

CITY OF NORTH LIBERTY, IOWA

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

JUNE 30, 2017

CITY OF NORTH LIBERTY, IOWA

Table of Contents

		Page
Officials		1
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	13
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	21
Notes to Financial Statements		22
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		40
Notes to Other Information - Budgetary Reporting		42
Schedule of the City's Proportionate Share of the Net Pension Liability		43
Schedule of City Contributions		44
Notes to Other Information - Pension Liability		46
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds - General Fund Detail	1	47
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	2	53
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds - Capital Projects Funds	3	54
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds - Water Enterprise and Sewer Enterprise Funds Detail	4	56
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	5	58
Schedule of Indebtedness	6	59
Bond and Note Maturities	7	61
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	8	67
Schedule of Expenditures of Federal Awards	9	69
Notes to the Schedule of Expenditures of Federal Awards		70

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 <i>Government Auditing Standards</i>	71
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	73
Schedule of Findings and Questioned Costs	75

CITY OF NORTH LIBERTY, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
Amy Nielsen	Mayor (through December 31, 2016)	December 2017
Terry Donahue	Mayor (elected in April 25, 2017 special election)	December 2017
Terry Donahue	Mayor Pro Tem (through April 25, 2017)	December 2019
Chris Hoffman	Mayor Pro Tem (appointed May 9, 2017)	December 2019
Annie Pollock	Council Member	December 2017
Brian Wayson	Council Member	December 2017
Terry Donahue	Council Member (through April 25, 2017)	December 2019
Chris Hoffman	Council Member	December 2019
Sarah Madsen	Council Member (elected in April 25, 2017 special election)	December 2019
Jim Sayre	Council Member	December 2019

City Staff

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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, 2017, 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 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 four years ended June 30, 2016 (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 five years ended June 30, 2012 (which are not presented herein) were audited by other auditors and they expressed unmodified 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 Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 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 40 through 46 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 January 9, 2018 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
January 9, 2018

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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FY 2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$4.3 million from FY 2016 to FY 2017. Property tax receipts increased almost \$930,000, tax increment financing decreased approximately \$120,000 and charges for services increased approximately \$560,000. Bond proceeds were higher than the previous year, approximately \$7.3 million versus the previous year's \$3.7 million.
- Disbursements of the City's governmental activities increased approximately \$2 million, or 8.24%, from FY 2016 to FY 2017. Public safety disbursements increased approximately \$340,000, public works disbursements increased approximately \$162,000, culture and recreation disbursements increased almost \$200,000, community and economic development disbursements increased approximately \$75,000 and general government disbursements decreased approximately \$128,000. Debt service disbursements increased by approximately \$480,000. Capital project expenditures increased by approximately \$860,000.
- The City's total cash basis net position increased 51.11%, or approximately \$6,777,000, from June 30, 2016 to June 30, 2017. Of this amount, the position of the governmental activities increased by approximately \$2,569,000 and the position of the business type activities increased by approximately \$4,208,000.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The 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, 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.

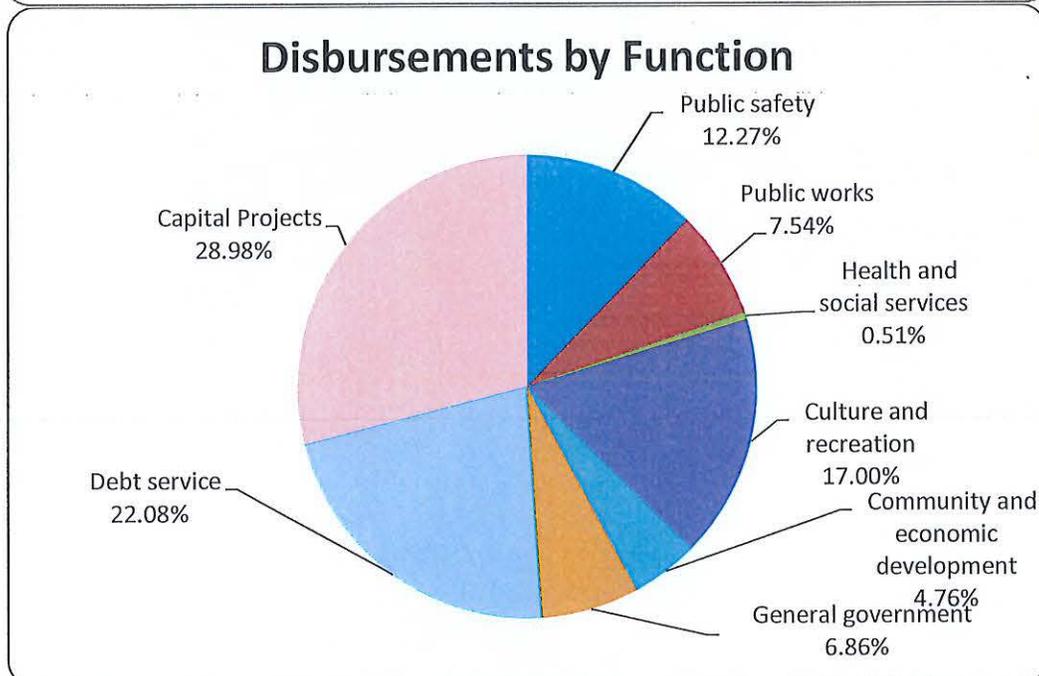
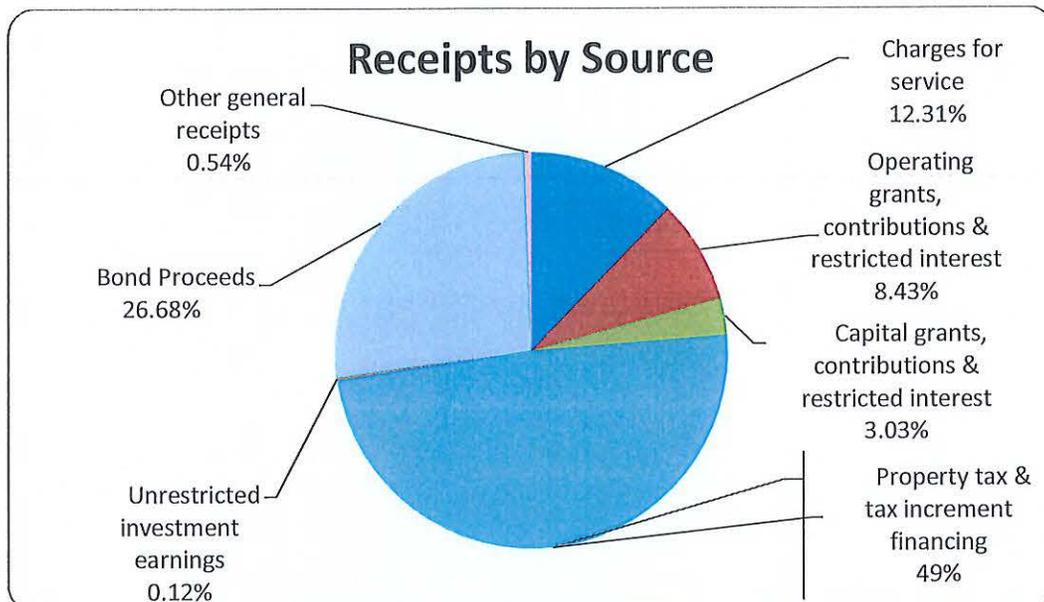
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$8,246,000 to \$10,815,000. 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 2017	FY 2016
Receipts:		
Program Receipts:		
Charges for service	\$3,368	\$2,809
Operating grants, contributions and restricted interest	2,306	2,078
Capital grants, contributions and restricted interest	828	1,674
General Receipts:		
Property tax and tax increment financing	13,376	12,562
Unrestricted investment earnings	32	28
Bond and loan proceeds	7,297	3,723
Other general receipts	147	194
Total Receipts	\$27,354	\$23,068
Disbursements:		
Public safety	\$3,178	\$2,836
Public works	1,788	1,627
Health and social services	103	105
Culture and recreation	3,793	3,593
Community and economic development	1,723	1,648

General government	1,464	1,592
Debt service	5,310	4,831
Capital projects	8,883	8,024
Total Disbursements	\$26,242	\$24,256
Change in cash basis net position before transfers	\$1,112	(\$1,188)
Transfers, net	1,457	1,178
Change in cash basis net position	\$2,569	(\$10)
Cash basis net position, beginning of year	8,246	8,256
Cash basis net position, end of year	\$10,815	\$8,246



The City's total receipts for governmental activities increased 18.58%, or approximately \$4,286,000. The total cost of all programs and services provided by the City increased by approximately \$1,986,000, or 8.19%. No new programs were added.

The City maintained the property tax rate for fiscal year 2017. With the growth in the City's taxable property, tax receipts increased approximately \$814,000 in fiscal year 2017. Because of the growth in taxable valuation in the City of North Liberty from \$677,362,574 in FY 2016 to \$ 757,979,781 in FY 2017, general property tax revenues increased by \$678,416 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 2017 was constant at \$11.03264 from the levy in FY 2016. The balance of the levy was made up of a \$1.12753 debt service levy and a \$1.80511 employee benefits levy.

The cost of all governmental activities this year was approximately \$26,242,000, compared to approximately \$24,256,000 last year. General City operating expenses increased with more capital projects than the previous fiscal year. Debt service change increased due to funding of capital projects.

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

	Year Ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for Service		
Water	\$3,315	\$3,116
Sanitary Sewer	4,077	3,808
Storm Water	198	192
Utility Deposits	166	170
Miscellaneous		
Water	91	186
Sanitary Sewer	179	6
Storm Water	2	1
General Receipts:		
Unrestricted interest on investments		
Water	1	1
Sanitary Sewer	1	1
Intergovernmental		
Sanitary Sewer	1,893	-
Bond and note proceeds	14,155	16,493
Total receipts	\$24,078	\$23,974
Disbursements:		
Water	\$8,443	\$4,783

Sanitary Sewer	9,445	14,360
Storm Water	356	90
Utility Deposits	169	198
Total Disbursements	\$18,413	\$19,431
Change in net cash basis net position before transfers	\$5,665	\$4,543
Transfers, net	(1,457)	(1,178)
Change in cash basis net position	\$4,208	\$3,365
Cash basis net position, beginning of year	5,014	1,649
Cash basis net position, end of year	\$9,222	\$5,014

Total business type activities receipts were approximately \$24 million for both years. Significant capital project costs in the current fiscal year continued from the previous fiscal year. The cash basis net position increased approximately \$4,208,000 due to significant reimbursements through borrowing for capital projects for both water and sewer utilities. Total disbursements for the fiscal year decreased by approximately \$1,000,000, or 5.24%, primarily due to the change in the amount of the costs of capital projects carried over from fiscal year 2016.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As North Liberty completed the year, its governmental funds reported a combined fund balance of \$10,815,422, an increase of approximately \$2,569,000 above last year's total of \$8,246,445. 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 \$907,318 from the prior year to \$7,253,572. Property taxes increased by approximately \$678,000. Licenses and Permits decreased by approximately \$90,000 due to a decrease in building permit fees. Intergovernmental revenues decreased almost \$40,000. Charges for service increased by almost \$662,000. Public safety expenditures increased by approximately \$342,000 due to increased personnel costs in both police and building departments. Culture and recreation costs increased approximately \$200,000 due to additional programs and costs. Capital project costs for fiscal year 2017 were approximately \$665,000 more than in fiscal year 2016.

Special Revenue

- The Special Revenue, Urban Renewal Tax Increment fund cash balance decreased by approximately \$7,000. Collections of the tax increment financing receipts decreased by \$119,847. The City only draws what is necessary to cover costs from this funding source.
- The Special Revenue, Road Use Tax fund cash balance increased by \$304,869. Additional funds from the state were received from the extra funds collected. The additional funds are being allocated to street improvement projects.

Debt Service – General Obligation Debt

- The Debt Service – General Obligation Debt cash balance increased by approximately \$167,000 primarily from proceeds of refinancing several bond issues.

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 decreased by \$266,996 due to expenditures for project costs exceeding proceeds from bonds and grants.
- Street Capital Projects fund cash balance increased by \$994,685 due to proceeds from bonds and grants for project costs exceeding project expenditures in fiscal year 2017.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Enterprise Fund cash basis net position increased \$283,513 to \$3,936,578, due to an increase in the water rates in July 2016, and revenues from State Revolving Fund and bonds to cover project costs that were funded with cash on hand in previous fiscal years.
- The Sewer Enterprise Fund cash basis net position increased \$3,901,658 to \$4,742,911 due to capital projects that were cash flowed during previous years being replenished with borrowings during fiscal year 2017.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 23, 2017 and resulted in an increase in operating disbursements of approximately \$19,000,000 due to numerous unplanned expenses including bond refinancing expenditures, insurance increases, worker's compensation cost increase, insurance repairs, unexpected repairs and projects, and other capital project expenditures that were not projected to extend into fiscal year 2017. The City had sufficient cash balances to absorb these additional costs. Revenues were amended for an additional \$3,000,000 from additional revenues and an additional \$12,700,000 proceeds from borrowings.

The actual disbursements for the year were less in all categories than budgeted except Capital Projects, which had an overage of approximately \$75,000. All other disbursements did not exceed budgeted amounts.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$90,688,000 in bonds and long-term debt compared to \$65,708,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30	
	2017	2016
General obligation bonds	\$33,430	\$30,638
Rural Economic Development loan	240	280
Road Use Tax revenue bonds	1,275	1,390
Revenue bonds	55,743	33,400
Total	\$90,688	\$65,708

Debt increased as a result of new debt incurred in excess of existing debts being retired. Several significant projects like the wastewater treatment plant expansion project and the water plant project occurred in this fiscal year.

The City of North Liberty was upgraded to a Moody's bond rating of Aa2 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 \$33,430,000 at June 30, 2017 is significantly below its constitutional debt limit of approximately \$76 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 2018 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 2018. Fiscal year 2018 continues the trend of multiple, large 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, 2017

Functions/Programs:	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 3,177,706	\$ 171,697	\$ 245,166	\$ -
Public works	1,788,477	641,929	1,945,559	-
Health and social services	103,500	-	-	-
Culture and recreation	3,792,817	1,008,240	35,900	-
Community and economic development	1,723,266	19,590	77,753	-
General government	1,464,069	736,538	1,231	-
Debt service	5,309,615	-	-	-
Capital projects	8,882,559	790,209	-	828,794
Total governmental activities	26,242,009	3,368,203	2,305,609	828,794
Business type activities:				
Water	8,443,096	3,314,651	-	-
Sewer	9,445,628	4,076,710	-	1,893,532
Utility deposits	168,785	165,640	-	-
Stormwater management	356,188	198,325	-	-
Total business type activities	18,413,697	7,755,326	-	1,893,532
Total	\$ 44,655,706	\$ 11,123,529	\$ 2,305,609	\$ 2,722,326

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
 - Other purposes
- Tax increment financing
- Commercial/industrial tax replacement
- Unrestricted interest on investments
- Bond and loan proceeds, net of refundings
- 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

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

Governmental Activities	Business Type Activities	Total
\$ (2,760,843)	\$ -	\$ (2,760,843)
799,011	-	799,011
(103,500)	-	(103,500)
(2,748,677)	-	(2,748,677)
(1,625,923)	-	(1,625,923)
(726,300)	-	(726,300)
(5,309,615)	-	(5,309,615)
(7,263,556)	-	(7,263,556)
<u>(19,739,403)</u>	<u>-</u>	<u>(19,739,403)</u>
-	(5,128,445)	(5,128,445)
-	(3,475,386)	(3,475,386)
-	(3,145)	(3,145)
-	(157,863)	(157,863)
<u>-</u>	<u>(8,764,839)</u>	<u>(8,764,839)</u>
<u>(19,739,403)</u>	<u>(8,764,839)</u>	<u>(28,504,242)</u>
6,225,038	-	6,225,038
1,017,020	-	1,017,020
1,360,242	-	1,360,242
4,389,642	-	4,389,642
383,795	-	383,795
32,020	1,602	33,622
7,297,045	14,155,476	21,452,521
146,861	272,670	419,531
1,456,717	(1,456,717)	-
<u>22,308,380</u>	<u>12,973,031</u>	<u>35,281,411</u>
2,568,977	4,208,192	6,777,169
<u>8,246,445</u>	<u>5,014,170</u>	<u>13,260,615</u>
<u>\$ 10,815,422</u>	<u>\$ 9,222,362</u>	<u>\$ 20,037,784</u>
(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, 2017

Cash Basis Net Position

Restricted

Expendable:

Streets

Urban renewal

Capital equipment purchases

Property improvements

Trail projects

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

Governmental Activities	Business Type Activities	Total
\$ 2,512,787	\$ -	\$ 2,512,787
2,109,223	-	2,109,223
47,706	-	47,706
63,116	-	63,116
8,529	-	8,529
2,545	-	2,545
425,063	1,920,530	2,345,593
72,600	-	72,600
5,213	-	5,213
1,931	-	1,931
21,246	-	21,246
-	394,635	394,635
5,545,463	6,907,197	12,452,660
<u>\$ 10,815,422</u>	<u>\$ 9,222,362</u>	<u>\$ 20,037,784</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, 2017

	General Fund	Special Revenue	
		Urban Renewal Tax Increment	Road Use Tax
Receipts:			
Property tax	\$ 6,146,435	\$ -	\$ -
Tax increment financing	-	4,389,642	-
Other city tax	306,590	-	-
Licenses and permits	389,066	-	-
Use of money and property	182,653	-	-
Intergovernmental	548,233	-	1,945,559
Charges for service	2,556,384	-	-
Miscellaneous	346,647	-	-
Total receipts	10,476,008	4,389,642	1,945,559
Disbursements:			
Operating:			
Public safety	3,177,706	-	-
Public works	811,068	-	977,409
Health and social services	103,500	-	-
Culture and recreation	3,792,817	-	-
Community and economic development	714,561	1,008,705	-
General government	1,464,069	-	-
Debt service	-	-	-
Capital projects	2,744,415	-	-
Total disbursements	12,808,136	1,008,705	977,409
Excess (deficiency) of receipts over (under) disbursements	(2,332,128)	3,380,937	968,150
Other financing sources (uses):			
Proceeds from sale of general obligation bonds	-	-	-
State Revolving Fund loan draws	945,957	-	-
Refunding debt service - principal	-	-	-
Operating transfers in	3,011,231	-	-
Operating transfers (out)	(717,742)	(3,388,075)	(663,281)
Total other financing sources (uses)	3,239,446	(3,388,075)	(663,281)
Net change in cash balances	907,318	(7,138)	304,869
Cash balances, beginning of year	6,346,254	1,521,450	1,111,826
Cash balances, end of year	\$ 7,253,572	\$ 1,514,312	\$ 1,416,695

Debt Service		Capital Projects		Other	Total
General Obligation Debt	Road Use Tax - Bond Reserve	Highway 965 Improvements	Street Capital Projects	Nonmajor Governmental Funds	
\$ 1,006,079	\$ -	\$ -	\$ -	\$ 1,342,724	\$ 8,495,238
-	-	-	-	-	4,389,642
10,941	-	-	-	17,518	335,049
-	-	-	-	-	389,066
-	-	-	-	101	182,754
48,057	-	15,000	340,858	456,171	3,353,878
-	-	-	-	-	2,556,384
-	-	-	-	8,566	355,213
<u>1,065,077</u>	<u>-</u>	<u>15,000</u>	<u>340,858</u>	<u>1,825,080</u>	<u>20,057,224</u>
-	-	-	-	-	3,177,706
-	-	-	-	-	1,788,477
-	-	-	-	-	103,500
-	-	-	-	-	3,792,817
-	-	-	-	-	1,723,266
-	-	-	-	-	1,464,069
5,309,615	-	-	-	-	5,309,615
-	-	281,996	3,787,056	2,069,092	8,882,559
<u>5,309,615</u>	<u>-</u>	<u>281,996</u>	<u>3,787,056</u>	<u>2,069,092</u>	<u>26,242,009</u>
<u>(4,244,538)</u>	<u>-</u>	<u>(266,996)</u>	<u>(3,446,198)</u>	<u>(244,012)</u>	<u>(6,184,785)</u>
5,367,485	-	-	4,108,403	2,140,200	11,616,088
-	-	-	-	-	945,957
(5,265,000)	-	-	-	-	(5,265,000)
4,308,885	-	-	332,480	-	7,652,596
-	-	-	-	(1,426,781)	(6,195,879)
<u>4,411,370</u>	<u>-</u>	<u>-</u>	<u>4,440,883</u>	<u>713,419</u>	<u>8,753,762</u>
166,832	-	(266,996)	994,685	469,407	2,568,977
108,491	149,740	1,357,400	(1,864,581)	(484,135)	8,246,445
<u>\$ 275,323</u>	<u>\$ 149,740</u>	<u>\$ 1,090,404</u>	<u>\$ (869,896)</u>	<u>\$ (14,728)</u>	<u>\$ 10,815,422</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, 2017

	General Fund	Special Revenue	
		Urban Renewal Tax Increment	Road Use Tax
Cash basis fund balances:			
Restricted for:			
Street operations	\$ -	\$ -	\$ 1,416,695
Street capital projects	-	-	-
Urban renewal purposes	-	1,514,312	-
Urban renewal projects	-	-	-
Capital equipment purchases	-	-	-
Property improvements	-	-	-
Trail projects	-	-	-
Employee benefits	-	-	-
Debt service	-	-	-
Hotel/motel tax	72,600	-	-
Tree purchases	5,213	-	-
Police	1,931	-	-
Housing rehabilitation	21,246	-	-
Assigned for:			
Capital equipment purchases	732,573	-	-
Street capital projects	2,485,776	-	-
Park development	164,203	-	-
Stormwater capital projects	42,999	-	-
Information technology upgrades	50,000	-	-
Youth scholarships/recreation capital equipment	54,971	-	-
Land clearing	-	-	-
Street light décor	-	-	-
Unassigned	3,622,060	-	-
Total cash basis fund balances	<u>\$ 7,253,572</u>	<u>\$ 1,514,312</u>	<u>\$ 1,416,695</u>

See accompanying notes to financial statements.

Debt Service		Capital Projects		Other	Total
General Obligation Debt	Road Use Tax - Bond Reserve	Highway 965 Improvements	Street Capital Projects	Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,416,695
-	-	1,090,404	-	5,688	1,096,092
-	-	-	-	-	1,514,312
-	-	-	-	594,911	594,911
-	-	-	-	47,706	47,706
-	-	-	-	63,116	63,116
-	-	-	-	8,529	8,529
-	-	-	-	2,545	2,545
275,323	149,740	-	-	-	425,063
-	-	-	-	-	72,600
-	-	-	-	-	5,213
-	-	-	-	-	1,931
-	-	-	-	-	21,246
-	-	-	-	-	732,573
-	-	-	-	40,993	2,526,769
-	-	-	-	-	164,203
-	-	-	-	-	42,999
-	-	-	-	-	50,000
-	-	-	-	-	54,971
-	-	-	50,000	-	50,000
-	-	-	15,000	-	15,000
-	-	-	(934,896)	(778,216)	1,908,948
<u>\$ 275,323</u>	<u>\$ 149,740</u>	<u>\$ 1,090,404</u>	<u>\$ (869,896)</u>	<u>\$ (14,728)</u>	<u>\$ 10,815,422</u>

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

As of and for the Year Ended June 30, 2017

	Water Enterprise	Sewer Enterprise	Other Nonmajor Proprietary Funds	Total
Operating receipts:				
Charges for service	\$ 3,314,651	\$ 4,076,710	\$ 363,965	\$ 7,755,326
Miscellaneous	91,627	178,716	2,327	272,670
Total operating receipts	3,406,278	4,255,426	366,292	8,027,996
Operating disbursements:				
Business type activities	7,892,138	8,214,432	524,973	16,631,543
Deficiency of operating receipts under operating disbursements	(4,485,860)	(3,959,006)	(158,681)	(8,603,547)
Non-operating receipts (disbursements):				
Interest on investments	821	781	-	1,602
Intergovernmental	-	1,893,532	-	1,893,532
Debt service	(550,958)	(1,231,196)	-	(1,782,154)
Net non-operating receipts (disbursements)	(550,137)	663,117	-	112,980
Deficiency of receipts under disbursements	(5,035,997)	(3,295,889)	(158,681)	(8,490,567)
Other financing sources (uses):				
Proceeds from sale of general obligation bonds	-	1,123,603	-	1,123,603
Proceeds from sale of revenue bonds	1,204,510	-	-	1,204,510
State Revolving Fund loan draws				
Water	6,007,544	-	-	6,007,544
Sewer	-	6,719,473	-	6,719,473
Stormwater Management	-	-	270,346	270,346
Refunding debt service - principal	(1,170,000)	-	-	(1,170,000)
Operating transfers:				
Operating transfers in	1,167,771	1,885,313	-	3,053,084
Operating transfers (out)	(1,890,315)	(2,530,842)	(88,644)	(4,509,801)
Total other financing sources (uses)	5,319,510	7,197,547	181,702	12,698,759
Net change in cash balances	283,513	3,901,658	23,021	4,208,192
Cash balances, beginning of year	3,653,065	841,253	519,852	5,014,170
Cash balances, end of year	\$ 3,936,578	\$ 4,742,911	\$ 542,873	\$ 9,222,362
				(Exhibit A)
Cash basis fund balances:				
Restricted for:				
Debt service	\$ 1,274,631	\$ 645,899	\$ -	\$ 1,920,530
Utility deposits	-	-	394,635	394,635
Unrestricted	2,661,947	4,097,012	148,238	6,907,197
Total cash basis fund balances	\$ 3,936,578	\$ 4,742,911	\$ 542,873	\$ 9,222,362

See accompanying notes to financial statements.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

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, community and economic development, utilities 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 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, 2017

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.

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

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 Capital Projects Fund - Street Capital Projects Fund is used to account for improvements to other streets within 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, 2017

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:

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

Assigned - Amounts the 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, 2017, disbursements in the capital projects function exceeded budgeted amounts. In addition, disbursements in the health and social services function exceeded the original budget amount prior to the budget amendment on May 23, 2017.

F. Property Tax Calendar

The City's property taxes were extended against the assessed valuation of the City as of January 1, 2015, to compute the amounts which became liens on property on July 1, 2016. These taxes were due and payable by the property owners in two installments on September 30, 2016 and March 31, 2017, at the Johnson County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 2. CASH AND POOLED INVESTMENTS

With the exception of \$38,990 in excess of federal depository insurance coverage at a bank not authorized since April 25, 2017 as an official City depository, the City's deposits in banks and credit unions at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City does not have any investments that are subject to fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

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, 2017 are as follows:

Year Ending June 30,	General Obligation Bonds		Road Use Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 3,910,000	\$ 738,100	\$ 115,000	\$ 30,840
2019	4,320,000	646,881	115,000	28,540
2020	4,325,000	557,866	120,000	26,240
2021	4,190,000	467,636	120,000	23,840
2022	3,530,000	380,279	125,000	21,440
2023-2027	12,130,000	817,366	680,000	59,210
2028-2032	1,025,000	37,363	-	-
2033-2037	-	-	-	-
Total	<u>\$ 33,430,000</u>	<u>\$ 3,645,491</u>	<u>\$ 1,275,000</u>	<u>\$ 190,110</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Year Ending June 30,	Enterprise Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2018	\$ 1,698,000	\$ 839,995	\$ 5,723,000	\$ 1,608,935
2019	1,744,000	925,824	6,179,000	1,601,245
2020	1,880,000	896,321	6,325,000	1,480,427
2021	2,619,000	854,795	6,929,000	1,346,271
2022	2,478,000	799,074	6,133,000	1,200,793
2023-2027	13,511,000	3,652,543	26,321,000	4,529,119
2028-2032	15,231,000	1,660,472	16,256,000	1,697,835
2033-2037	16,582,000	492,138	16,582,000	492,138
Total	\$ 55,743,000	\$ 10,121,162	\$ 90,448,000	\$ 13,956,763

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. Portions of certain other issued general obligation bonds were for the same purposes. The bonds are payable in part or in full 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, 2017, the outstanding balances on these bonds totaled approximately \$22,000,000, which are payable through June 1, 2029. Total interest remaining payable on the bonds at June 30, 2017 was approximately \$2,393,500. During the year, principal and interest paid on these bonds totaled approximately \$6,786,000 and \$440,500, respectively. Tax increment financing receipts during the year were \$4,389,642.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay four outstanding water revenue bond issues totaling \$26,047,000. The bonds were issued between November 2012 and April 2017. Proceeds from the sales of the bonds provided financing for the construction of several water system improvement projects in the City and to refinance the 2008 water revenue bonds. The bonds are payable solely from water customer defined net receipts and are payable through June 2037. Annual principal and interest payments on the bonds are expected to require less than 40 percent of defined net receipts. At June 30, 2017, total principal and interest remaining to be paid on the bonds was \$30,078,789. Principal and interest paid on all bonds, except for refunded principal of \$1,170,000, totaled \$435,000 and \$113,958, respectively. Total defined water operating net receipts during the year were \$1,516,167.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay seven sewer revenue bond issues totaling \$37,816,000. The bonds were issued between March 1998 and October 2016. Proceeds from the sales of the bonds provided financing for the construction of and improvements to the waste water treatment plant and for soil quality restoration projects. The bonds are payable solely from sewer customer defined net receipts and are payable through June 2037. Annual principal and interest payments on the bonds are expected to require less than 45 percent of defined net receipts. At June 30, 2017, total principal and interest remaining to be paid on the bonds was \$35,785,373. Principal and interest paid on all bonds, except for refunded principal of \$20,911,000, totaled \$740,000 and \$473,713, respectively. Total defined sewer operating net receipts during the year were \$2,813,475.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

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

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate sewer and water revenue sinking accounts for the purpose of making the principal and interest payments when due.
- (c) The provisions of the Water Revenue 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 water revenue bond issues and only during years in which water revenue bonds not funded by the State Revolving Fund are outstanding.
 - Sewer - equal to at least 125% of the average amount that will come due in any fiscal year during the life of the 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 sewer revenue bonds. On and after June 1, 2026, these percentages decrease to 110% for all outstanding sewer revenue bond issues.

As of June 30, 2017, the City did not meet the loan covenant requirement of the water bonds to maintain net revenues at a level not less than 120% of the average debt service of the water bonds. The City met the loan covenant requirement of the sewer bonds as of June 30, 2017.

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, 2017, total principal and interest remaining to be paid on the bonds was \$1,465,110. During the year, principal and interest paid on the bonds totaled \$115,000 and \$33,140, respectively.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

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, 2017, \$40,000 was paid on the loan and the balance of the loan at June 30, 2017 was \$240,000.

Annual maturities of the loan at June 30, 2017 are as follows:

Year ending June 30, 2018	\$	40,000
2019		40,000
2020		40,000
2021		40,000
2022		40,000
2023		40,000
		<hr/>
	\$	<u>240,000</u>

Early Redemption of Bonds

On April 27, 2017, the City called the General Obligation Corporate Purpose Series 2008B, the General Obligation Corporate Purpose Series 2009A, the General Obligation Corporate Purpose Series 2010A and the General Obligation Corporate Purpose and Refunding Series 2011A bonds for early redemption on June 1, 2017. The bonds were redeemed with a portion of the proceeds of the sale of the General Obligation Corporate Purpose and Refunding Series 2017A bonds. The 2017A bonds have an interest rate of 3.00%. Interest rates on the 2008B, 2009A, 2010A and 2011A bond issues ranged from rates of 2.50% to 4.15%. The refunding reduced total debt service payments through June 1, 2027 by approximately \$123,755, and results in an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$121,453.

On April 27, 2017, the City called the Water Revenue Series 2008D bonds for early redemption on June 1, 2017. The bonds were redeemed with a portion of the proceeds of the sale of the Water Revenue Refunding Series 2017C bonds. The 2017C bonds have interest rates ranging from 2.00% to 2.25%. Interest rates on the 2008D bond issue ranged from rates of 2.75% to 4.40%. The refunding reduced total debt service payments through June 1, 2023 by approximately \$67,986, and results in an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$65,330.

On May 9, 2017, the City called the Urban Renewal Corporate Purpose Series 2010B bonds for early redemption on June 1, 2017. The bonds were redeemed with a portion of the proceeds of the sale of the Urban Renewal Corporate Purpose and Refunding Series 2017B bonds. The 2017B bonds have interest rates ranging from 2.00% to 2.50%. Interest rates on the 2010B bond issue ranged from rates of 2.00% to 2.75%. The refunding reduced total debt service payments through June 1, 2029 by approximately \$61,716, and results in an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$59,711.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Interest Rate Reduction/Bond Refinancing

On October 7, 2016, the Sewer Revenue Series 2016 bonds were refinanced with the proceeds of the Sewer Revenue Improvement and Refunding Series 2016 bonds. The 2016 refunding bonds provided additional funds of \$1,426,000 for the soil quality restoration project. The 2016 refunding bonds have an interest rate of 1.20%. The interest rate on the refunded bond issue was 1.75%. The refunding reduced total interest payments through June 1, 2037 by approximately \$1,347,000.

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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-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.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 4. PENSION PLAN (Continued)

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.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2017, pursuant to the required rates, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection Occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 were \$508,064.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City's liability for its proportionate share of the net pension liability totaled \$3,553,832. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.056470%, which was an increase of 0.004949% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$519,304, \$1,334,829 and \$642,558, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 4. PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2016 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% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based in 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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.

The long-term expected rate of return on IPERS' 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 geometric 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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 4. PENSION PLAN (Continued)

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 7.50%, 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 1% lower (6.50 percent) or 1% higher (8.50 percent) than the current rate:

City's proportionate share of the net pension liability:

1% decrease (6.50%)	\$ 6,378,629
Discount rate (7.50%)	3,553,832
1% increase (8.50%)	1,170,475

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

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, 2017, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 44,156
Vacation	309,655
Total	<u>\$ 353,811</u>

This liability has been computed based on rates of pay as of June 30, 2017.

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, 2017, based on rates of pay as of June 30, 2017, is \$1,158,353.

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 (\$4.25 through October 11, 2016, amended to \$5.15 after October 11, 2016) 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.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

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.

NOTE 8. CONSTRUCTION CONTRACTS

The City has entered into various contracts with construction and engineering services companies totaling approximately \$67,000,000. The unpaid balances at June 30, 2017 totaled approximately \$21,350,000, which will be paid as work on the projects progresses.

NOTE 9. DEFICIT BALANCES

The following capital projects funds had deficit balances at June 30, 2017, because the project and construction costs were incurred prior to availability of funds:

Capital Projects - Penn Street Improvements	\$	702,053
Capital Projects - Street Capital Projects		869,896
Capital Projects - Land and Facilities		62,495
Capital Projects - Ranshaw House Project		13,668

The following capital reserve account within the General Fund had a deficit balance at June 30, 2017 because project costs were incurred prior to availability of funds:

General Fund - Park Development	\$	760,335
---------------------------------	----	---------

The following capital projects account within the Sewer Enterprise Fund had a deficit balance at June 30, 2017 because project and construction costs were incurred prior to availability of funds:

Sewer Capital Projects	\$	1,194,743
------------------------	----	-----------

The deficit balances in these capital projects funds and accounts arose because project and construction costs were incurred prior to the availability of funds. These deficits will be eliminated with several sources of funds, but not limited to, proceeds from debt financing, grants, future tax increment financing collections and available funds in the water and sewer enterprise funds and other general City funds.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 10. RISK MANAGEMENT

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

NOTE 11. 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 supersedes 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, 2017 was \$181,878, which included additional rent of \$11,135 based on the assessed value of the property.

Future minimum commitments under this lease as of June 30, 2017 are as follows:

Year ending June 30, 2018	\$	175,836
2019		<u>90,564</u>
	\$	<u><u>266,400</u></u>

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 \$417 for single coverage, \$758 for employee/dependent coverage, \$817 for employee/spouse coverage and \$1,207 for family coverage. The same monthly premiums apply to retirees. There are 79 active employees and 1 former employee participating in the plan as of June 30, 2017. During the year ended June 30, 2017, the City contributed \$715,481 and plan members contributed \$118,144 to the plan.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 13. STATE REVOLVING FUND INTERIM LOAN

The City obtained an interim financing loan from the Iowa Finance Authority's State Revolving Fund to provide funding for the planning and design phases of the water improvement and expansion project. The Water Revenue Loan and Disbursement Agreement Anticipation Project Note was issued April 11, 2014 in the maximum amount of \$1,350,000 with a maturity date of April 11, 2017. No interest is being charged on the loan. The City received the loan funds prior to June 30, 2016. The loan was paid off on February 24, 2017 with proceeds of the water revenue bonds that were sold.

NOTE 14. 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, 2017 totaled \$737,769. 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.

NOTE 15. 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 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, 2017, the City received repayments of \$2,500, of which \$922 was applied to interest on the note and \$1,578 was applied to principal. The balance due on the loan at June 30, 2017 was \$19,693.

Agreement dated November 25, 2014, with Moxie Solar LLC, in the amount of \$25,000. Monthly repayment of \$465 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, 2017, the City received repayments of \$4,651, of which \$732 was applied to interest on the note and \$3,919 was applied to principal. The balance due on the loan at June 30, 2017 was \$14,997.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 16. 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, 2017 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise -	
	Water Operating	\$ 321,329
	Sewer Enterprise -	
	Sewer Operating	321,329
	Stormwater Management	
	Enterprise	35,691
	Special Revenue -	
Employee Benefits	<u>1,421,427</u>	
		<u>2,099,776</u>
Debt Service Fund - General Obligation Debt	Special Revenue -	
	Urban Renewal Tax Increment	3,388,075
	Special Revenue -	
	Road Use Tax	195,395
	Water Enterprise -	
	Water Revenue Sinking	391,215
Sewer Enterprise -		
Sewer Revenue Sinking	<u>334,200</u>	
		<u>4,308,885</u>
General Fund - Equipment Revolving	Special Revenue -	
	Road Use Tax	190,406
	Stormwater Management	
	Enterprise	<u>22,953</u>
		<u>213,359</u>
Capital Projects - Street Capital Projects	General Fund	25,000
	Special Revenue -	
	Road Use Tax	277,480
	Water Enterprise -	
	Water Operating	10,000
	Sewer Enterprise -	
	Sewer Operating	10,000
Stormwater Management		
	Enterprise	<u>10,000</u>
		<u>332,480</u>
General Fund - Library Reserve	Capital Projects - Library Expansion	<u>5,354</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 16. INTERFUND AND INTRAFUND TRANSFERS (Continued)

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Stormwater Management Enterprise	20,000
		<u>\$ 6,979,854</u>

The detail of intrafund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Fire Equipment Reserve	General Fund	\$ 210,879
General Fund - Recreation Equipment		274,000
General Fund - Park Development		45,796
General Fund - Equipment Revolving		162,067
		<u>692,742</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	924,685
Water Enterprise - Water Utilities - Capital Reserve		109,877
Water Enterprise - Water Capital Projects		133,209
		<u>1,167,771</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	299,917
Sewer Enterprise - Sewer Revenue Sinking		1,565,396
		<u>1,865,313</u>
		<u>\$ 3,725,826</u>

Total transfers during the year ended June 30, 2017 were as follows:

Interfund transfers	\$ 6,979,854
Intrafund transfers	3,725,826
	<u>\$ 10,705,680</u>

Reconciliation to the financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds (Exhibit B)	\$ 7,652,596	\$ 6,195,879
Proprietary funds (Exhibit C)	3,053,084	4,509,801
	<u>\$ 10,705,680</u>	<u>\$ 10,705,680</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 17. LITIGATION

The City was 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 case was tried during the year ended June 30, 2016, and the court ruled in favor of the City. The plaintiff appealed the court's decision and the City prevailed in the appeal. The plaintiff appealed that decision to the Iowa Supreme Court and the case was transferred to the Court of Appeals. The City believes it will prevail in this appeal of the matter.

NOTE 18. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$358,065 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

During the year ended June 30, 2017, there were no agreements entered into by other entities that reduced property tax revenues of the City.

NOTE 19. NEW ACCOUNTING PRONOUNCEMENT

The City adopted the tax abatement disclosure guidance as set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. Information about the City's tax abatements and tax abatements of other entities which impact the City are disclosed in the Notes to Financial Statements.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2017

NOTE 20. PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

NOTE 21. SUBSEQUENT EVENTS

The following grant was approved by the City Council after June 30, 2017:

RISE Kansas Avenue Agreement	\$ 3,070,000
------------------------------	--------------

On October 24, 2017, the City Council approved a resolution providing for the reduction of the interest rate on the 2007 sewer revenue bonds from 3.00% to 1.75% effective December 1, 2017. The estimated interest savings of the interest rate reduction is \$325,144.

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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 8,495,238	\$ -	\$ 8,495,238
Tax increment financing	4,389,642	-	4,389,642
Other city tax	335,049	-	335,049
Licenses and permits	389,066	-	389,066
Use of money and property	182,754	1,602	184,356
Intergovernmental	3,353,878	1,893,532	5,247,410
Charges for service	2,556,384	7,755,326	10,311,710
Miscellaneous	355,213	272,670	627,883
Total receipts	20,057,224	9,923,130	29,980,354
Disbursements:			
Public safety	3,177,706	-	3,177,706
Public works	1,788,477	-	1,788,477
Health and social services	103,500	-	103,500
Culture and recreation	3,792,817	-	3,792,817
Community and economic development	1,723,266	-	1,723,266
General government	1,464,069	-	1,464,069
Debt service	5,309,615	-	5,309,615
Capital projects	8,882,559	-	8,882,559
Business type activities	-	18,413,697	18,413,697
Total disbursements	26,242,009	18,413,697	44,655,706
Excess (deficiency) of receipts over under disbursements	(6,184,785)	(8,490,567)	(14,675,352)
Other financing sources, net	8,753,762	12,698,759	21,452,521
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,568,977	4,208,192	6,777,169
Balances, beginning of year	8,246,445	5,014,170	13,260,615
Balances, end of year	\$ 10,815,422	\$ 9,222,362	\$ 20,037,784

There were no funds of the City not required to be budgeted during the year ended June 30, 2017.

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

Budgeted Amounts

Original	Final	Final to Total Variance
\$ 8,518,974	\$ 8,518,974	\$ (23,736)
4,276,891	4,276,891	112,751
208,033	208,033	127,016
715,000	715,000	(325,934)
154,100	154,100	30,256
2,977,653	5,323,674	(76,264)
9,324,497	9,353,497	958,213
81,200	1,000,603	(372,720)
<u>26,256,348</u>	<u>29,550,772</u>	<u>429,582</u>
3,439,598	3,639,982	462,276
1,806,533	2,137,634	349,157
97,500	103,500	-
4,146,528	4,315,558	522,741
1,979,449	1,978,555	255,289
1,534,702	1,558,401	94,332
5,394,872	10,915,728	5,606,113
5,466,000	8,808,000	(74,559)
<u>26,503,154</u>	<u>35,701,233</u>	<u>17,287,536</u>
<u>50,368,336</u>	<u>69,158,591</u>	<u>24,502,885</u>
(24,111,988)	(39,607,819)	24,932,467
<u>25,038,000</u>	<u>37,745,557</u>	<u>(16,293,036)</u>
926,012	(1,862,262)	8,639,431
<u>10,953,400</u>	<u>13,260,615</u>	<u>-</u>
<u>\$ 11,879,412</u>	<u>\$ 11,398,353</u>	<u>\$ 8,639,431</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Other Information - Budgetary Reporting

June 30, 2017

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 \$18,790,255. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements in the capital projects function exceeded budgeted amounts. In addition, disbursements in the health and social services function exceeded the original budget amount prior to the budget amendment on May 23, 2017.

CITY OF NORTH LIBERTY, IOWA

Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Three Years *

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.056470%	0.051521%	0.046738%
City's proportionate share of the net pension liability	\$ 3,553,832	\$ 2,545,393	\$ 1,853,576
City's total covered-employee payroll			
Regular	\$ 3,964,819	\$ 3,741,181	\$ 3,462,507
Protection occupation	1,263,298	1,143,311	997,332
	<u>\$ 5,228,117</u>	<u>\$ 4,884,492</u>	<u>\$ 4,459,839</u>
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.98%	52.11%	41.56%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

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>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution:			
Regular	\$ 370,005	\$ 354,058	\$ 334,088
Protection occupation	138,059	124,309	115,932
	<u>\$ 508,064</u>	<u>\$ 478,367</u>	<u>\$ 450,020</u>
Contributions in relation to the statutorily required contribution:			
Regular	\$ 370,005	\$ 354,058	\$ 334,088
Protection occupation	138,059	124,309	115,932
	<u>\$ 508,064</u>	<u>\$ 478,367</u>	<u>\$ 450,020</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll:			
Regular	\$ 4,143,396	\$ 3,964,819	\$ 3,741,181
Protection occupation	1,403,042	1,263,298	1,143,311
	<u>\$ 5,546,438</u>	<u>\$ 5,228,117</u>	<u>\$ 4,884,492</u>
Contributions as a percentage of covered-employee payroll:			
Regular	8.93%	8.93%	8.93%
Protection occupation	9.84%	9.84%	10.14%

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

2014	2013	2012	2011	2010	2009	2008
\$ 309,202	\$ 285,504	\$ 257,699	\$ 201,757	\$ 178,743	\$ 162,451	\$ 139,246
101,129	95,933	82,283	67,379	59,361	47,957	38,787
<u>\$ 410,331</u>	<u>\$ 381,437</u>	<u>\$ 339,982</u>	<u>\$ 269,136</u>	<u>\$ 238,104</u>	<u>\$ 210,408</u>	<u>\$ 178,033</u>
\$ 309,202	\$ 285,504	\$ 257,699	\$ 201,757	\$ 178,743	\$ 162,451	\$ 139,246
101,129	95,933	82,283	67,379	59,361	47,957	38,787
<u>\$ 410,331</u>	<u>\$ 381,437</u>	<u>\$ 339,982</u>	<u>\$ 269,136</u>	<u>\$ 238,104</u>	<u>\$ 210,408</u>	<u>\$ 178,033</u>
<u>\$ -</u>						
\$ 3,462,507	\$ 3,293,006	\$ 3,193,298	\$ 2,902,976	\$ 2,687,862	\$ 2,558,279	\$ 2,301,592
997,332	934,112	825,306	677,179	645,230	567,536	457,929
<u>\$ 4,459,839</u>	<u>\$ 4,227,118</u>	<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>
8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%
10.14%	10.27%	9.97%	9.95%	9.20%	8.45%	8.47%

CITY OF NORTH LIBERTY, IOWA

Notes to Other Information - Pension Liability

June 30, 2017

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. 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.

Legislative action in 2008 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.

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 (unfunded actuarial liability) 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 terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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, 2017

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Receipts:						
Property tax	\$ 6,146,435	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax:						
Mobile home tax	18,318	-	-	-	-	-
Utility tax replacement excise tax	60,285	-	-	-	-	-
Hotel/motel tax	76,753	-	-	-	-	-
Utility franchise fees	151,234	-	-	-	-	-
	<u>306,590</u>	-	-	-	-	-
Licenses and permits:						
Beer and liquor	13,582	-	-	-	-	-
Cigarette	1,025	-	-	-	-	-
Business/building trades	1,775	-	-	-	-	-
Pet and other	1,704	-	-	-	-	-
Building	370,980	-	-	-	-	-
	<u>389,066</u>	-	-	-	-	-
Use of money and property:						
Interest on investments	31,919	-	-	-	-	-
Rent	150,734	-	-	-	-	-
	<u>182,653</u>	-	-	-	-	-
Intergovernmental:						
Commercial and industrial property tax replacement	274,553	-	-	-	-	-
Police grants	23,826	-	-	-	-	-
Fire department SAFR grant	42,086	-	-	-	-	-
Township fire protection	165,218	-	-	-	-	-
County library contribution	27,113	-	-	-	-	-
Library grants and open access	8,787	-	-	-	-	-
	<u>541,583</u>	-	-	-	-	-
Charges for service:						
Inspection fees	132,329	-	-	-	-	-
Library fees	8,694	-	-	-	-	-
Police service fees	12,880	-	-	-	-	-
Fire department service fees	10,982	-	-	-	-	-
Zoning and subdivision	19,590	-	-	-	-	-
Garbage and recycling fees	636,703	-	-	-	-	-
Recreation charges	884,325	-	-	-	-	-
Rain barrels and compost bins	1,050	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Mowing and snow removal	4,176	-	-	-	-	-
Cemetery plot location fees	190	-	-	-	-	-
Animal control	396	-	-	-	-	-
Maps and photocopy fees	582	-	-	-	-	-
Administrative charges	39,168	-	-	-	-	-
	<u>1,751,065</u>	-	-	-	-	-

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Trans- portation	Storm Water	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,146,435
-	-	-	-	-	-	-	18,318
-	-	-	-	-	-	-	60,285
-	-	-	-	-	-	-	76,753
-	-	-	-	-	-	-	151,234
-	-	-	-	-	-	-	306,590
-	-	-	-	-	-	-	13,582
-	-	-	-	-	-	-	1,025
-	-	-	-	-	-	-	1,775
-	-	-	-	-	-	-	1,704
-	-	-	-	-	-	-	370,980
-	-	-	-	-	-	-	389,066
-	-	-	-	-	-	-	31,919
-	-	-	-	-	-	-	150,734
-	-	-	-	-	-	-	182,653
-	-	-	-	-	-	-	274,553
-	-	-	6,650	-	-	-	30,476
-	-	-	-	-	-	-	42,086
-	-	-	-	-	-	-	165,218
-	-	-	-	-	-	-	27,113
-	-	-	-	-	-	-	8,787
-	-	-	6,650	-	-	-	548,233
-	-	-	-	-	-	-	132,329
-	-	-	-	-	-	-	8,694
-	-	-	15,110	-	-	-	27,990
-	-	-	-	-	-	-	10,982
-	-	-	-	-	-	-	19,590
-	-	-	-	-	-	-	636,703
-	-	-	-	-	-	-	884,325
-	-	-	-	-	-	-	1,050
-	-	-	-	-	790,209	-	790,209
-	-	-	-	-	-	-	4,176
-	-	-	-	-	-	-	190
-	-	-	-	-	-	-	396
-	-	-	-	-	-	-	582
-	-	-	-	-	-	-	39,168
-	-	-	15,110	-	790,209	-	2,556,384

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, 2017

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Receipts: (continued)						
Miscellaneous:						
Refunds and reimbursements	7,637	-	-	-	-	-
Fines and fees	46,207	-	-	-	-	-
Donations/contributions	1,231	1,274	34,908	-	-	1,000
Miscellaneous	90,228	-	-	16,248	-	-
Penalties	104,537	-	-	-	-	-
	<u>249,840</u>	<u>1,274</u>	<u>34,908</u>	<u>16,248</u>	<u>-</u>	<u>1,000</u>
Total receipts	<u>9,567,232</u>	<u>1,274</u>	<u>34,908</u>	<u>16,248</u>	<u>-</u>	<u>1,000</u>
Disbursements:						
Public Safety:						
Police	2,143,271	-	-	-	-	-
Emergency management	17,422	-	-	-	-	-
Fire	495,754	-	-	-	-	-
Building inspections/safety	511,923	-	-	-	-	-
Animal control	9,226	-	-	-	-	-
Total public safety	<u>3,177,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Works:						
Traffic control and safety	29,795	-	-	-	-	-
Streets	4,666	-	-	-	-	-
Sanitation	619,710	-	-	-	-	-
Transit	156,897	-	-	-	-	-
Total public works	<u>811,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Health and social services:						
Social services	<u>103,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation:						
Library	894,737	-	-	-	-	-
Parks	740,279	-	-	-	-	-
Recreation center	1,274,104	-	-	17,392	-	-
Community center	172,251	-	-	-	-	-
Aquatic center	645,842	-	-	-	-	-
Cemetery	37,212	-	-	-	-	-
Total culture and recreation	<u>3,764,425</u>	<u>-</u>	<u>-</u>	<u>17,392</u>	<u>-</u>	<u>-</u>
Community and economic development:						
Community beautification	-	-	-	-	-	3,000
Economic development	81,500	-	-	-	-	-
Tourism promotion	34,742	-	-	-	-	-
Planning and zoning	333,331	-	-	-	-	-
Telecommunications	261,988	-	-	-	-	-
Total community and economic development	<u>711,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>

Schedule 1

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Transportation	Storm Water	
-	-	2,789	-	-	-	-	10,426
-	-	-	-	-	-	-	46,207
10,222	2,000	-	22,670	-	-	-	73,305
-	45	-	5,651	-	-	-	112,172
-	-	-	-	-	-	-	104,537
10,222	2,045	2,789	28,321	-	-	-	346,647
10,222	2,045	2,789	50,081	-	790,209	-	10,476,008
-	-	-	110	-	-	-	2,143,381
-	-	-	-	-	-	-	17,422
-	-	-	-	-	-	-	495,754
-	-	-	-	-	-	-	511,923
-	-	-	-	-	-	-	9,226
-	-	-	110	-	-	-	3,177,706
-	-	-	-	-	-	-	29,795
-	-	-	-	-	-	-	4,666
-	-	-	-	-	-	-	619,710
-	-	-	-	-	-	-	156,897
-	-	-	-	-	-	-	811,068
-	-	-	-	-	-	-	103,500
11,000	-	-	-	-	-	-	905,737
-	-	-	-	-	-	-	740,279
-	-	-	-	-	-	-	1,291,496
-	-	-	-	-	-	-	172,251
-	-	-	-	-	-	-	645,842
-	-	-	-	-	-	-	37,212
11,000	-	-	-	-	-	-	3,792,817
-	-	-	-	-	-	-	3,000
-	-	-	-	-	-	-	81,500
-	-	-	-	-	-	-	34,742
-	-	-	-	-	-	-	333,331
-	-	-	-	-	-	-	261,988
-	-	-	-	-	-	-	714,561

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, 2017

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Disbursements: (continued)						
General government:						
Mayor and council	16,199	-	-	-	-	-
City administration	1,200,880	-	-	-	-	-
Elections	3,218	-	-	-	-	-
Legal services	223,804	-	-	-	-	-
Other general government	19,968	-	-	-	-	-
Total general government	1,464,069	-	-	-	-	-
Capital projects:						
Capital projects	37,051	182,760	1,741,245	-	21,545	-
Total disbursements	10,069,270	182,760	1,741,245	17,392	21,545	3,000
Excess (deficiency) of receipts over (under) disbursements	(502,038)	(181,486)	(1,706,337)	(1,144)	(21,545)	(2,000)
Other financing sources (uses):						
State Revolving Fund loan draws	-	-	945,957	-	-	-
Operating transfers in	2,099,776	274,000	45,796	-	-	-
Operating transfers (out)	(717,742)	-	-	-	-	-
Total other financing sources (uses)	1,382,034	274,000	991,753	-	-	-
Net change in cash balances	879,996	92,514	(714,584)	(1,144)	(21,545)	(2,000)
Cash balances, beginning of year	3,845,054	134,325	(45,751)	56,115	41,300	15,032
Cash balances, end of year	\$ 4,725,050	\$ 226,839	\$ (760,335)	\$ 54,971	\$ 19,755	\$ 13,032
Cash basis fund balances:						
Restricted for:						
Hotel/motel tax	\$ 72,600	\$ -	\$ -	\$ -	\$ -	\$ -
Tree purchases	-	-	-	-	-	5,213
Police	-	-	-	-	-	-
Housing rehabilitation	21,246	-	-	-	-	-
Assigned for:						
Capital equipment purchases	-	225,565	-	-	19,755	-
Street capital projects	-	-	-	-	-	-
Park development	-	-	164,203	-	-	-
Stormwater capital projects	-	-	-	-	-	-
Information technology upgrades	50,000	-	-	-	-	-
Youth scholarships/ recreation capital equipment	-	-	-	54,971	-	-
Unassigned	4,581,204	1,274	(924,538)	-	-	7,819
Total cash basis fund balances	\$ 4,725,050	\$ 226,839	\$ (760,335)	\$ 54,971	\$ 19,755	\$ 13,032

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	
-	-	-	-	-	-	-	16,199
-	-	-	-	-	-	-	1,200,880
-	-	-	-	-	-	-	3,218
-	-	-	-	-	-	-	223,804
-	-	-	-	-	-	-	19,968
-	-	-	-	-	-	-	1,464,069
7,653	311,796	432,592	9,773	-	-	-	2,744,415
18,653	311,796	432,592	9,883	-	-	-	12,808,136
(8,431)	(309,751)	(429,803)	40,198	-	790,209	-	(2,332,128)
-	-	-	-	-	-	-	945,957
5,354	210,879	375,426	-	-	-	-	3,011,231
-	-	-	-	-	-	-	(717,742)
5,354	210,879	375,426	-	-	-	-	3,239,446
(3,077)	(98,872)	(54,377)	40,198	-	790,209	-	907,318
17,943	478,279	167,515	38,420	1,931	1,553,092	42,999	6,346,254
\$ 14,866	\$ 379,407	\$ 113,138	\$ 78,618	\$ 1,931	\$ 2,343,301	\$ 42,999	\$ 7,253,572
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	72,600
-	-	-	-	-	-	-	5,213
-	-	-	-	1,931	-	-	1,931
-	-	-	-	-	-	-	21,246
14,866	379,407	14,362	78,618	-	-	-	732,573
-	-	-	-	-	2,485,776	-	2,485,776
-	-	-	-	-	-	-	164,203
-	-	-	-	-	-	42,999	42,999
-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	54,971
-	-	98,776	-	-	(142,475)	-	3,622,060
\$ 14,866	\$ 379,407	\$ 113,138	\$ 78,618	\$ 1,931	\$ 2,343,301	\$ 42,999	\$ 7,253,572

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, 2017

	Special Revenue		Other Capital Projects	Total
	Employee Benefits	Drug Task Force		
Receipts:				
Property tax	\$ 1,342,724	\$ -	\$ -	\$ 1,342,724
Other city tax	17,518	-	-	17,518
Use of money and property	-	95	6	101
Intergovernmental	61,185	7,386	387,600	456,171
Miscellaneous	-	-	8,566	8,566
Total receipts	1,421,427	7,481	396,172	1,825,080
Disbursements:				
Capital projects	-	-	2,069,092	2,069,092
Excess (deficiency) of receipts over (under) disbursements	1,421,427	7,481	(1,672,920)	(244,012)
Other financing sources (uses):				
Proceeds from sale of general obligation bonds	-	-	2,140,200	2,140,200
Operating transfers (out)	(1,421,427)	-	(5,354)	(1,426,781)
Total other financing sources (uses)	(1,421,427)	-	2,134,846	713,419
Net change in cash balances	-	7,481	461,926	469,407
Cash balances, beginning of year	2,545	40,225	(526,905)	(484,135)
Cash balances, end of year	\$ 2,545	\$ 47,706	\$ (64,979)	\$ (14,728)
Cash basis fund balances:				
Restricted for:				
Street capital projects	\$ -	\$ -	\$ 5,688	\$ 5,688
Urban renewal projects	-	-	594,911	594,911
Police capital equipment purchases	-	47,706	-	47,706
Property improvements	-	-	63,116	63,116
Trail projects	-	-	8,529	8,529
Employee benefits	2,545	-	-	2,545
Assigned for:				
Street capital projects	-	-	40,993	40,993
Unassigned	-	-	(778,216)	(778,216)
Total cash basis fund balances	\$ 2,545	\$ 47,706	\$ (64,979)	\$ (14,728)

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, 2017

	Ranshaw House Project	TIF Projects	Library Expansion	Penn Street Improvements
Receipts:				
Use of money and property:				
Interest on investments	\$ -	\$ -	\$ 6	\$ -
Intergovernmental:				
Federal grants	-	-	-	387,600
Miscellaneous:				
Donations/contributions	-	-	8,320	-
Miscellaneous	246	-	-	-
Total receipts	<u>246</u>	<u>-</u>	<u>8,326</u>	<u>387,600</u>
Disbursements:				
Capital projects	<u>23,548</u>	<u>-</u>	<u>-</u>	<u>2,044,318</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(23,302)</u>	<u>-</u>	<u>8,326</u>	<u>(1,656,718)</u>
Other financing sources (uses):				
Proceeds from sale of general obligation bonds	-	-	-	2,140,200
Operating transfers (out)	-	-	(5,354)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,354)</u>	<u>2,140,200</u>
Net change in cash balances	<u>(23,302)</u>	<u>-</u>	<u>2,972</u>	<u>483,482</u>
Cash balances, beginning of year	<u>9,634</u>	<u>516,252</u>	<u>60,144</u>	<u>(1,185,535)</u>
Cash balances, end of year	<u>\$ (13,668)</u>	<u>\$ 516,252</u>	<u>\$ 63,116</u>	<u>\$ (702,053)</u>
Cash basis fund balances:				
Restricted for:				
Street capital projects	\$ -	\$ -	\$ -	\$ -
Urban renewal projects	-	516,252	-	-
Property improvements	-	-	63,116	-
Trail projects	-	-	-	-
Assigned for:				
Street capital projects	-	-	-	-
Unassigned	<u>(13,668)</u>	<u>-</u>	<u>-</u>	<u>(702,053)</u>
Total cash basis fund balances	<u>\$ (13,668)</u>	<u>\$ 516,252</u>	<u>\$ 63,116</u>	<u>\$ (702,053)</u>

See accompanying independent auditor's report.

Schedule 3

I-JOBS Street Projects	Trail Projects	Entryway Development	Economic Development Projects	Land and Facilities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6
-	-	-	-	-	387,600
-	-	-	-	-	8,320
-	-	-	-	-	246
-	-	-	-	-	396,172
-	-	-	-	1,226	2,069,092
-	-	-	-	(1,226)	(1,672,920)
-	-	-	-	-	2,140,200
-	-	-	-	-	(5,354)
-	-	-	-	-	2,134,846
-	-	-	-	(1,226)	461,926
5,688	8,529	40,993	78,659	(61,269)	(526,905)
\$ 5,688	\$ 8,529	\$ 40,993	\$ 78,659	\$ (62,495)	\$ (64,979)
\$ 5,688	\$ -	\$ -	\$ -	\$ -	\$ 5,688
-	-	-	78,659	-	594,911
-	-	-	-	-	63,116
-	8,529	-	-	-	8,529
-	-	40,993	-	-	40,993
-	-	-	-	(62,495)	(778,216)
\$ 5,688	\$ 8,529	\$ 40,993	\$ 78,659	\$ (62,495)	\$ (64,979)

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, 2017

	Water Enterprise					Total
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Projects	
Operating receipts:						
Charges for service	\$ 3,314,651	\$ -	\$ -	\$ -	\$ -	\$ 3,314,651
Miscellaneous	9,131	-	-	82,496	-	91,627
Total operating receipts	<u>3,323,782</u>	<u>-</u>	<u>-</u>	<u>82,496</u>	<u>-</u>	<u>3,406,278</u>
Operating disbursements:						
Business type activities	<u>1,807,615</u>	<u>-</u>	<u>-</u>	<u>109,877</u>	<u>5,974,646</u>	<u>7,892,138</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,516,167</u>	<u>-</u>	<u>-</u>	<u>(27,381)</u>	<u>(5,974,646)</u>	<u>(4,485,860)</u>
Non-operating receipts (disbursements):						
Interest on investments	821	-	-	-	-	821
Intergovernmental	-	-	-	-	-	-
Debt service	-	(550,958)	-	-	-	(550,958)
Net non-operating receipts (disbursements)	<u>821</u>	<u>(550,958)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(550,137)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,516,988</u>	<u>(550,958)</u>	<u>-</u>	<u>(27,381)</u>	<u>(5,974,646)</u>	<u>(5,035,997)</u>
Other financing sources (uses):						
Proceeds from sale of general obligation bonds	-	-	-	-	-	-
Proceeds from sale of revenue bonds	-	1,204,510	-	-	-	1,204,510
State Revolving Fund loan draws	-	-	-	-	6,007,544	6,007,544
Refunding debt service - principal	-	(1,170,000)	-	-	-	(1,170,000)
Operating transfers:						
Operating transfers in	-	924,685	-	109,877	133,209	1,167,771
Operating transfers (out)	(1,499,100)	(391,215)	-	-	-	(1,890,315)
Total other financing sources (uses)	<u>(1,499,100)</u>	<u>567,980</u>	<u>-</u>	<u>109,877</u>	<u>6,140,753</u>	<u>5,319,510</u>
Net change in cash balances	17,888	17,022	-	82,496	166,107	283,513
Cash balances, beginning of year	<u>1,590,281</u>	<u>716,354</u>	<u>541,255</u>	<u>41,727</u>	<u>763,448</u>	<u>3,653,065</u>
Cash balances, end of year	<u>\$ 1,608,169</u>	<u>\$ 733,376</u>	<u>\$ 541,255</u>	<u>\$ 124,223</u>	<u>\$ 929,555</u>	<u>\$ 3,936,578</u>
Cash basis fund balances:						
Restricted for:						
Debt service	\$ -	\$ 733,376	\$ 541,255	\$ -	\$ -	\$ 1,274,631
Unrestricted	1,608,169	-	-	124,223	929,555	2,661,947
	<u>\$ 1,608,169</u>	<u>\$ 733,376</u>	<u>\$ 541,255</u>	<u>\$ 124,223</u>	<u>\$ 929,555</u>	<u>\$ 3,936,578</u>

See accompanying independent auditor's report.

Sewer Enterprise						
Sewer Operating	Sewer Revenue Sinking	Sewer Reserve	Sewer Rental - Capital Reserve	Sewer Capital Projects	Total	
\$ 4,076,710	\$ -	\$ -	\$ -	\$ -	\$ 4,076,710	
1,752	-	-	176,964	-	178,716	
4,078,462	-	-	176,964	-	4,255,426	
1,264,987	-	-	155,255	6,794,190	8,214,432	
2,813,475	-	-	21,709	(6,794,190)	(3,959,006)	
781	-	-	-	-	781	
-	-	-	-	1,893,532	1,893,532	
-	(1,231,196)	-	-	-	(1,231,196)	
781	(1,231,196)	-	-	1,893,532	663,117	
2,814,256	(1,231,196)	-	21,709	(4,900,658)	(3,295,889)	
-	-	-	-	1,123,603	1,123,603	
-	-	-	-	-	-	
-	-	-	-	6,719,473	6,719,473	
-	-	-	-	-	-	
-	1,565,396	-	319,917	-	1,885,313	
(2,196,642)	(334,200)	-	-	-	(2,530,842)	
(2,196,642)	1,231,196	-	319,917	7,843,076	7,197,547	
617,614	-	-	341,626	2,942,418	3,901,658	
3,088,139	338,794	307,105	1,244,376	(4,137,161)	841,253	
\$ 3,705,753	\$ 338,794	\$ 307,105	\$ 1,586,002	\$ (1,194,743)	\$ 4,742,911	
\$ -	\$ 338,794	\$ 307,105	\$ -	\$ -	\$ 645,899	
3,705,753	-	-	1,586,002	(1,194,743)	4,097,012	
\$ 3,705,753	\$ 338,794	\$ 307,105	\$ 1,586,002	\$ (1,194,743)	\$ 4,742,911	

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, 2017

	Utility Deposits	Stormwater Management	Total
Operating receipts:			
Charges for service	\$ 165,640	\$ 198,325	\$ 363,965
Miscellaneous	-	2,327	2,327
Total operating receipts	165,640	200,652	366,292
Operating disbursements:			
Business type activities	168,785	356,188	524,973
Deficiency of operating receipts under operating disbursements	(3,145)	(155,536)	(158,681)
Other financing sources (uses):			
State Revolving Fund loan draws	-	270,346	270,346
Operating transfers:			
Operating transfers (out)	-	(88,644)	(88,644)
Total other financing sources (uses)	-	181,702	181,702
Net change in cash balances	(3,145)	26,166	23,021
Cash balances, beginning of year	397,780	122,072	519,852
Cash balances, end of year	\$ 394,635	\$ 148,238	\$ 542,873
Cash basis fund balances:			
Restricted for:			
Utility deposits	\$ 394,635	\$ -	\$ 394,635
Unrestricted	-	148,238	148,238
	\$ 394,635	\$ 148,238	\$ 542,873

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY, IOWA

Schedule of Indebtedness

Year Ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation (G.O.) Bonds:			
G.O. Sewer Improvement	1/6/98	1.75 %	\$ 1,000,000
G.O. Corporate Purpose	11/15/06	3.60-3.85	570,000
G.O. Corporate Purpose	6/30/08	2.50-3.95	1,940,000
G.O. Corporate Purpose	5/27/09	1.50-4.15	2,425,000
G.O. Corporate Purpose	10/25/10	1.00-2.60	1,730,000
G.O. Urban Renewal Corporate Purpose	10/25/10	2.00-2.75	6,765,000
G.O. Corporate Purpose and Refunding	9/28/11	1.00-2.00	790,000
G.O. Urban Renewal Corporate Purpose	9/28/11	1.50-3.10	5,810,000
G.O. Urban Renewal Library Improvement	11/12/12	0.35-1.70	1,815,000
G.O. Refunding	7/1/13	0.35-2.15	2,540,000
G.O. Corporate Purpose	11/5/13	2.00-2.40	1,425,000
G.O. Urban Renewal Corporate Purpose	11/5/13	2.00-2.40	3,540,000
G.O. Corporate Purpose	10/30/14	2.00	3,090,000
G.O. Corporate Purpose	10/8/15	2.00	9,965,000
G.O. Corporate Purpose and Refunding	4/27/17	3.00	4,435,000
G.O. Urban Renewal Corporate Purpose and Refunding	5/9/17	2.00-2.50	7,980,000
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
Sewer Revenue Bond Series 2016	3/4/16	1.75	20,911,000
Sewer Revenue Improvement and Refunding Bond Series 2016	10/7/16	1.20	22,337,000
Water Revenue Improvement Bond Series 2017	2/24/17	1.75	22,072,000
Water Revenue Refunding Bond Series 2017C	4/27/17	2.00-2.25	1,190,000
Total			
State Revolving Fund Anticipation Project Notes:			
Water Revenue Planning and Design Loan PDDW1432	4/11/14	0 %	\$ 1,350,000

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
\$ 138,000	\$ -	\$ 68,000	\$ 70,000	\$ 1,820	\$ -
70,000	-	70,000	-	2,695	-
495,000	-	495,000	-	19,062	-
1,505,000	-	1,505,000	-	56,565	-
810,000	-	810,000	-	18,485	-
3,555,000	-	3,555,000	-	83,676	-
270,000	-	270,000	-	4,590	-
4,340,000	-	380,000	3,960,000	103,192	-
1,290,000	-	175,000	1,115,000	15,443	-
1,815,000	-	250,000	1,565,000	27,535	-
1,160,000	-	135,000	1,025,000	24,378	-
2,885,000	-	330,000	2,555,000	60,637	-
2,800,000	-	295,000	2,505,000	56,000	-
9,505,000	-	1,285,000	8,220,000	190,100	-
-	4,435,000	-	4,435,000	-	-
-	7,980,000	-	7,980,000	-	-
<u>\$ 30,638,000</u>	<u>\$ 12,415,000</u>	<u>\$ 9,623,000</u>	<u>\$ 33,430,000</u>	<u>\$ 664,178</u>	<u>\$ -</u>
<u>\$ 280,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,390,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 1,275,000</u>	<u>\$ 33,140</u>	<u>\$ -</u>
\$ 69,000	\$ -	\$ 22,000	\$ 47,000	\$ 1,015	\$ -
757,000	-	243,000	514,000	11,121	-
4,391,000	-	114,000	4,277,000	131,730	-
2,037,000	-	141,000	1,896,000	61,110	-
845,000	-	105,000	740,000	35,830	-
1,335,000	-	1,335,000	-	56,605	-
920,000	-	175,000	745,000	14,800	-
1,100,000	-	115,000	985,000	25,135	-
1,035,000	-	95,000	940,000	24,565	-
20,911,000	-	20,911,000	-	-	-
-	22,337,000	-	22,337,000	207,772	-
-	22,072,000	-	22,072,000	17,988	-
-	1,190,000	-	1,190,000	-	-
<u>\$ 33,400,000</u>	<u>\$ 45,599,000</u>	<u>\$ 23,256,000</u>	<u>\$ 55,743,000</u>	<u>\$ 587,671</u>	<u>\$ -</u>
<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH LIBERTY, IOWA

Bond and Note Maturities
(Page 1 of 3)
June 30, 2017

General Obligation Bonds

Year Ending June 30,	Sewer Improvement Issued Jan. 6, 1998		Corporate Purpose Issued Sept. 28, 2011		Library Improvement Issued Nov. 12, 2012		General Obligation Refunding Issued Jul. 1, 2013	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2018	1.75 %	\$ 70,000	1.60 %	\$ 390,000	0.80 %	\$ 180,000	1.10 %	\$ 255,000
2019	-	-	1.85	400,000	1.00	180,000	1.30	255,000
2020	-	-	2.10	410,000	1.20	185,000	1.50	260,000
2021	-	-	2.30	420,000	1.35	185,000	1.75	260,000
2022	-	-	2.45	435,000	1.55	190,000	1.90	265,000
2023	-	-	2.60	450,000	1.70	195,000	2.15	270,000
2024	-	-	2.80	465,000	-	-	-	-
2025	-	-	3.00	485,000	-	-	-	-
2026	-	-	3.10	505,000	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
Total		<u>\$ 70,000</u>		<u>\$ 3,960,000</u>		<u>\$ 1,115,000</u>		<u>\$ 1,565,000</u>

General Obligation Bonds

Year Ending June 30,	Corporate Purpose Issued Oct. 8, 2015		Corporate Purpose Issued Apr. 27, 2017		Corporate Purpose Issued May 9, 2017		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2018	2.00 %	\$ 880,000	3.00 %	\$ 680,000	2.00 %	\$ 685,000	\$ 3,910,000
2019	2.00	890,000	3.00	680,000	2.00	1,130,000	4,320,000
2020	2.00	910,000	3.00	610,000	2.00	1,155,000	4,325,000
2021	2.00	920,000	3.00	415,000	2.00	1,180,000	4,190,000
2022	2.00	935,000	3.00	425,000	2.00	445,000	3,530,000
2023	2.00	890,000	3.00	425,000	2.00	455,000	3,550,000
2024	2.00	910,000	3.00	445,000	2.00	460,000	3,170,000
2025	2.00	930,000	3.00	245,000	2.00	470,000	2,465,000
2026	2.00	955,000	3.00	250,000	2.00	480,000	2,190,000
2027	-	-	3.00	260,000	2.125	495,000	755,000
2028	-	-	-	-	2.25	505,000	505,000
2029	-	-	-	-	2.50	520,000	520,000
Total		<u>\$ 8,220,000</u>		<u>\$ 4,435,000</u>		<u>\$ 7,980,000</u>	<u>\$ 33,430,000</u>

See accompanying independent auditor's report.

General Obligation Bonds

Corporate Purpose Issued Nov. 5, 2013		Corporate Purpose Issued Nov. 5, 2013		Corporate Purpose Issued Oct. 30, 2014	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.00 %	\$ 135,000	2.00 %	\$ 340,000	2.00 %	\$ 295,000
2.00	140,000	2.00	345,000	2.00	300,000
2.00	140,000	2.00	350,000	2.00	305,000
2.00	145,000	2.00	360,000	2.00	305,000
2.10	150,000	2.10	375,000	2.00	310,000
2.25	155,000	2.25	385,000	2.00	325,000
2.40	160,000	2.40	400,000	2.00	330,000
	-		-	2.00	335,000
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	<u>\$ 1,025,000</u>		<u>\$ 2,555,000</u>		<u>\$ 2,505,000</u>

Rural Economic Development
Loan and Grant Program
Rural Econ. Development
Issued May 8, 2013

Interest Rates	Amount
0.00 %	\$ 40,000
0.00	40,000
0.00	40,000
0.00	40,000
0.00	40,000
0.00	40,000
	-
	-
	-
	-
	-
	-
	<u>\$ 240,000</u>

Road Use Tax
Revenue Bonds
Road Use Tax Rev. Ser. 2012A
Issued Mar. 29, 2012

Interest Rates	Amount
2.00 %	\$ 115,000
2.00	115,000
2.00	120,000
2.00	120,000
2.20	125,000
2.40	130,000
2.60	130,000
2.80	135,000
2.90	140,000
3.00	145,000
	-
	-
	<u>\$ 1,275,000</u>

CITY OF NORTH LIBERTY, IOWA

Bond and Note Maturities
(Page 2 of 3)
June 30, 2017

Year Ending June 30,	Enterprise Fund Revenue Bonds					
	Sewer Revenue Series 1998A		Sewer Revenue Series 1998B		Sewer Revenue Series 2007	
	Issued Mar. 23, 1998		Issued Mar. 23, 1998		Issued Aug. 23, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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		-		-		-
2029		-		-		-
2030		-		-		-
2031		-		-		-
2032		-		-		-
2033		-		-		-
2034		-		-		-
2035		-		-		-
2036		-		-		-
2037		-		-		-
Total		<u>\$ 47,000</u>		<u>\$ 514,000</u>		<u>\$ 4,277,000</u>

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY, IOWA

Bond and Note Maturities
(Page 3 of 3)
June 30, 2017

Year Ending June 30,	Enterprise Fund Revenue Bonds					
	<u>Sewer Refunding Series 2014A</u> Issued Apr. 23, 2014		<u>Water Refunding Series 2014B</u> Issued Apr. 23, 2014		<u>Sewer Improvement Series 2016</u> Issued Oct. 7, 2016	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2018	2.00 %	\$ 115,000	2.00 %	\$ 95,000	1.20 %	\$ 474,000
2019	2.00	115,000	2.00	100,000	1.20	480,000
2020	2.00	120,000	2.00	100,000	1.20	483,000
2021	2.00	120,000	2.00	100,000	1.20	493,000
2022	2.25	125,000	2.25	105,000	1.20	498,000
2023	2.45	125,000	2.50	105,000	1.20	503,000
2024	2.70	130,000	2.70	110,000	1.20	653,000
2025	3.00	135,000	3.00	110,000	1.20	666,000
2026		-	3.05	115,000	1.20	661,000
2027		-		-	1.20	672,000
2028		-		-	1.20	1,379,000
2029		-		-	1.20	1,612,000
2030		-		-	1.20	1,635,000
2031		-		-	1.20	1,659,000
2032		-		-	1.20	1,683,000
2033		-		-	1.20	1,707,000
2034		-		-	1.20	1,732,000
2035		-		-	1.20	1,757,000
2036		-		-	1.20	1,782,000
2037		-		-	1.20	1,808,000
Total		<u>\$ 985,000</u>		<u>\$ 940,000</u>		<u>\$ 22,337,000</u>

See accompanying independent auditor's report.

Enterprise Fund Revenue Bonds

Water Improvement Series 2017		Water Refunding Series 2017C		
Issued Feb. 24, 2017		Issued Apr. 27, 2017		
Interest Rates	Amount	Interest Rates	Amount	Total
1.75 %	\$ 1,000	2.00 %	\$ 185,000	\$ 1,698,000
1.75	1,000	2.00	190,000	1,744,000
1.75	100,000	2.00	195,000	1,880,000
1.75	800,000	2.25	200,000	2,619,000
1.75	800,000	2.25	210,000	2,478,000
1.75	800,000	2.25	210,000	2,513,000
1.75	800,000	-	-	2,345,000
1.75	1,278,000	-	-	2,858,000
1.75	1,304,000	-	-	2,923,000
1.75	1,330,000	-	-	2,872,000
1.75	1,357,000	-	-	2,937,000
1.75	1,384,000	-	-	2,996,000
1.75	1,412,000	-	-	3,047,000
1.75	1,440,000	-	-	3,099,000
1.75	1,469,000	-	-	3,152,000
1.75	1,498,000	-	-	3,205,000
1.75	1,528,000	-	-	3,260,000
1.75	1,559,000	-	-	3,316,000
1.75	1,590,000	-	-	3,372,000
1.75	1,621,000	-	-	3,429,000
	<u>\$22,072,000</u>		<u>\$ 1,190,000</u>	<u>\$ 55,743,000</u>

CITY OF NORTH LIBERTY, IOWA

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

Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Receipts:				
Property tax	\$ 8,495,238	\$ 7,583,031	\$ 6,861,247	\$ 6,127,781
Tax increment financing	4,389,642	4,509,489	3,918,081	3,518,713
Other city tax	335,049	360,492	341,057	311,708
Licenses and permits	389,066	478,562	552,067	507,326
Use of money and property	182,754	159,353	149,029	143,887
Intergovernmental	3,353,878	3,889,968	2,136,378	2,152,197
Charges for service	2,556,384	1,893,581	2,219,792	1,674,579
Special assessments	-	-	-	1,067
Miscellaneous	355,213	471,339	390,306	647,785
Total	<u>\$ 20,057,224</u>	<u>\$ 19,345,815</u>	<u>\$ 16,567,957</u>	<u>\$ 15,085,043</u>
Disbursements:				
Public safety	\$ 3,177,706	\$ 2,836,301	\$ 2,563,426	\$ 2,315,057
Public works	1,788,477	1,626,565	1,511,077	1,424,544
Health and social services	103,500	105,350	98,207	97,000
Culture and recreation	3,792,817	3,593,454	3,458,203	3,208,940
Community and economic development	1,723,266	1,647,664	1,166,131	898,262
General government	1,464,069	1,591,679	1,537,711	1,293,854
Debt service	5,309,615	4,831,259	4,528,242	4,168,095
Capital projects	8,882,559	8,023,964	4,181,863	5,468,736
Total	<u>\$ 26,242,009</u>	<u>\$ 24,256,236</u>	<u>\$ 19,044,860</u>	<u>\$ 18,874,488</u>

See accompanying independent auditor's report.

Schedule 8

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 6,107,502	\$ 5,502,489	\$ 5,314,263	\$ 4,914,385	\$ 3,863,587	\$ 3,093,326
3,228,972	3,301,297	2,737,069	1,389,368	2,822,497	2,660,586
292,566	291,492	287,105	269,844	267,057	196,571
565,465	560,046	475,789	501,169	517,615	482,903
140,675	164,087	177,521	162,861	189,544	180,001
1,767,090	2,264,687	1,617,962	883,561	1,078,608	800,564
1,698,909	1,457,531	1,547,314	1,437,878	1,240,283	1,228,972
1,660	5,051	6,285	9,620	10,383	24,347
302,042	545,227	598,909	299,628	205,944	313,332
<u>\$ 14,104,881</u>	<u>\$ 14,091,907</u>	<u>\$ 12,762,217</u>	<u>\$ 9,868,314</u>	<u>\$ 10,195,518</u>	<u>\$ 8,980,602</u>
\$ 2,144,553	\$ 1,984,061	\$ 1,779,435	\$ 1,682,165	\$ 1,560,255	\$ 1,424,463
1,367,808	1,163,999	1,102,168	1,001,921	1,148,712	1,143,600
135,150	86,000	90,446	56,050	70,600	35,020
2,862,412	2,825,660	2,692,700	2,466,178	2,578,532	2,281,120
1,097,172	1,033,597	927,060	861,398	619,737	576,163
1,250,373	1,133,334	1,048,025	875,271	739,891	842,771
3,952,064	3,844,731	2,956,440	3,050,069	2,823,582	4,219,859
7,091,862	7,854,575	8,901,225	2,891,519	2,058,032	2,797,451
<u>\$ 19,901,394</u>	<u>\$ 19,925,957</u>	<u>\$ 19,497,499</u>	<u>\$ 12,884,571</u>	<u>\$ 11,599,341</u>	<u>\$13,320,447</u>

CITY OF NORTH LIBERTY, IOWA

Schedule 9

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program/Award Amount</u>	<u>Federal Award Expended</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	2015BUBX15077810	\$ 2,512	\$ 350
Public Safety Partnership and Community Policing Grants	16.710	2014UMWX0153	125,000	34,313
Total U.S. Department of Justice				34,663
<u>U.S. Department of Transportation</u>				
Indirect Programs:				
Passed Through Iowa Department of Transportation:				
Highway Planning and Construction	20.205	STP-U-5557(620)--70-52	837,000	327,300
	20.205	STP-A-5557(619)--86-52	408,000	109,263
				436,563
Passed Through Governor's Traffic Safety Bureau:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 17-402-MOPT	12,000	9,054
	20.601	PAP 16-402-MOPT	9,950	3,194
				12,248
Total U.S. Department of Transportation				448,811
<u>Environmental Protection Agency</u>				
Indirect Programs:				
Passed Through Iowa Finance Authority:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-87-15-DWSRF-016	22,072,000	7,523,735
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Assistance to Firefighters Grant	97.044	EMW-2011-FF-00580	163,318	5,724
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FF-00044	283,024	51,178
Total U.S. Department of Homeland Security				56,902
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$8,064,111

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, 2017

NOTE A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") includes the federal award activity of the City of North Liberty, Iowa, under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of North Liberty, Iowa, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of North Liberty, Iowa.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported 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. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C. INDIRECT COST RATE

The City of North Liberty, Iowa has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2018. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-17, that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items II-B-17 and II-C-17. In addition, 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, 2017 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 & Foster, CPA PC

Iowa City, Iowa
January 9, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City of North Liberty, Iowa's major federal program for the year ended June 30, 2017. The City of North Liberty, Iowa's major federal program is identified in the Part I 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 the City of North Liberty, Iowa's major federal program 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 the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-17 (2017-001), that we consider to be a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wenkler, Parker & Foster, CPA PC

Iowa City, Iowa
January 9, 2018

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
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 the Uniform Guidance, Section 200.515?	Yes

Identification of major program:

CFDA Number	66.468
Name of Federal Program or Cluster	Capitalization Grants for Drinking Water State Revolving Funds
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Part II. Current Year Findings Related to the Financial Statements

Internal Control Deficiencies

II-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - We noted that the individuals that are responsible for recording cash receipts and preparing checks at times fill in at the front desk to cover absences of the staff that regularly work at the front desk. These individuals at times handle cash receipts from utility payments received from citizens. We noted that the person who prepares checks also mails the checks after they have been signed by authorized signers.

Cause - As the City has continued to experience growth and the volume of financial activity has increased, certain procedures have become obsolete due to increased staff workloads. Segregation of certain duties and compensating controls through oversight and processes have not been updated to reflect the need for additional segregation of duties.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent, or detect and correct, misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances by utilizing current staff and new hires in the future.

Response - Staff will review and update procedures as best applicable to the City's current situation. As additional staff are added, segregation of duties will be monitored as duties are assigned to new hires.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Part II. Current Year Findings Related to the Financial Statements (Continued)

Instances of Noncompliance

II-B-17 Deposits and Investments

Criteria - The City is required by Chapter 12C.2 of the Code of Iowa to designate the authorized depositories of the City.

Condition - We noted that the maximum depository amount at a bank was exceeded from April 25, 2017 through June 30, 2017. We noted that this bank was removed from the City's amended depository resolution adopted April 25, 2017. The City had four certificates of deposit at the bank at the time of the amendment of the depository resolution, and through June 30, 2017. In addition, the certificates of deposit totaled \$288,990, which resulted in \$38,990 in excess of federal depository insurance.

Cause - The City erroneously overlooked the certificates of deposit at the bank when preparing the amendment to the depository resolution in April 2017.

Effect - The City's deposits remained at a bank not covered by the amendment to the depository resolution. In addition, the amount in excess of federal depository insurance coverage was at risk of loss.

Recommendation - The City should carefully review all of its bank accounts and certificates of deposit to ensure that all funds are covered by the City's depository resolution.

Response - The City amended the depository resolution on July 25, 2017 to include the bank as an authorized depository of City funds.

Conclusion - Response accepted.

II-C-17 Financial Condition

Criteria - The City is responsible for ensuring that adequate sources of funds are available to ensure the City remains in good financial condition

Condition - The City had deficit balances at June 30, 2017 in four capital projects funds, the Park Development capital reserve account within the General Fund and the Sewer Capital Projects capital projects account within the Sewer Enterprise Fund that arose because project and construction costs were incurred prior to the availability of funds.

Cause - In many cases, 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.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Part II. Current Year Findings Related to the Financial Statements (Continued)

Instances of Noncompliance (Continued)

II-C-17 Financial Condition (Continued)

Effect - The City's financial condition may be subject to risk if adequate funding and funds on hand are not available to pay for the costs of these projects as well as other operations of the City.

Recommendation - In many cases, 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 - These projects will be funded with future proceeds from sales of bonds. These deficits will be eliminated with proceeds of the bond sales.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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

Instances of Noncompliance

No matters were noted.

Internal Control Deficiencies

CFDA Number 66.468: Capitalization Grants for Drinking Water State Revolving Funds

Pass-through Entity Identifying Number: FS-87-15-DWSRF-016

Federal Award Year: 2017

Prior Year Finding Number: N/A

Environmental Protection Agency

Passed Through Iowa Finance Authority

III-A-17 Segregation of Duties - The City did not properly segregate recording of cash
(2017-001) receipts and preparing checks, including those related to federal programs. See item
II-A-17.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Part IV. Other Findings Related to Required Statutory Reporting

IV-A-17 **Certified Budget** - During the year ended June 30, 2017, disbursements in the capital projects function exceeded budgeted amounts. In addition, disbursements in the health and social services function exceeded the original budget amount prior to the budget amendment on May 23, 2017.

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 - Staff will ensure there is adequate spending authority prior to disbursement of funds.

Conclusion - Response accepted.

IV-B-17 **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.

IV-C-17 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-17 **Business Transactions with City Officials and Employees** - We noted no business transactions between the City and City officials or employees during the year ended June 30, 2017.

IV-E-17 **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.

IV-F-17 **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. The minutes of all Council meetings tested for compliance with publication were made within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

IV-G-17 **Deposits and Investments** - The maximum depository amount at one of the banks the City is authorized to bank with was exceeded for three days in May 2017. It appears that the maximum depository amount was exceeded due to accumulating funds for the June 1, 2017 payment of principal and interest on the City's outstanding bonds. Also see item II-B-17.

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 minimize the time that balances at any of the authorized depositories exceed, or are expected to exceed, the maximum depository amounts.

Response - The City's depository resolution was updated on July 25, 2017 to provide coverage for June 1 bond and interest payment requirements.

Conclusion - Response accepted.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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

IV-H-17 Revenue Bonds and Notes - One of the provisions of the City's water revenue bonds is that the defined net receipts of the water utility must be equal to or exceed 120% of the average annual debt service for the years ending June 30, 2017 through June 30, 2026. We noted that during the year ended June 30, 2017 the defined net receipts was 117.40% of the average annual debt service.

Recommendation - The City should consult with its bond counsel to determine the disposition of this matter.

Response - The City has consulted with bond counsel. Bond counsel and the City's financial advisor are filing the finding.

Conclusion - Response accepted.

IV-I-17 Financial Condition - See item II-C-17.

IV-J-17 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.