

CITY OF NORTH LIBERTY, IOWA

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

JUNE 30, 2015

CITY OF NORTH LIBERTY, IOWA

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CITY OF NORTH LIBERTY, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
Through November 2014		
Gerald Kuhl	Mayor	November 2014
Terry Donahue	Mayor Pro Tem (appointed July 8, 2014)	December 2015
David Moore	Council Member (appointed July 29, 2014)	November 2014
Coleen Chipman	Council Member	December 2015
Terry Donahue	Council Member	December 2015
Chris Hoffman	Council Member	December 2015
Brian Wayson	Council Member	December 2017
Beginning December 2014		
Amy Nielsen	Mayor	December 2017
Terry Donahue	Mayor Pro Tem	December 2015
Coleen Chipman	Council Member	December 2015
Terry Donahue	Council Member	December 2015
Chris Hoffman	Council Member	December 2015
Annie Pollock	Council Member	December 2017
Brian Wayson	Council Member	December 2017
<u>City Staff</u>		
Ryan Heiar	City Administrator	
Tracey Mulcahey	City Clerk/Assistant City Administrator	
Debra Hilton	Treasurer	
Scott Peterson	City Attorney	

INDEPENDENT AUDITOR'S REPORT

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

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, 2015, 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.

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, 2015, 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.

Emphasis of a Matter

As disclosed in Note 4 of the financial statements, the City of North Liberty, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2012 (which are not 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 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 12 and 38 through 44 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, 2016 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.

Winkel, Parker & Foster, CPA PC

Iowa City, Iowa
March 21, 2016

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FY 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased almost \$3 million from FY 2014 to FY 2015. Property tax receipts increased significantly, tax increment financing increased approximately \$250,000 and charges for services increased approximately \$300,000. Bond proceeds were significantly less than the previous year, approximately \$3.1 million versus the previous year's \$7.5 million.
- Disbursements of the City's governmental activities decreased approximately \$2.31 million, or 10.86%, from FY 2014 to FY 2015. Public safety disbursements increased approximately \$248,000, public works disbursements increased approximately \$87,000, culture and recreation disbursements increased approximately \$249,000, community and economic development disbursements increased approximately \$268,000 and general government disbursements increased approximately \$244,000. Debt service disbursements decreased by approximately \$2.1 million due to general obligation bond refunding payments in Fiscal Year 2014. Capital project expenditures decreased by more than \$1.2 million.
- The City's total cash basis net position decreased 12.55%, or approximately \$1,400,000, from June 30, 2014 to June 30, 2015. Of this amount, the position of the governmental activities increased by approximately \$1,572,000 and the position of the business type activities decreased by approximately \$2,993,000.

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 and the City's proportionate share of the net pension liability and related contributions.

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.

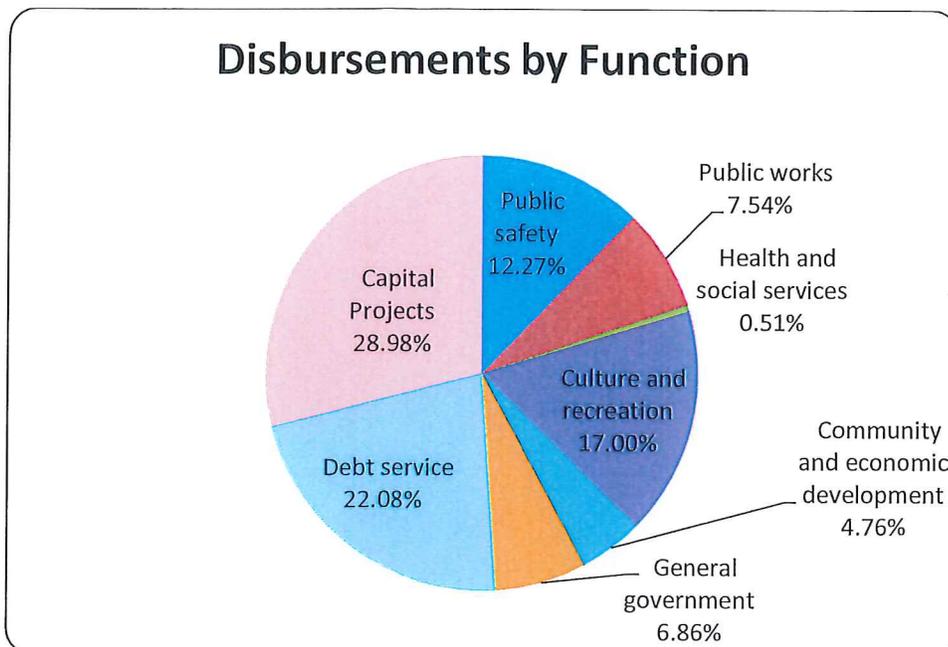
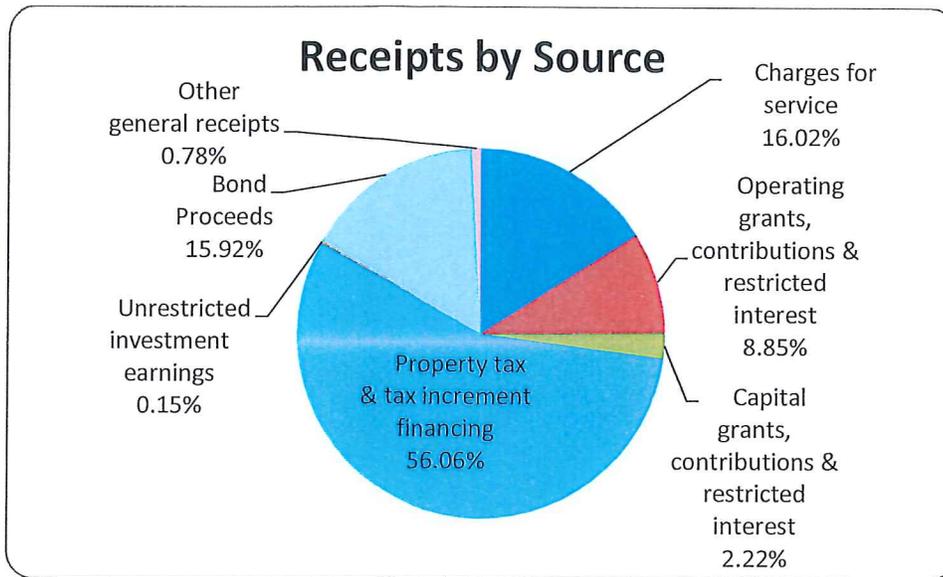
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash basis net position for governmental activities increased from a year ago, from approximately \$6,684,000 to \$8,256,000. 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 2015	FY 2014
Receipts:		
Program Receipts:		
Charges for service	\$3,157	\$2,885
Operating grants, contributions & restricted interest	1,743	1,682
Capital grants, contributions & restricted interest	437	652
General Receipts:		
Property tax & tax increment financing	11,048	9,724
Unrestricted investment earnings	29	24
Bond and loan proceeds	3,138	7,518
Other general receipts	154	124
Total Receipts	\$19,706	\$22,609
Disbursements:		
Public safety	\$2,563	\$2,315
Public works	1,511	1,424
Health and social services	98	97
Culture and recreation	3,458	3,209
Community and economic development	1,166	898
General government	1,538	1,294

Debt service	4,528	6,658
Capital projects	4,182	5,468
Total Disbursements	\$19,044	\$21,363
Change in cash basis net position before transfers	\$662	1,246
Transfers, net	910	860
Change in cash basis net position	\$1,572	\$2,106
Cash basis net position, beginning of year	6,684	4,578
Cash basis net position, end of year	\$8,256	\$6,684



The City's total receipts for governmental activities decreased 12.84% or approximately \$2,900,000. The total cost of all programs and services, provided by the City, decreased by approximately \$2,319,000 or 10.85%. No new programs were added.

The City maintained the property tax rate for fiscal year 2015. With the growth in the City's taxable property, tax receipts increased approximately \$672,000 in fiscal year 2015. Because of the growth in taxable valuation in the City of North Liberty from \$544,158,125 in FY 2014 to \$617,878,109 in FY 2015, general property tax revenues increased by \$533,492 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 2015 was constant at \$11.03264 from the levy in FY 2014. The balance of the levy was made up of a \$1.22025 debt service levy and a \$1.71239 employee benefits levy.

The cost of all governmental activities this year was approximately \$19,044,000, compared to approximately \$21,363,000 last year. General City operating expenses decreased with fewer capital projects and less debt service payments than the previous fiscal year.

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

	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for Service		
Water	\$2,943	\$2,894
Sanitary Sewer	3,530	3,213
Storm Water	187	180
Utility Deposits	175	165
General Receipts:		
Unrestricted interest on investments		
Water	1	1
Sanitary Sewer	1	1
Bond and note proceeds	966	2,526
Total receipts	\$7,803	\$8,980
Disbursements:		
Water	\$1,845	\$1,548
Sanitary Sewer	6,183	1,501
Storm Water	65	65
Utility Deposits	249	138
Debt Service	1,544	4,057
Total Disbursements	\$9,886	\$7,309
Change in net cash basis net position before transfers	(\$2,083)	\$1,671

Transfers, net	(910)	(860)
Change in cash basis net position	(\$2,993)	\$811
Cash basis net position, beginning of year	4,642	3,831
Cash basis net position, end of year	\$1,649	\$4,642

Total business type activities receipts for the fiscal year were approximately \$7.80 million compared to approximately \$8.98 million last year. The decrease was primarily due to a sewer refunding bond sale occurring in the previous fiscal year. The cash basis net position decreased approximately \$2,993,000 due to significant capital projects for both water and sewer utilities. Total disbursements for the fiscal year increased by 35.2%, or approximately \$2,577,000, due to the extensive number of capital projects undertaken in Fiscal Year 2015.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As North Liberty completed the year, its governmental funds reported a combined fund balance of \$8,255,766, an increase of almost \$1.6 million above last year's total of \$6,684,338. 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 \$1,512,678 from the prior year to \$5,584,922. Property taxes increased by approximately \$672,000. Licenses and Permits increased by approximately \$44,000 due to an increase in Building Permit Fees. Intergovernmental Revenues increased more than almost \$115,000 due to approximately \$111,000 in property tax replacement. Charges for service increased by \$194,065 due to an increase in garbage fees, recreation fees, and more than \$100,000 in Inspection Fees. Public Safety increased by approximately \$243,000 due to increased personnel in both Police and Building Departments. Culture and Recreation costs increased approximately \$249,000 due to additional programs and costs. Capital Project costs for Fiscal Year 2015 were approximately \$600,000 less than in Fiscal Year 2014.

Special Revenue

- The Special Revenue, Urban Renewal Tax Increment fund cash balance increased by \$246,565. Collections of the tax increment financing receipts increased by \$399,368. The City only draws what is necessary to cover costs from this funding source.

Debt Service – General Obligation Debt

- The Debt Service – General Obligation Debt cash balance increased by approximately \$700.

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

- Highway 965 Improvements fund cash balance increased by \$253,300 due to proceeds from bonds for project costs exceeding expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Enterprise Fund cash basis net position increased \$183,069 to \$1,655,030, due to an increase in the water rates in July 2014.

- The Sewer Enterprise Fund cash basis net position decreased \$3,025,396 to (\$624,455) due to capital projects that were cash flowed during the year. These funds will be replenished with borrowing in Fiscal Year 2016.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 9, 2015 and resulted in an increase in operating disbursements of approximately \$5,464,000 due to numerous unplanned expenses including social service contributions, additional credit card fees, computer failures, computer network upgrades, the Street Shop generator, Capital Projects that extended into Fiscal Year 2015, closing costs on borrowing, the North Front Street Project, transfers, increased trash/recycling with new residents, additional crossing guard during projects, Liberty Centre Pond flood project, Penn Way demolition and additional other unexpected expenses. The City had sufficient cash balances to absorb these additional costs. An additional \$3,314,447 was amended for revenues including additional borrowing.

The actual disbursements for the year were less in all categories than budgeted except Debt Service. Capital project disbursements were about \$1,000,000 less than budgeted due to delay of projects in construction.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$40,905,000 in bonds and long-term debt compared to \$42,699,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30	
	2015	2014
General obligation bonds	\$25,458	\$26,001
Rural Economic Development loan	320	360
Road Use Tax revenue bonds	1,500	1,610
Revenue bonds	13,627	14,728
Total	\$40,905	\$42,699

The City also borrowed \$966,093 on a short-term loan program with the Iowa Finance Authority during the year ended June 30, 2015. The outstanding balance of this debt at June 30, 2015 was \$966,093.

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 \$25,458,000 at June 30, 2015 is significantly below its constitutional debt limit of approximately \$61 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 2016 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 2016. Fiscal year 2016 continues the trend of multiple capital projects. 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, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,563,426	\$ 145,408	\$ 246,527	\$ -
Public works	1,511,077	565,369	1,390,662	-
Health and social services	98,207	-	-	-
Culture and recreation	3,458,203	1,070,957	33,215	-
Community and economic development	1,166,131	16,295	70,554	-
General government	1,537,711	875,680	1,955	-
Debt service	4,528,242	-	-	-
Capital projects	4,181,863	483,521	-	436,536
Total governmental activities	19,044,860	3,157,230	1,742,913	436,536
Business type activities:				
Water	2,373,970	2,943,100	-	-
Sewer	7,196,956	3,530,304	-	-
Utility deposits	249,219	174,784	-	-
Stormwater management	65,191	186,900	-	-
Total business type activities	9,885,336	6,835,088	-	-
Total	\$ 28,930,196	\$ 9,992,318	\$ 1,742,913	\$ 436,536

General Receipts and Financing Sources (Uses):

Property tax and other related levies for:

General purposes

Debt service

Other purposes

Tax increment financing

Unrestricted interest on investments

Bond and loan proceeds

Miscellaneous

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
\$ (2,171,491)	\$ -	\$ (2,171,491)
444,954	-	444,954
(98,207)	-	(98,207)
(2,354,031)	-	(2,354,031)
(1,079,282)	-	(1,079,282)
(660,076)	-	(660,076)
(4,528,242)	-	(4,528,242)
(3,261,806)	-	(3,261,806)
(13,708,181)	-	(13,708,181)
-	569,130	569,130
-	(3,666,652)	(3,666,652)
-	(74,435)	(74,435)
-	121,709	121,709
-	(3,050,248)	(3,050,248)
(13,708,181)	(3,050,248)	(16,758,429)
5,102,933	-	5,102,933
949,661	-	949,661
1,077,474	-	1,077,474
3,918,081	-	3,918,081
29,411	1,653	31,064
3,137,921	966,093	4,104,014
153,718	-	153,718
910,410	(910,410)	-
15,279,609	57,336	15,336,945
1,571,428	(2,992,912)	(1,421,484)
6,684,338	4,642,227	11,326,565
\$ 8,255,766	\$ 1,649,315	\$ 9,905,081
(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, 2015

Cash Basis Net Position

Restricted

Expendable:

Streets

Urban renewal

Capital equipment purchases

Property improvements

Employee benefits

Debt service

Hotel/motel tax

Tree purchases

Police

Housing rehabilitation

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

<u>Governmental</u>	<u>Business Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ 1,785,772	\$ -	\$ 1,785,772
1,405,518	-	1,405,518
24,358	-	24,358
54,607	-	54,607
2,545	-	2,545
489,427	1,437,917	1,927,344
44,475	-	44,475
3,688	-	3,688
1,931	-	1,931
10,000	-	10,000
-	425,507	425,507
4,433,445	(214,109)	4,219,336
<u>\$ 8,255,766</u>	<u>\$ 1,649,315</u>	<u>\$ 9,905,081</u>

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, 2015

	General Fund	Special Revenue	Debt
		Urban Renewal Tax Increment	General Obligation Debt
Receipts:			
Property tax	\$ 4,907,125	\$ -	\$ 918,033
Tax increment financing	-	3,918,081	-
Other city tax	310,377	-	12,776
Licenses and permits	552,067	-	-
Use of money and property	149,009	-	-
Intergovernmental	447,758	-	18,852
Charges for service	2,219,792	-	-
Miscellaneous	337,995	-	-
Total receipts	8,924,123	3,918,081	949,661
Disbursements:			
Operating:			
Public safety	2,558,079	-	-
Public works	687,040	-	-
Health and social services	98,207	-	-
Culture and recreation	3,458,203	-	-
Community and economic development	742,531	423,600	-
General government	1,537,711	-	-
Debt service	-	-	4,528,242
Capital projects	629,506	-	-
Total disbursements	9,711,277	423,600	4,528,242
Excess (deficiency) of receipts over (under) disbursements	(787,154)	3,494,481	(3,578,581)
Other financing sources (uses):			
Proceeds from sale of general obligation bonds	-	-	70,922
Operating transfers in	2,852,517	-	3,508,325
Operating transfers (out)	(552,685)	(3,247,916)	-
Total other financing sources (uses)	2,299,832	(3,247,916)	3,579,247
Net change in cash balances	1,512,678	246,565	666
Cash and cash investments, beginning of year	4,072,244	664,042	339,021
Cash and cash investments, end of year	\$ 5,584,922	\$ 910,607	\$ 339,687

Exhibit B

<u>Service</u>	<u>Capital Projects</u>	<u>Other</u>	
<u>Road Use</u>	<u>Highway</u>	<u>Nonmajor</u>	
<u>Tax - Bond</u>	<u>965</u>	<u>Governmental</u>	
<u>Reserve</u>	<u>Improvements</u>	<u>Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 1,036,089	\$ 6,861,247
-	-	-	3,918,081
-	-	17,904	341,057
-	-	-	552,067
-	-	20	149,029
-	233,587	1,436,181	2,136,378
-	-	-	2,219,792
-	-	52,311	390,306
-	233,587	2,542,505	16,567,957
-	-	5,347	2,563,426
-	-	824,037	1,511,077
-	-	-	98,207
-	-	-	3,458,203
-	-	-	1,166,131
-	-	-	1,537,711
-	-	-	4,528,242
-	2,252,830	1,299,527	4,181,863
-	2,252,830	2,128,911	19,044,860
-	(2,019,243)	413,594	(2,476,903)
-	2,555,805	511,194	3,137,921
-	28,235	306,009	6,695,086
-	(311,497)	(1,672,578)	(5,784,676)
-	2,272,543	(855,375)	4,048,331
-	253,300	(441,781)	1,571,428
149,740	728,135	731,156	6,684,338
<u>\$ 149,740</u>	<u>\$ 981,435</u>	<u>\$ 289,375</u>	<u>\$ 8,255,766</u>

(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, 2015

	General Fund	Special Revenue Urban Renewal Tax Increment	Debt General Obligation Debt
Cash basis fund balances:			
Restricted for:			
Street operations	\$ -	\$ -	\$ -
Street capital projects	-	-	-
Urban renewal purposes	-	910,607	-
Urban renewal projects	-	-	-
Capital equipment purchases	-	-	-
Property improvements	-	-	-
Employee benefits	-	-	-
Debt service	-	-	339,687
Hotel/motel tax	44,475	-	-
Tree purchases	3,688	-	-
Police	1,931	-	-
Housing rehabilitation	10,000	-	-
Assigned for:			
Capital equipment purchases	702,966	-	-
Street capital projects	1,783,798	-	-
Park development	163,798	-	-
Stormwater capital projects	42,999	-	-
Information technology upgrades	50,000	-	-
Youth scholarships/recreation capital equipment	51,125	-	-
Unassigned	2,730,142	-	-
Total cash basis fund balances	<u>\$ 5,584,922</u>	<u>\$ 910,607</u>	<u>\$ 339,687</u>

See accompanying notes to financial statements.

Exhibit B

Service Road Use Tax - Bond Reserve	Capital Projects Highway 965	Other Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 798,649	\$ 798,649
-	981,435	5,688	987,123
-	-	-	910,607
-	-	494,911	494,911
-	-	24,358	24,358
-	-	54,607	54,607
-	-	2,545	2,545
149,740	-	-	489,427
-	-	-	44,475
-	-	-	3,688
-	-	-	1,931
-	-	-	10,000
-	-	-	702,966
-	-	40,993	1,824,791
-	-	-	163,798
-	-	-	42,999
-	-	-	50,000
-	-	-	51,125
-	-	(1,132,376)	1,597,766
<u>\$ 149,740</u>	<u>\$ 981,435</u>	<u>\$ 289,375</u>	<u>\$ 8,255,766</u>

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

As of and for the Year Ended June 30, 2015

	Water Enterprise	Sewer Enterprise	Other Nonmajor Proprietary Funds	Total
Operating receipts:				
Charges for service	\$ 2,919,703	\$ 3,520,322	\$ 185,878	\$ 6,625,903
Miscellaneous	23,397	9,982	175,806	209,185
Total operating receipts	2,943,100	3,530,304	361,684	6,835,088
Operating disbursements:				
Business type activities	1,844,675	6,182,212	314,410	8,341,297
Excess (deficiency) of operating receipts over (under) operating disbursements	1,098,425	(2,651,908)	47,274	(1,506,209)
Non-operating receipts and (disbursements):				
Interest on cash investments	849	804	-	1,653
Debt service	(529,295)	(1,014,744)	-	(1,544,039)
Total non-operating receipts and (disbursements)	(528,446)	(1,013,940)	-	(1,542,386)
Excess (deficiency) of receipts over (under) disbursements	569,979	(3,665,848)	47,274	(3,048,595)
Other financing sources (uses):				
State Revolving Fund loan draws	47,128	918,965	-	966,093
Operating transfers:				
Operating transfers in	1,088,752	1,560,668	-	2,649,420
Operating transfers (out)	(1,522,790)	(1,839,181)	(197,859)	(3,559,830)
Total other financing sources (uses)	(386,910)	640,452	(197,859)	55,683
Net change in cash balances	183,069	(3,025,396)	(150,585)	(2,992,912)
Cash and cash investments, beginning of year	1,471,961	2,400,941	769,325	4,642,227
Cash and cash investments, end of year	\$ 1,655,030	\$ (624,455)	\$ 618,740	\$ 1,649,315
				(Exhibit A)
Cash basis fund balances:				
Restricted for:				
Debt service	\$ 766,859	\$ 671,058	\$ -	\$ 1,437,917
Utility deposits	-	-	425,507	425,507
Unrestricted:				
Unrestricted	888,171	(1,295,513)	193,233	(214,109)
Total cash basis fund balances	\$ 1,655,030	\$ (624,455)	\$ 618,740	\$ 1,649,315

See accompanying notes to financial statements.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

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.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

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 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 - Highway 965 Improvements Fund is used to account for improvements to the main arterial highway through the City.

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.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements for the debt service function exceeded budgeted amounts. Disbursements for the capital projects function exceeded the original budget amount prior to the amendment of the budget on June 9, 2015.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax Calendar

The City's property taxes were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable by the property owners in two installments on September 30, 2014 and March 31, 2015, 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, 2015 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, 2015 are as follows:

Year Ending June 30,	General Obligation Bonds		Road Use Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 3,475,000	\$ 581,646	\$ 110,000	\$ 35,340
2017	3,558,000	506,373	115,000	33,140
2018	3,130,000	426,347	115,000	30,840
2019	2,870,000	362,218	115,000	28,540
2020	2,850,000	302,452	120,000	26,240
2021-2025	9,070,000	654,735	640,000	91,730
2026-2030	505,000	15,655	285,000	12,760
Total	<u>\$ 25,458,000</u>	<u>\$ 2,849,426</u>	<u>\$ 1,500,000</u>	<u>\$ 258,590</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Year Ending June 30,	Enterprise Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2016	\$ 1,138,000	\$ 389,936	\$ 4,723,000	\$ 1,006,922
2017	1,175,000	361,911	4,848,000	901,424
2018	1,213,000	332,436	4,458,000	789,623
2019	1,253,000	301,233	4,238,000	691,991
2020	1,292,000	270,920	4,262,000	599,612
2021-2025	5,527,000	782,955	15,237,000	1,529,420
2026-2030	2,029,000	99,088	2,819,000	127,503
Total	<u>\$ 13,627,000</u>	<u>\$ 2,538,479</u>	<u>\$ 40,585,000</u>	<u>\$ 5,646,495</u>

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, 2015, the outstanding balances on these bonds totaled approximately \$19,143,000, which are payable through June 1, 2026. Total interest remaining payable on the bonds at June 30, 2015 was approximately \$2,231,500. During the year, principal and interest paid on these bonds totaled approximately \$2,593,000 and \$474,030, respectively. Tax increment financing receipts during the year were \$3,918,081.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay three outstanding water revenue bond issues totaling \$5,135,000. The bonds were issued between September 2008 and April 2014. 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 40 percent of defined net receipts. At June 30, 2015, total principal and interest remaining to be paid on the bonds was \$4,255,155. Principal and interest paid on all bonds totaled \$410,000 and \$117,545, respectively. Total defined net receipts during the year were \$1,425,281.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay six sewer revenue bond issues totaling \$15,479,000. The bonds were issued between March 1998 and April 2014. 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 45 percent of defined net receipts. At June 30, 2015, total principal and interest remaining to be paid on the bonds was \$11,910,324. Principal and interest paid on all bonds totaled \$691,000 and \$304,788, respectively. Total defined net receipts during the year were \$2,345,079.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

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, 2015, total principal and interest remaining to be paid on the bonds was \$1,758,590. During the year, principal and interest paid on the bonds totaled \$110,000 and \$37,540, 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 2014B require that \$541,255 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 Refunding Bond Series 2014A 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

During the year ended June 30, 2013, 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. During the year ended June 30, 2015, \$40,000 was paid on the loan and the balance of the loan at June 30, 2015 was \$320,000.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Annual maturities of the loan at June 30, 2015 are as follows:

Year ending June 30, 2016	\$	40,000
2017		40,000
2018		40,000
2019		40,000
2020		40,000
2021 - 2023		120,000
	\$	<u>320,000</u>

NOTE 4. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payment.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or recalculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 4. PENSION PLAN (Continued)

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rates, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent, and Protection Occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$450,314.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$1,853,576. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.046738 percent, which was a decrease of 0.005119 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$179,257, \$115,339 and \$1,061,545, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 4. PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation Percentage	Long-Term Expected Real Rate of Return
U.S. Equity	23%	6.31
Non-U.S. Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

City's proportionate share of the net pension liability:

1 percent decrease (6.5%)	\$ 4,219,052
Discount rate (7.5%)	1,853,576
1 percent increase (8.5%)	(142,398)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

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, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 33,557
Vacation	240,058
Total	<u>\$ 273,615</u>

This liability has been computed based on rates of pay as of June 30, 2015.

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, 2015, based on rates of pay as of June 30, 2015, is \$968,791.

NOTE 6. SOLID WASTE DISPOSAL CONTRACT

An agreement between the City and Johnson County Refuse for the period July 1, 2014 through June 30, 2019, 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, 2013 through June 30, 2014, 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.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 8. CONSTRUCTION CONTRACTS

The City has entered into various contracts with construction and engineering services companies totaling approximately \$36,400,000. The unpaid balances at June 30, 2015 totaled approximately \$27,900,000, 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. DEFICIT BALANCES

The following capital projects funds had deficit balances at June 30, 2015, because the project costs were incurred prior to availability of funds:

Capital Projects - Penn Street Improvements	\$	169,422
Capital Projects - Street Capital Projects		432,333
Capital Projects - Trail Projects		28,443
Capital Projects - Land and Facilities		502,178

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

The following capital projects accounts within the water and sewer enterprise funds had deficit balances at June 30, 2015, because project costs were incurred prior to availability of funds:

Water Capital Projects	\$	541,411
Sewer Capital Projects		4,763,042

Deficit balances in these capital projects accounts arose because project and construction costs were incurred prior to the availability of funds. These deficits will be eliminated with grants, proceeds from debt financing, available funds in the water and sewer enterprise funds and other general City funds. The deficit in the Sewer Capital Projects account resulted in the Sewer Enterprise Fund having a net deficit of \$624,455 at June 30, 2015.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 11. LEASE COMMITMENTS

The City entered into a lease agreement effective May 1, 2014 to lease commercial space for the City administration offices and Council chambers for the period May 1, 2014 to December 31, 2018. This agreement supercedes a lease agreement for similar facilities for the period from April 1, 2011 to December 31, 2015. The current 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. The current lease also provides for additional rent based on the excess of the assessed value of the property over \$1,480,510.

Lease payments are due in six month intervals each January 15 and July 15. Lease expense for the year ended June 30, 2015 was \$173,785, which included additional rent of \$9,344 based on the assessed value of the property.

Future minimum commitments under this lease as of June 30, 2015 are as follows:

Year ending June 30, 2016	\$ 165,751
2017	170,743
2018	175,836
2019	90,564
	<hr/>
	\$ 602,894
	<hr/>

NOTE 12. 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 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 \$372.64 for single coverage, \$669.69 for employee/dependent coverage, \$721.24 for employee/spouse coverage and \$1,060.87 for family coverage. The same monthly premiums apply to retirees. There are 75 active employees and 1 retiree participating in the plan as of June 30, 2015. During the year ended June 30, 2015, the City contributed \$602,686 and plan members contributed \$99,891 to the plan.

NOTE 13. CONDUIT DEBT OBLIGATIONS

During the year ended June 30, 2011, the City issued a total of \$2,032,000 of Midwest Disaster Area Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities in the community. The outstanding principal amount on the bonds at June 30, 2015 totaled \$803,529. The bonds are secured by property purchased with the bond proceeds and are payable solely from payments received on the underlying mortgage loans, derived from rents payable by the tenants. 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.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

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, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise - Water Operating	\$ 284,513
	Sewer Enterprise - Sewer Operating	284,513
	Stormwater Management Enterprise	31,859
	Special Revenue - Employee Benefits	1,077,474
	Capital Projects - Highway 965 Improvements	3,380
		<u>1,681,739</u>
General Fund - Transportation Impact Fees	Capital Projects - Highway 965 Improvements	308,117
General Fund - Park Development	Special Revenue - Urban Renewal Tax Increment	54,985
Debt Service Fund - General Obligation Debt	Special Revenue - Urban Renewal Tax Increment	3,164,696
	Special Revenue - Road Use Tax	194,104
	Water Enterprise - Water Revenue Sinking	149,525
		<u>3,508,325</u>
General Fund - Equipment Revolving	Special Revenue - Road Use Tax	191,000
	Stormwater Management Enterprise	146,000
		<u>337,000</u>
General Fund - Recreation Equipment	Capital Projects - Library Expansion	95,000
Capital Projects - Penn Street Improvements	General Fund	26,532
	Capital Projects - Street Capital Projects	100,000
		<u>126,532</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 14. INTERFUND AND INTRAFUND TRANSFERS (Continued)

Capital Projects - Land and Facilities	General Fund	80,477
	General Fund - Park Development	70,000
	Capital Projects - Street Capital Projects	15,000
	Sewer Enterprise - Sewer Operating	<u>14,000</u>
		<u>179,477</u>
Capital Projects - Highway 965 Improvements	Special Revenue - Urban Renewal Tax Increment	<u>28,235</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Stormwater Management Enterprise	<u>20,000</u>
		<u>\$ 6,339,410</u>

The detail of intrafund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Fire Equipment Reserve	General Fund	\$ 153,524
General Fund - Recreation Equipment		55,000
General Fund - Equipment Revolving		<u>167,152</u>
		<u>375,676</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	827,752
Water Enterprise - Water Capital Projects		<u>136,000</u>
		<u>963,752</u>
Water Enterprise - Water Capital Projects	Water Enterprise - Water Utilities - Capital Reserve	<u>125,000</u>
Sewer Enterprise - Sewer Capital Projects	Sewer Enterprise - Sewer Operating	120,212
	Sewer Enterprise - Sewer Rental - Capital Reserve	<u>200,000</u>
		<u>320,212</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	<u>187,000</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 14. INTERFUND AND INTRAFUND TRANSFERS (Continued)

Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	1,033,456
		<u>\$ 3,005,096</u>

Total transfers during the year ended June 30, 2015 were as follows:

Interfund transfers	\$ 6,339,410
Intrafund transfers	3,005,096
	<u>\$ 9,344,506</u>

Reconciliation to the financial statements:

	Transfers In	Transfers Out
Governmental funds (Exhibit B)	\$ 6,695,086	\$ 5,784,676
Proprietary funds (Exhibit C)	2,649,420	3,559,830
	<u>\$ 9,344,506</u>	<u>\$ 9,344,506</u>

NOTE 15. LITIGATION

The City is the defendant in a case brought by a citizen seeking damages in connection with an incident that occurred in 2011 involving City police officers. The case is scheduled for trial in September 2016. The City believes it has meritorious defense and 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 property owner in November 2014 challenging the sanitary sewer easement needed for the construction of a new high school and development of the area. The plaintiff is seeking permanent injunctive relief and unspecified damages. The case is scheduled for trial in May 2016. The City expects to prevail in this 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 four citizens seeking damages in connection with flooding damages to their properties, which are alleged to be the result of negligence in installing sewer tile line. The case is scheduled for trial in December 2016. The City believes it has meritorious defense and no estimate of any possible loss to the City can be determined at this time.

NOTE 16. STATE REVOLVING FUND INTERIM LOANS

The City has obtained two interim financing loans from the Iowa Finance Authority's State Revolving Fund to provide funding for the planning and design phases of the water and sewer improvement and expansion projects. These interim loans will be paid off when the revenue bond issues are sold as these projects are completed in the future. No interest is being charged on these loans.

The Water Revenue Loan and Disbursement Agreement Anticipation Project Note was issued April 11, 2014 in the maximum amount of \$1,350,000 and is due April 11, 2017. The City has drawn \$47,128 on this loan as of June 30, 2015.

The Sewer Revenue Loan and Disbursement Agreement Anticipation Project Note was issued July 25, 2014 in the maximum amount of \$1,450,000 and is due July 25, 2017. The City has drawn \$918,965 on this loan as of June 30, 2015.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2015

NOTE 17. ECONOMIC DEVELOPMENT LOANS

The City entered into two economic development loan agreements with two local business entities during the year ended June 30, 2015. The loan proceeds to these entities are to be used to increase permanent employment opportunities in the City, increase the local property tax base and diversify the City's economic composition. Details of the loan agreements are as follows:

Agreement dated August 26, 2014, with BlendCard, Inc., in the amount of \$25,000. Monthly repayment of \$460.42 beginning on November 26, 2014, and continuing on the 26th day of each month thereafter until October 26, 2019, on which date the remaining unpaid indebtedness is due in full. Interest at a rate of four percent (4%) per annum is due on the unpaid balance throughout the term of the note. During the year ended June 30, 2015, the City received repayments of \$3,223, of which \$727 was applied to interest on the note and \$2,496 was applied to principal. The balance due on the loan at June 30, 2015 was \$22,504.

Agreement dated November 25, 2014, with Moxie Solar LLC, in the amount of \$25,000. Monthly repayment of \$465.06 beginning on February 25, 2015, and continuing on the 25th day of each month thereafter until January 25, 2020, on which date the remaining unpaid indebtedness is due in full. Interest at a rate of four percent (4%) per annum is due on the unpaid balance throughout the term of the note. During the year ended June 30, 2015, the City received repayments of \$2,298, of which \$575 was applied to interest on the note and \$1,723 was applied to principal. The balance due on the loan at June 30, 2015 was \$23,277.

NOTE 18. RELATED PARTY TRANSACTIONS

The City entered into an agreement to purchase, on August 28, 2014, a parcel of real estate consisting of approximately 28.8 acres for the expansion of the waste water treatment facility. The real estate was purchased from Four D's Acres, LLC, a limited liability company of which Donald Colony, the City Streets Superintendent, is a member. The purchase price of the real estate was \$863,700 and was determined based on an appraisal of the property.

NOTE 19. SUBSEQUENT EVENTS

The City sold the following bond issue after June 30, 2015:

General Obligation Corporate Purpose and Refunding Bonds, Series 2015A - \$9,965,000

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 6,861,247	\$ -	\$ 6,861,247
Tax increment financing	3,918,081	-	3,918,081
Other city tax	341,057	-	341,057
Licenses and permits	552,067	-	552,067
Use of money and property	149,029	1,653	150,682
Intergovernmental	2,136,378	-	2,136,378
Charges for service	2,219,792	6,625,903	8,845,695
Special assessments	-	-	-
Miscellaneous	390,306	209,185	599,491
	<hr/>		
Total receipts	16,567,957	6,836,741	23,404,698
	<hr/>		
Disbursements:			
Public safety	2,563,426	-	2,563,426
Public works	1,511,077	-	1,511,077
Health and social services	98,207	-	98,207
Culture and recreation	3,458,203	-	3,458,203
Community and economic development	1,166,131	-	1,166,131
General government	1,537,711	-	1,537,711
Debt service	4,528,242	-	4,528,242
Capital projects	4,181,863	-	4,181,863
Business type activities	-	9,885,336	9,885,336
	<hr/>		
Total disbursements	19,044,860	9,885,336	28,930,196
	<hr/>		
Deficiency of receipts over under disbursements	(2,476,903)	(3,048,595)	(5,525,498)
Other financing sources, net	4,048,331	55,683	4,104,014
	<hr/>		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,571,428	(2,992,912)	(1,421,484)
Balances, beginning of year	6,684,338	4,642,227	11,326,565
	<hr/>		
Balances, end of year	\$ 8,255,766	\$ 1,649,315	\$ 9,905,081
	<hr/>		

There were no funds of the City not required to be budgeted during the year ended June 30, 2015.

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

Budgeted Amounts

<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
\$ 6,976,566	\$ 6,976,566	\$ (115,319)
3,978,506	3,978,506	(60,425)
109,252	109,252	231,805
700,000	750,000	(197,933)
153,600	153,600	(2,918)
1,533,320	1,847,567	288,811
8,430,145	8,470,145	375,550
-	-	-
244,000	1,059,200	(459,709)
<u>22,125,389</u>	<u>23,344,836</u>	<u>59,862</u>
2,946,652	2,991,366	427,940
1,701,843	1,915,935	404,858
93,000	103,800	5,593
3,660,174	3,757,027	298,824
1,479,237	1,578,785	412,654
1,502,924	1,647,941	110,230
4,433,430	4,518,430	(9,812)
1,735,000	5,323,000	1,141,137
9,493,398	10,673,398	788,062
<u>27,045,658</u>	<u>32,509,682</u>	<u>3,579,486</u>
(4,920,269)	(9,164,846)	3,639,348
<u>6,175,000</u>	<u>7,962,991</u>	<u>(3,858,977)</u>
1,254,731	(1,201,855)	(219,629)
<u>6,949,905</u>	<u>11,326,565</u>	<u>-</u>
<u>\$ 8,204,636</u>	<u>\$ 10,124,710</u>	<u>\$ (219,629)</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Other Information - Budgetary Reporting

June 30, 2015

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 \$5,464,024. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements for the debt service function exceeded budgeted amounts. Disbursements for the capital projects function exceeded the original budget amount prior to the amendment of the budget on June 9, 2015.

CITY OF NORTH LIBERTY, IOWA

Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year *

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.046738%
City's proportionate share of the net pension liability	\$ 1,853,576
City's total covered-employee payroll	
Regular	\$ 3,744,481
Protection occupation	<u>1,143,311</u>
	<u>\$ 4,887,792</u>
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.922563%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the City will present information for those years for which information is available.

See accompanying Independent Auditor's Report and
accompanying Notes to Other Information.

CITY OF NORTH LIBERTY, IOWA

Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution:			
Regular	\$ 334,382	\$ 309,202	\$ 285,504
Protection occupation	115,932	101,129	95,933
	<u>\$ 450,314</u>	<u>\$ 410,331</u>	<u>\$ 381,437</u>
Contributions in relation to the statutorily required contribution:			
Regular	\$ 334,382	\$ 309,202	\$ 285,504
Protection occupation	115,932	101,129	95,933
	<u>\$ 450,314</u>	<u>\$ 410,331</u>	<u>\$ 381,437</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll:			
Regular	\$ 3,744,481	\$ 3,462,507	\$ 3,293,006
Protection occupation	1,143,311	997,332	934,112
	<u>\$ 4,887,792</u>	<u>\$ 4,459,839</u>	<u>\$ 4,227,118</u>
Contributions as a percentage of covered-employee payroll:			
Regular	8.93%	8.93%	8.67%
Protection occupation	10.14%	10.14%	10.27%

See accompanying Independent Auditor's Report and
accompanying Notes to Other Information.

2012	2011	2010	2009	2008	2007	2006
\$ 257,699	\$ 201,757	\$ 178,743	\$ 162,451	\$ 139,246	\$ 110,358	\$ 92,926
82,283	67,379	59,361	47,957	38,787	26,321	22,615
<u>\$ 339,982</u>	<u>\$ 269,136</u>	<u>\$ 238,104</u>	<u>\$ 210,408</u>	<u>\$ 178,033</u>	<u>\$ 136,679</u>	<u>\$ 115,541</u>
\$ 257,699	\$ 201,757	\$ 178,743	\$ 162,451	\$ 139,246	\$ 110,358	\$ 92,926
82,283	67,379	59,361	47,957	38,787	26,321	22,615
<u>\$ 339,982</u>	<u>\$ 269,136</u>	<u>\$ 238,104</u>	<u>\$ 210,408</u>	<u>\$ 178,033</u>	<u>\$ 136,679</u>	<u>\$ 115,541</u>
<u>\$ -</u>						
\$ 3,193,298	\$ 2,902,976	\$ 2,687,862	\$ 2,558,279	\$ 2,301,592	\$ 1,919,276	\$ 1,616,111
825,306	677,179	645,230	567,536	457,929	288,607	245,011
<u>\$ 4,018,604</u>	<u>\$ 3,580,155</u>	<u>\$ 3,333,092</u>	<u>\$ 3,125,815</u>	<u>\$ 2,759,521</u>	<u>\$ 2,207,883</u>	<u>\$ 1,861,122</u>
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%
9.97%	9.95%	9.20%	8.45%	8.47%	9.12%	9.23%

CITY OF NORTH LIBERTY, IOWA

Notes to Other Information - Pension Liability

June 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of termination members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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, 2015

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Receipts:						
Property tax	\$ 4,907,125	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax:						
Mobile home tax	19,998	-	-	-	-	-
Utility tax replacement excise tax	64,740	-	-	-	-	-
Hotel/motel tax	69,178	-	-	-	-	-
Utility franchise fees	156,461	-	-	-	-	-
	<u>310,377</u>	-	-	-	-	-
Licenses and permits:						
Beer and liquor	13,258	-	-	-	-	-
Cigarette	1,076	-	-	-	-	-
Business/building trades	1,350	-	-	-	-	-
Pet and other	1,353	-	-	-	-	-
Building	535,030	-	-	-	-	-
	<u>552,067</u>	-	-	-	-	-
Use of money and property:						
Interest on cash investments	29,391	-	-	-	-	-
Rent	119,618	-	-	-	-	-
	<u>149,009</u>	-	-	-	-	-
Intergovernmental:						
Emergency generator grant	79,535	-	-	-	-	-
Disaster mitigation grants	24,537	-	-	-	-	-
Commercial and industrial property tax replacement	111,070	-	-	-	-	-
Police grants	5,229	-	-	-	-	-
Fire department SAFER grant	43,532	-	-	-	-	-
Township fire protection	150,090	-	-	-	-	-
County library contribution	23,868	-	-	-	-	-
Library grants and open access	8,796	-	-	-	-	-
	<u>446,657</u>	-	-	-	-	-
Charges for service:						
Inspection fees	119,696	-	-	-	-	-
Library fees	3,713	-	-	-	-	-
Police service fees	3,571	-	-	-	-	-
Fire department service fees	10,679	-	-	-	-	-
Zoning and subdivision	16,295	-	-	-	-	-
Garbage and recycling fees	562,427	-	-	-	-	-
Recreation charges	964,555	-	-	-	-	-
Rain barrels and compost bins	2,200	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Mowing and snow removal	427	-	-	-	-	-
Cemetery plot location fees	355	-	-	-	-	-
Animal control	872	-	-	-	-	-
Maps and photocopy fees	359	-	-	-	-	-
Administrative charges	40,217	-	-	-	-	-
Transit	315	-	-	-	-	-
	<u>1,725,681</u>	-	-	-	-	-

Schedule 1

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Transportation	Storm Water	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,907,125
-	-	-	-	-	-	-	19,998
-	-	-	-	-	-	-	64,740
-	-	-	-	-	-	-	69,178
-	-	-	-	-	-	-	156,461
-	-	-	-	-	-	-	310,377
-	-	-	-	-	-	-	13,258
-	-	-	-	-	-	-	1,076
-	-	-	-	-	-	-	1,350
-	-	-	-	-	-	-	1,353
-	-	-	-	-	-	-	535,030
-	-	-	-	-	-	-	552,067
-	-	-	-	-	-	-	29,391
-	-	-	-	-	-	-	119,618
-	-	-	-	-	-	-	149,009
-	-	-	-	-	-	-	79,535
-	-	-	-	-	-	-	24,537
-	-	-	-	-	-	-	111,070
-	-	-	1,101	-	-	-	6,330
-	-	-	-	-	-	-	43,532
-	-	-	-	-	-	-	150,090
-	-	-	-	-	-	-	23,868
-	-	-	-	-	-	-	8,796
-	-	-	1,101	-	-	-	447,758
-	-	-	-	-	-	-	119,696
-	-	-	-	-	-	-	3,713
-	-	-	10,590	-	-	-	14,161
-	-	-	-	-	-	-	10,679
-	-	-	-	-	-	-	16,295
-	-	-	-	-	-	-	562,427
-	-	-	-	-	-	-	964,555
-	-	-	-	-	-	-	2,200
-	-	-	-	-	483,521	-	483,521
-	-	-	-	-	-	-	427
-	-	-	-	-	-	-	355
-	-	-	-	-	-	-	872
-	-	-	-	-	-	-	359
-	-	-	-	-	-	-	40,217
-	-	-	-	-	-	-	315
-	-	-	10,590	-	483,521	-	2,219,792

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, 2015

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Receipts: (continued)						
Miscellaneous:						
Refunds and reimbursements	12,758	-	-	-	-	-
Fines and fees	39,071	-	-	-	-	-
Donations/contributions	2,406	-	59,187	100	100	1,376
Miscellaneous	89,099	-	-	18,561	-	-
Penalties	90,731	-	-	-	-	-
	<u>234,065</u>	<u>-</u>	<u>59,187</u>	<u>18,661</u>	<u>100</u>	<u>1,376</u>
Total receipts	<u>8,324,981</u>	<u>-</u>	<u>59,187</u>	<u>18,661</u>	<u>100</u>	<u>1,376</u>
Disbursements:						
Public Safety:						
Police	1,694,789	-	-	-	-	-
Emergency management	21,802	-	-	-	-	-
Fire	359,403	-	-	-	-	-
Building inspections/safety	460,155	-	-	-	-	-
Animal control	11,547	-	-	-	-	-
	<u>2,547,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public safety	<u>2,547,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Works:						
Traffic control and safety	33,941	-	-	-	-	-
Streets	10,088	-	-	-	-	-
Sanitation	530,150	-	-	-	-	-
Transit	112,861	-	-	-	-	-
	<u>687,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public works	<u>687,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Health and social services:						
Social services	98,207	-	-	-	-	-
	<u>98,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total health and social services	<u>98,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation:						
Library	763,767	-	-	-	-	-
Parks	697,773	-	-	-	-	-
Recreation center	1,182,974	-	-	13,522	-	-
Community center	136,454	-	-	-	-	-
Aquatic center	653,485	-	-	-	-	-
Cemetery	10,228	-	-	-	-	-
	<u>3,444,681</u>	<u>-</u>	<u>-</u>	<u>13,522</u>	<u>-</u>	<u>-</u>
Total culture and recreation	<u>3,444,681</u>	<u>-</u>	<u>-</u>	<u>13,522</u>	<u>-</u>	<u>-</u>
Community and economic development:						
Community beautification	-	-	-	-	-	3,050
Economic development	120,000	-	-	-	-	-
Tourism promotion	28,519	-	-	-	-	-
Planning and zoning	359,257	-	-	-	-	-
Telecommunications	231,705	-	-	-	-	-
	<u>739,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,050</u>
Total community and economic development	<u>739,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,050</u>

Schedule 1

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Transportation	Storm Water	
-	-	7,385	-	-	-	-	20,143
-	-	-	-	-	-	-	39,071
9,791	-	-	25	-	-	-	72,985
2,000	-	-	-	5,405	-	-	115,065
-	-	-	-	-	-	-	90,731
11,791	-	7,385	25	5,405	-	-	337,995
11,791	-	7,385	11,716	5,405	483,521	-	8,924,123
-	-	-	4,528	5,855	-	-	1,705,172
-	-	-	-	-	-	-	21,802
-	-	-	-	-	-	-	359,403
-	-	-	-	-	-	-	460,155
-	-	-	-	-	-	-	11,547
-	-	-	4,528	5,855	-	-	2,558,079
-	-	-	-	-	-	-	33,941
-	-	-	-	-	-	-	10,088
-	-	-	-	-	-	-	530,150
-	-	-	-	-	-	-	112,861
-	-	-	-	-	-	-	687,040
-	-	-	-	-	-	-	98,207
-	-	-	-	-	-	-	763,767
-	-	-	-	-	-	-	697,773
-	-	-	-	-	-	-	1,196,496
-	-	-	-	-	-	-	136,454
-	-	-	-	-	-	-	653,485
-	-	-	-	-	-	-	10,228
-	-	-	-	-	-	-	3,458,203
-	-	-	-	-	-	-	3,050
-	-	-	-	-	-	-	120,000
-	-	-	-	-	-	-	28,519
-	-	-	-	-	-	-	359,257
-	-	-	-	-	-	-	231,705
-	-	-	-	-	-	-	742,531

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, 2015

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Disbursements: (continued)						
General government:						
Mayor and council	17,192	-	-	-	-	-
City administration	1,304,678	-	-	-	-	-
Legal services	199,803	-	-	-	-	-
Other general government	16,038	-	-	-	-	-
Total general government	1,537,711	-	-	-	-	-
Capital projects:						
Capital projects	63,986	79,531	16,481	-	-	-
Total disbursements	9,118,802	79,531	16,481	13,522	-	3,050
Excess (deficiency) of receipts over (under) disbursements	(793,821)	(79,531)	42,706	5,139	100	(1,674)
Other financing sources (uses):						
Operating transfers in	1,681,739	150,000	54,985	-	-	-
Operating transfers (out)	(482,685)	-	(70,000)	-	-	-
Total other financing sources (uses)	1,199,054	150,000	(15,015)	-	-	-
Net change in cash balances	405,233	70,469	27,691	5,139	100	(1,674)
Cash and cash investments, beginning of year	2,686,700	96,141	178,784	45,986	55,241	12,981
Cash and cash investments, end of year	\$ 3,091,933	\$ 166,610	\$ 206,475	\$ 51,125	\$ 55,341	\$ 11,307
Cash basis fund balances:						
Restricted for:						
Hotel/motel tax	\$ 44,475	\$ -	\$ -	\$ -	\$ -	\$ -
Tree purchases	-	-	-	-	-	3,688
Police	-	-	-	-	-	-
Housing rehabilitation	10,000	-	-	-	-	-
Assigned for:						
Capital equipment purchases	-	166,610	-	-	55,341	-
Street capital projects	-	-	-	-	-	-
Park development	-	-	163,798	-	-	-
Stormwater capital projects	-	-	-	-	-	-
Information technology upgrades	50,000	-	-	-	-	-
Youth scholarships/ recreation capital equipment	-	-	-	51,125	-	-
Unassigned	2,987,458	-	42,677	-	-	7,619
Total cash basis fund balances	\$ 3,091,933	\$ 166,610	\$ 206,475	\$ 51,125	\$ 55,341	\$ 11,307

See accompanying independent auditor's report.

Schedule 1

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Transportation	Storm Water	
-	-	-	-	-	-	-	17,192
-	-	-	-	-	-	-	1,304,678
-	-	-	-	-	-	-	199,803
-	-	-	-	-	-	-	16,038
-	-	-	-	-	-	-	1,537,711
7,231	-	462,277	-	-	-	-	629,506
7,231	-	462,277	4,528	5,855	-	-	9,711,277
4,560	-	(454,892)	7,188	(450)	483,521	-	(787,154)
-	153,524	504,152	-	-	308,117	-	2,852,517
-	-	-	-	-	-	-	(552,685)
-	153,524	504,152	-	-	308,117	-	2,299,832
4,560	153,524	49,260	7,188	(450)	791,638	-	1,512,678
2,592	216,925	127,733	23,632	2,381	580,149	42,999	4,072,244
\$ 7,152	\$ 370,449	\$ 176,993	\$ 30,820	\$ 1,931	\$ 1,371,787	\$ 42,999	\$ 5,584,922
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	44,475
-	-	-	-	-	-	-	3,688
-	-	-	-	1,931	-	-	1,931
-	-	-	-	-	-	-	10,000
7,152	370,449	72,594	30,820	-	-	-	702,966
-	-	-	-	-	1,783,798	-	1,783,798
-	-	-	-	-	-	-	163,798
-	-	-	-	-	-	42,999	42,999
-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	51,125
-	-	104,399	-	-	(412,011)	-	2,730,142
\$ 7,152	\$ 370,449	\$ 176,993	\$ 30,820	\$ 1,931	\$ 1,371,787	\$ 42,999	\$ 5,584,922

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, 2015

	Special Revenue			Other	Total
	Employee Benefits	Road Use Tax	Drug Task Force	Capital Projects	
Receipts:					
Property tax	\$ 1,036,089	\$ -	\$ -	\$ -	\$ 1,036,089
Other city tax	17,904	-	-	-	17,904
Use of money and property	-	-	15	5	20
Intergovernmental	23,481	1,390,662	22,038	-	1,436,181
Miscellaneous	-	-	-	52,311	52,311
Total receipts	1,077,474	1,390,662	22,053	52,316	2,542,505
Disbursements:					
Operating:					
Public safety	-	-	5,347	-	5,347
Public works	-	824,037	-	-	824,037
Capital projects	-	88,960	-	1,210,567	1,299,527
Total disbursements	-	912,997	5,347	1,210,567	2,128,911
Excess (deficiency) of receipts over (under) disbursements	1,077,474	477,665	16,706	(1,158,251)	413,594
Other financing sources (uses):					
Proceeds from sale of general obligation bonds	-	-	-	511,194	511,194
Operating transfers in	-	-	-	306,009	306,009
Operating transfers (out)	(1,077,474)	(385,104)	-	(210,000)	(1,672,578)
Total other financing sources (uses)	(1,077,474)	(385,104)	-	607,203	(855,375)
Net change in cash balances	-	92,561	16,706	(551,048)	(441,781)
Cash and cash investments, beginning of year	2,545	706,088	7,652	14,871	731,156
Cash and cash investments, end of year	\$ 2,545	\$ 798,649	\$ 24,358	\$ (536,177)	\$ 289,375
Cash basis fund balances:					
Restricted for:					
Street operations	\$ -	\$ 798,649	\$ -	\$ -	\$ 798,649
Street capital projects	-	-	-	5,688	5,688
Urban renewal projects	-	-	-	494,911	494,911
Police capital equipment purchases	-	-	24,358	-	24,358
Property improvements	-	-	-	54,607	54,607
Employee benefits	2,545	-	-	-	2,545
Assigned for:					
Street capital projects	-	-	-	40,993	40,993
Unassigned	-	-	-	(1,132,376)	(1,132,376)
Total cash basis fund balances	\$ 2,545	\$ 798,649	\$ 24,358	\$ (536,177)	\$ 289,375

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, 2015

	Ranshaw House Project	TIF Projects	Library Expansion	Penn Street Improvements
Receipts:				
Use of money and property:				
Interest on cash investments	\$ -	\$ -	\$ 5	\$ -
Miscellaneous:				
Donations/contributions	-	-	52,311	-
Total receipts	-	-	52,316	-
Disbursements:				
Capital projects	-	-	158,296	44,423
Deficiency of receipts under disbursements	-	-	(105,980)	(44,423)
Other financing sources(uses):				
Proceeds from sale of general obligation bonds	-	-	-	-
Operating transfers in	-	-	-	126,532
Operating transfers (out)	-	-	(95,000)	-
Total other financing sources(uses)	-	-	(95,000)	126,532
Net change in cash balances	-	-	(200,980)	82,109
Cash and cash investments, beginning of year	8,734	416,252	246,853	(251,531)
Cash and cash investments, end of year	\$ 8,734	\$ 416,252	\$ 45,873	\$ (169,422)
Cash basis fund balances:				
Restricted for:				
Street capital projects	\$ -	\$ -	\$ -	\$ -
Urban renewal projects	-	416,252	-	-
Property improvements	8,734	-	45,873	-
Assigned for:				
Street capital projects	-	-	-	-
Unassigned	-	-	-	(169,422)
Total cash basis fund balances	\$ 8,734	\$ 416,252	\$ 45,873	\$ (169,422)

See accompanying independent auditor's report.

Schedule 3

I-JOBS Street Projects	Street Capital Projects	Trail Projects	Entryway Development	Economic Development Projects	Land and Facilities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5
-	-	-	-	-	-	52,311
-	-	-	-	-	-	52,316
-	931,227	28,443	-	-	48,178	1,210,567
-	(931,227)	(28,443)	-	-	(48,178)	(1,158,251)
-	511,194	-	-	-	-	511,194
-	-	-	-	-	179,477	306,009
-	(115,000)	-	-	-	-	(210,000)
-	396,194	-	-	-	179,477	607,203
-	(535,033)	(28,443)	-	-	131,299	(551,048)
5,688	102,700	-	40,993	78,659	(633,477)	14,871
<u>\$ 5,688</u>	<u>\$ (432,333)</u>	<u>\$ (28,443)</u>	<u>\$ 40,993</u>	<u>\$ 78,659</u>	<u>\$ (502,178)</u>	<u>\$ (536,177)</u>
\$ 5,688	\$ -	\$ -	\$ -	\$ -	\$ -	5,688
-	-	-	-	78,659	-	494,911
-	-	-	-	-	-	54,607
-	-	-	40,993	-	-	40,993
-	(432,333)	(28,443)	-	-	(502,178)	(1,132,376)
<u>\$ 5,688</u>	<u>\$ (432,333)</u>	<u>\$ (28,443)</u>	<u>\$ 40,993</u>	<u>\$ 78,659</u>	<u>\$ (502,178)</u>	<u>\$ (536,177)</u>

CITY OF NORTH LIBERTY, IOWA

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

As of and for the Year Ended June 30, 2015

	Water Enterprise					Total
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Projects	
Operating receipts:						
Charges for service	\$ 2,918,343	\$ -	\$ -	\$ 1,360	\$ -	\$ 2,919,703
Miscellaneous	23,397	-	-	-	-	23,397
Total operating receipts	2,941,740	-	-	1,360	-	2,943,100
Operating disbursements:						
Business type activities	1,516,459	-	-	-	328,216	1,844,675
Excess (deficiency) of operating receipts over (under) operating disbursements	1,425,281	-	-	1,360	(328,216)	1,098,425
Non-operating receipts and (disbursements):						
Interest on cash investments	849	-	-	-	-	849
Debt service	-	(529,295)	-	-	-	(529,295)
Total non-operating receipts and (disbursements)	849	(529,295)	-	-	-	(528,446)
Excess (deficiency) of receipts over (under) disbursements	1,426,130	(529,295)	-	1,360	(328,216)	569,979
Other financing sources (uses):						
State Revolving Fund loan draws	-	-	-	-	47,128	47,128
Operating transfers:						
Operating transfers in	-	827,752	-	-	261,000	1,088,752
Operating transfers (out)	(1,248,265)	(149,525)	-	(125,000)	-	(1,522,790)
Total other financing sources (uses)	(1,248,265)	678,227	-	(125,000)	308,128	(386,910)
Net change in cash balances	177,865	148,932	-	(123,640)	(20,088)	183,069
Cash and cash investments, beginning of year	1,005,288	76,672	541,255	370,069	(521,323)	1,471,961
Cash and cash investments, end of year	\$ 1,183,153	\$ 225,604	\$ 541,255	\$ 246,429	\$ (541,411)	\$ 1,655,030
Cash basis fund balances:						
Restricted for:						
Debt service	\$ -	\$ 225,604	\$ 541,255	\$ -	\$ -	\$ 766,859
Unrestricted:						
Unrestricted	1,183,153	-	-	246,429	(541,411)	888,171
	\$ 1,183,153	\$ 225,604	\$ 541,255	\$ 246,429	\$ (541,411)	\$ 1,655,030

See accompanying independent auditor's report.

Sewer Enterprise					
Sewer Operating	Sewer Revenue Sinking	Sewer Reserve	Sewer Rental - Capital Reserve	Sewer Capital Projects	Total
\$ 3,482,059	\$ -	\$ -	\$ 38,263	\$ -	\$ 3,520,322
9,910	-	-	-	72	9,982
3,491,969	-	-	38,263	72	3,530,304
1,146,890	-	-	-	5,035,322	6,182,212
2,345,079	-	-	38,263	(5,035,250)	(2,651,908)
804	-	-	-	-	804
-	(1,014,744)	-	-	-	(1,014,744)
804	(1,014,744)	-	-	-	(1,013,940)
2,345,883	(1,014,744)	-	38,263	(5,035,250)	(3,665,848)
-	-	-	-	918,965	918,965
-	1,033,456	-	207,000	320,212	1,560,668
(1,639,181)	-	-	(200,000)	-	(1,839,181)
(1,639,181)	1,033,456	-	7,000	1,239,177	640,452
706,702	18,712	-	45,263	(3,796,073)	(3,025,396)
1,705,295	345,241	307,105	1,010,269	(966,969)	2,400,941
\$ 2,411,997	\$ 363,953	\$ 307,105	\$ 1,055,532	\$ (4,763,042)	\$ (624,455)
\$ -	\$ 363,953	\$ 307,105	\$ -	\$ -	\$ 671,058
2,411,997	-	-	1,055,532	(4,763,042)	(1,295,513)
\$ 2,411,997	\$ 363,953	\$ 307,105	\$ 1,055,532	\$ (4,763,042)	\$ (624,455)

CITY OF NORTH LIBERTY, IOWA

Schedule 5

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

As of and for the Year Ended June 30, 2015

	Utility Deposits	Stormwater Management	Total
Operating receipts:			
Charges for service	\$ -	\$ 185,878	\$ 185,878
Miscellaneous	174,784	1,022	175,806
Total operating receipts	174,784	186,900	361,684
Operating disbursements:			
Business type activities	249,219	65,191	314,410
Excess (deficiency) of operating receipts over (under) operating disbursements	(74,435)	121,709	47,274
Other financing sources (uses):			
Operating transfers:			
Operating transfers (out)	-	(197,859)	(197,859)
Net change in cash balances	(74,435)	(76,150)	(150,585)
Cash and cash investments, beginning of year	499,942	269,383	769,325
Cash and cash investments, end of year	<u>\$ 425,507</u>	<u>\$ 193,233</u>	<u>\$ 618,740</u>
Cash basis fund balances:			
Restricted for:			
Utility deposits	\$ 425,507	\$ -	\$ 425,507
Unrestricted:			
Unrestricted	-	193,233	193,233
	<u>\$ 425,507</u>	<u>\$ 193,233</u>	<u>\$ 618,740</u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY, IOWA

Schedule of Indebtedness

Year Ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
General Obligation Sewer Improvement	1/6/98	1.75 %	\$ 1,000,000
Urban Renewal Corporate Purpose	11/9/05	3.45	3,500,000
Corporate Purpose	11/15/06	3.60-3.85	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	1.00-2.60	1,730,000
Urban Renewal Corporate Purpose	10/25/10	2.00-2.75	6,765,000
Corporate Purpose and Refunding	9/28/11	1.00-2.00	790,000
Urban Renewal Corporate Purpose	9/28/11	1.50-3.10	5,810,000
Urban Renewal Library Improvement	11/12/12	0.35-1.70	1,815,000
General Obligation Refunding	7/1/13	0.35-2.15	2,540,000
Corporate Purpose	11/5/13	2.00-2.40	1,425,000
Urban Renewal Corporate Purpose	11/5/13	2.00-2.40	3,540,000
Corporate Purpose	10/30/14	2.00	3,090,000
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	2.00-3.00 %	\$ 1,815,000
Utility Revenue Bonds:			
Sewer Revenue Bond Series 1998A	3/23/98	1.75 %	\$ 323,957
Sewer Revenue Bond Series 1998B	3/23/98	1.75	3,769,043
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	0.50-2.00	1,575,000
Sewer Revenue Refunding Bond Series 2014A	4/23/14	2.00-3.00	1,315,000
Water Revenue Refunding Bond Series 2014B	4/23/14	2.00-3.05	1,210,000
Total			
State Revolving Fund Anticipation Project Notes:			
Water Revenue Planning and Design Loan PDDW1432	4/11/14	0 %	\$ 1,350,000
Sewer Revenue Planning and Design Loan PDCW1503	7/25/14	0	1,450,000

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
\$ 266,000	\$ -	\$ 63,000	\$ 203,000	\$ 4,104	\$ -
460,000	-	460,000	-	16,100	-
195,000	-	60,000	135,000	7,415	-
1,205,000	-	385,000	820,000	48,200	-
550,000	-	60,000	490,000	21,490	-
955,000	-	225,000	730,000	35,172	-
1,825,000	-	160,000	1,665,000	64,965	-
1,185,000	-	185,000	1,000,000	24,485	-
4,865,000	-	650,000	4,215,000	108,350	-
490,000	-	135,000	355,000	6,918	-
5,085,000	-	370,000	4,715,000	114,367	-
1,640,000	-	175,000	1,465,000	17,193	-
2,315,000	-	250,000	2,065,000	30,285	-
1,425,000	-	130,000	1,295,000	29,677	-
3,540,000	-	325,000	3,215,000	73,738	-
-	3,090,000	-	3,090,000	36,222	-
<u>\$ 26,001,000</u>	<u>\$ 3,090,000</u>	<u>\$ 3,633,000</u>	<u>\$ 25,458,000</u>	<u>\$ 638,681</u>	<u>\$ -</u>
<u>\$ 360,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,610,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 1,500,000</u>	<u>\$ 37,540</u>	<u>\$ -</u>
\$ 110,000	\$ -	\$ 20,000	\$ 90,000	\$ 1,750	\$ -
1,216,000	-	225,000	991,000	19,311	-
4,610,000	-	108,000	4,502,000	138,300	-
2,307,000	-	133,000	2,174,000	69,210	-
1,050,000	-	100,000	950,000	43,675	-
1,650,000	-	155,000	1,495,000	68,658	-
1,260,000	-	170,000	1,090,000	17,860	-
1,315,000	-	105,000	1,210,000	32,542	-
1,210,000	-	85,000	1,125,000	31,027	-
<u>\$ 14,728,000</u>	<u>\$ -</u>	<u>\$ 1,101,000</u>	<u>\$ 13,627,000</u>	<u>\$ 422,333</u>	<u>\$ -</u>
-	47,128	-	47,128	-	-
-	918,965	-	918,965	-	-
<u>\$ -</u>	<u>\$ 966,093</u>	<u>\$ -</u>	<u>\$ 966,093</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH LIBERTY, IOWA

Bond and Note Maturities
(Page 1 of 2)
June 30, 2015

General Obligation Bonds

Year Ending June 30	Sewer Improvement Issued Jan. 6, 1998		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	Interest Rates	Amount
2016	1.75 %	\$ 65,000	3.80 %	\$ 65,000	4.00 %	\$ 400,000	3.75 %	\$ 60,000
2017	1.75	68,000	3.85	70,000	4.00	420,000	3.80	65,000
2018	1.75	70,000					3.85	65,000
2019							3.90	70,000
2020							4.00	75,000
2021							4.05	75,000
2022							4.10	80,000
2023								
2024								
2025								
2026								
Total		<u>\$ 203,000</u>		<u>\$ 135,000</u>		<u>\$ 820,000</u>		<u>\$ 490,000</u>

General Obligation Bonds

Year Ending June 30,	Corporate Purpose Issued Oct. 25, 2010		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	Interest Rates	Amount
2016	2.00 %	\$ 660,000	1.15 %	\$ 85,000	1.50 %	\$ 375,000	0.55 %	\$ 175,000
2017	2.00	675,000	1.40	90,000	1.50	380,000	0.70	175,000
2018	2.00	690,000	1.70	90,000	1.60	390,000	0.80	180,000
2019	2.25	710,000	2.00	90,000	1.85	400,000	1.00	180,000
2020	2.50	730,000			2.10	410,000	1.20	185,000
2021	2.75	750,000			2.30	420,000	1.35	185,000
2022					2.45	435,000	1.55	190,000
2023					2.60	450,000	1.70	195,000
2024					2.80	465,000		
2025					3.00	485,000		
2026					3.10	505,000		
Total		<u>\$ 4,215,000</u>		<u>\$ 355,000</u>		<u>\$ 4,715,000</u>		<u>\$ 1,465,000</u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY, IOWA

Bond and Note Maturities
(Page 2 of 2)
June 30, 2015

Enterprise Fund Revenue Bonds						
Year Ending June 30,	Sewer Revenue Series 1998A Issued March 23, 1998		Sewer Revenue Series 1998B Issued March 23, 1998		Sewer Revenue Series 2007 Issued Aug. 23, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	1.75 %	\$ 21,000	1.75 %	\$ 234,000	3.00 %	\$ 111,000
2017	1.75	22,000	1.75	243,000	3.00	114,000
2018	1.75	23,000	1.75	252,000	3.00	117,000
2019	1.75	24,000	1.75	262,000	3.00	121,000
2020					3.00	416,000
2021					3.00	430,000
2022					3.00	444,000
2023					3.00	459,000
2024					3.00	475,000
2025					3.00	486,000
2026					3.00	654,000
2027					3.00	675,000
2028						
Total		<u>\$ 90,000</u>		<u>\$ 991,000</u>		<u>\$ 4,502,000</u>

Enterprise Fund Revenue Bonds						
Year Ending June 30,	Water Refunding Series 2012C Issued Nov. 12, 2012		Sewer Refunding Series 2014A Issued April 23, 2014		Water Refunding Series 2014B Issued April 23, 2014	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	1.00 %	\$ 170,000	2.00 %	\$ 110,000	2.00 %	\$ 90,000
2017	1.20	175,000	2.00	115,000	2.00	95,000
2018	1.40	180,000	2.00	115,000	2.00	95,000
2019	1.60	185,000	2.00	115,000	2.00	100,000
2020	1.80	190,000	2.00	120,000	2.00	100,000
2021	2.00	190,000	2.00	120,000	2.00	100,000
2022			2.25	125,000	2.25	105,000
2023			2.45	125,000	2.50	105,000
2024			2.70	130,000	2.70	110,000
2025			3.00	135,000	3.00	110,000
2026					3.05	115,000
2027						
2028						
Total		<u>\$ 1,090,000</u>		<u>\$ 1,210,000</u>		<u>\$ 1,125,000</u>

See accompanying independent auditor's report.

Enterprise Fund Revenue Bonds

Sewer Revenue Series 2008A Issued July 30, 2008		Sewer Revenue Series 2008C Issued Sept. 15, 2008		Water Revenue Series 2008D Issued Sept. 15, 2008	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.00 %	\$ 137,000	3.90 %	\$ 105,000	3.90 %	\$ 160,000
3.00	141,000	4.00	105,000	4.00	165,000
3.00	146,000	4.10	110,000	4.10	175,000
3.00	151,000	4.20	115,000	4.20	180,000
3.00	156,000	4.25	120,000	4.25	190,000
3.00	161,000	4.30	125,000	4.30	200,000
3.00	166,000	4.35	130,000	4.35	210,000
3.00	171,000	4.40	140,000	4.40	215,000
3.00	177,000				
3.00	183,000				
3.00	189,000				
3.00	195,000				
3.00	201,000				
	<u>\$ 2,174,000</u>		<u>\$ 950,000</u>		<u>\$ 1,495,000</u>

Road Use Tax
Revenue Bonds

Road Use Tax Rev. Ser. 2012A
Issued March 29, 2012

Rural Economic Development
Loan and Grant Program

Rural Econ. Development Loan
Issued May 8, 2013

Total	Interest Rates	Amount	Interest Rates	Amount
\$ 1,138,000	2.00 %	\$ 110,000	0.00 %	\$ 40,000
1,175,000	2.00	115,000	0.00	40,000
1,213,000	2.00	115,000	0.00	40,000
1,253,000	2.00	115,000	0.00	40,000
1,292,000	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
1,215,000	2.40	130,000	0.00	40,000
892,000	2.60	130,000		
914,000	2.80	135,000		
958,000	2.90	140,000		
870,000	3.00	145,000		
201,000				
<u>\$ 13,627,000</u>		<u>\$ 1,500,000</u>		<u>\$ 320,000</u>

CITY OF NORTH LIBERTY, IOWA

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

Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 6,861,247	\$ 6,127,781	\$ 6,107,502	\$ 5,502,489
Tax increment financing	3,918,081	3,518,713	3,228,972	3,301,297
Other city tax	341,057	311,708	292,566	291,492
Licenses and permits	552,067	507,326	565,465	560,046
Use of money and property	149,029	143,887	140,675	164,087
Intergovernmental	2,136,378	2,152,197	1,767,090	2,264,687
Charges for service	2,219,792	1,674,579	1,698,909	1,457,531
Special assessments	-	1,067	1,660	5,051
Miscellaneous	390,306	647,785	302,042	545,227
Total	<u>\$ 16,567,957</u>	<u>\$ 15,085,043</u>	<u>\$ 14,104,881</u>	<u>\$ 14,091,907</u>
Disbursements:				
Public safety	\$ 2,563,426	\$ 2,315,057	\$ 2,144,553	\$ 1,984,061
Public works	1,511,077	1,424,544	1,367,808	1,163,999
Health and social services	98,207	97,000	135,150	86,000
Culture and recreation	3,458,203	3,208,940	2,862,412	2,825,660
Community and economic development	1,166,131	898,262	1,097,172	1,033,597
General government	1,537,711	1,293,854	1,250,373	1,133,334
Debt service	4,528,242	4,168,095	3,952,064	3,844,731
Capital projects	4,181,863	5,468,736	7,091,862	7,854,575
Total	<u>\$ 19,044,860</u>	<u>\$ 18,874,488</u>	<u>\$ 19,901,394</u>	<u>\$ 19,925,957</u>

See accompanying independent auditor's report.

Schedule 8

2011	2010	2009	2008	2007	2006
\$ 5,314,263	\$ 4,914,385	\$ 3,863,587	\$ 3,093,326	\$ 2,430,379	\$ 1,905,108
2,737,069	1,389,368	2,822,497	2,660,586	2,470,154	1,360,008
287,105	269,844	267,057	196,571	161,686	135,396
475,789	501,169	517,615	482,903	617,217	625,439
177,521	162,861	189,544	180,001	190,964	204,647
1,617,962	883,561	1,078,608	800,564	1,460,925	1,294,642
1,547,314	1,437,878	1,240,283	1,228,972	982,868	1,147,998
6,285	9,620	10,383	24,347	26,182	34,617
598,909	299,628	205,944	313,332	141,640	392,867
<u>\$ 12,762,217</u>	<u>\$ 9,868,314</u>	<u>\$ 10,195,518</u>	<u>\$ 8,980,602</u>	<u>\$ 8,482,015</u>	<u>\$ 7,100,722</u>
\$ 1,779,435	\$ 1,682,165	\$ 1,560,255	\$ 1,424,463	\$ 1,806,083	\$ 881,885
1,102,168	1,001,921	1,148,712	1,143,600	967,256	1,025,863
90,446	56,050	70,600	35,020	36,500	34,500
2,692,700	2,466,178	2,578,532	2,281,120	2,445,972	1,680,594
927,060	861,398	619,737	576,163	520,060	325,306
1,048,025	875,271	739,891	842,771	739,627	541,943
2,956,440	3,050,069	2,823,582	4,219,859	2,074,465	2,877,794
8,901,225	2,891,519	2,058,032	2,797,451	2,470,613	4,510,561
<u>\$ 19,497,499</u>	<u>\$ 12,884,571</u>	<u>\$ 11,599,341</u>	<u>\$ 13,320,447</u>	<u>\$ 11,060,576</u>	<u>\$ 11,878,446</u>

CITY OF NORTH LIBERTY, IOWA

Schedule 9

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Program/ Award Amount	Federal Award Expended
<u>U.S. Department of Transportation</u>				
Indirect Programs:				
Passed Through Iowa Department of Transportation:				
Highway Planning and Construction	20.205	STP-U-5557(617)--70-52	\$1,825,000	\$ 646,154
Passed Through Governor's Traffic Safety Bureau:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 14-405d-M6OT	10,640	1,793
	20.601	PAP 15-405d-M6OT	6,000	1,840
				<u>3,633</u>
Total U.S. Department of Transportation				<u>649,787</u>
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Hazard Mitigation Grant	97.039	HMGP-DR-1930-0023 01	98,174	10,628
Assistance to Firefighters Grant	97.044	EMW-2011-FF-00580	163,318	35,248
Total Direct Programs				45,876
Indirect Programs:				
Passed Through Iowa Homeland Security Emergency Management Division:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4187-DRIA	15,574	15,574
Total U.S. Department of Homeland Security				<u>61,450</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	2013BUBX13066709	2,737	695
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2014UMWX0153	125,000	10,409
Total U.S. Department of Transportation				<u>11,104</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 722,341</u></u>

See accompanying independent auditor's report and the accompanying
notes to the schedule of expenditures of federal awards.

CITY OF NORTH LIBERTY, IOWA

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

NOTE A. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is a summary of the City's federal award programs and is prepared on the basis of cash receipts and disbursements, which is the basis of accounting used in the presentation of the financial statements.

NOTE B. RISK-BASED AUDIT APPROACH

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

NOTE C. SUBRECIPIENTS OF FEDERAL AWARDS

There were no subrecipients of federal awards received by the City during the year ended June 30, 2015.

NOTE D. NONCASH ASSISTANCE

The City did not receive any federal noncash assistance during the year ended June 30, 2015.



**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, 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, 2015, 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, 2016. 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.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City of North Liberty, Iowa's operations for the year ended June 30, 2015 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 Questioned Costs. 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 & Jucker, CPA PC

Iowa City, Iowa
March 21, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of North Liberty, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of North Liberty, Iowa's major federal programs for the year ended June 30, 2015. The City of North Liberty, Iowa's major federal program is identified in the Summary of the Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of North Liberty, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of North Liberty, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of North Liberty, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of North Liberty, Iowa complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of North Liberty, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of North Liberty, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of North Liberty, Iowa's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winkler, Parker & Foster, CPA PC

Iowa City, Iowa
March 21, 2016

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness identified?	_____ yes	<u> X </u> no	
Significant deficiency identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness identified?	_____ yes	<u> X </u> no	
Significant deficiency identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	_____ yes	<u> X </u> no	

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	_____ yes	<u> X </u> no	
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CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II. Current Year Findings Related to the Financial Statements

Internal Control Deficiencies

No matters were noted.

Instances of Noncompliance

No matters were noted.

Part III. Current Year Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

No matters were noted.

Internal Control Deficiencies

No matters were noted.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part IV. Other Findings Related to Required Statutory Reporting

2015-001 **Certified Budget** - Disbursements during the year ended June 30, 2015 for the debt service function exceeded budgeted amounts. Disbursements for the capital projects function exceeded the original budget amount prior to the amendment of the budget on June 9, 2015.

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

Response - The City will consider amending the budget multiple times. Capital project scheduling can be unpredictable.

Conclusion - Response accepted.

2015-002 **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.

2015-003 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2015-004 **Business Transactions with City Officials and Employees** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Relationship

Donald Colony, City Streets Superintendent
Member of Four D's Acres, LLC

Transaction Description and Amount

The City purchased a parcel of real estate from Four D's Acres, LLC for the expansion of the waste water treatment facility. The parcel of real estate consisted of approximately 28.8 acres and the purchase price was \$863,700.

In accordance with Chapter 362.5(3)(e) of the Code of Iowa, the transaction noted above does not appear to represent a conflict of interest because the price of the property was determined based on an appraisal of the property.

2015-005 **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.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

2015-006 **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.

Comment - The minutes of the Council meeting of December 9, 2014 were published one day late. Minutes are required to be published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. It appears that the late publication was the result of holiday scheduling.

Recommendation - The minutes of all meetings should be published within 15 days of the meeting date in accordance with Chapter 372.13(6) of the Code of Iowa.

Response - The City will meet the fifteen day requirement by publishing as quickly as possible.

Conclusion - Response accepted.

2015-007 **Deposits and Investments**

Comment - The maximum depository amount at one of the banks the City is authorized to bank with was exceeded during the last four days of May 2015. It appears that the maximum depository amount was exceeded due to the City accumulating funds needed to cover the payment of principal and interest on all of the City's long-term debt on June 1, 2015.

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 in order to avoid exceeding the maximum authorized amounts.

Response - The City has amended the depository resolution to authorize receipt of bond proceeds and tax revenues.

Conclusion - Response accepted.

2015-008 **Revenue Bonds** - No instances of noncompliance with the revenue bond resolutions or other requirements of those bonds were noted.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

2015-009 **Financial Condition**

Comment - The City had deficit balances at June 30, 2015 in four capital projects funds that arose because project and construction costs were incurred prior to the availability of funds. The City also had deficit balances in the capital projects accounts within the water and sewer enterprise funds because project and construction costs were incurred prior to the availability of funds.

Recommendation - In many situations common to governmental entities, the costs of construction projects and activities are expended prior to the availability of certain funds. The City has followed the practice of using available City funds to pay for project and construction costs and then seek grant reimbursements or authorize the sale of bonds to replenish the fund balances. 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 - All City projects have a sources and uses of funds. The City seeks to borrow once a year to reduce costs.

Conclusion - Response accepted.

2015-010 Annual **Urban Renewal Report** - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.