$200,186, which is less than the \$1,497,841 total fund balance at June 30, 2010. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed a decrease in fund balance of \$183,846 from the prior year to \$652,713.

The Capital Projects, Street Improvement Fund accounts for the annual capital improvements to the City's streets and roadway infrastructure. The fund ended fiscal year 2011 with a \$604,847 deficit balance. Capital project expenditures exceeded local option tax proceeds and interest income decreasing fund balance by \$1,184,500.

Proprietary Fund Highlights

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2011 with a \$1,766,804 net asset balance compared to the prior year ending net asset balance of \$1,955,781.

The Enterprise, Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2011 with a \$5,974,787 net asset balance compared to the prior year ending net asset balance of \$5,454,901.

The Enterprise, Electric Fund, which accounts for the operation and maintenance of the City's electric system, ended fiscal year 2011 with an \$8,372,165 net asset balance compared to the prior year ending net asset balance of \$8,901,075.

The Enterprise, Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2011 with a \$95,380 net asset balance compared to the prior year ending net asset balance of \$230,226.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of West Liberty amended its budget one time. The amendment was done in May 2011. This amendment was needed to cover unplanned disbursements.

The City's receipts were \$674,168 more than budgeted receipts, a variance of 7.2%. Total disbursements were 2,265,639 less than budgeted. Actual disbursements for the business type activities functions were \$2,185,541 less than budgeted.

Even with the amendment, the City exceeded the budgeted amount in the general government and capital projects functions for the year ended June 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$10,624,127 (net of accumulated depreciation) at June 30, 2011. Capital assets for business type activities totaled \$16,635,212 (net of accumulated depreciation) at June 30, 2011. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included road construction on A Street, Walton Street, Elm Street, and the Dutton Athletic Complex.

Long-Term Debt

At June 30, 2011, the City had \$2,778,840 before issuance costs of outstanding general obligation bonds and notes for governmental activities. Total debt outstanding for business type activities was \$6,652,165 before issuance costs at June 30, 2011.

The Constitution of the State of Iowa limits the amount of general obligation debt Cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City of West Liberty's outstanding general obligation debt is below its constitutional debt limit of approximately \$6.8 million. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several economic factors affected decisions made by the City of West Liberty in setting its fiscal 2012 budget. The City of West Liberty will experience insignificant changes in General Fund revenues and expenditures from fiscal year 2011 to fiscal year 2012. The major factors that will play a role are increased proprietary fund revenues as residential water rates will increase significantly. Inflation has been modest here due, in part, to the slowing of the residential housing market state-wide, but there has been an increase in energy prices, which will also be a major influence on the budget.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2012 are provided below:

General levy	\$	8.10
Debt service levy		1.41
Tort liability		0.56
Employee benefits		3.23
Emergency levy		<u>0.27</u>
Total	\$	<u><u>13.57</u></u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF WEST LIBERTY

Basic Financial Statements

CITY OF WEST LIBERTY
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 837,903	1,794,855	2,632,758
Receivables:			
Property tax:			
Delinquent	31,189	-	31,189
Succeeding year	997,068	-	997,068
Tax increment financing:			
Succeeding year	129,470	-	129,470
Customer accounts and unbilled usage (net of allowance for uncollectibles)	-	1,116,305	1,116,305
Accounts	34,103	5,475	39,578
Accrued interest	250	3,977	4,227
Due from other governments	57,483	-	57,483
Interfund loan receivable	-	261,428	261,428
Internal balances	-	1,025,389	1,025,389
Inventories	-	172,956	172,956
Prepaid expenses	43,071	75,591	118,662
Restricted assets:			
Cash and pooled investments	-	2,740,282	2,740,282
Capital assets (net of accumulated depreciation)	10,624,127	16,635,212	27,259,339
Total assets	<u>12,754,664</u>	<u>23,831,470</u>	<u>36,586,134</u>
Liabilities			
Accounts payable	33,761	347,062	380,823
Accrued interest payable	7,315	-	7,315
Salaries and benefits payable	52,046	41,128	93,174
Due to other governments	692	3,145	3,837
Interfund loan payable	261,428	-	261,428
Internal balances	698,105	327,284	1,025,389
Payable from restricted assets	-	113,808	113,808
Deferred revenue:			
Succeeding year property tax	997,068	-	997,068
Succeeding year tax increment financing	129,470	-	129,470
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	335,240	14,760	350,000
Revenue notes payable	-	520,000	520,000
Bank note	-	23,580	23,580
Compensated absences	30,463	12,534	42,997
Portion due or payable after one year:			
General obligation bonds/notes (net of \$60,107 unamortized discount)	2,384,459	15,434	2,399,893
Revenue notes payable (net of \$118,380 unamortized discount)	-	5,946,620	5,946,620
Bank note	-	12,425	12,425
Retirement incentive	77,150	146,850	224,000
Net OPEB liability	99,836	97,704	197,540
Total liabilities	<u>5,107,033</u>	<u>7,622,334</u>	<u>12,729,367</u>

See notes to financial statements.

(continued)

CITY OF WEST LIBERTY
Statement of Net Assets (Continued)
June 30, 2011

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	6,944,895	10,004,019	16,948,914
Restricted for:			
Capital improvements	-	1,911,847	1,911,847
Debt service	144,379	-	144,379
Special revenue funds	101,897	-	101,897
Insurance reserve	189,552	-	189,552
Fire operations and reserve	240,144	-	240,144
Cemetery activities and operations	112,249	-	112,249
Library activities and operations	77,611	-	77,611
Ambulance activities and operations	288,569	-	288,569
Other purposes	2,488	-	2,488
Revenue note retirement	-	828,435	828,435
Unrestricted	(454,153)	3,464,835	3,010,682
Total net assets	\$ 7,647,631	16,209,136	23,856,767

See notes to financial statements.

CITY OF WEST LIBERTY
Statement of Activities
Year Ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities				
Public safety	\$ 761,107	148,047	27,775	-
Public works	249,454	270	324,577	17,707
Culture and recreation	665,290	29,441	17,937	-
General government	547,847	94,359	13,111	273,645
Interest on long-term deb	99,461	-	1,983	-
Total governmental activities	<u>2,323,159</u>	<u>272,117</u>	<u>385,383</u>	<u>291,352</u>
Business type activities				
Water	457,225	301,487	-	-
Sewer	1,942,600	2,278,499	-	-
Electric	5,105,204	4,684,466	-	-
Solid waste	455,374	319,882	-	-
Total business type activities	<u>7,960,403</u>	<u>7,584,334</u>	<u>-</u>	<u>-</u>
Total Functions / Programs	<u>\$ 10,283,562</u>	<u>7,856,451</u>	<u>385,383</u>	<u>291,352</u>
General Revenues:				
Property and other city tax levied for				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted investment earning				
Miscellaneous				
Total general revenues				
Transfers in				
Transfers (out)				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(585,285)	-	(585,285)
93,100	-	93,100
(617,912)	-	(617,912)
(166,732)	-	(166,732)
(97,478)	-	(97,478)
<u>(1,374,307)</u>	<u>-</u>	<u>(1,374,307)</u>
-	(155,738)	(155,738)
-	335,899	335,899
-	(420,738)	(420,738)
-	(135,492)	(135,492)
-	(376,069)	(376,069)
<u>(1,374,307)</u>	<u>(376,069)</u>	<u>(1,750,376)</u>
890,313	-	890,313
112,764	-	112,764
128,722	-	128,722
340,424	-	340,424
5,249	-	5,249
2,285	76,173	78,458
115,293	-	115,293
<u>1,595,050</u>	<u>76,173</u>	<u>1,671,223</u>
515,868	241,908	757,776
<u>(482,917)</u>	<u>(274,859)</u>	<u>(757,776)</u>
253,694	(332,847)	(79,153)
<u>7,393,937</u>	<u>16,541,983</u>	<u>23,935,920</u>
<u>\$ 7,647,631</u>	<u>16,209,136</u>	<u>23,856,767</u>

CITY OF WEST LIBERTY
Balance Sheet
Governmental Funds
June 30, 2011

<u>Assets</u>	General	Capital Projects		Total
		Street Improvement	Nonmajor	
Cash and pooled investments	\$ 628,092	-	209,811	837,903
Receivables:				
Property tax:				
Delinquent	23,975	-	7,214	31,189
Succeeding year	888,511	-	108,557	997,068
Tax increment financing:				
Succeeding year	-	-	129,470	129,470
Accounts (net of allowance for uncollectibles)	34,103	-	-	34,103
Accrued interest	250	-	-	250
Due from other governments	28,451	-	29,032	57,483
Prepaid expenditures	37,348	-	5,723	43,071
 Total assets	 \$ 1,640,730	 -	 489,807	 2,130,537
<u>Liabilities and fund balances</u>				
Liabilities:				
Accounts payable	\$ 30,327	698	2,736	33,761
Salaries and benefits payable	49,278	-	2,768	52,046
Due to other funds	-	604,149	93,956	698,105
Due to other governments	692	-	-	692
Deferred revenue:				
Succeeding year property tax	888,511	-	108,557	997,068
Succeeding year tax increment financing	-	-	129,470	129,470
Other	19,209	-	-	19,209
Total liabilities	988,017	604,847	337,487	1,930,351
Fund balances:				
Nonspendable:				
Prepaid expenditures	37,348	-	5,723	43,071
Restricted for:				
Debt service	-	-	144,379	144,379
Cemetery operations	67,980	-	-	67,980
Road use	-	-	76,693	76,693
Community development	-	-	19,481	19,481
Assigned for:				
Insurance reserve	189,552	-	-	189,552
Fire operation and reserve	240,144	-	-	240,144
Cemetery activities and operations	44,268	-	-	44,268
Library activities and operations	77,611	-	-	77,611
Ambulance activities and operations	288,569	-	-	288,569
Other purposes	2,488	-	-	2,488
Unassigned	(295,247)	(604,847)	(93,956)	(994,050)
Total fund balances	652,713	(604,847)	152,320	200,186
 Total liabilities and fund balances	 \$ 1,640,730	 -	 489,807	 2,130,537

See notes to financial statements.

CITY OF WEST LIBERTY

CITY OF WEST LIBERTY
 Reconciliation of the Balance Sheet -
 Governmental Funds to the Statement of Net Assets
 June 30, 2011

Total governmental fund balances (Page 13) \$ 200,186

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$16,925,352 and the accumulated depreciation is \$6,301,225. 10,624,127

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 19,209

Long-term liabilities, including bonds/notes payable, compensated absences payable, retirement incentives payable, accrued interest payable, interfund loan payable, and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (3,195,891)

Net assets of governmental activities (Page 11) \$ 7,647,631

CITY OF WEST LIBERTY
Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)
Governmental Funds
Year Ended June 30, 2011

	General	Capital Projects		Total
		Street Improvement	Nonmajor	
Revenues:				
Property tax	\$ 890,313	-	112,764	1,003,077
Tax increment financing	-	-	128,722	128,722
Other city tax	198,584	113,671	28,169	340,424
Licenses and permits	13,939	-	-	13,939
Use of money and property	13,258	1,321	2,032	16,611
Intergovernmental	57,552	-	608,213	665,765
Charges for service	192,775	-	-	192,775
Miscellaneous	169,380	-	-	169,380
Total revenues	<u>1,535,801</u>	<u>114,992</u>	<u>879,900</u>	<u>2,530,693</u>
Expenditures:				
Operating:				
Public safety	767,273	-	-	767,273
Public works	99,405	-	197,596	297,001
Culture and recreation	880,917	-	-	880,917
General government	144,649	-	-	144,649
Debt service	-	-	414,881	414,881
Capital projects	-	1,282,852	73,726	1,356,578
Total expenditures	<u>1,892,244</u>	<u>1,282,852</u>	<u>686,203</u>	<u>3,861,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(356,443)</u>	<u>(1,167,860)</u>	<u>193,697</u>	<u>(1,330,606)</u>
Other financing sources (uses):				
Operating transfers in	180,000	39,140	296,728	515,868
Operating transfers (out)	<u>(7,403)</u>	<u>(55,780)</u>	<u>(419,734)</u>	<u>(482,917)</u>
Total other financing sources (uses)	<u>172,597</u>	<u>(16,640)</u>	<u>(123,006)</u>	<u>32,951</u>
Net change in fund balances	(183,846)	(1,184,500)	70,691	(1,297,655)
Fund balances beginning of year, as restated	<u>836,559</u>	<u>579,653</u>	<u>81,629</u>	<u>1,497,841</u>
Fund balances (deficit) end of year	<u>\$ 652,713</u>	<u>(604,847)</u>	<u>152,320</u>	<u>200,186</u>

See notes to financial statements.

CITY OF WEST LIBERTY

CITY OF WEST LIBERTY
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances (Deficit) -
 Governmental Funds to the Statement of Activities
 Year Ended June 30, 2011

Net change in fund balances - Total governmental funds (Page 15) \$ (1,297,655)

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

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

Expenditures for capital assets	\$ 1,648,295	
Depreciation expense	<u>(398,634)</u>	1,249,661

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds 13,208

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

Repaid		354,480
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(1,338)	
Other postemployment benefits	(47,743)	
Current year retirement incentive expense	(12,100)	
Interest on long-term debt	<u>(4,819)</u>	<u>(66,000)</u>

Change in net assets of governmental activities (Page 12) \$ 253,694

CITY OF WEST LIBERTY
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds				
	Water	Sewer	Electric	Solid Waste	Total
Assets					
Cash and pooled investments	\$ -	701,156	1,093,699	-	1,794,855
Receivables (net of allowance for uncollectibles):					
Customer accounts and unbilled usage	49,391	238,277	771,916	56,721	1,116,305
Accounts	-	-	5,475	-	5,475
Accrued interest	567	77	3,312	21	3,977
Interfund loan receivable	-	-	261,428	-	261,428
Due from other funds	-	-	1,025,389	-	1,025,389
Inventories	41,272	838	130,846	-	172,956
Prepaid expenses	6,398	10,491	47,179	11,523	75,591
Restricted cash and pooled investments	771,189	978,212	990,881	-	2,740,282
Capital assets (net of accumulated depreciation)	1,248,588	7,874,312	7,360,543	151,769	16,635,212
Total assets	2,117,405	9,803,363	11,690,668	220,034	23,831,470
Liabilities					
Accounts payable	20,636	7,344	315,310	3,772	347,062
Salaries and benefits payable	4,807	4,043	22,589	9,689	41,128
Due to other funds	298,687	-	-	28,597	327,284
Due to other governments	-	-	3,145	-	3,145
Payable from restricted assets:					
Payable from restricted assets	-	20,077	93,731	-	113,808
General obligation bonds/notes	-	14,760	-	-	14,760
Revenue notes payable	-	135,000	385,000	-	520,000
Bank note payable due within one year	-	-	-	23,580	23,580
Long-term liabilities:					
GO bonds payable	-	15,434	-	-	15,434
Revenue notes payable	-	3,565,044	2,381,576	-	5,946,620
Bank note payable	-	-	-	12,425	12,425
Compensated absences	3,965	862	4,817	2,890	12,534
Retirement incentive	5,300	39,900	66,150	35,500	146,850
Net OPEB liability	17,206	26,112	46,185	8,201	97,704
Total liabilities	350,601	3,828,576	3,318,503	124,654	7,622,334
Net assets					
Invested in capital assets, net of related debt	1,248,588	4,139,431	4,500,236	115,764	10,004,019
Restricted for:					
Revenue note retirement	-	417,662	410,773	-	828,435
Improvement	771,189	560,550	580,108	-	1,911,847
Unrestricted	(252,973)	857,144	2,881,048	(20,384)	3,464,835
Total net assets	\$ 1,766,804	5,974,787	8,372,165	95,380	16,209,136

See notes to financial statements.

CITY OF WEST LIBERTY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Enterprise Funds				
	Water	Sewer	Electric	Solid Waste	Total
Operating revenues:					
Charges for service	\$ 301,487	2,278,499	4,684,466	319,882	7,584,334
Total operating revenues	<u>301,487</u>	<u>2,278,499</u>	<u>4,684,466</u>	<u>319,882</u>	<u>7,584,334</u>
Operating expenses:					
Business type activities:					
Cost of sales and services	323,037	1,354,648	4,400,839	417,509	6,496,033
Depreciation	134,188	341,145	569,911	35,185	1,080,429
Total operating expenses	<u>457,225</u>	<u>1,695,793</u>	<u>4,970,750</u>	<u>452,694</u>	<u>7,576,462</u>
Operating income (loss)	<u>(155,738)</u>	<u>582,706</u>	<u>(286,284)</u>	<u>(132,812)</u>	<u>7,872</u>
Non-operating revenues (expenses):					
Interest income	8,666	12,436	54,425	646	76,173
Interest expense	-	(246,807)	(134,454)	(2,680)	(383,941)
Transfers in	-	234,505	7,403	-	241,908
Transfers (out)	(41,905)	(62,954)	(170,000)	-	(274,859)
Total non-operating revenues (expenses)	<u>(33,239)</u>	<u>(62,820)</u>	<u>(242,626)</u>	<u>(2,034)</u>	<u>(340,719)</u>
Change in net assets	(188,977)	519,886	(528,910)	(134,846)	(332,847)
Net assets beginning of year, as restated	<u>1,955,781</u>	<u>5,454,901</u>	<u>8,901,075</u>	<u>230,226</u>	<u>16,541,983</u>
Net assets end of year	<u>\$ 1,766,804</u>	<u>5,974,787</u>	<u>8,372,165</u>	<u>95,380</u>	<u>16,209,136</u>

See notes to financial statements.

CITY OF WEST LIBERTY
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Enterprise Fund				
	Water	Sewer	Electric	Solid Waste	Total
Cash flows from operating activities:					
Cash received from customers and users	\$ 305,768	2,257,415	4,523,070	319,062	7,405,315
Cash paid for sales and services	(342,901)	(1,391,792)	(4,620,820)	(413,460)	(6,768,973)
Net cash provided (used) by operating activities	<u>(37,133)</u>	<u>865,623</u>	<u>(97,750)</u>	<u>(94,398)</u>	<u>636,342</u>
Cash flows from noncapital financing activities:					
Advances to other funds	<u>290,021</u>	<u>234,371</u>	<u>(945,360)</u>	<u>30,631</u>	<u>(390,337)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(117,592)	(79,836)	(53,770)	(14,345)	(265,543)
Principal paid on notes payable	-	(145,302)	(259,527)	(22,404)	(427,233)
Principal received on notes payable	-	-	34,241	-	34,241
Interest paid on notes payable	-	(246,807)	(134,454)	(2,680)	(383,941)
Net cash used for capital and related financing activities	<u>(117,592)</u>	<u>(471,945)</u>	<u>(413,510)</u>	<u>(39,429)</u>	<u>(1,042,476)</u>
Cash flows from investing activities:					
Interest on investments	<u>8,666</u>	<u>12,436</u>	<u>54,425</u>	<u>646</u>	<u>76,173</u>
Net increase (decrease) in cash and cash equivalents	143,962	640,485	(1,402,195)	(102,550)	(720,298)
Cash and cash equivalents beginning of year	<u>627,227</u>	<u>1,038,883</u>	<u>3,486,775</u>	<u>102,550</u>	<u>5,255,435</u>
Cash and cash equivalents end of year	<u>\$ 771,189</u>	<u>1,679,368</u>	<u>2,084,580</u>	<u>-</u>	<u>4,535,137</u>

(continued)

See notes to financial statements.

CITY OF WEST LIBERTY
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2011

	Enterprise Fund				
	Water	Sewer	Electric	Solid Waste	Total
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (188,977)	519,886	(528,910)	(134,846)	(332,847)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	134,188	341,145	569,911	35,185	1,080,429
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	19,232	(1,200)	(161,860)	1,151	(142,677)
(Increase) in inventories, at cost	(5,506)	(68)	(12,379)	-	(17,953)
(Increase) decrease in prepaid expenses and bond issuance cost	(406)	4,021	(2,488)	(1,764)	(637)
Increase (decrease) in accounts payable	(2,152)	(5,716)	8,463	(261)	334
Increase (decrease) in salaries payable	(2,165)	(6,033)	3,060	925	(4,213)
Increase in customer deposits	-	-	5,524	-	5,524
Increase in due to other governments	-	-	303	-	303
Increase (decrease) in accrued compensated absences	225	(499)	(3,561)	290	(3,545)
Increase in accrued retirement incentive	200	1,600	2,100	1,000	4,900
Increase in net OPEB obligation	8,228	12,487	22,087	3,922	46,724
Net cash provided (used) by operating activities	\$ (37,133)	865,623	(97,750)	(94,398)	636,342
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:					
Current assets:					
Cash and pooled investments	\$ -	701,156	1,093,699	-	1,794,855
Restricted assets:					
Cash and pooled investments:					
Revenue note retirement	-	417,662	410,773	-	828,435
Improvement	771,189	560,550	580,108	-	1,911,847
Cash and cash equivalents at year end	\$ 771,189	1,679,368	2,084,580	-	4,535,137

See notes to financial statements.

CITY OF WEST LIBERTY
Notes to Financial Statements
June 30, 2011

Note 1- Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 1- Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

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

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

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

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

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

The City reports the following major governmental funds:

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

Capital Projects:

The Street Improvement Fund is used to account for the collection of local option tax and the expenditure of those funds on street improvements.

The City reports the following major proprietary funds:

Enterprise:

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

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 1- Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection system.

C. Measurement Focus and Basis of Accounting

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 1- Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivables have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 1- Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

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

Due From and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

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

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 1- Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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

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

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

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

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 1- Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or 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.

Assigned – Amounts the City 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.

Note 2- Cash and Pooled Investments

The City's deposits in banks 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 3- Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,317,540	-	-	1,317,540
Total capital assets not being depreciated	<u>1,317,540</u>	<u>-</u>	<u>-</u>	<u>1,317,540</u>
Capital assets being depreciated:				
Buildings	4,416,136	100,770	-	4,516,906
Improvements other than buildings	912,760	137,900	-	1,050,660
Equipment and vehicles	1,440,697	142,227	-	1,582,924
Infrastructure, road network	7,189,924	1,267,398	-	8,457,322
Total capital assets being depreciated	<u>13,959,517</u>	<u>1,648,295</u>	<u>-</u>	<u>15,607,812</u>
Less accumulated depreciation for:				
Buildings	1,786,066	91,398	-	1,877,464
Improvements other than buildings	497,076	40,488	-	537,564
Equipment and vehicles	965,350	147,583	-	1,112,933
Infrastructure, road network	2,654,099	119,165	-	2,773,264
Total accumulated depreciation	<u>5,902,591</u>	<u>398,634</u>	<u>-</u>	<u>6,301,225</u>
Total capital assets being depreciated, net	<u>8,056,926</u>	<u>1,249,661</u>	<u>-</u>	<u>9,306,587</u>
Governmental activities capital assets, net	<u>\$ 9,374,466</u>	<u>1,249,661</u>	<u>-</u>	<u>10,624,127</u>
Business Type Activities:				
Capital assets being depreciated:				
Buildings	\$ 2,484,897	-	-	2,484,897
Equipment and vehicles	21,315,994	97,702	(40,036)	21,373,660
Infrastructure, water and sewer network	8,874,008	167,841	-	9,041,849
Total capital assets being depreciated	<u>32,674,899</u>	<u>265,543</u>	<u>(40,036)</u>	<u>32,900,406</u>
Less accumulated depreciation for:				
Buildings	715,245	78,522	-	793,767
Equipment and vehicles	8,613,504	711,872	(40,036)	9,285,340
Infrastructure, water and sewer network	5,896,052	290,035	-	6,186,087
Total accumulated depreciation	<u>15,224,801</u>	<u>1,080,429</u>	<u>(40,036)</u>	<u>16,265,194</u>
Total capital assets being depreciated, net	<u>17,450,098</u>	<u>(814,886)</u>	<u>-</u>	<u>16,635,212</u>
Business type activities capital assets, net	<u>\$ 17,450,098</u>	<u>(814,886)</u>	<u>-</u>	<u>16,635,212</u>

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 3- Capital Assets (Continued)

Depreciation expense was charged to functions of the City as follows:

Governmental activities:

Public safety	\$	85,699
Public works		202,870
Culture and recreation		109,968
General government		<u>97</u>
Total depreciation expense - governmental activities	\$	<u><u>398,634</u></u>

Business type activities:

Water	\$	134,188
Sewer		341,145
Solid waste		35,185
Electric		<u>569,911</u>
Total depreciation expense - business type activities	\$	<u><u>1,080,429</u></u>

Note 4- Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

		Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:						
Compensated absences	\$	29,125	36,903	35,565	30,463	30,463
Retirement incentive		65,050	12,100	-	77,150	-
Net OBEP liability		52,093	47,743	-	99,836	-
General obligation bonds/notes		<u>3,057,449</u>	<u>-</u>	<u>337,750</u>	<u>2,719,699</u>	<u>335,240</u>
Total	\$	<u><u>3,203,717</u></u>	<u><u>96,746</u></u>	<u><u>373,315</u></u>	<u><u>2,927,148</u></u>	<u><u>365,703</u></u>
		Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:						
Compensated absences	\$	16,079	21,976	25,521	12,534	12,534
Retirement incentive		141,950	4,900	-	146,850	-
Net OBEP liability		50,980	46,724	-	97,704	-
Bank note		58,409	-	22,404	36,005	23,580
General obligation bonds		45,920	-	14,760	31,160	14,760
Revenue notes		<u>6,848,244</u>	<u>2,815,000</u>	<u>3,196,624</u>	<u>6,466,620</u>	<u>520,000</u>
Total	\$	<u><u>7,161,582</u></u>	<u><u>2,888,600</u></u>	<u><u>3,259,309</u></u>	<u><u>6,790,873</u></u>	<u><u>570,874</u></u>

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 4- Changes in Long-Term Debt (Continued)

General Obligation Bonds/Notes

Governmental Activities

Four issues of unmatured general obligation bonds/notes, totaling \$2,778,840 before issuance costs are outstanding at June 30, 2011. General obligation bonds/notes bear interest at rates ranging from 1.05% to 4.7% per annum and mature in varying annual amounts, ranging from \$30,240 to \$135,000, with the final maturities due in the year ending June 30, 2025.

Details of the governmental activities general obligation bonds/notes payable at June 30, 2011 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
General obligation notes:						
Street Improvement Bond	08/15/09	1.25%-2.80%	06/01/16	Various	\$ 775,000	\$ 655,000
Pool Capital Note	09/01/02	2.75%-4.7%	06/30/13	Various	400,000	63,840
Elm Street Capital Note	11/01/06	3.75%-4.7%	06/01/17	Various	850,000	550,000
Capital Note	12/15/09	1.05%-4.10%	06/01/25	Various	1,600,000	<u>1,510,000</u>
Total general obligation notes						<u>\$ 2,778,840</u>

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 335,240	87,770	423,010
2013	338,600	79,900	418,500
2014	315,000	71,092	386,092
2015	320,000	62,655	382,655
2016	325,000	53,135	378,135
2017-2021	635,000	163,758	798,758
2022-2025	510,000	52,236	562,236
Total	<u>\$ 2,778,840</u>	<u>570,546</u>	<u>3,349,386</u>

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 4- Changes in Long-Term Debt (Continued)

Business Type Activities

One issue of unmatured general obligation bonds/notes, totaling \$31,160 is outstanding at June 30, 2011. The general obligation note bears interest at rates ranging from 4.6 to 4.7% per annum and mature in varying annual amounts ranging from \$14,760 to \$16,400, with the final maturity due in the year ending June 30, 2013.

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2011</u>
General obligation notes:						
Sewer Note	09/01/02	4.60%-4.70%	12/15/12	Various	\$ 195,000	\$ <u>31,160</u>
Total general obligation notes						\$ <u><u>31,160</u></u>

A summary of the annual business type general obligation note principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 14,760	725	15,485
2013	16,400	385	16,785
Total	\$ <u><u>31,160</u></u>	<u><u>1,110</u></u>	<u><u>32,270</u></u>

Revenue and Bank Notes

Two issues of unmatured revenue notes, totaling \$6,585,000 before issuance costs are outstanding at June 30, 2011. These notes bear interest at rates ranging from 0.5% to 7.05% and mature in varying annual amounts ranging from \$135,000 to \$420,000 with the final maturity due in the year ending 2028.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to separate electric and wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 4- Changes in Long-Term Debt (Continued)

During the year ended June 30, 2011, the City was in compliance with the revenue note provisions.

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$2,815,000 of Electric Revenue Refunding Capital Loan Notes, dated May 3, 2011, to refinance the balance of the Electric Revenue Capital Loan Notes dated September 1, 2002 which were for the construction of improvements to the Municipal Electric Utility of the City including additional generating capacity. The notes mature serially between 2011 and 2017 and carry interest rates of 0.5% to 2.8%. As of June 30, 2011, the note balance was \$2,815,000.

During the fiscal year ended June 30, 2008, the City received a loan of \$110,612 to be used to for the purchase of a new garbage truck. The loan, dated December 12, 2007, carries an interest rate of 5.0% and is due on October 15, 2012. As of June 30, 2011 the remaining balance was \$36,005. The loan is secured by the garbage truck.

Details of business type activities revenue and bank notes payable at June 30, 2011 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
Bank note	12/12/07	5.00%	10/15/12	Various	\$ 110,612	\$ 36,005
Revenue notes:						
Electric	05/03/11	0.5-2.8%	12/01/17	Various	2,815,000	2,815,000
Sewer	12/15/08	4.0 - 7.05%	06/01/28	Various	4,100,000	3,770,000
Total						6,585,000
Total business type activities						\$ 6,621,005

A summary of the annual business type activities revenue and bank notes principal and interest requirements to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 543,580	295,400	838,980
2013	547,425	280,106	827,531
2014	545,000	266,868	811,868
2015	560,000	252,628	812,628
2016	570,000	235,773	805,773
2017-2021	1,830,000	907,476	2,737,476
2022-2026	1,345,000	524,165	1,869,165
2027-2028	680,000	72,450	752,450
Total	\$ 6,621,005	2,834,866	9,455,871

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 5- Interfund Transfers

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

Transfer To	Transfer From	Amount
General	Special Revenue:	
	FEMA	\$ 10,000
	Enterprise:	
	Electric	170,000
		<u>180,000</u>
Debt Service	Special Revenue:	
	Road Use	7,367
	Tax Increment Financing	128,722
	Capital Project:	
	Street Improvement	55,780
	Enterprise:	
	Water	41,905
	Sewer	62,954
		<u>296,728</u>
Capital Project:		
Street Improvement	Special Revenue:	
	FEMA	39,140
		<u>39,140</u>
Enterprise:		
Electric	General	7,403
		<u>7,403</u>
Sewer	Special Revenue:	
	FEMA	234,505
		<u>234,505</u>
Total		<u>\$ 757,776</u>

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

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 6- Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Enterprise:	
Electric	Water	\$ 298,687
	Solid Waste	28,597
	Capital Projects:	
	Street Improvement	604,149
	Dutton Project	93,956
		<u>\$ 1,025,389</u>

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

Note 7- Pension and Retirement Benefits

IPERS

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. 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 were \$109,075, \$101,891, and \$88,099, respectively, equal to the required contributions for each year.

Deferred Compensation Plan (457(b)) ICMA

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

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 8- Risk Management

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

Note 9 - Local Option Sales Tax

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

From July 1, 2005

33 ¹/₃% for local property tax relief

33 ¹/₃% for streets, curbs & gutters

33 ¹/₃% for community development projects including improvement of library, other facilities, community cleanup and infrastructure

Note 10 - RPGI Participant (Agency) Agreement and RPGI Pro Rata Guaranty

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

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

Note 11 – Contract Commitments

As of June 30, 2011, the City was obligated under the following contract commitment:

All American Concrete for “A Street” paving and improvement project in the amount of \$170,767.

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 12 – Deficit Balances

At June 30, 2011, funds with deficit balances were as follows:

Capital Projects, Street Improvement	\$ 604,847
Capital Projects, Dutton Complex	\$ 93,956

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

Note 13 – Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health plan which provides medical prescription drug and dental benefits for employees and retirees and their spouses/dependents. There are 31 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 103,073
Interest on net OPEB obligation	4,638
Adjustment to annual required contribution	<u>(6,328)</u>
Annual OPEB cost	101,383
Contributions made	<u>(6,912)</u>
Increase in net OPEB obligation	94,471
Net OPEB obligation beginning of year	<u>103,069</u>
Net OPEB obligation end of year	<u><u>\$ 197,540</u></u>

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 13 – Other Postemployment Benefits (OPEB) (Continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the City contributed \$169,373 to the medical plan. Plan members eligible for benefits contributed \$26,014 or 13% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	103,073	0	103,073
June 30, 2011	101,379	6.82%	94,467

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$646,110, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$646,110. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,141,399 and the ratio of the UAAL to covered payroll was 56.6%. As of June 30, 2011, there were no trust funds assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 13 – Other Postemployment Benefits (OPEB) (Continued)

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

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

Note 14 – Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011.

In addition to the effects of Governmental Accounting Standards Board Statement No. 54, the General Fund net assets were also restated to include a receivable of local option sales tax and the addition of a fund once deemed to be a perpetual fund held outside the financial statements to being reclassified as being part of the General Fund.

The effect of fund type reclassifications and prior period adjustments are as follows:

	Nonmajor									
	General	Special	Fire			Library Trust	Insurance Reserve	Ambulance Reserve	Fire Reserve	Cash Clearing
		Law Enforcement	Crees Cemetery	Trust and Agency						
Balances June 30, 2010, as previously reported	\$ 4,642	1,698	43,771	23,202	102,695	171,131	212,737	172,260	7,403	
Change in fund type classification per implementation of GASB Statement No. 54.	734,897	(1,698)	(43,771)	(23,202)	(102,695)	(171,131)	(212,737)	(172,260)	(7,403)	
Local option sales tax receivable	29,040	-	-	-	-	-	-	-	-	
Agency fund reclassification	67,980	-	-	-	-	-	-	-	-	
Balances July 1, 2010, as restated	\$ 836,559	-	-	-	-	-	-	-	-	

(continued)

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 14 – Accounting Change/Restatement (Continued)

The Special Revenue, Road Use Tax Fund net assets were restated to include a receivable for road use tax.

The effect of the prior period adjustment is as follows:

	<u>Road Use Tax Fund</u>
Balances June 30, 2010, as previously reported	\$ (55,637)
Road use tax receivable	<u>18,448</u>
Balances July 1, 2010, as restated	\$ <u>(37,189)</u>

The Governmental Activities and Business Type Activities net assets were restated to include the receivable for the local option sales tax and road use tax, for a fund once deemed to be a perpetual fund held outside the financial statements, to adjust the prior year customer accounts receivable and for prior year retirement incentive and compensated absences payable balances.

The effect of the prior period adjustments are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Balances June 30, 2010, as previously reported	\$ 7,372,644	16,777,778
Local option sales tax receivable	29,040	-
Road use tax receivable	18,448	-
Agency fund reclassification	67,980	-
Customer accounts receivable	-	(77,766)
Accrued retirement incentive	(65,050)	(141,950)
Accrued compensated absences	<u>(29,125)</u>	<u>(16,079)</u>
Balances July 1, 2010, as restated	\$ <u>7,393,937</u>	<u>16,541,983</u>

CITY OF WEST LIBERTY
Notes to Financial Statements (Continued)
June 30, 2011

Note 14 – Accounting Change/Restatement (Continued)

The Proprietary Funds net assets were restated to adjust the prior year customer accounts receivable and for prior year retirement incentive, other postemployment benefits and compensated absences payable balances.

The effect of the prior period adjustment is as follows:

	Water	Sewer	Electric	Solid Waste	Total
Balances June 30, 2010, as previously reported	\$ 1,977,900	5,525,440	9,049,891	275,527	16,828,758
Account receivable adjustment	(4,301)	(17,253)	(52,290)	(3,922)	(77,766)
Accrued retirement incentive	(5,100)	(38,300)	(64,050)	(34,500)	(141,950)
Net OPEB liability	(8,978)	(13,625)	(24,098)	(4,279)	(50,980)
Compensated absences	(3,740)	(1,361)	(8,378)	(2,600)	(16,079)
Balances July 1, 2010, as restated	\$ 1,955,781	5,454,901	8,901,075	230,226	16,541,983

Note 15 – Termination Benefits

The City offers a retirement incentive plan to its employees. The incentive is \$1,000 for every full year of service to the City beginning with a minimum of ten full years of service and a maximum of twenty-five full years of service. At June 30, 2011 the City has obligation to twelve employees with a total liability of \$224,000. There were no actual early retirement expenditures for the year ended June 30, 2011.

Note 16 – Subsequent Events

Management evaluated subsequent events through April 30, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to April 30, 2012 that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2011.

CITY OF WEST LIBERTY

Required Supplementary Information

CITY OF WEST LIBERTY
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) -
 Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Actual to Budget Variance
Receipts:						
Property tax	\$ 1,003,077	-	1,003,077	988,510	988,510	14,567
Tax increment financing	128,722	-	128,722	125,306	125,306	3,416
Local option	340,424	-	340,424	409,701	409,701	(69,277)
Licenses and permits	13,939	-	13,939	38,250	38,250	(24,311)
Use of money and property	16,611	76,173	92,784	135,575	135,575	(42,791)
Intergovernmental	665,765	-	665,765	322,280	322,280	343,485
Charges for service	192,775	7,405,315	7,598,090	7,215,033	7,215,033	383,057
Miscellaneous	177,022	-	177,022	111,000	111,000	66,022
Total receipts	<u>2,538,335</u>	<u>7,481,488</u>	<u>10,019,823</u>	<u>9,345,655</u>	<u>9,345,655</u>	<u>674,168</u>
Disbursements:						
Public Safety	767,273	-	767,273	797,969	797,969	30,696
Public Works	297,001	-	297,001	384,260	384,260	87,259
Culture and Recreation	880,917	-	880,917	951,830	1,140,830	259,913
General Government	259,036	-	259,036	117,844	117,844	(141,192)
Debt Service	414,881	-	414,881	414,881	414,881	-
Capital Projects	1,356,578	-	1,356,578	-	1,200,000	(156,578)
Business type activities	-	6,768,973	6,768,973	8,412,514	8,954,514	2,185,541
Total disbursements	<u>3,975,686</u>	<u>6,768,973</u>	<u>10,744,659</u>	<u>11,079,298</u>	<u>13,010,298</u>	<u>2,265,639</u>
Excess (deficiency) of receipts over (under) disbursements	(1,437,351)	712,515	(724,836)	(1,733,643)	(3,664,643)	2,939,807
Other financing sources, net	<u>620,946</u>	<u>(1,432,813)</u>	<u>(811,867)</u>	<u>2,250,000</u>	<u>2,250,000</u>	<u>3,061,867</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(816,405)	(720,298)	(1,536,703)	516,357	(1,414,643)	6,001,674
Balances beginning of year, as restated	<u>1,654,308</u>	<u>5,255,435</u>	<u>6,909,743</u>	<u>14,637,440</u>	<u>14,637,440</u>	<u>(7,727,697)</u>
Balances end of year	<u>\$ 837,903</u>	<u>4,535,137</u>	<u>5,373,040</u>	<u>15,153,797</u>	<u>13,222,797</u>	<u>(1,726,023)</u>

See accompanying independent auditors' report.

CITY OF WEST LIBERTY
Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2011

		Governmental Funds			Proprietary Funds		
		Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$	2,538,335	(7,642)	2,530,693	7,481,488	102,846	7,584,334
Expenditures/expenses		3,975,686	(114,387)	3,861,299	6,768,973	807,489	7,576,462
Net		(1,437,351)	106,745	(1,330,606)	712,515	(704,643)	7,872
Other financing sources, net		620,946	(587,995)	32,951	(1,432,813)	1,092,094	(340,719)
Beginning fund balances/net assets		1,654,308	(156,467)	1,497,841	5,255,435	11,286,548	16,541,983
Ending fund balances/net assets	\$	837,903	(637,717)	200,186	4,535,137	11,673,999	16,209,136

CITY OF WEST 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 government with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue 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. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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 required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget amendments did not increase budgeted revenues; however, the amendments did increase disbursements by \$1,931,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements in the general government and capital projects functions exceeded the amount budgeted.

CITY OF WEST LIBERTY
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Fiscal Year Ended	Actual Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	\$ -	\$ 646,110	\$ 646,110	-	\$ 1,253,266	51.6%
2010	July 1, 2009	\$ -	\$ 646,110	\$ 646,110	-	\$ 1,141,399	56.6%

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

CITY OF WEST LIBERTY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue					Total
	Road Use	FEMA	TIF Urban Renewal	Debt Service	Capital Projects - Dutton	
<u>Assets</u>						
Cash and pooled investments	\$ 53,165	13,970	5,511	137,165	-	209,811
Receivables:						
Property tax:						
Delinquent	-	-	-	7,214	-	7,214
Succeeding year	-	-	-	108,557	-	108,557
Tax increment financing:						
Succeeding year	-	-	129,470	-	-	129,470
Due from other governments	29,032	-	-	-	-	29,032
Prepaid expenditures	5,723	-	-	-	-	5,723
Total assets	<u>\$ 87,920</u>	<u>13,970</u>	<u>134,981</u>	<u>252,936</u>	<u>-</u>	<u>489,807</u>
<u>Liabilities and fund balances</u>						
Liabilities:						
Accounts payable	\$ 2,736	-	-	-	-	2,736
Salaries and benefits payable	2,768	-	-	-	-	2,768
Due to other funds	-	-	-	-	93,956	93,956
Deferred revenue:						
Succeeding year property tax	-	-	-	108,557	-	108,557
Succeeding year tax increment financing	-	-	129,470	-	-	129,470
Total liabilities	<u>5,504</u>	<u>-</u>	<u>129,470</u>	<u>108,557</u>	<u>93,956</u>	<u>337,487</u>
Fund balances:						
Nonspendable:						
Prepaid expenditures	5,723	-	-	-	-	5,723
Restricted for:						
Debt service	-	-	-	144,379	-	144,379
Road use	76,693	-	-	-	-	76,693
Community development	-	13,970	5,511	-	-	19,481
Unassigned	-	-	-	-	(93,956)	(93,956)
Total fund balances	<u>82,416</u>	<u>13,970</u>	<u>5,511</u>	<u>144,379</u>	<u>(93,956)</u>	<u>152,320</u>
Total liabilities and fund balances	<u>\$ 87,920</u>	<u>13,970</u>	<u>134,981</u>	<u>252,936</u>	<u>-</u>	<u>489,807</u>

See accompanying independent auditors' report.

CITY OF WEST LIBERTY
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue					Total
	Road Use	FEMA	TIF Urban Renewal	Debt Service	Capital Projects - Dutton	
Revenues:						
Property tax	\$ -	-	-	112,764	-	112,764
Tax increment financing	-	-	128,722	-	-	128,722
Other city tax	-	-	-	-	28,169	28,169
Use of money and property	-	-	50	1,982	-	2,032
Intergovernmental	324,568	283,645	-	-	-	608,213
Total revenues	<u>324,568</u>	<u>283,645</u>	<u>128,772</u>	<u>114,746</u>	<u>28,169</u>	<u>879,900</u>
Expenditures:						
Operating:						
Public works	197,596	-	-	-	-	197,596
Debt service	-	-	-	414,881	-	414,881
Capital projects	-	-	-	-	73,726	73,726
Total expenditures	<u>197,596</u>	<u>-</u>	<u>-</u>	<u>414,881</u>	<u>73,726</u>	<u>686,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>126,972</u>	<u>283,645</u>	<u>128,772</u>	<u>(300,135)</u>	<u>(45,557)</u>	<u>193,697</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	296,728	-	296,728
Operating transfers (out)	(7,367)	(283,645)	(128,722)	-	-	(419,734)
Total other financing sources (uses)	<u>(7,367)</u>	<u>(283,645)</u>	<u>(128,722)</u>	<u>296,728</u>	<u>-</u>	<u>(123,006)</u>
Net changes in fund balances	119,605	-	50	(3,407)	(45,557)	70,691
Fund balances beginning of year, as restated	(37,189)	13,970	5,461	147,786	(48,399)	81,629
Fund balances end of year	<u>\$ 82,416</u>	<u>13,970</u>	<u>5,511</u>	<u>144,379</u>	<u>(93,956)</u>	<u>152,320</u>

See accompanying independent auditors' report.

CITY OF WEST LIBERTY
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Four Years

	2011	2010	2009	2008
Revenues:				
Property tax	\$ 1,003,077	885,240	908,174	809,496
Tax increment financing revenue	128,722	128,126	77,854	149,195
Other city tax	340,424	346,164	404,484	360,873
Licenses and permits	13,939	12,138	10,380	13,303
Use of money and property	16,611	24,846	35,028	78,024
Intergovernmental	665,765	355,020	371,963	311,618
Charges for service	192,775	163,550	157,475	172,235
Miscellaneous	169,380	146,849	194,155	125,794
Contributions	-	84,374	80,140	496,013
Total	\$ 2,530,693	2,146,307	2,239,653	2,516,551
Expenditures:				
Operating:				
Public safety	\$ 767,273	691,962	711,875	695,671
Public works	297,001	438,445	385,483	518,212
Culture and recreation	880,917	996,276	1,215,194	991,550
Community and economic development	-	-	-	316
General government	144,649	125,713	133,730	103,678
Debt service	414,881	336,939	303,119	302,660
Capital projects	1,356,578	1,534,489	70,136	374,089
Total	\$ 3,861,299	4,123,824	2,819,537	2,986,176

See accompanying independent auditors' report.

CITY OF WEST LIBERTY

Insurance in Force

June 30, 2011

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>	<u>Remarks</u>	<u>Policy Number</u>	<u>Term</u>	<u>Inception Date</u>	
Employers Mutual Co.	Property	\$ 14,490,090	04/01/12		8A9-30-44---11	1 yr.	04/01/11	
	Liability	1,000,000	Each Occurrence		8E9-30-44---11	1 yr.	04/01/11	
		2,000,000	Aggregate					
	Business auto	1,000,000						
	Crime coverage				8F9-30-44---11	1 yr.	04/01/11	
	Loss inside premises	10,000						
	Loss outside premises	10,000						
	Employee dishonesty	25,000						
	Forgery	10,000						
	Inland marine	Various Per Item				8C9-30-44---11	1 yr.	04/01/11
	Electronic data processing							
	Contractors equipment							
	Scheduled property floater							
	Umbrella liability	5,000,000				8J9-30-44---11	1 yr.	04/01/11
	Self insured retention	10,000						
Worker's compensation	500,000				8H9-30-44---11	1 yr.	04/01/11	
Commercial output	Various Per Item							
Linebacker	1,000,000		Each Occurrence		8X9-30-44---11	1 yr.	04/01/11	
Law enforcement	1,000,000		Each Occurrence					
		2,000,000	Aggregate					
The Hartford Accident and Indemnity Company	Volunteer firefighters		03/23/12	Volunteer Firefighters	83-VP-730207	1 yr.	03/23/11	
	Accidental death & dismember benefit	50,000		Blanket				
	Accident total disability benefit	100		Accident Policy				
	Accelerated benefit (living benefit option)	25,000		Weekly Benefit Up to Age 65				

See accompanying independent auditors' report

CITY OF WEST LIBERTY
General Obligation and Revenue Bonds & Notes Maturities
June 30, 2011

Year Ending <u>June 30,</u>	<u>Pool Project</u> <u>Issued September 1, 2002</u>		<u>Street Improvements Bond</u> <u>Issued August 15, 2009</u>		<u>Elm Street GO Note</u> <u>Issued November 1, 2006</u>		<u>GO Capital Loan</u> <u>Issued December 15, 2009</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2012	4.60%	\$ 30,240	1.50%	130,000	3.90%	85,000	1.35%	90,000
2013	4.70%	33,600	1.80%	130,000	3.95%	85,000	1.70%	90,000
2014		-	2.15%	130,000	4.00%	90,000	2.15%	95,000
2015		-	2.50%	130,000	4.05%	95,000	2.55%	95,000
2016		-	2.80%	135,000	4.10%	95,000	2.80%	95,000
2017		-		-	4.15%	100,000	3.05%	100,000
2018		-		-		-	3.25%	105,000
2019		-		-		-	3.45%	105,000
2020		-		-		-	3.60%	110,000
2021		-		-		-	3.75%	115,000
2022		-		-		-	3.85%	120,000
2023		-		-		-	3.95%	125,000
2024		-		-		-	4.00%	130,000
2025		-		-		-	4.10%	135,000
Total		<u>\$ 63,840</u>		<u>655,000</u>		<u>550,000</u>		<u>1,510,000</u>

See accompanying independent auditors' report.

(continued)

CITY OF WEST LIBERTY
 General Obligation and Revenue Bonds & Notes Maturities (Continued)
 June 30, 2011

Year Ending June 30,	<u>Electric Revenue Refunding</u> <u>Issued May 3, 2011</u>		<u>Sewer GO Note</u> <u>Issued September 1, 2002</u>		<u>Sewer Revenue Capital Note</u> <u>Issued December 15, 2008</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2012	0.50%	\$ 385,000	4.60%	14,760	4.75%	135,000
2013	1.10%	390,000	4.70%	16,400	5.00%	145,000
2014	1.40%	395,000	-	-	5.25%	150,000
2015	1.80%	400,000	-	-	5.50%	160,000
2016	2.20%	405,000	-	-	5.75%	165,000
2017	2.50%	420,000	-	-	6.00%	175,000
2018	2.80%	420,000	-	-	6.10%	185,000
2019		-	-	-	6.20%	195,000
2020		-	-	-	6.30%	210,000
2021		-	-	-	6.40%	225,000
2022		-	-	-	6.50%	235,000
2023		-	-	-	6.60%	250,000
2024		-	-	-	6.70%	270,000
2025		-	-	-	6.80%	285,000
2026		-	-	-	6.90%	305,000
2027		-	-	-	7.00%	330,000
2028		-	-	-	7.05%	350,000
TOTAL		\$ <u>2,815,000</u>		<u>31,160</u>		<u>3,770,000</u>

See accompanying independent auditors' report.

(continued)

CITY OF WEST LIBERTY
 General Obligation and Revenue Bonds & Notes Maturities (Continued)
 June 30, 2011

Bank Note

Solid Waste Garbage Truck
Issued December 12, 2007

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Amount</u>
2012	5.00%	\$ 23,580
2013	5.00%	<u>12,425</u>
Total		<u><u>\$ 36,005</u></u>

See accompanying independent auditors' report.

CITY OF WEST LIBERTY
Computation of Legal Debt Margin
June 30, 2011

Actual valuation at January 1, 2009	\$ 136,554,273
Times %	<u>x 5%</u>
Legal debt limitation	<u>6,827,714</u>
 Debt applicable to limitation	
Outstanding general obligation bonds and notes at June 30, 2011	 <u>2,810,000</u>
 Legal debt margin	 <u><u>\$ 4,017,714</u></u>

See accompanying independent auditors' report.

CITY OF WEST LIBERTY
 Electric Utility - Restricted Accounts Required by Bond Ordinance
 Restricted Accounts Required by Bond Ordinance
 June 30, 2011

	Account			Total
	Current Debt Service	Future Debt Service Reserve	Contingency (Renewal and Replacement)	
Cash and investments - beginning of year	\$ 199,467	471,000	580,108	1,250,575
Cash receipts - transfers from operating cash	<u>384,261</u>	<u>(189,500)</u>	<u>-</u>	<u>194,761</u>
Total cash and investments available	<u>583,728</u>	<u>281,500</u>	<u>580,108</u>	<u>1,445,336</u>
Cash disbursements:				
Principal payments	320,000	-	-	320,000
Interest payments	<u>134,455</u>	<u>-</u>	<u>-</u>	<u>134,455</u>
Total cash disbursement	<u>454,455</u>	<u>-</u>	<u>-</u>	<u>454,455</u>
Cash and investments - end of year	<u>\$ 129,273</u>	<u>281,500</u>	<u>580,108</u>	<u>990,881</u>

See accompanying independent auditors' report.

CITY OF WEST LIBERTY
Sewer Utility - Revenue Bond & Note
Restricted Accounts Required by Bond Ordinance
June 30, 2011

	Account			Total
	Current Debt Service	Future Debt Service Reserve	Contingency (Renewal and Replacement)	
Cash and investments - beginning of year	\$ 182,676	378,000	358,551	919,227
Cash receipts - transfers in from operating cash	<u>225,119</u>	<u>150,000</u>	<u>59,111</u>	<u>434,230</u>
Total cash and investments available	<u>407,795</u>	<u>528,000</u>	<u>417,662</u>	<u>1,353,457</u>
Cash disbursements:				
Principal payments	130,000	-	-	130,000
Interest payments	<u>245,245</u>	-	-	<u>245,245</u>
Total cash disbursements	<u>375,245</u>	<u>-</u>	<u>-</u>	<u>375,245</u>
Cash and investments - end of year	\$ <u><u>32,550</u></u>	<u><u>528,000</u></u>	<u><u>417,662</u></u>	<u><u>978,212</u></u>

See accompanying independent auditors' report.

CITY OF WEST LIBERTY
Sewer Rates and Customers
June 30, 2011

Number of sewer customers as of June 30, 2011: 1575

Sewer rates as of June 30, 2011: \$4.20/1,000 gallons/month plus \$18.50 user fee/month
minimum for 0-1,000 gallons \$22.70

Rural usage: \$4.78/1,000 gallons/month plus \$26.83 user fee/month
minimum for 0-1,000 gallons \$31.61

CITY OF WEST LIBERTY

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

June 30, 2011



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty (the City), Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we have identified deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of West Liberty's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items III-A-11 and II-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-B-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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

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

TDE&T Financial Group, P.C.

Muscatine, Iowa
April 30, 2012

CITY OF WEST LIBERTY
Schedule of Findings
Year Ended June 30, 2011

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

(continued)

CITY OF WEST LIBERTY
Schedule of Findings (Continued)
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 Monitoring - Two important elements of internal controls are monitoring and communication. We noted that detail records do not balance to trial balances in account receivable and account payable functions.

Recommendation – The City should tie out detail receivable and payable balances to the trial balance every month.

Response – The City will make every effort to tie the detail records to the trial balance.

Conclusion – Response accepted.

- II-B-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize the segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal controls possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions.

Response – The City will consider this.

Conclusion – Response accepted.

- II-C-11 Financial Statement Preparation – Management has chosen to utilize the auditors in drafting the annual financial statements and footnotes.

Recommendation – Management should prepare the financial statements but has not obtained the sufficient expertise necessary to prepare the financial statements and the footnotes.

Response – Management agrees and understands.

Conclusion – Response accepted.

(continued)

CITY OF WEST LIBERTY
Schedule of Findings (Continued)
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements (Continued):

INTERNAL CONTROL DEFICIENCIES (Continued):

II-D-11 Ambulance Receivables – Outstanding ambulance receivable balance at year end has increased significantly over the past two years, with no active collection process.

Recommendation – The City should more actively attempt to collect on these charges.

Response – The City will attempt to collect the outstanding ambulance charges.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-11 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-B-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-C-11 Business Transactions – Business transactions between the City and City officials or employees are noted as follows:

<u>Name, Title and Business Connection</u>	<u>Transactions Description</u>
William Cline - Council Member HD Cline Company	Parts, Repairs & Capital Expenditures \$98,530

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

III-D-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

III-E-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-F-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

(continued)

CITY OF WEST LIBERTY
Schedule of Findings (Continued)
Year Ended June 30, 2011

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

III-G-11 Revenue Notes – No instances of non-compliance with the revenue note provisions were noted.

III-H-11 Financial Condition – The General Fund had an unassigned deficit fund balance at June 30, 2011 of \$295,247. The Dutton Complex, a capital project fund, had a deficit fund balance at June 30, 2011 of \$93,956. The Street Improvement Fund, a capital project fund, had a deficit fund balance at June 30, 2011 of \$604,847.

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

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

Conclusion – Response accepted.

III-I-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the general government and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

III-J-11 Publication of Council Minutes – All minutes of council meetings were not published within 15 days, in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish the council minutes within the 15 day window.

Response – The City will publish the minutes within 15 days.

Conclusion – Response accepted.

III-K-11 Special Tax Levy Collections – Taxes levied for employee benefits should be recorded in a Special Revenue Fund.

Recommendation – The City should record the funds in a Special Revenue Fund.

Response – The City will create a Special Revenue Fund to account for the employee benefit tax levies.

Conclusion – Response accepted.