# CITY OF NORTH LIBERTY, IOWA

## INDEPENDENT AUDITOR'S REPORTS
## BASIC FINANCIAL STATEMENTS
## SUPPLEMENTARY AND OTHER INFORMATION
## SCHEDULE OF FINDINGS AND RESPONSES

**JUNE 30, 2013**

CITY OF NORTH LIBERTY, IOWA

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## CITY OF NORTH LIBERTY, IOWA

Officials

| Name | Title | Term Expires |
|---|---|---|
| **Mayor and Council** | | |
| Thomas Salm | Mayor | January 2014 |
| Gerald Kuhl | Mayor Pro Tem | January 2014 |
| Brian Wayson | Council Member | January 2014 |
| Chris Hoffman | Council Member | January 2016 |
| Terry Donahue | Council Member | January 2016 |
| Coleen Chipman | Council Member | January 2016 |
| **City Staff** | | |
| Ryan Heiar | City Administrator | |
| Tracey Mulcahey | City Clerk/Assistant City Administrator | |
| Debra Hilton | Treasurer | |
| Scott Peterson | City Attorney | |

Winkel, Parker & Foster, CPA PC
Certified Public Accountants & Consultants

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty, Iowa, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Liberty, Iowa's basic financial statements. The financial statements for the years ended June 30, 2004 through 2012 (none of which are presented herein) were audited by other auditors and they expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Disclaimer of Opinion on Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Liberty, Iowa's basic financial statements. The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 12 and 34 through 36 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014 on our consideration of the City of North Liberty, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* in considering the City of North Liberty, Iowa's internal control over financial reporting and compliance.

Wenkel, Parker & Foster, CPA PC

Iowa City, Iowa
March 21, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of North Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### FY 2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately $13,000, less than 1%, from FY 2012 to FY 2013. Property tax receipts increased approximately $600,000, tax increment financing decreased approximately $72,000 and intergovernmental receipts decreased approximately $498,000. Bond proceeds were significantly less than the previous year, approximately $2.2 million versus the previous year's $8.4 million.

- Disbursements of the City's governmental activities decreased approximately $25,000, or 0.12%, from FY 2012 to FY 2013. Public safety disbursements increased approximately $160,000, public works disbursements increased approximately $204,000, community and economic development disbursements increased approximately $64,000 and general government disbursements increased approximately $117,000. Capital project expenditures decreased by more than $760,000.

- The City's total cash basis net position decreased 19.60%, or approximately $2,050,000, from June 30, 2012 to June 30, 2013. Of this amount, the net position of the governmental activities decreased by approximately $2,862,000 and the net position of the business type activities increased by approximately $811,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the General Fund, nonmajor governmental funds, proprietary funds and the City's indebtedness.

**BASIS OF ACCOUNTING**

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

**REPORTING THE CITY'S FINANCIAL ACTIVITIES**

*Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, tax increment financing and bond sale proceeds finance a significant portion of most of these activities.

- Business Type Activities include the water, sanitary sewer, and storm sewer utilities and utility deposits. These activities are financed primarily by user charges.

*Fund Financial Statements*

The City of North Liberty has two kinds of funds:

1) Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Funds, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services

it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

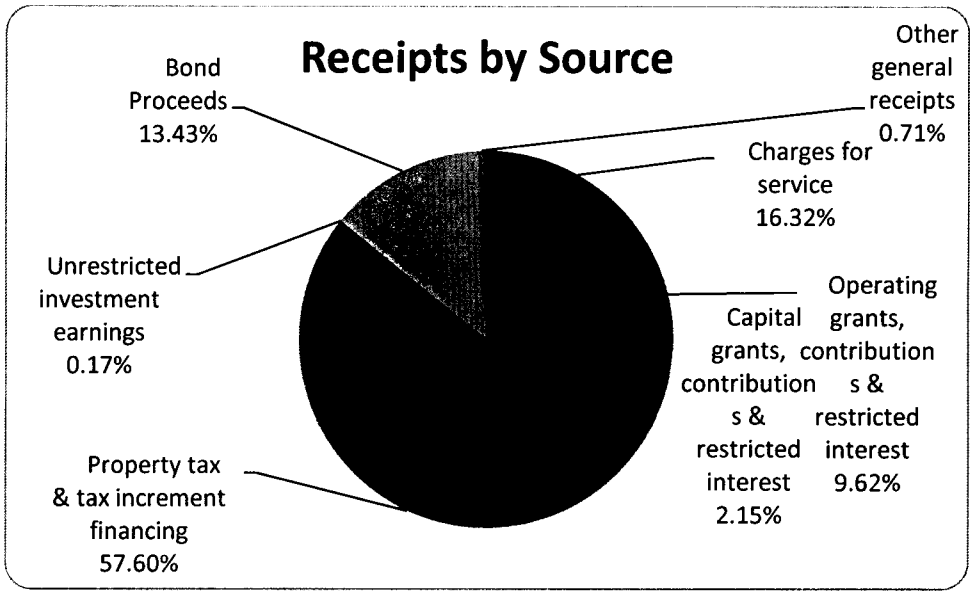
**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

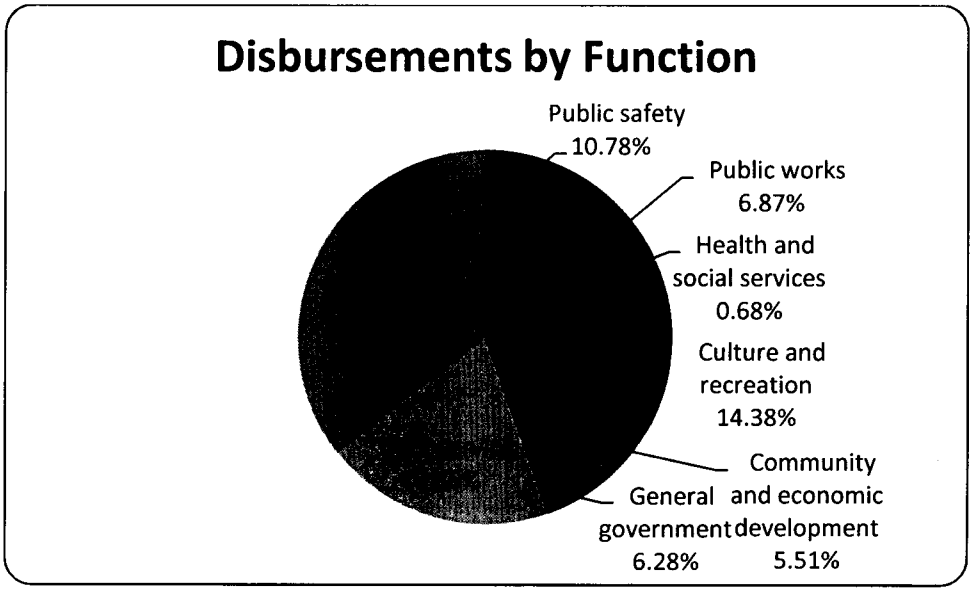
Net position may serve over time as a useful indicator of financial position. The City's cash basis net position for governmental activities decreased from a year ago, decreasing from approximately $7,440,000to $4,578,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

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

| | Year ended June 30, | |
|---|---|---|
| | FY 2013 | FY 2012 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for service | $2,660 | $2,353 |
| Operating grants, contributions & restricted interest | 1,567 | 1,517 |
| Capital grants, contributions & restricted interest | 351 | 1,020 |
| General Receipts: | | |
| Property tax & tax increment financing | 9,386 | 8,851 |
| Unrestricted investment earnings | 27 | 29 |
| Bond Proceeds | 2,189 | 8,396 |
| Other general receipts | 116 | 328 |
| Total Receipts | $16,296 | $22,494 |
| | | |
| Disbursements: | | |
| Public safety | $2,145 | $1,984 |
| Public works | 1,368 | 1,164 |
| Health and social services | 135 | 86 |
| Culture and recreation | 2,862 | 2,826 |
| Community and economic development | 1,097 | 1,033 |
| General government | 1,250 | 1,133 |
| Debt service | 3,952 | 3,845 |

| | | |
|---|---|---|
| Capital projects | 7,092 | 7,855 |
| Total Disbursements | $19,901 | $19,926 |
| Change in cash basis net position before transfers | ($3,605) | $2,568 |
| Transfers, net | 743 | 466 |
| Change in cash basis net position | ($2,862) | $3,034 |
| Cash basis net position, beginning of year | 7,440 | 4,406 |
| Cash basis net position, end of year | $4,578 | $7,440 |



The City's total receipts for governmental activities decreased 27.5% or approximately $6,198,000. The total cost of all programs and services, provided by the City, decreased by approximately $25,000 or 0.13%. No new programs were added.

The City maintained the property tax rate for fiscal year 2013. With the growth in the City's taxable property, tax receipts increased approximately $535,000 in fiscal year 2013. Because of the growth in taxable valuation in the City of North Liberty from $485,783,902 in FY 2012 to $539,951,812 in FY 2013, general property tax revenues increased by $442,376 even though the City's general city tax levy remained at the maximum $8.10 per $1,000 of taxable valuation. The total city levy in FY 2013 was constant at $11.03264 from the levy in FY 2012. The balance of the levy was made up of a $1.42119 debt service levy and a $1.51145 employee benefits levy.

The cost of all governmental activities this year was approximately $19,901,000, compared to approximately $19,926,000 last year. General City operating expenses increased with fewer capital projects than the previous fiscal year.

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

| | Year Ended June 30, | |
|---|---|---|
| | 2013 | 2012 |
| Receipts: | | |
| Program receipts: | | |
| Charges for Service | | |
| Water | $2,614 | $2,186 |
| Sanitary Sewer | 3,003 | 2,621 |
| Storm Water | 171 | 177 |
| Utility Deposits | 164 | 146 |
| General Receipts: | | |
| Unrestricted interest on investments | | |
| Water | 3 | 3 |
| Sanitary Sewer | 3 | 3 |
| Bond and note proceeds | 1,567 | 0 |
| Total receipts | $7,525 | $5,136 |
| Disbursements: | | |
| Water | $1,402 | $1,172 |
| Sanitary Sewer | 1,230 | 1,260 |
| Storm Water | 61 | 62 |
| Utility Deposits | 113 | 196 |
| Debt Service | 3,165 | 1,620 |
| Total Disbursements | $5,971 | $4,310 |
| Change in net cash basis net position before transfers | $1,554 | $826 |
| Transfers, net | (743) | (466) |
| Change in cash basis net position | $811 | $360 |
| Cash basis net position, beginning of year | 3,020 | 2,660 |

| | | |
|---|---|---|
| Cash basis net position, end of year | $3,831 | $3,020 |

Total business type activities receipts for the fiscal year were approximately $7.52 million compared to approximately $5.138 million last year. The increase was primarily due to a water refunding bond sale occurring in this fiscal year. The cash basis net position increased approximately $811,000 due to increased revenues due to a rate increase for both utilities. Total disbursements for the fiscal year increased by 38.54%, or approximately $1,661,000, due to the payoff of the refinanced bond issue this fiscal year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As North Liberty completed the year, its governmental funds reported a combined fund balance of $4,578,018, a decrease of almost $2.86 million above last year's total of $7,439,798. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

General Fund

- The General Fund balance increased $414,972 from the prior year to $4,709,053. Charges for service increased by $241,378 due to an increase in garbage fees and recreation fees. The largest increase came through additional property tax receipts of $440,441.

Special Revenue

- The Special Revenue, Urban Renewal Tax Increment fund cash balance increased by $8,920. Collections of the tax increment financing receipts decreased by $72,325.
- The Special Revenue, Road Use Tax fund cash balance increased by $20,788. Collections of the road use tax receipts increased by $12,234.

Debt Service – General Obligation Debt

- The Debt Service – General Obligation Debt cash balance increased by approximately $110,000 due to increased tax receipts of $103,767.

Debt Service – Road Use Tax Bond Reserve

- The Debt Service – Road Use Tax Bond Reserve was funded for the first time in fiscal year 2012. The fund has $149,740 in debt service reserve.

Capital Projects

- Capital Projects – Street Capital Projects fund cash balance decreased by $2,790,827 due to construction activity of several major projects.
- Highway 965 Improvements fund cash balance increased by $19,344 due to proceeds from grants for project costs.
- Library Expansion fund cash balance decreased by $483,704 due to ongoing project costs that were funded with bond and loan proceeds in the next fiscal year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Enterprise Fund cash basis net position increased $249,203 to $1,108,303, due to an increase in the sale of water over the prior year and an increase in the water rates at the end of June 2012.
- The Sewer Enterprise Fund cash basis net position increased $491,856 to $1,951,664 due to an increase in sales and an increase in sewer rates.

- The Utility Deposit Enterprise Fund cash basis net position increased $51,267 to $473,826 due to deposits received exceeding deposit refunds paid out.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 11, 2013 and resulted in an increase in operating disbursements of approximately $2,000,000 due to numerous unplanned expenses including increased garbage fees, additional capital projects, increased electric costs and group insurance midyear changes that were not anticipated when the budget was created, and additional other unexpected expenses. The City had sufficient cash balances to absorb these additional costs.

The actual disbursements for the year were less in all categories than budgeted except in Health and Social Services where the disbursements exceeded the amended budgeted amount by $4,150 and Debt Service where disbursements exceeded the amended budget amount by $44,450. This was due to disbursements for health and social service expenses that were not known or anticipated when the budget was amended. Debt Service overage was due to additional bonding fees not contemplated during the budget amendment. Capital project disbursements were almost $3,000,000 less than budgeted due to delay of projects in construction.

## DEBT ADMINISTRATION

At June 30, 2013, the City had $42,050,000 in bonds and long-term debt compared to $43,989,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

| | June 30 | |
|---|---|---|
| | 2013 | 2012 |
| General obligation bonds | $24,251 | $25,474 |
| Rural Economic Development loan | 360 | 0 |
| Road Use Tax revenue bonds | 1,720 | 1,815 |
| Revenue bonds | 15,719 | 16,700 |
| Total | $42,050 | $43,989 |

Debt decreased as a result of existing debts being retired in excess of new debt incurred.

The City of North Liberty continues to carry a Moody's bond rating of Aa3 assigned by national rating agencies to the City's debt. The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $24,251,000 at June 30, 2013 is significantly below its constitutional debt limit of approximately $53 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

North Liberty City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees charged for various City activities. Economic indicators such as unemployment, tax base growth, rollback increase were taken into account when adopting the budget for fiscal year 2014. Fiscal year 2014 is a busy year for capital projects. The City has added a Rental Inspection Program to the fiscal year 2014 budget. If all of the budget estimates are realized, the City's budgeted cash balance is expected to remain relatively steady in the upcoming fiscal year.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**CITY OF NORTH LIBERTY, IOWA**

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

As of and for the Year Ended June 30, 2013

| Functions/Programs: | Disbursements | Program Receipts: Charges for Service | Program Receipts: Operating Grants, Contributions, and Restricted Interest | Program Receipts: Capital Grants, Contributions and Restricted Interest |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Public safety | $ 2,144,553 | $ 54,170 | $ 135,053 | $ - |
| Public works | 1,367,808 | 687,692 | 1,280,773 | - |
| Health and social services | 135,150 | - | - | - |
| Culture and recreation | 2,862,412 | 995,111 | 32,849 | - |
| Community and economic development | 1,097,172 | 28,685 | 117,866 | - |
| General government | 1,250,373 | 894,051 | - | - |
| Debt service | 3,952,064 | - | - | - |
| Capital projects | 7,091,862 | - | - | 351,322 |
| Total governmental activities | 19,901,394 | 2,659,709 | 1,566,541 | 351,322 |
| Business type activities: | | | | |
| Water | 1,975,652 | 2,613,941 | - | - |
| Sewer | 2,271,818 | 3,002,860 | - | - |
| Utility deposits | 112,523 | 163,790 | - | - |
| Stormwater management | 60,689 | 170,926 | - | - |
| Total business type activities | 4,420,682 | 5,951,517 | - | - |
| Total | $ 24,322,076 | $ 8,611,226 | $ 1,566,541 | $ 351,322 |
| General Receipts and Financing Sources (Uses): | | | | |
| Property tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Other purposes | | | | |
| Tax increment financing | | | | |
| Unrestricted interest on investments | | | | |
| Bond and loan proceeds | | | | |
| Refunding debt service - principal | | | | |
| Miscellaneous | | | | |
| Sale of capital assets | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position, beginning of year | | | | |
| Cash basis net position, end of year | | | | |

**Exhibit A**

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

| Governmental Activities | Business Type Activities | Total |
|---|---|---|
| $ (1,955,330) | $ - | $ (1,955,330) |
| 600,657 | - | 600,657 |
| (135,150) | - | (135,150) |
| (1,834,452) | - | (1,834,452) |
| (950,621) | - | (950,621) |
| (356,322) | - | (356,322) |
| (3,952,064) | - | (3,952,064) |
| (6,740,540) | - | (6,740,540) |
| (15,323,822) | - | (15,323,822) |
| - | 638,289 | 638,289 |
| - | 731,042 | 731,042 |
| - | 51,267 | 51,267 |
| - | 110,237 | 110,237 |
| - | 1,530,835 | 1,530,835 |
| (15,323,822) | 1,530,835 | (13,792,987) |
| 4,404,849 | - | 4,404,849 |
| 931,290 | - | 931,290 |
| 821,208 | - | 821,208 |
| 3,228,972 | - | 3,228,972 |
| 26,994 | 6,277 | 33,271 |
| 2,189,700 | 1,567,179 | 3,756,879 |
| - | (1,550,000) | (1,550,000) |
| 113,996 | - | 113,996 |
| 1,925 | - | 1,925 |
| 743,108 | (743,108) | - |
| 12,462,042 | (719,652) | 11,742,390 |
| (2,861,780) | 811,183 | (2,050,597) |
| 7,439,798 | 3,020,222 | 10,460,020 |
| $ 4,578,018 | $ 3,831,405 | $ 8,409,423 |
| (Exhibit B) | (Exhibit C) | |

**CITY OF NORTH LIBERTY, IOWA**

Cash Basis Statement of Activities and Net Position
(Page 2 of 2)

As of and for the Year Ended June 30, 2013

| |
|---|
| Cash Basis Net Position |
| Restricted |
| Expendable: |
| Streets |
| Urban renewal |
| Capital equipment purchases |
| Property improvements |
| Employee benefits |
| Debt service |
| Hotel/motel tax |
| Tree purchases |
| Police |
| Utility deposits |
| Unrestricted |
| Total cash basis net position |

See accompanying notes to financial statements.

**Exhibit A**

| Net (Disbursements) Receipts and Changes in Cash Basis Net Position | | |
|---|---|---|
| Governmental Activities | Business Type Activities | Total |
| $ 1,022,897 | $ - | $ 1,022,897 |
| 768,890 | - | 768,890 |
| 824 | - | 824 |
| 7,034 | - | 7,034 |
| 2,545 | - | 2,545 |
| 335,059 | 1,256,457 | 1,591,516 |
| 61,220 | - | 61,220 |
| 4,512 | - | 4,512 |
| 1,124 | - | 1,124 |
| - | 473,826 | 473,826 |
| 2,373,913 | 2,101,122 | 4,475,035 |
| $ 4,578,018 | $ 3,831,405 | $ 8,409,423 |

**CITY OF NORTH LIBERTY, IOWA**

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

As of and for the Year Ended June 30, 2013

| | General Fund | Special Revenue: Road Use Tax | Special Revenue: Urban Renewal Tax Increment |
|---|---|---|---|
| Receipts: | | | |
| Property tax | $ 4,368,254 | $ - | $ - |
| Tax increment financing | - | - | 3,228,972 |
| Other city tax | 279,316 | - | - |
| Licenses and permits | 565,465 | - | - |
| Use of money and property | 140,650 | - | - |
| Intergovernmental | 215,178 | 1,280,773 | - |
| Charges for service | 1,698,909 | - | - |
| Special assessments | 1,660 | - | - |
| Miscellaneous | 218,227 | - | - |
| Total receipts | 7,487,659 | 1,280,773 | 3,228,972 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 2,144,553 | - | - |
| Public works | 573,428 | 794,380 | - |
| Health and social services | 135,150 | - | - |
| Culture and recreation | 2,862,412 | - | - |
| Community and economic development | 615,614 | - | 481,558 |
| General government | 1,250,373 | - | - |
| Debt service | - | - | - |
| Capital projects | 940,590 | - | - |
| Total disbursements | 8,522,120 | 794,380 | 481,558 |
| Excess (deficiency) of receipts over (under) disbursements | (1,034,461) | 486,393 | 2,747,414 |
| Other financing sources (uses): | | | |
| Sale of capital assets | 1,925 | - | - |
| Proceeds from sale of general obligation bonds | - | - | - |
| Proceeds from Rural Economic Development Loan | - | - | - |
| Operating transfers in | 2,378,358 | - | - |
| Operating transfers (out) | (930,850) | (465,605) | (2,738,494) |
| Total other financing sources (uses) | 1,449,433 | (465,605) | (2,738,494) |
| Net change in cash balances | 414,972 | 20,788 | 8,920 |
| Cash and cash investments, beginning of year | 4,294,081 | 501,457 | 265,059 |
| Cash and cash investments, end of year | $ 4,709,053 | $ 522,245 | $ 273,979 |

**Exhibit B**

| Debt Service | | Capital Projects | | | Other | |
|---|---|---|---|---|---|---|
| General Obligation Debt | Road Use Tax - Bond Reserve | Street Capital Projects | Highway 965 Improvements | Library Expansion | Nonmajor Governmental Funds | Total |
| $ 924,875 | $ - | $ - | $ - | $ - | $ 814,373 | $ 6,107,502 |
| - | - | - | - | - | - | 3,228,972 |
| 6,415 | - | - | - | - | 6,835 | 292,566 |
| - | - | - | - | - | - | 565,465 |
| - | - | - | - | 2 | 23 | 140,675 |
| - | - | - | 41,614 | 147,941 | 81,584 | 1,767,090 |
| - | - | - | - | - | - | 1,698,909 |
| - | - | - | - | - | - | 1,660 |
| - | - | - | 1 | 82,414 | 1,400 | 302,042 |
| 931,290 | - | - | 41,615 | 230,357 | 904,215 | 14,104,881 |
| - | - | - | - | - | - | 2,144,553 |
| - | - | - | - | - | - | 1,367,808 |
| - | - | - | - | - | - | 135,150 |
| - | - | - | - | - | - | 2,862,412 |
| - | - | - | - | - | - | 1,097,172 |
| - | - | - | - | - | - | 1,250,373 |
| 3,952,064 | - | - | - | - | - | 3,952,064 |
| - | - | 2,890,827 | 22,271 | 2,870,161 | 368,013 | 7,091,862 |
| 3,952,064 | - | 2,890,827 | 22,271 | 2,870,161 | 368,013 | 19,901,394 |
| (3,020,774) | - | (2,890,827) | 19,344 | (2,639,804) | 536,202 | (5,796,513) |
| - | - | - | - | - | - | 1,925 |
| 43,600 | - | - | - | 1,786,100 | - | 1,829,700 |
| - | - | - | - | 360,000 | - | 360,000 |
| 3,087,781 | - | 100,000 | - | 10,000 | 123,126 | 5,699,265 |
| - | - | - | - | - | (821,208) | (4,956,157) |
| 3,131,381 | - | 100,000 | - | 2,156,100 | (698,082) | 2,934,733 |
| 110,607 | - | (2,790,827) | 19,344 | (483,704) | (161,880) | (2,861,780) |
| 74,712 | 149,740 | 1,759,025 | 475,620 | 223,557 | (303,453) | 7,439,798 |
| $ 185,319 | $ 149,740 | $ (1,031,802) | $ 494,964 | $ (260,147) | $ (465,333) | $ 4,578,018 |
| | | | | | | (Exhibit A) |

**CITY OF NORTH LIBERTY, IOWA**

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

As of and for the Year Ended June 30, 2013

| | | Special Revenue | |
|---|---|---|---|
| | General Fund | Road Use Tax | Urban Renewal Tax Increment |
| Cash basis fund balances: | | | |
| Restricted for: | | | |
| Street operations | $ - | $ 522,245 | $ - |
| Street capital projects | - | - | - |
| Urban renewal purposes | - | - | 273,979 |
| Urban renewal projects | - | - | - |
| Capital equipment purchases | - | - | - |
| Property improvements | - | - | - |
| Employee benefits | - | - | - |
| Debt service | - | - | - |
| Hotel/motel tax | 61,220 | - | - |
| Tree purchases | 4,512 | - | - |
| Police | 1,124 | - | - |
| Assigned for: | | | |
| Capital equipment purchases | 940,651 | - | - |
| Street capital projects | 1,414,548 | - | - |
| Park development | 24,327 | - | - |
| Stormwater capital projects | 42,999 | - | - |
| Youth scholarships/recreation capital equipment | 55,743 | - | - |
| Unassigned | 2,163,929 | - | - |
| Total cash basis fund balances | $ 4,709,053 | $ 522,245 | $ 273,979 |

See accompanying notes to financial statements.

**Exhibit B**

| Debt Service | | Capital Projects | | | Other | |
|---|---|---|---|---|---|---|
| General Obligation Debt | Road Use Tax - Bond Reserve | Street Capital Projects | Highway 965 | Library Expansion | Nonmajor Governmental Funds | Total |
| $ - | $ - | $ - | $ - | $ - | $ - | $ 522,245 |
| - | - | - | 494,964 | - | 5,688 | 500,652 |
| - | - | - | - | - | - | 273,979 |
| - | - | - | - | - | 494,911 | 494,911 |
| - | - | - | - | - | 824 | 824 |
| - | - | - | - | - | 7,034 | 7,034 |
| - | - | - | - | - | 2,545 | 2,545 |
| 185,319 | 149,740 | - | - | - | - | 335,059 |
| - | - | - | - | - | - | 61,220 |
| - | - | - | - | - | - | 4,512 |
| - | - | - | - | - | - | 1,124 |
| - | - | - | - | - | - | 940,651 |
| - | - | - | - | - | 40,993 | 1,455,541 |
| - | - | - | - | - | - | 24,327 |
| - | - | - | - | - | - | 42,999 |
| - | - | - | - | - | - | 55,743 |
| - | - | (1,031,802) | - | (260,147) | (1,017,328) | (145,348) |
| $ 185,319 | $ 149,740 | $ (1,031,802) | $ 494,964 | $ (260,147) | $ (465,333) | $ 4,578,018 |

**CITY OF NORTH LIBERTY, IOWA** **Exhibit C**

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

As of and for the Year Ended June 30, 2013

| | Water Enterprise | Sewer Enterprise | Utility Deposits | Other Nonmajor Proprietary Funds | Total |
|---|---|---|---|---|---|
| Operating receipts: | | | | | |
| Charges for service | $ 2,611,762 | $ 3,001,813 | $ - | $ 170,926 | $ 5,784,501 |
| Miscellaneous | 2,179 | 1,047 | 163,790 | - | 167,016 |
| Total operating receipts | 2,613,941 | 3,002,860 | 163,790 | 170,926 | 5,951,517 |
| Operating disbursements: | | | | | |
| Business type activities | 1,402,173 | 1,230,542 | 112,523 | 60,689 | 2,805,927 |
| Excess of operating receipts over operating disbursements | 1,211,768 | 1,772,318 | 51,267 | 110,237 | 3,145,590 |
| Non-operating receipts and (disbursements): | | | | | |
| Interest on cash investments | 3,176 | 3,101 | - | - | 6,277 |
| Debt service | (573,479) | (1,041,276) | - | - | (1,614,755) |
| Total non-operating receipts and (disbursements) | (570,303) | (1,038,175) | - | - | (1,608,478) |
| Excess (deficiency) of receipts over (under) disbursements | 641,465 | 734,143 | 51,267 | 110,237 | 1,537,112 |
| Other financing sources (uses): | | | | | |
| Proceeds of refunding bonds | 1,567,179 | - | - | - | 1,567,179 |
| Refunding debt service - principal | (1,550,000) | - | - | - | (1,550,000) |
| Operating transfers: | | | | | |
| Operating transfers in | 725,289 | 1,350,154 | - | - | 2,075,443 |
| Operating transfers (out) | (1,134,730) | (1,592,441) | - | (91,380) | (2,818,551) |
| Total other financing sources (uses) | (392,262) | (242,287) | - | (91,380) | (725,929) |
| Net change in cash balances | 249,203 | 491,856 | 51,267 | 18,857 | 811,183 |
| Cash and cash investments, beginning of year | 859,100 | 1,459,808 | 422,559 | 278,755 | 3,020,222 |
| Cash and cash investments, end of year | $ 1,108,303 | $ 1,951,664 | $ 473,826 | $ 297,612 | $ 3,831,405 (Exhibit A) |
| Cash basis fund balances: | | | | | |
| Restricted for: | | | | | |
| Debt service | $ 657,983 | $ 598,474 | $ - | $ - | $ 1,256,457 |
| Utility deposits | - | - | 473,826 | - | 473,826 |
| Unrestricted: | | | | | |
| Unrestricted | 450,320 | 1,353,190 | - | 297,612 | 2,101,122 |
| Total cash basis fund balances | $ 1,108,303 | $ 1,951,664 | $ 473,826 | $ 297,612 | $ 3,831,405 |

See accompanying notes to financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity and Jointly Governed Organizations

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

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

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City. The City has no net position required to be reported in this category.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances that do not meet the definitions of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

Debt Service:

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

The Debt Service Fund - Road Use Tax Bond Reserve Fund is utilized to account for the required reserve fund that must be maintained in accordance with the terms of the City's road use tax revenue bonds.

Capital Projects:

The Capital Projects Fund - Street Capital Projects Fund is used to account for significant street improvement projects (other than specific street capital project funds) that are financed primarily by proceeds from the sale of general obligation or road use tax revenue bonds.

The Capital Projects Fund - Hwy 965 Improvements Fund is used to account for improvements to the main arterial highway through the City.

The Capital Projects Fund - Library Expansion Fund is used to account for the significant expansion project to the North Liberty Community Library.

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

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs with a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the programs. Generally, it is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then with general receipts.

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

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

F Property Tax Calendar

The City's property taxes were extended against the assessed valuation of the City as of January 1, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable by the property owners in two installments on September 30, 2012 and March 31, 2013, at the Johnson County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

## NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks and credit unions at June 30, 2013 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.

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

## NOTE 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation, road use tax revenue and enterprise fund revenue bonds at June 30, 2013 are as follows:

| Year Ending June 30, | General Obligation Bonds | | Road Use Tax Revenue Bonds | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2014 | $ 3,250,000 | $ 653,830 | $ 110,000 | $ 39,740 |
| 2015 | 3,143,000 | 570,075 | 110,000 | 37,540 |
| 2016 | 2,690,000 | 488,288 | 110,000 | 35,340 |
| 2017 | 2,773,000 | 419,887 | 115,000 | 33,140 |
| 2018 | 2,335,000 | 346,988 | 115,000 | 30,840 |
| 2019-2023 | 8,390,000 | 933,410 | 610,000 | 118,750 |
| 2024-2028 | 1,670,000 | 98,007 | 550,000 | 40,520 |
| Total | $ 24,251,000 | $ 3,510,485 | $ 1,720,000 | $ 335,870 |

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

| Year Ending June 30, | Enterprise Fund Revenue Bonds | | Total | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2014 | $ 1,046,000 | $ 512,936 | $ 4,406,000 | $ 1,206,506 |
| 2015 | 1,081,000 | 481,787 | 4,334,000 | 1,089,402 |
| 2016 | 1,113,000 | 448,810 | 3,913,000 | 972,438 |
| 2017 | 1,150,000 | 413,997 | 4,038,000 | 867,024 |
| 2018 | 1,198,000 | 377,379 | 3,648,000 | 755,207 |
| 2019-2023 | 6,256,000 | 1,283,384 | 15,256,000 | 2,335,544 |
| 2024-2028 | 3,875,000 | 321,328 | 6,095,000 | 459,855 |
| Total | $ 15,719,000 | $ 3,839,621 | $ 41,690,000 | $ 7,685,976 |

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

The City has issued several general obligation urban renewal corporate purpose (tax increment financing) bonds for the purpose of defraying a portion of the costs of various construction and refurbishment projects within the City's urban renewal districts. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF districts and which are credited to the Special Revenue - Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds from the sales of the bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal areas. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2013, the outstanding balances on these bonds totaled approximately $17,515,000, which are payable through June 1, 2026. Total interest remaining payable on the bonds at June 30, 2013 was approximately $2,325,000. During the year, principal and interest paid on these bonds totaled approximately $2,172,300 and $467,950, respectively. Tax increment financing receipts during the year were $3,228,972.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay three outstanding water revenue bond issues totaling $5,595,000. The bonds were issued between September 2001 and November 2012. Proceeds from the sales of the bonds provided financing for the construction of several water system improvement projects in the City. The bonds are payable solely from water customer defined net receipts and are payable through June 2026. Annual principal and interest payments on the bonds are expected to require less than 45 percent of defined net receipts. At June 30, 2013, total principal and interest remaining to be paid on the bonds was $5,470,711. During the year, $1,575,000 of bonds were issued to refund the Water Revenue Series 2001 bonds. Principal and interest paid on all bonds totaled $1,920,000 and $184,383, respectively, which includes refunding the Series 2001 bonds. Total defined net receipts during the year were $1,241,498.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay six sewer revenue bond issues totaling $16,024,000. The bonds were issued between March 1998 and September 2008. Proceeds from the sales of the bonds provided financing for the construction of and improvements to the waste water treatment plant. The bonds are payable solely from sewer customer defined net receipts and are payable through June 2028. Annual principal and interest payments on the bonds are expected to require less than 53 percent of defined net receipts. At June 30, 2013, total principal and interest remaining to be paid on the bonds was $14,087,910. During the year, principal and interest paid on all bonds totaled $636,000 and $384,940, respectively. Total defined net receipts during the year were $1,933,216.

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

The City has pledged future road use tax receipts to repay one road use tax revenue bond issue totaling $1,815,000. The bonds were issued in March 2012. Proceeds from the sale of the bonds provided financing to pay for a portion of the construction costs of the public works/streets department facility. The bonds are payable solely from future road use tax receipts and are payable through June 2027. At June 30, 2013, total principal and interest remaining to be paid on the bonds was $2,055,870. During the year, principal and interest paid on the bonds totaled $95,000 and $48,811, respectively.

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

(a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.

(b) Sufficient monthly cash transfers shall be made to separate sewer and water revenue sinking accounts for the purpose of making the principal and interest payments when due.

(c) The provisions of the Water Revenue Refunding Bond Series 2012C require that $551,178 be set aside into the Water Reserve Fund and maintained until all water revenue bonds of the City have been fully redeemed.

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

(d) All funds remaining in the sewer rental and water utilities accounts after the payments of all maintenance and operating expenses and required transfers shall be placed in separate water and sewer revenue surplus accounts. These accounts are restricted for the purpose of paying any deficiency in the sinking funds. As long as the sinking funds have the full amount required to be deposited, any balance in the surplus funds may be made available to the City as the Council may from time to time direct.

(e) User rates shall be established at a level which produces and maintains defined net receipts at the following levels:
Water - equal to at least 120% of the average amount that will come due in any fiscal year during the life of the three water revenue bond issues.
Sewer - equal to at least 125% of the average amount that will come due in any fiscal year during the life of the six sewer revenue bond issues, and equal to at least 125% of the maximum amount that will come due in any fiscal year during the life of the six sewer revenue bonds.

Rural Economic Development Loan

The City received a Rural Economic Development Loan of $360,000 from Linn County Rural Electric Cooperative Association to provide funds for construction of a portion of the library expansion project. The loan is dated May 8, 2013 and has an interest rate of 0%. The loan is due in annual installments of $40,000 beginning May 8, 2015, and continuing annually thereafter until final payment on May 8, 2023. There is an annual administrative fee of 1% based on the outstanding principal balance. The balance of the loan at June 30, 2013 was $360,000.

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

Annual maturities of the loan at June 30, 2013 are as follows:

| | |
|---|---|
| Year ending June 30, 2014 | $ - |
| 2015 | 40,000 |
| 2016 | 40,000 |
| 2017 | 40,000 |
| 2018 | 40,000 |
| 2019 -2023 | 200,000 |
| | $ 360,000 |

Early Redemption of Bonds

On November 12, 2012, the City called the Water Revenue Series 2001 bonds, with interest rates ranging from 3.0% to 5.3%, for early redemption. The City issued $1,575,000 of Water Revenue Refunding Series 2012C bonds, with interest rates ranging from 0.5% to 2.0%, to pay for the early redemption of the bonds. The refunding reduced total debt service payments over the next eight and a half years, through June 1, 2021, by $280,100. This results in an economic gain (difference between present values of the debt service payments on the old and new debt) of $217,607.

**NOTE 4. PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 5.78% of their annual covered compensation and the City is required to contribute 8.67% of covered compensation. Certain employees in special risk occupations, and the City, contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were $381,437, $340,430 and $269,136, respectively, equal to the required contributions for each year.

**NOTE 5. COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon retirement, termination or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount |
|---|---|
| Compensatory time | $ 23,598 |
| Vacation | 233,403 |
| Total | $ 257,001 |

This liability has been computed based on rates of pay as of June 30, 2013.

Sick leave is payable when used. It is not paid upon termination, retirement or death. The approximate liability for unused sick leave at June 30, 2013, based on rates of pay as of June 30, 2013, is $806,757.

## NOTE 6. SOLID WASTE DISPOSAL CONTRACT

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

(a) The City shall pay the contractor a monthly charge of $4.25 per month for each single and two-family dwelling unit. These fees are for recyclables.

(b) The fees for non-recyclable wastes are based on the current Iowa City Landfill tipping fee schedule and are subject to change in the event landfill fees increase or decrease.

## NOTE 7. TRANSIT SERVICES CONTRACT

An agreement for the period July 1, 2012 through June 30, 2013, between the City and the City of Coralville, provides the City and its citizens with limited transit services. The agreement providing for these services includes the following provisions:

(a) The City shall pay the City of Coralville a monthly charge for the operating cost per hour for the number of hours of transit services provided each month.

(b) The City shall pay the City of Coralville for the amount the City of Coralville pays to Johnson County SEATS for paratransit services provided to citizens of the City of North Liberty.

(c) All fares collected shall be kept by the City of Coralville.

(d) The agreement will automatically be renewed on a year-to-year basis unless one party gives notice to the other party no later than November 1 in a given year of its intent to terminate the agreement.

## NOTE 8. CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately $11,460,000. The unpaid contract balances at June 30, 2013 totaled approximately $4,280,000, which will be paid as work on the projects progresses.

## NOTE 9. RISK MANAGEMENT

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

## NOTE 10. LITIGATION

The City is the defendant in a case brought by a citizen seeking damages in connection with an incident that occurred in 2007 involving City police officers. This case is likely to be scheduled for trial later in 2014 or early 2015. The City believes it has meritorious defense in the case. No estimate of any possible loss to the City can be determined at this time.

The City is the defendant in a case brought by a citizen seeking damages in connection with an incident that occurred during the year involving City police officers. This case is scheduled for trial later in March 2014. The City believes it has meritorious defense in the case and does not believe it will be subject to any potential loss.

## NOTE 11. DEFICIT BALANCES

The following capital projects funds had deficit balances at June 30, 2013, because the project costs were incurred prior to availability of funds:

| | |
|---|---|
| Capital Projects - Street Capital Projects | $ 1,031,802 |
| Capital Projects - Library Expansion | 260,147 |
| Capital Projects - Penn St. Improvements | 384,531 |
| Capital Projects - Land and Facilities | 632,797 |

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

## NOTE 12. LEASE COMMITMENTS

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

Lease payments are due in six month intervals each January 15 and July 15. Lease expense for the year ended June 30, 2013 was $133,748.

Future commitments under this lease as of June 30, 2013 are as follows:

| | |
|---|---|
| Year ending June 30, 2014 | $ 137,748 |
| 2015 | 141,874 |
| 2016 | 71,981 |
| | $ 351,603 |

## NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

The City finances the health insurance plan with Wellmark on a pay-as-you-go basis. The most recent monthly premium costs are $354.22 for single coverage, $626.42 for employee/dependent coverage, $673.67 for employee/spouse coverage and $984.89 for family coverage. The same monthly premiums apply to retirees. There are 64 active employees, 1 terminated employee and 1 retiree participating in the plan. During the year ended June 30, 2013, the City contributed $487,096 and plan members contributed $85,083 to the plan.

## NOTE 14. INTERFUND AND INTRAFUND TRANSFERS

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

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| Transfer To | Transfer From | Amount |
|---|---|---|
| General Fund | Water Enterprise - Water Operating | $ 262,287 |
| | Sewer Enterprise - Sewer Operating | 262,287 |
| | Stormwater Management Enterprise | 29,380 |
| | Special Revenue - Employee Benefits | 821,208 |
| | | 1,375,162 |
| Capital Projects - Community Center | General Fund | 67,903 |
| Capital Projects - Trail Projects | | 25,223 |
| Capital Projects - Entryway Development | | 30,000 |
| | | 123,126 |
| Debt Service Fund - General Obligation Debt | Special Revenue - Urban Renewal Tax Increment | 2,738,494 |
| | Special Revenue - Road Use Tax | 202,133 |
| | Water Enterprise - Water Revenue Sinking | 147,154 |
| | | 3,087,781 |

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

| | | |
|---|---|---|
| General Fund - Equipment Revolving | Special Revenue - Road Use Tax | 163,472 |
| | Stormwater Management Enterprise | 42,000 |
| Capital Projects - Library expansion | General Fund | 10,000 |
| Capital Projects - Street Capital Projects | Special Revenue - Road Use Tax | 100,000 |
| Sewer Enterprise - Sewer Capital Projects | Stormwater Management Enterprise | 20,000 |
| | | 335,472 |
| | | $ 4,921,541 |

The detail of intrafund transfers for the year ended June 30, 2013 is as follows:

| Transfer To | Transfer From | Amount |
|---|---|---|
| General Fund - Fire Equipment Reserve | General Fund | $ 278,328 |
| General Fund - Equipment Revolving | | 58,522 |
| General Fund - Telecommunications Equipment | | 5,000 |
| General Fund - Park Development | | 326,874 |
| General Fund - Recreation Equipment | | 129,000 |
| | | 797,724 |
| Water Enterprise - Water Revenue Sinking | Water Enterprise - Water Operating | 725,289 |
| Sewer Enterprise - Sewer Capital Projects | Sewer Enterprise - Sewer Operating | 25,000 |
| Sewer Enterprise - Sewer Revenue Sinking | | 1,087,640 |
| Sewer Enterprise - Sewer Rental - Capital Reserve | | 217,514 |
| | | 1,330,154 |
| | | $ 2,853,167 |

Total transfers during the year ended June 30, 2013 were as follows:

| | |
|---|---|
| Interfund transfers | $ 4,921,541 |
| Intrafund transfers | 2,853,167 |
| | $ 7,774,708 |

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

Reconciliation to the financial statements:

| | Transfers In | Transfers Out |
|---|---|---|
| Governmental funds (Exhibit B) | $ 5,699,265 | $ 4,956,157 |
| Proprietary funds (Exhibit C) | 2,075,443 | 2,818,551 |
| | $ 7,774,708 | $ 7,774,708 |

## NOTE 15. CONDUIT DEBT OBLIGATIONS

During the year ended June 30, 2011, the City issued a total of $2,032,000 of Midwest Disaster Area Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities in the community. Outstanding principal amounts on the bonds at June 30, 2013 totaled $1,911,566. The bonds are secured by the properties purchased with the bond proceeds and are payable solely from payments received on the underlying mortgage loans, derived from rents payable by the tenants of the properties. The bond principal and interest do not constitute liabilities of the City, and neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

## NOTE 16. SUBSEQUENT EVENTS

The City sold the following bond issues after June 30, 2013:

Series 2013A - General Obligation Refunding Bonds - $2,540,000
Series 2013B - General Obligation Corporate Purpose - $1,425,000
Series 2013C - General Obligation Urban Renewal - $3,540,000

The City approved the following equipment purchases after June 30, 2013:

Fire truck - $566,743
Emergency services generator - $101,482

OTHER INFORMATION

**CITY OF NORTH LIBERTY, IOWA**

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

Other Information

Year Ended June 30, 2013

| | Governmental Funds Actual | Proprietary Funds Actual | Net |
|---|---|---|---|
| Receipts: | | | |
| Property tax | $ 6,107,502 | $ - | $ 6,107,502 |
| Tax increment financing | 3,228,972 | - | 3,228,972 |
| Other city tax | 292,566 | - | 292,566 |
| Licenses and permits | 565,465 | - | 565,465 |
| Use of money and property | 140,675 | 6,277 | 146,952 |
| Intergovernmental | 1,767,090 | - | 1,767,090 |
| Charges for service | 1,698,909 | 5,784,501 | 7,483,410 |
| Special assessments | 1,660 | - | 1,660 |
| Miscellaneous | 302,042 | 167,016 | 469,058 |
| Total receipts | 14,104,881 | 5,957,794 | 20,062,675 |
| Disbursements: | | | |
| Public safety | 2,144,553 | - | 2,144,553 |
| Public works | 1,367,808 | - | 1,367,808 |
| Health and social services | 135,150 | - | 135,150 |
| Culture and recreation | 2,862,412 | - | 2,862,412 |
| Community and economic development | 1,097,172 | - | 1,097,172 |
| General government | 1,250,373 | - | 1,250,373 |
| Debt service | 3,952,064 | - | 3,952,064 |
| Capital projects | 7,091,862 | - | 7,091,862 |
| Business type activities | - | 4,420,682 | 4,420,682 |
| Total disbursements | 19,901,394 | 4,420,682 | 24,322,076 |
| Excess (deficiency) of receipts over (under) disbursements | (5,796,513) | 1,537,112 | (4,259,401) |
| Other financing sources (uses), net | 2,934,733 | (725,929) | 2,208,804 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (2,861,780) | 811,183 | (2,050,597) |
| Balances, beginning of year | 7,439,798 | 3,020,222 | 10,460,020 |
| Balances, end of year | $ 4,578,018 | $ 3,831,405 | $ 8,409,423 |

There were no funds of the City not required to be budgeted during the year ended June 30, 2013.

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

| Budgeted Amounts | | | |
|---|---|---|---|
| Original | Final | Final to Net Variance | |
| $ 6,096,678 | $ 6,096,678 | $ 10,824 | |
| 3,317,494 | 3,317,494 | (88,522) | |
| 90,979 | 90,979 | 201,587 | |
| 583,350 | 672,350 | (106,885) | |
| 123,300 | 131,024 | 15,928 | |
| 2,225,194 | 2,310,779 | (543,689) | |
| 6,613,797 | 6,708,297 | 775,113 | |
| - | 3,000 | (1,340) | |
| 358,000 | 587,347 | (118,289) | |
| 19,408,792 | 19,917,948 | 144,727 | |
| 2,199,983 | 2,275,948 | 131,395 | |
| 1,131,095 | 1,500,515 | 132,707 | |
| 91,000 | 131,000 | (4,150) | |
| 3,074,480 | 3,113,501 | 251,089 | |
| 1,251,878 | 1,328,788 | 231,616 | |
| 1,147,484 | 1,294,293 | 43,920 | |
| 3,753,961 | 3,907,614 | (44,450) | |
| 9,107,750 | 10,216,650 | 3,124,788 | |
| 5,782,285 | 7,904,821 | 3,484,139 | |
| 27,539,916 | 31,673,130 | 7,351,054 | |
| (8,131,124) | (11,755,182) | 7,495,781 | |
| 5,251,500 | 4,851,500 | (2,642,696) | |
| (2,879,624) | (6,903,682) | 4,853,085 | |
| 6,132,290 | 7,439,798 | 3,020,222 | |
| $ 3,252,666 | $ 536,116 | $ 7,873,307 | |

## CITY OF NORTH LIBERTY, IOWA

Notes to Other Information - Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements are required to be budgeted for all funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $4,133,214. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements in the health and social services and debt service functions exceeded the amounts budgeted.

SUPPLEMENTARY INFORMATION

**CITY OF NORTH LIBERTY, IOWA**

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund Detail
(Page 1 of 3)
As of and for the Year Ended June 30, 2013

| | General | Recreation Equipment | Park Development | Youth Sports Scholarship | Telecomm-unications Equipment | Tree Program |
|---|---|---|---|---|---|---|
| Receipts: | | | | | | |
| Property tax | $ 4,368,254 | $ - | $ - | $ - | $ - | $ - |
| Other city tax: | | | | | | |
| Mobile home tax | 19,260 | - | - | - | - | - |
| Utility tax replacement excise tax | 17,335 | - | - | - | - | - |
| Hotel/motel tax | 60,916 | - | - | - | - | - |
| Utility franchise fees | 181,805 | - | - | - | - | - |
| | 279,316 | - | - | - | - | - |
| Licenses and permits: | | | | | | |
| Beer and liquor | 14,100 | - | - | - | - | - |
| Cigarette | 675 | - | - | - | - | - |
| Business/building trades | 2,510 | - | - | - | - | - |
| Pet and other | 1,461 | - | - | - | - | - |
| Building | 546,719 | - | - | - | - | - |
| | 565,465 | - | - | - | - | - |
| Use of money and property: | | | | | | |
| Interest on cash investments | 26,969 | - | - | - | - | - |
| Rent | 113,681 | - | - | - | - | - |
| | 140,650 | - | - | - | - | - |
| Intergovernmental: | | | | | | |
| Iowa Department of Natural Resources | - | - | - | - | - | 8,026 |
| Housing rehabilitation grant | 47,924 | - | - | - | - | - |
| Police grants | 7,024 | - | - | - | - | - |
| Fire department SAFER grant | 14,759 | - | - | - | - | - |
| Township fire protection | 104,989 | - | - | - | - | - |
| County library contribution | 24,168 | - | - | - | - | - |
| Library grants and open access | 8,288 | - | - | - | - | - |
| | 207,152 | - | - | - | - | 8,026 |
| Charges for service: | | | | | | |
| Inspection fees | 18,887 | - | - | - | - | - |
| Library fees | 4,433 | - | - | - | - | - |
| Police service fees | 3,154 | - | - | - | - | - |
| Fire department service fees | 16,555 | - | - | - | - | - |
| Zoning and subdivision | 9,760 | - | - | - | - | - |
| Garbage and recycling fees | 451,267 | - | - | - | - | - |
| Recreation charges | 890,153 | - | - | - | - | - |
| Rain barrels and compost bins | 14,200 | - | - | - | - | - |
| Impact fees | - | - | - | - | - | - |
| Cemetery plot location fees | 325 | - | - | - | - | - |
| Animal control | 604 | - | - | - | - | - |
| Maps and photocopy fees | 2,996 | - | - | - | - | - |
| Administrative charges | 36,840 | - | - | - | - | - |
| Transit | 425 | - | - | - | - | - |
| | 1,449,599 | - | - | - | - | - |

**Schedule 1**

| Library Reserve | Fire Equipment Reserve | Equipment Revolving | Police Equipment Reserve | Police Seized Funds | Impact Fees: Trans-portation | Impact Fees: Storm Water | Total |
|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 4,368,254 |
| - | - | - | - | - | - | - | 19,260 |
| - | - | - | - | - | - | - | 17,335 |
| - | - | - | - | - | - | - | 60,916 |
| - | - | - | - | - | - | - | 181,805 |
| - | - | - | - | - | - | - | 279,316 |
| - | - | - | - | - | - | - | 14,100 |
| - | - | - | - | - | - | - | 675 |
| - | - | - | - | - | - | - | 2,510 |
| - | - | - | - | - | - | - | 1,461 |
| - | - | - | - | - | - | - | 546,719 |
| - | - | - | - | - | - | - | 565,465 |
| - | - | - | - | - | - | - | 26,969 |
| - | - | - | - | - | - | - | 113,681 |
| - | - | - | - | - | - | - | 140,650 |
| - | - | - | - | - | - | - | 8,026 |
| - | - | - | - | - | - | - | 47,924 |
| - | - | - | - | - | - | - | 7,024 |
| - | - | - | - | - | - | - | 14,759 |
| - | - | - | - | - | - | - | 104,989 |
| - | - | - | - | - | - | - | 24,168 |
| - | - | - | - | - | - | - | 8,288 |
| - | - | - | - | - | - | - | 215,178 |
| - | - | - | - | - | - | - | 18,887 |
| - | - | - | - | - | - | - | 4,433 |
| - | - | - | 14,970 | - | - | - | 18,124 |
| - | - | - | - | - | - | - | 16,555 |
| - | - | - | - | - | - | - | 9,760 |
| - | - | - | - | - | - | - | 451,267 |
| - | - | - | - | - | - | - | 890,153 |
| - | - | - | - | - | - | - | 14,200 |
| - | - | - | - | - | 233,740 | 600 | 234,340 |
| - | - | - | - | - | - | - | 325 |
| - | - | - | - | - | - | - | 604 |
| - | - | - | - | - | - | - | 2,996 |
| - | - | - | - | - | - | - | 36,840 |
| - | - | - | - | - | - | - | 425 |
| - | - | - | 14,970 | - | 233,740 | 600 | 1,698,909 |

**CITY OF NORTH LIBERTY, IOWA**

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund Detail
(Page 2 of 3)
As of and for the Year Ended June 30, 2013

| | General | Recreation Equipment | Park Development | Youth Sports Scholarship | Telecomm-unications Equipment | Tree Program |
|---|---|---|---|---|---|---|
| Receipts: (continued) | | | | | | |
| Special assessments | 1,660 | - | - | - | - | - |
| Miscellaneous: | | | | | | |
| Refunds and reimbursements | 49,469 | - | - | - | - | - |
| Fines and fees | 48,529 | - | - | - | - | - |
| Donations/contributions | 393 | - | - | - | 2,000 | 1,000 |
| Miscellaneous | 6,194 | - | - | 15,194 | - | 4,725 |
| Penalties | 78,270 | - | - | - | - | - |
| | 182,855 | - | - | 15,194 | 2,000 | 5,725 |
| Total receipts | 7,194,951 | - | - | 15,194 | 2,000 | 13,751 |
| Disbursements: | | | | | | |
| Public Safety: | | | | | | |
| Police | 1,509,531 | - | - | - | - | - |
| Emergency management | 14,562 | - | - | - | - | - |
| Fire | 248,463 | - | - | - | - | - |
| Building inspections/safety | 355,641 | - | - | - | - | - |
| Animal control | 9,122 | - | - | - | - | - |
| Total public safety | 2,137,319 | - | - | - | - | - |
| Public Works: | | | | | | |
| Traffic control and safety | 26,827 | - | - | - | - | - |
| Sanitation | 456,445 | - | - | - | - | - |
| Transit | 90,156 | - | - | - | - | - |
| Total public works | 573,428 | - | - | - | - | - |
| Health and social services: | | | | | | |
| Social services | 135,150 | - | - | - | - | - |
| Culture and recreation: | | | | | | |
| Library | 616,789 | - | - | - | - | - |
| Parks | 516,598 | - | - | - | - | - |
| Recreation center | 1,130,216 | - | - | 11,729 | - | - |
| Aquatic center | 578,612 | - | - | - | - | - |
| Cemetery | 8,468 | - | - | - | - | - |
| Total culture and recreation | 2,850,683 | - | - | 11,729 | - | - |
| Community and economic development: | | | | | | |
| Community beautification | - | - | - | - | - | 13,239 |
| Economic development | 57,630 | - | - | - | - | - |
| Housing rehabilitation | 31,910 | - | - | - | - | - |
| Tourism promotion | 28,828 | - | - | - | - | - |
| Planning and zoning | 280,660 | - | - | - | - | - |
| Telecommunications | 203,347 | - | - | - | - | - |
| Total community and economic development | 602,375 | - | - | - | - | 13,239 |

**Schedule 1**

| Library Reserve | Fire Equipment Reserve | Equipment Revolving | Police Equipment Reserve | Police Seized Funds | Impact Fees: Trans-portation | Impact Fees: Storm Water | Total |
|---|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - | 1,660 |
| - | - | 9,004 | - | - | - | - | 58,473 |
| - | - | - | - | - | - | - | 48,529 |
| 300 | 2,249 | - | 100 | - | - | - | 6,042 |
| - | - | - | - | 800 | - | - | 26,913 |
| - | - | - | - | - | - | - | 78,270 |
| 300 | 2,249 | 9,004 | 100 | 800 | - | - | 218,227 |
| 300 | 2,249 | 9,004 | 15,070 | 800 | 233,740 | 600 | 7,487,659 |
| - | - | - | 7,234 | - | - | - | 1,516,765 |
| - | - | - | - | - | - | - | 14,562 |
| - | - | - | - | - | - | - | 248,463 |
| - | - | - | - | - | - | - | 355,641 |
| - | - | - | - | - | - | - | 9,122 |
| - | - | - | 7,234 | - | - | - | 2,144,553 |
| - | - | - | - | - | - | - | 26,827 |
| - | - | - | - | - | - | - | 456,445 |
| - | - | - | - | - | - | - | 90,156 |
| - | - | - | - | - | - | - | 573,428 |
| - | - | - | - | - | - | - | 135,150 |
| - | - | - | - | - | - | - | 616,789 |
| - | - | - | - | - | - | - | 516,598 |
| - | - | - | - | - | - | - | 1,141,945 |
| - | - | - | - | - | - | - | 578,612 |
| - | - | - | - | - | - | - | 8,468 |
| - | - | - | - | - | - | - | 2,862,412 |
| - | - | - | - | - | - | - | 13,239 |
| - | - | - | - | - | - | - | 57,630 |
| - | - | - | - | - | - | - | 31,910 |
| - | - | - | - | - | - | - | 28,828 |
| - | - | - | - | - | - | - | 280,660 |
| - | - | - | - | - | - | - | 203,347 |
| - | - | - | - | - | - | - | 615,614 |

**CITY OF NORTH LIBERTY, IOWA**

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund Detail
(Page 3 of 3)
As of and for the Year Ended June 30, 2013

| | General | Recreation Equipment | Park Development | Youth Sports Scholarship | Telecomm-unications Equipment | Tree Program |
|---|---|---|---|---|---|---|
| Disbursements: (continued) | | | | | | |
| General government: | | | | | | |
| Mayor and council | 17,319 | - | - | - | - | - |
| City administration | 997,320 | - | - | - | - | - |
| Elections | 39 | - | - | - | - | - |
| Legal services | 186,159 | - | - | - | - | - |
| Other general government | 49,536 | - | - | - | - | - |
| Total general government | 1,250,373 | - | - | - | - | - |
| Capital projects: | | | | | | |
| Capital projects | 83,975 | 150,782 | 418,053 | - | 3,379 | - |
| Total disbursements | 7,633,303 | 150,782 | 418,053 | 11,729 | 3,379 | 13,239 |
| Excess (deficiency) of receipts over (under) disbursements | (438,352) | (150,782) | (418,053) | 3,465 | (1,379) | 512 |
| Other financing sources (uses): | | | | | | |
| Sale of capital assets | 1,925 | - | - | - | - | - |
| Operating transfers in | 1,375,162 | 129,000 | 326,874 | - | 5,000 | - |
| Operating transfers (out) | (930,850) | - | - | - | - | - |
| Total other financing sources (uses) | 446,237 | 129,000 | 326,874 | - | 5,000 | - |
| Net change in cash balances | 7,885 | (21,782) | (91,179) | 3,465 | 3,621 | 512 |
| Cash and cash investments, beginning of year | 2,449,512 | 181,353 | (162,381) | 52,278 | 48,286 | 12,549 |
| Cash and cash investments, end of year | $ 2,457,397 | $ 159,571 | $ (253,560) | $ 55,743 | $ 51,907 | $ 13,061 |
| Cash basis fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Hotel/motel tax | $ 61,220 | $ - | $ - | $ - | $ - | $ - |
| Tree purchases | - | - | - | - | - | 4,512 |
| Police | - | - | - | - | - | - |
| Assigned for: | | | | | | |
| Capital equipment purchases | - | 159,571 | - | - | 51,907 | - |
| Street capital projects | - | - | - | - | - | - |
| Park development | - | - | 24,327 | - | - | - |
| Stormwater capital projects | - | - | - | - | - | - |
| Youth scholarships/ recreation capital equipment | - | - | - | 55,743 | - | - |
| Unassigned | 2,396,177 | - | (277,887) | - | - | 8,549 |
| Total cash basis fund balances | $ 2,457,397 | $ 159,571 | $ (253,560) | $ 55,743 | $ 51,907 | $ 13,061 |

See accompanying independent auditor's report.

**Schedule 1**

| Library Reserve | Fire Equipment Reserve | Equipment Revolving | Police Equipment Reserve | Police Seized Funds | Impact Fees: Trans-portation | Impact Fees: Storm Water | Total |
|---|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - | 17,319 |
| - | - | - | - | - | - | - | 997,320 |
| - | - | - | - | - | - | - | 39 |
| - | - | - | - | - | - | - | 186,159 |
| - | - | - | - | - | - | - | 49,536 |
| - | - | - | - | - | - | - | 1,250,373 |
| - | 41,423 | 239,978 | 3,000 | - | - | - | 940,590 |
| - | 41,423 | 239,978 | 10,234 | - | - | - | 8,522,120 |
| 300 | (39,174) | (230,974) | 4,836 | 800 | 233,740 | 600 | (1,034,461) |
| - | - | - | - | - | - | - | 1,925 |
| - | 278,328 | 263,994 | - | - | - | - | 2,378,358 |
| - | - | - | - | - | - | - | (930,850) |
| - | 278,328 | 263,994 | - | - | - | - | 1,449,433 |
| 300 | 239,154 | 33,020 | 4,836 | 800 | 233,740 | 600 | 414,972 |
| 2,292 | 463,162 | 4,070 | 19,429 | 324 | 1,180,808 | 42,399 | 4,294,081 |
| $ 2,592 | $ 702,316 | $ 37,090 | $ 24,265 | $ 1,124 | $ 1,414,548 | $ 42,999 | 4,709,053 |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 61,220 |
| - | - | - | - | - | - | - | 4,512 |
| - | - | - | - | 1,124 | - | - | 1,124 |
| 2,592 | 702,316 | - | 24,265 | - | - | - | 940,651 |
| - | - | - | - | - | 1,414,548 | - | 1,414,548 |
| - | - | - | - | - | - | - | 24,327 |
| - | - | - | - | - | - | 42,999 | 42,999 |
| - | - | - | - | - | - | - | 55,743 |
| - | - | 37,090 | - | - | - | - | 2,163,929 |
| $ 2,592 | $ 702,316 | $ 37,090 | $ 24,265 | $ 1,124 | $ 1,414,548 | $ 42,999 | $ 4,709,053 |

**CITY OF NORTH LIBERTY, IOWA** **Schedule 2**

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

As of and for the Year Ended June 30, 2013

| | Special Revenue | | Other | |
|---|---|---|---|---|
| | Employee Benefits | Drug Task Force | Capital Projects | Total |
| Receipts: | | | | |
| Property tax | $ 814,373 | $ - | $ - | $ 814,373 |
| Other city tax | 6,835 | - | - | 6,835 |
| Use of money and property | - | 1 | 22 | 23 |
| Intergovernmental | - | 8,281 | 73,303 | 81,584 |
| Miscellaneous | - | - | 1,400 | 1,400 |
| Total receipts | 821,208 | 8,282 | 74,725 | 904,215 |
| Disbursements: | | | | |
| Capital projects | - | 47,760 | 320,253 | 368,013 |
| Excess (deficiency) of receipts over (under) disbursements | 821,208 | (39,478) | (245,528) | 536,202 |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 123,126 | 123,126 |
| Operating transfers (out) | (821,208) | - | - | (821,208) |
| Total other financing sources (uses) | (821,208) | - | 123,126 | (698,082) |
| Net change in cash balances | - | (39,478) | (122,402) | (161,880) |
| Cash and cash investments, beginning of year | 2,545 | 40,302 | (346,300) | (303,453) |
| Cash and cash investments, end of year | $ 2,545 | $ 824 | $ (468,702) | $ (465,333) |
| Cash basis fund balances: | | | | |
| Restricted for: | | | | |
| Street capital projects | $ - | $ - | $ 5,688 | $ 5,688 |
| Urban renewal projects | - | - | 494,911 | 494,911 |
| Capital equipment purchases | - | 824 | - | 824 |
| Property improvements | - | - | 7,034 | 7,034 |
| Employee benefits | 2,545 | - | | 2,545 |
| Assigned for: | | | | |
| Street capital projects | - | - | 40,993 | 40,993 |
| Unassigned | - | - | (1,017,328) | (1,017,328) |
| Total cash basis fund balances | $ 2,545 | $ 824 | $ (468,702) | $ (465,333) |

See accompanying independent auditor's report.

**CITY OF NORTH LIBERTY, IOWA**

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

As of and for the Year Ended June 30, 2013

| | Ranshaw House Project | TIF Projects | Community Center | Trail Projects |
|---|---|---|---|---|
| Receipts: | | | | |
| Use of money and property: | | | | |
| Interest on cash investments | $ 22 | $ - | $ - | $ - |
| Intergovernmental | 52,500 | - | - | 20,803 |
| Miscellaneous: | | | | |
| Donations/contributions | - | - | - | - |
| Total receipts | 52,522 | - | - | 20,803 |
| Disbursements: | | | | |
| Capital projects | 58,183 | - | - | 31,209 |
| (Deficiency) of receipts (under) disbursements | (5,661) | - | - | (10,406) |
| Other financing sources: | | | | |
| Operating transfers in | - | - | 67,903 | 25,223 |
| Net change in cash balances | (5,661) | - | 67,903 | 14,817 |
| Cash and cash investments, beginning of year | 12,695 | 416,252 | (67,903) | (14,817) |
| Cash and cash investments, end of year | $ 7,034 | $ 416,252 | $ - | $ - |
| Cash basis fund balances: | | | | |
| Restricted for: | | | | |
| Street capital projects | $ - | $ - | $ - | $ - |
| Urban renewal projects | - | 416,252 | - | - |
| Property improvements | 7,034 | - | - | - |
| Assigned for: | | | | |
| Street capital projects | - | - | - | - |
| Unassigned | - | - | - | - |
| Total cash basis fund balances | $ 7,034 | $ 416,252 | $ - | $ - |

See accompanying independent auditor's report.

**Schedule 3**

| Penn Street Improvements | I-JOBS Street Projects | Entryway Development | Economic Development Projects | Land and Facilities | Total |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 22 |
| - | - | - | - | - | 73,303 |
| - | - | - | - | 1,400 | 1,400 |
| - | - | - | - | 1,400 | 74,725 |
| - | - | - | - | 230,861 | 320,253 |
| - | - | - | - | (229,461) | (245,528) |
| - | - | 30,000 | - | - | 123,126 |
| - | - | 30,000 | - | (229,461) | (122,402) |
| (384,531) | 5,688 | 10,993 | 78,659 | (403,336) | (346,300) |
| $ (384,531) | $ 5,688 | $ 40,993 | $ 78,659 | $ (632,797) | $ (468,702) |
| $ - | $ 5,688 | $ - | $ - | $ - | $ 5,688 |
| - | - | - | 78,659 | - | 494,911 |
| - | - | - | - | - | 7,034 |
| - | - | 40,993 | - | - | 40,993 |
| (384,531) | - | - | - | (632,797) | (1,017,328) |
| $ (384,531) | $ 5,688 | $ 40,993 | $ 78,659 | $ (632,797) | $ (468,702) |

## CITY OF NORTH LIBERTY, IOWA

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

As of and for the Year Ended June 30, 2013

| | Water Enterprise | | | | | |
|---|---|---|---|---|---|---|
| | Water Operating | Water Revenue Sinking | Water Reserve | Water Utilities-Capital Reserve | Water Capital Projects | Total |
| Operating receipts: | | | | | | |
| Charges for service | $ 2,610,855 | $ - | $ - | $ 907 | $ - | $ 2,611,762 |
| Miscellaneous | 2,179 | - | - | - | - | 2,179 |
| Total operating receipts | 2,613,034 | - | - | 907 | - | 2,613,941 |
| Operating disbursements: | | | | | | |
| Business type activities | 1,371,536 | - | - | - | 30,637 | 1,402,173 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 1,241,498 | - | - | 907 | (30,637) | 1,211,768 |
| Non-operating receipts and (disbursements): | | | | | | |
| Interest on cash investments | 3,176 | - | - | - | - | 3,176 |
| Debt service | - | (573,479) | - | - | - | (573,479) |
| Total non-operating receipts and (disbursements) | 3,176 | (573,479) | - | - | - | (570,303) |
| Excess (deficiency) of receipts over (under) disbursements | 1,244,674 | (573,479) | - | 907 | (30,637) | 641,465 |
| Other financing sources (uses): | | | | | | |
| Proceeds of refunding bonds | - | 1,567,179 | - | - | - | 1,567,179 |
| Refunding debt service - principal | - | (1,550,000) | - | - | - | (1,550,000) |
| Operating transfers: | | | | | | |
| Operating transfers in | - | 725,289 | - | - | - | 725,289 |
| Operating transfers (out) | (987,576) | (147,154) | - | - | - | (1,134,730) |
| Total other financing sources (uses) | (987,576) | 595,314 | - | - | - | (392,262) |
| Net change in cash balances | 257,098 | 21,835 | - | 907 | (30,637) | 249,203 |
| Cash and cash investments, beginning of year | 256,276 | 58,292 | 577,856 | 313,251 | (346,575) | 859,100 |
| Cash and cash investments, end of year | $ 513,374 | $ 80,127 | $ 577,856 | $ 314,158 | $ (377,212) | $ 1,108,303 |
| Cash basis fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Debt service | $ - | $ 80,127 | $ 577,856 | $ - | $ - | $ 657,983 |
| Utility deposits | - | - | - | - | - | - |
| Unrestricted: | | | | | | |
| Unrestricted | 513,374 | - | - | 314,158 | (377,212) | 450,320 |
| | $ 513,374 | $ 80,127 | $ 577,856 | $ 314,158 | $ (377,212) | $ 1,108,303 |

See accompanying independent auditor's report.

**Schedule 4**

| Sewer Enterprise | | | | | | Utility Deposits |
|---|---|---|---|---|---|---|
| Sewer Operating | Sewer Revenue Sinking | Sewer Reserve | Sewer Rental - Capital Reserve | Sewer Capital Projects | Total | |
| $ 2,984,444 | $ - | $ - | $ 17,369 | $ - | $ 3,001,813 | $ - |
| 1,047 | - | - | - | - | 1,047 | 163,790 |
| 2,985,491 | - | - | 17,369 | - | 3,002,860 | 163,790 |
| 1,052,275 | - | - | 126,979 | 51,288 | 1,230,542 | 112,523 |
| 1,933,216 | - | - | (109,610) | (51,288) | 1,772,318 | 51,267 |
| 3,101 | - | - | - | - | 3,101 | - |
| - | (1,041,276) | - | - | - | (1,041,276) | - |
| 3,101 | (1,041,276) | - | - | - | (1,038,175) | - |
| 1,936,317 | (1,041,276) | - | (109,610) | (51,288) | 734,143 | 51,267 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 1,087,640 | - | 217,514 | 45,000 | 1,350,154 | - |
| (1,592,441) | - | - | - | - | (1,592,441) | - |
| (1,592,441) | 1,087,640 | - | 217,514 | 45,000 | (242,287) | - |
| 343,876 | 46,364 | - | 107,904 | (6,288) | 491,856 | 51,267 |
| 815,971 | 245,005 | 307,105 | 690,978 | (599,251) | 1,459,808 | 422,559 |
| $ 1,159,847 | $ 291,369 | $ 307,105 | $ 798,882 | $ (605,539) | $ 1,951,664 | $ 473,826 |
| $ - | $ 291,369 | $ 307,105 | $ - | $ - | $ 598,474 | $ - |
| - | - | - | - | - | - | 473,826 |
| 1,159,847 | - | - | 798,882 | (605,539) | 1,353,190 | - |
| $ 1,159,847 | $ 291,369 | $ 307,105 | $ 798,882 | $ (605,539) | $ 1,951,664 | $ 473,826 |

**CITY OF NORTH LIBERTY, IOWA** **Schedule 5**

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

As of and for the Year Ended June 30, 2013

| | |
|---|---|
| Operating receipts: | |
| Charges for service | $ 170,926 |
| Operating disbursements: | |
| Business type activities | 60,689 |
| Excess of operating receipts over operating disbursements | 110,237 |
| Other financing sources (uses): | |
| Operating transfers: | |
| Operating transfers (out) | (91,380) |
| Net change in cash balances | 18,857 |
| Cash and cash investments, beginning of year | 278,755 |
| Cash and cash investments, end of year | $ 297,612 |
| | |
| Cash basis fund balances: | |
| Unrestricted: | |
| Unrestricted | $ 297,612 |

See accompanying independent auditor's report.

## CITY OF NORTH LIBERTY, IOWA

Schedule of Indebtedness

Year Ended June 30, 2013

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---|---|---|---|
| General Obligation Bonds: | | | |
| General Obligation Sewer Improvement | 1/1/98 | 3.00 % | $ 1,000,000 |
| Corporate Purpose | 9/1/03 | 3.40-4.50 | 4,200,000 |
| Urban Renewal Corporate Purpose | 8/15/04 | 2.10-3.60 | 1,560,000 |
| Urban Renewal Corporate Purpose | 11/9/05 | 3.45 | 3,500,000 |
| Corporate Purpose | 11/15/06 | 3.6-3.85 | 570,000 |
| Urban Renewal Corporate Purpose | 8/1/07 | 4.00 | 3,515,000 |
| General Obligation Water Improvement | 12/15/07 | 3.45-4.10 | 855,000 |
| Corporate Purpose | 6/30/08 | 2.50-3.95 | 1,940,000 |
| Corporate Purpose | 5/27/09 | 1.50-4.15 | 2,425,000 |
| Corporate Purpose | 10/25/10 | 1.0-2.6 | 1,730,000 |
| Urban Renewal Corporate Purpose | 10/25/10 | 2.0-2.75 | 6,765,000 |
| Corporate Purpose and Refunding | 9/28/11 | 1.0-2.0 | 790,000 |
| Urban Renewal Corporate Purpose | 9/28/11 | 1.5-3.1 | 5,810,000 |
| Urban Renewal Library Improvement | 11/12/12 | 0.35-1.70 | 1,815,000 |
| Total | | | |
| Rural Economic Development Loan and Grant Program: | | | |
| Rural Economic Development Loan | 5/8/13 | 0 % | $ 360,000 |
| Road Use Tax Revenue Bonds: | | | |
| Road Use Tax Series 2012A | 3/29/12 | 2.0-3.0 % | $ 1,815,000 |
| Utility Revenue Bonds: | | | |
| Sewer Revenue Bond Series 1998A | 3/23/98 | 3.00 % | $ 323,957 |
| Sewer Revenue Bond Series 1998B | 3/23/98 | 3.00 | 3,769,043 |
| Water Revenue Bond Series 2001 | 9/1/01 | 3.00-5.30 | 2,000,000 |
| Sewer Revenue Bond Series 2006A | 4/15/06 | 4.05-4.55 | 1,860,000 |
| Water Revenue Bond Series 2006B | 11/15/06 | 4.375 | 1,670,000 |
| Sewer Revenue Bond Series 2007 | 8/23/07 | 3.00 | 5,271,000 |
| Sewer Revenue Bond Series 2008A | 7/30/08 | 3.00 | 3,250,000 |
| Sewer Revenue Bond Series 2008C | 9/15/08 | 2.75-4.40 | 1,550,000 |
| Water Revenue Bond Series 2008D | 9/15/08 | 2.75-4.40 | 2,350,000 |
| Water Revenue Refunding Bond Series 2012C | 11/12/12 | 0.5-2.0 | 1,575,000 |
| Total | | | |

See accompanying independent auditor's report.

**Schedule 6**

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---|---|---|---|---|---|
| $ 384,000 | $ - | $ 58,000 | $ 326,000 | $ 10,650 | $ - |
| 2,725,000 | - | 235,000 | 2,490,000 | 115,740 | - |
| 355,000 | - | 175,000 | 180,000 | 12,518 | - |
| 1,335,000 | - | 430,000 | 905,000 | 46,288 | - |
| 315,000 | - | 60,000 | 255,000 | 11,855 | - |
| 1,935,000 | - | 360,000 | 1,575,000 | 77,400 | - |
| 660,000 | - | 55,000 | 605,000 | 25,491 | - |
| 1,385,000 | - | 210,000 | 1,175,000 | 48,937 | - |
| 2,130,000 | - | 150,000 | 1,980,000 | 71,453 | - |
| 1,550,000 | - | 180,000 | 1,370,000 | 28,320 | - |
| 6,140,000 | - | 635,000 | 5,505,000 | 133,850 | - |
| 750,000 | - | 130,000 | 620,000 | 9,518 | - |
| 5,810,000 | - | 360,000 | 5,450,000 | 125,242 | - |
| - | 1,815,000 | - | 1,815,000 | 9,842 | - |
| $ 25,474,000 | $ 1,815,000 | $ 3,038,000 | $ 24,251,000 | $ 727,104 | $ - |
| $ - | $ 360,000 | $ - | $ 360,000 | $ - | $ - |
| $ 1,815,000 | $ - | $ 95,000 | $ 1,720,000 | $ 48,811 | $ - |
| $ 147,000 | $ - | $ 18,000 | $ 129,000 | $ 4,140 | $ - |
| 1,641,000 | - | 208,000 | 1,433,000 | 46,110 | - |
| 1,550,000 | - | 1,550,000 | - | 35,498 | - |
| 1,440,000 | - | 85,000 | 1,355,000 | 62,705 | - |
| 1,350,000 | - | 75,000 | 1,275,000 | 59,063 | - |
| 4,816,000 | - | 100,000 | 4,716,000 | 144,480 | - |
| 2,561,000 | - | 125,000 | 2,436,000 | 76,830 | - |
| 1,250,000 | - | 100,000 | 1,150,000 | 50,675 | - |
| 1,945,000 | - | 145,000 | 1,800,000 | 78,988 | - |
| - | 1,575,000 | 150,000 | 1,425,000 | 10,834 | - |
| $ 16,700,000 | $ 1,575,000 | $ 2,556,000 | $ 15,719,000 | $ 569,323 | $ - |

**CITY OF NORTH LIBERTY, IOWA**

Bond and Note Maturities
(Page 1 of 2)
June 30, 2013

| | General Obligation Bonds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Sewer Improvement | | Corporate Purpose | | Corporate Purpose | | Corporate Purpose | |
| | Issued Jan. 6, 1998 | | Issued Sept. 1, 2003 | | Issued Aug. 15, 2004 | | Issued Nov. 9, 2005 | |
| Year Ending June 30 | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2014 | 3.00 % | $ 60,000 | 3.90 % | $ 210,000 | 3.60 % | $ 180,000 | 3.45 % | $ 445,000 |
| 2015 | 3.00 | 63,000 | 4.00 | 215,000 | | | 3.50 | 460,000 |
| 2016 | 3.00 | 65,000 | 4.10 | 220,000 | | | | |
| 2017 | 3.00 | 68,000 | 4.15 | 225,000 | | | | |
| 2018 | 3.00 | 70,000 | 4.25 | 230,000 | | | | |
| 2019 | | | 4.35 | 240,000 | | | | |
| 2020 | | | 4.40 | 250,000 | | | | |
| 2021 | | | 4.45 | 275,000 | | | | |
| 2022 | | | 4.45 | 300,000 | | | | |
| 2023 | | | 4.50 | 325,000 | | | | |
| 2024 | | | | | | | | |
| 2025 | | | | | | | | |
| 2026 | | | | | | | | |
| Total | | $ 326,000 | | $ 2,490,000 | | $ 180,000 | | $ 905,000 |

| | General Obligation Bonds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Corporate Purpose | | Corporate Purpose | | Corporate Purpose | | Corporate Purpose | |
| | Issued June 30, 2008 | | Issued May 27, 2009 | | Issued Oct. 25, 2010 | | Issued Oct. 25, 2010 | |
| Year Ending June 30, | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2014 | 3.25 % | $ 220,000 | 2.25 % | $ 155,000 | 1.10 % | $ 185,000 | 2.00 % | $ 640,000 |
| 2015 | 3.40 | 225,000 | 2.50 | 160,000 | 1.60 | 185,000 | 2.00 | 650,000 |
| 2016 | 3.60 | 235,000 | 2.75 | 160,000 | 1.60 | 190,000 | 2.00 | 660,000 |
| 2017 | 3.75 | 245,000 | 3.00 | 165,000 | 1.90 | 195,000 | 2.00 | 675,000 |
| 2018 | 3.95 | 250,000 | 3.25 | 170,000 | 2.20 | 200,000 | 2.00 | 690,000 |
| 2019 | | | 3.50 | 175,000 | 2.40 | 205,000 | 2.25 | 710,000 |
| 2020 | | | 3.75 | 185,000 | 2.60 | 210,000 | 2.50 | 730,000 |
| 2021 | | | 4.00 | 190,000 | | | 2.75 | 750,000 |
| 2022 | | | 4.05 | 200,000 | | | | |
| 2023 | | | 4.10 | 205,000 | | | | |
| 2024 | | | 4.15 | 215,000 | | | | |
| 2025 | | | | | | | | |
| 2026 | | | | | | | | |
| Total | | $ 1,175,000 | | $ 1,980,000 | | $ 1,370,000 | | $ 5,505,000 |

See accompanying independent auditor's report.

**Schedule 7**

| Corporate Purpose Issued Nov. 15, 2006 | | Corporate Purpose Issued Aug. 1, 2007 | | Water Improvement Issued Dec. 15, 2007 | |
|---|---|---|---|---|---|
| Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 3.70 % | $ 60,000 | 4.00 % | $ 370,000 | 3.65 % | $ 55,000 |
| 3.75 | 60,000 | 4.00 | 385,000 | 3.70 | 60,000 |
| 3.80 | 65,000 | 4.00 | 400,000 | 3.75 | 60,000 |
| 3.85 | 70,000 | 4.00 | 420,000 | 3.80 | 65,000 |
| | | | | 3.85 | 65,000 |
| | | | | 3.90 | 70,000 |
| | | | | 4.00 | 75,000 |
| | | | | 4.05 | 75,000 |
| | | | | 4.10 | 80,000 |
| | $ 255,000 | | $ 1,575,000 | | $ 605,000 |

| Corporate Purpose Issued Sept. 28, 2011 | | Corporate Purpose Issued Sept. 28, 2011 | | Library Improvement Issued Nov. 12, 2012 | | |
|---|---|---|---|---|---|---|
| Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Total |
| 1.10 % | $ 130,000 | 1.50 % | $ 365,000 | 0.35 % | $ 175,000 | $ 3,250,000 |
| 1.10 | 135,000 | 1.50 | 370,000 | 0.45 | 175,000 | 3,143,000 |
| 1.15 | 85,000 | 1.50 | 375,000 | 0.55 | 175,000 | 2,690,000 |
| 1.40 | 90,000 | 1.50 | 380,000 | 0.70 | 175,000 | 2,773,000 |
| 1.70 | 90,000 | 1.60 | 390,000 | 0.80 | 180,000 | 2,335,000 |
| 2.00 | 90,000 | 1.85 | 400,000 | 1.00 | 180,000 | 2,070,000 |
| | | 2.10 | 410,000 | 1.20 | 185,000 | 2,045,000 |
| | | 2.30 | 420,000 | 1.35 | 185,000 | 1,895,000 |
| | | 2.45 | 435,000 | 1.55 | 190,000 | 1,205,000 |
| | | 2.60 | 450,000 | 1.70 | 195,000 | 1,175,000 |
| | | 2.80 | 465,000 | | | 680,000 |
| | | 3.00 | 485,000 | | | 485,000 |
| | | 3.10 | 505,000 | | | 505,000 |
| | $ 620,000 | | $ 5,450,000 | | $ 1,815,000 | $24,251,000 |

**CITY OF NORTH LIBERTY, IOWA**

Bond and Note Maturities
(Page 2 of 2)
June 30, 2013

Enterprise Fund

| Year Ending June 30, | Sewer Revenue Series 1998A Issued March 23, 1998 | | Sewer Revenue Series 1998B Issued March 23, 1998 | | Sewer Revenue Series 2006A Issued April 15, 2006 | |
|---|---|---|---|---|---|---|
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2014 | 3.00 % | $ 19,000 | 3.00 % | $ 217,000 | 4.25 % | $ 85,000 |
| 2015 | 3.00 | 20,000 | 3.00 | 225,000 | 4.25 | 90,000 |
| 2016 | 3.00 | 21,000 | 3.00 | 234,000 | 4.25 | 95,000 |
| 2017 | 3.00 | 22,000 | 3.00 | 243,000 | 4.25 | 100,000 |
| 2018 | 3.00 | 23,000 | 3.00 | 252,000 | 4.30 | 105,000 |
| 2019 | 3.00 | 24,000 | 3.00 | 262,000 | 4.30 | 110,000 |
| 2020 | | | | | 4.30 | 115,000 |
| 2021 | | | | | 4.35 | 120,000 |
| 2022 | | | | | 4.40 | 125,000 |
| 2023 | | | | | 4.45 | 130,000 |
| 2024 | | | | | 4.50 | 135,000 |
| 2025 | | | | | 4.55 | 145,000 |
| 2026 | | | | | | |
| 2027 | | | | | | |
| 2028 | | | | | | |
| Total | | $ 129,000 | | $ 1,433,000 | | $ 1,355,000 |

Enterprise Fund

| Year Ending June 30, | Sewer Revenue Series 2008C Issued Sept. 15, 2008 | | Water Revenue Series 2008D Issued Sept. 15, 2008 | | Water Refunding Series 2012C Issued Nov. 12, 2012 | |
|---|---|---|---|---|---|---|
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2014 | 3.60 % | $ 100,000 | 3.60 % | $ 150,000 | 0.60 % | $ 165,000 |
| 2015 | 3.75 | 100,000 | 3.75 | 155,000 | 0.80 | 170,000 |
| 2016 | 3.90 | 105,000 | 3.90 | 160,000 | 1.00 | 170,000 |
| 2017 | 4.00 | 105,000 | 4.00 | 165,000 | 1.20 | 175,000 |
| 2018 | 4.10 | 110,000 | 4.10 | 175,000 | 1.40 | 180,000 |
| 2019 | 4.20 | 115,000 | 4.20 | 180,000 | 1.60 | 185,000 |
| 2020 | 4.25 | 120,000 | 4.25 | 190,000 | 1.80 | 190,000 |
| 2021 | 4.30 | 125,000 | 4.30 | 200,000 | 2.00 | 190,000 |
| 2022 | 4.35 | 130,000 | 4.35 | 210,000 | | |
| 2023 | 4.40 | 140,000 | 4.40 | 215,000 | | |
| 2024 | | | | | | |
| 2025 | | | | | | |
| 2026 | | | | | | |
| 2027 | | | | | | |
| 2028 | | | | | | |
| Total | | $ 1,150,000 | | $ 1,800,000 | | $ 1,425,000 |

See accompanying independent auditor's report.

Revenue Bonds

| Water Revenue Series 2006B<br>Issued Nov. 15, 2006 | | Sewer Revenue Series 2007<br>Issued Aug. 23, 2007 | | Sewer Revenue Series 2008A<br>Issued July 30, 2008 | |
|---|---|---|---|---|---|
| Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 4.375 % | $ 75,000 | 3.00 % | $ 106,000 | 3.00 % | $ 129,000 |
| 4.375 | 80,000 | 3.00 | 108,000 | 3.00 | 133,000 |
| 4.375 | 80,000 | 3.00 | 111,000 | 3.00 | 137,000 |
| 4.375 | 85,000 | 3.00 | 114,000 | 3.00 | 141,000 |
| 4.375 | 90,000 | 3.00 | 117,000 | 3.00 | 146,000 |
| 4.375 | 95,000 | 3.00 | 121,000 | 3.00 | 151,000 |
| 4.375 | 95,000 | 3.00 | 416,000 | 3.00 | 156,000 |
| 4.375 | 100,000 | 3.00 | 430,000 | 3.00 | 161,000 |
| 4.375 | 105,000 | 3.00 | 444,000 | 3.00 | 166,000 |
| 4.375 | 110,000 | 3.00 | 459,000 | 3.00 | 171,000 |
| 4.375 | 115,000 | 3.00 | 475,000 | 3.00 | 177,000 |
| 4.375 | 120,000 | 3.00 | 486,000 | 3.00 | 183,000 |
| 4.375 | 125,000 | 3.00 | 654,000 | 3.00 | 189,000 |
| | | 3.00 | 675,000 | 3.00 | 195,000 |
| | | | | 3.00 | 201,000 |
| | $ 1,275,000 | | $ 4,716,000 | | $ 2,436,000 |

| Revenue Bonds | | Road Use Tax Revenue Bonds<br>Road Use Tax Rev. Ser. 2012A<br>Issued March 29, 2012 | | Rural Economic Development Loan and Grant Program<br>Rural Econ. Development Loan<br>Issued May 8, 2013 | |
|---|---|---|---|---|---|
| Total | | Interest Rates | Amount | Interest Rates | Amount |
| $ 1,046,000 | | 2.00 % | $ 110,000 | 0.00 % | $ - |
| 1,081,000 | | 2.00 | 110,000 | 0.00 | 40,000 |
| 1,113,000 | | 2.00 | 110,000 | 0.00 | 40,000 |
| 1,150,000 | | 2.00 | 115,000 | 0.00 | 40,000 |
| 1,198,000 | | 2.00 | 115,000 | 0.00 | 40,000 |
| 1,243,000 | | 2.00 | 115,000 | 0.00 | 40,000 |
| 1,282,000 | | 2.00 | 120,000 | 0.00 | 40,000 |
| 1,326,000 | | 2.00 | 120,000 | 0.00 | 40,000 |
| 1,180,000 | | 2.20 | 125,000 | 0.00 | 40,000 |
| 1,225,000 | | 2.40 | 130,000 | 0.00 | 40,000 |
| 902,000 | | 2.60 | 130,000 | | |
| 934,000 | | 2.80 | 135,000 | | |
| 968,000 | | 2.90 | 140,000 | | |
| 870,000 | | 3.00 | 145,000 | | |
| 201,000 | | | | | |
| $ 15,719,000 | | | $ 1,720,000 | | $ 360,000 |

## CITY OF NORTH LIBERTY, IOWA

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

Last Ten Years

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Receipts: | | | | |
| Property tax | $ 6,107,502 | $ 5,502,489 | $ 5,314,263 | $ 4,914,385 |
| Tax increment financing | 3,228,972 | 3,301,297 | 2,737,069 | 1,389,368 |
| Other city tax | 292,566 | 291,492 | 287,105 | 269,844 |
| Licenses and permits | 565,465 | 560,046 | 475,789 | 501,169 |
| Use of money and property | 140,675 | 164,087 | 177,521 | 162,861 |
| Intergovernmental | 1,767,090 | 2,264,687 | 1,617,962 | 883,561 |
| Charges for service | 1,698,909 | 1,457,531 | 1,547,314 | 1,437,878 |
| Special assessments | 1,660 | 5,051 | 6,285 | 9,620 |
| Miscellaneous | 302,042 | 545,227 | 598,909 | 299,628 |
| Total | $ 14,104,881 | $ 14,091,907 | $ 12,762,217 | $ 9,868,314 |
| Disbursements: | | | | |
| Public safety | $ 2,144,553 | $ 1,984,061 | $ 1,779,435 | $ 1,682,165 |
| Public works | 1,367,808 | 1,163,999 | 1,102,168 | 1,001,921 |
| Health and social services | 135,150 | 86,000 | 90,446 | 56,050 |
| Culture and recreation | 2,862,412 | 2,825,660 | 2,692,700 | 2,466,178 |
| Community and economic development | 1,097,172 | 1,033,597 | 927,060 | 861,398 |
| General government | 1,250,373 | 1,133,334 | 1,048,025 | 875,271 |
| Debt service | 3,952,064 | 3,844,731 | 2,956,440 | 3,050,069 |
| Capital projects | 7,091,862 | 7,854,575 | 8,901,225 | 2,891,519 |
| Total | $ 19,901,394 | $ 19,925,957 | $ 19,497,499 | $ 12,884,571 |

See accompanying independent auditor's report.

**Schedule 8**

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 3,863,587 | $ 3,093,326 | $ 2,430,379 | $ 1,905,108 | $ 1,582,974 | $ 1,355,034 |
| 2,822,497 | 2,660,586 | 2,470,154 | 1,360,008 | 1,116,247 | 1,290,281 |
| 267,057 | 196,571 | 161,686 | 135,396 | 130,557 | 126,764 |
| 517,615 | 482,903 | 617,217 | 625,439 | 656,054 | 579,106 |
| 189,544 | 180,001 | 190,964 | 204,647 | 129,302 | 108,371 |
| 1,078,608 | 800,564 | 1,460,925 | 1,294,642 | 1,551,835 | 1,290,726 |
| 1,240,283 | 1,228,972 | 982,868 | 1,147,998 | 995,289 | 872,863 |
| 10,383 | 24,347 | 26,182 | 34,617 | 31,421 | 67,770 |
| 205,944 | 313,332 | 141,640 | 392,867 | 364,586 | 407,370 |
| $ 10,195,518 | $ 8,980,602 | $ 8,482,015 | $ 7,100,722 | $ 6,558,265 | $ 6,098,285 |
| $ 1,560,255 | $ 1,424,463 | $ 1,806,083 | $ 881,885 | $ 752,220 | $ 902,800 |
| 1,148,712 | 1,143,600 | 967,256 | 1,025,863 | 636,329 | 593,601 |
| 70,600 | 35,020 | 36,500 | 34,500 | 21,000 | 21,000 |
| 2,578,532 | 2,281,120 | 2,445,972 | 1,680,594 | 1,650,909 | 990,473 |
| 619,737 | 576,163 | 520,060 | 325,306 | 249,352 | 200,518 |
| 739,891 | 842,771 | 739,627 | 541,943 | 452,215 | 447,623 |
| 2,823,582 | 4,219,859 | 2,074,465 | 2,877,794 | 1,636,989 | 2,455,627 |
| 2,058,032 | 2,797,451 | 2,470,613 | 4,510,561 | 2,669,922 | 5,773,910 |
| $ 11,599,341 | $ 13,320,447 | $ 11,060,576 | $ 11,878,446 | $ 8,068,936 | $ 11,385,552 |

Winkel, Parker & Foster, CPA PC
Certified Public Accountants & Consultants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of North Liberty, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of North Liberty, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of North Liberty, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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**Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City of North Liberty, Iowa's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures during our audit of the financial statements of the City of North Liberty, Iowa. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**City of North Liberty, Iowa's Responses to Findings**

The City of North Liberty, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of North Liberty, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of North Liberty, Iowa 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.

Winkel, Parker & Foster, CPA PC

Iowa City, Iowa
March 21, 2014

## CITY OF NORTH LIBERTY

Schedule of Findings and Responses

Year Ended June 30, 2013

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

(a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

(b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

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

INTERNAL CONTROL DEFICIENCIES

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

INSTANCES OF COMPLIANCE

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

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

III-A-13 **Certified Budget**

**Comment** - Disbursements during the year ended June 30, 2013 exceeded the final amounts budgeted in the health and social services and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

**Response** - The City's budget will be amended to provide sufficient spending authority.

**Conclusion** - Response accepted.

III-B-13 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-13 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

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

III-D-13 **Business Transactions with City Officials and Employees** - We noted no transactions between the City and City officials or employees during the year ended June 30, 2013.

III-E-13 **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-13 **Publication of Council Minutes** - No transactions were noted from the minutes of the Council meetings that we believe should have been approved by the Council but were not. Publications of the Council minutes that were tested by us were published in accordance with the Code of Iowa.

III-G-13 **Deposits and Investments**

**Comment** - The maximum depository amount at one of the banks the City is authorized to bank with was exceeded on three occasions during the year. These occasions were very short term and appear to have been caused by significant receipts of property taxes.

**Recommendation** - Total deposits on hand at the banks the City is authorized to bank with should be reviewed on a regular basis by appropriate City staff prior to sales of bonds or other significant anticipated receipts in order to avoid exceeding the maximum authorized amounts.

**Response** - The City has added additional deposit authority with Hills Bank and Trust Company to alleviate this problem in the future. In January 2014, the City Council approved a resolution increasing the maximum deposit amount at this bank from $7 million to $10 million.

**Conclusion** - Response accepted.

III-H-13 **Revenue Bonds** - No instances of noncompliance with the revenue bond resolutions or other requirements of those bonds were noted.

III-I-13 **Financial Condition**

**Comment** - The City had deficit balances at June 30, 2013 in four capital projects funds that arose because project and construction costs were incurred prior to the availability of funds.

**Recommendation** - In most situations common to governmental entities, the costs of construction projects and activities must be expended prior to the availability of certain funds. The City should make sure that there are adequate revenues, grants, proceeds from sales of bonds and available City funds to cover the costs of these projects and construction activities.

**Response** - We monitor all deficit balances to ensure that there will be adequate sources of funds to cover the deficits until the completion of the projects.

**Conclusion** - Response accepted.

III-J-13 **Urban Renewal Annual Report** - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2012 and no exceptions were noted.