

In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, the interest on the Bonds will be excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986; provided however such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code." See "Tax Exemption and Related Tax Matters" herein.

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

Dated: Date of Delivery

Due: As shown on inside cover

The \$9,965,000 General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the "Bonds") are being issued in fully registered form in denominations of \$5,000 or any integral multiple thereof pursuant to a Resolution (the "Bond Resolution") adopted by the City of North Liberty, Iowa (the "City" or the "Issuer") on September 22, 2015. The Depository Trust Company, New York, New York ("DTC") will act as the securities depository for the Bonds and its nominee, Cede & Co., will be the registered owner of the Bonds. Individual purchases of the Bonds will be recorded on a book-entry only system operated by DTC. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company, Des Moines, Iowa as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds. See "APPENDIX E – BOOK-ENTRY SYSTEM" herein.

The Bonds will bear interest from their dated date, payable semiannually on each June 1 and December 1, commencing June 1, 2016. The Bonds are subject to redemption by the Issuer prior to their stated maturities in the manner and at the time described herein. The Bonds maturing in the years 2023-2026 are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, on June 1, 2022 or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium. See "THE BONDS – Redemption" herein.

The Bonds and the interest thereon are general obligations of the City, and all taxable property within the corporate boundaries of the City is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

Proceeds of the Bonds will be used for the purposes of (1) constructing street, sewer system and water system improvements; (2) constructing improvements to existing parks; (3) current refunding the General Obligation Urban Renewal Corporate Purpose Bonds, Series 2007, dated August 1, 2007 (the "Series 2007 Bonds") and current refunding the General Obligation Water Improvement Bonds, Series 2007B, dated December 15, 2007 (the "Series 2007B Bonds"); (4) constructing trail improvements; and (5) paying certain costs of issuance related to the Bonds. See "PLAN OF FINANCING" herein.

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with issuance of the Bonds. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about October 8, 2015.

PiperJaffray®

The Date of this Official Statement is September 22, 2015

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

MATURITY SCHEDULE

<u>Bond Due</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Cusip Num.</u> *	<u>Bonds Due</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Cusip Num.</u> *
June 1, 2016	\$ 460,000	2.00%	0.40%	660459 LT3	June 1, 2022	\$935,000	2.00%	1.60%	660459 LZ9
June 1, 2017	\$1,285,000	2.00%	0.70%	660459 LU0	June 1, 2023 [±]	\$890,000	2.00%	1.75%	660459 MA3
June 1, 2018	\$ 880,000	2.00%	0.90%	660459 LV8	June 1, 2024 [±]	\$910,000	2.00%	1.85%	660459 MB1
June 1, 2019	\$ 890,000	2.00%	1.10%	660459 LW6	June 1, 2025 [±]	\$930,000	2.00%	1.95%	660459 MC9
June 1, 2020	\$ 910,000	2.00%	1.25%	660459 LX4	June 1, 2026	\$955,000	2.00%	2.05%	660459 MD7
June 1, 2021	\$ 920,000	2.00%	1.45%	660459 LY2					

* CUSIP numbers shown above have been assigned by a separate organization not affiliated with the Issuer. The Issuer has not selected nor is responsible for selecting the CUSIP numbers assigned to the Bonds nor do they make any representation as to the correctness of such CUSIP numbers on the Bonds or as indicated above.

[±] The bonds are priced to the June 1, 2022 call date.

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy any of the securities offered hereby in any state to any persons to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

The information set forth herein has been obtained from the City and from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No representation is made regarding whether the Bonds constitute legal investments under the laws of any state for banks, savings banks, savings and loan associations, life insurance companies, and other institutions organized in such state, or fiduciaries subject to the laws of such state.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATIONS OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS "PLAN," "EXPECT," "PROJECTED," "ESTIMATE," "BUDGET" OR OTHER WORDS OF SIMILAR IMPORT. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO DIFFER FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT EXPECT OR INTEND TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

In connection with the issuance of the Bonds, the City will enter into a Continuing Disclosure Certificate. See "APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE."

TABLE OF CONTENTS

INTRODUCTION	1
THE CITY	1
THE BONDS	1
SECURITY AND SOURCE OF PAYMENT FOR THE BONDS	2
BONDHOLDERS' RISKS	2
LITIGATION.....	5
ACCOUNTANT.....	5
MUNICIPAL ADVISOR.....	6
PLAN OF FINANCING.....	6
SOURCES AND USES OF FUNDS	6
TAX EXEMPTION AND RELATED TAX MATTERS.....	6
LEGAL MATTERS.....	7
RATING	7
CONTINUING DISCLOSURE.....	7
UNDERWRITING	8
MISCELLANEOUS	8
APPENDIX A – INFORMATION ABOUT THE ISSUER.....	A-1
APPENDIX B – FORM OF LEGAL OPINION.....	B-1
APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	C-1
APPENDIX D – AUDITED FINANCIAL STATEMENTS.....	D-1
APPENDIX E – BOOK-ENTRY SYSTEM.....	E-1

OFFICIAL STATEMENT

\$9,965,000
NORTH LIBERTY, IOWA
GENERAL OBLIGATION CORPORATE PURPOSE AND REFUNDING BONDS,
SERIES 2015A

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto (the “Official Statement”), is to set forth certain information in conjunction with the sale of \$9,965,000 General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the “Bonds”) of the City of North Liberty, Iowa (the “Issuer” or the “City”). This Introduction is not a summary of this Official Statement, but is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the appendices attached hereto. All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Copies of statutes, resolutions, ordinances, reports or other documents referred to herein are available, upon request, from the City.

The Bonds are being issued pursuant to the provisions of Chapter 384 and Chapter 76 of the Code of Iowa, 2015, as amended (collectively, the “Act”) and a Resolution adopted by the City on September 22, 2015 (the “Bond Resolution”), to evidence the obligations of the Issuer under a Loan Agreement between the Issuer and the Underwriter.

The Bonds and the interest thereon are general obligations of the City, and all taxable property within the corporate boundaries of the City is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein.

Proceeds of the Bonds will be used for the purposes of (1) constructing street, sewer system and water system improvements; (2) constructing improvements to existing parks; (3) current refunding the General Obligation Urban Renewal Corporate Purpose Bonds, Series 2007, dated August 1, 2007 (the “Series 2007 Bonds”) and current refunding the General Obligation Water Improvement Bonds, Series 2007B, dated December 15, 2007 (the “Series 2007B Bonds”); (4) constructing trail improvements; and (5) paying certain costs of issuance related to the Bonds. See “PLAN OF FINANCING” herein.

THE CITY

The City, with a 2010 U.S. Census population of 13,374, comprises approximately 7.83 square miles. The City operates under a statutory form of government consisting of a five member City Council, of which the Mayor is not a voting member. Additional information concerning the City is included in “APPENDIX A – INFORMATION ABOUT THE ISSUER” hereto.

THE BONDS

General

The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Interest on and principal of the Bonds are payable in lawful money of the United States of America.

The Bonds are dated as of the Delivery Date, will mature on June 1 in the years and in the amounts set forth on the inside cover page hereof, and will bear interest at the rates to be set forth on the inside cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 in each year, beginning on June 1, 2016, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or wire of the Registrar mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the interest payment date, to the addresses appearing on the registration books maintained by the Registrar or such other address as is furnished to the Registrar in writing by a registered owner. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

Redemption

Optional Redemption. All of the Bonds then outstanding are subject to redemption at the option of the City, as a whole or in part, from any source of available funds, beginning June 1, 2022 or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. Bonds subject to redemption will be selected in such order of maturity as the City may direct. If less than all of the Bonds of a single maturity are to be redeemed, the Bonds to be redeemed will be selected by lot or other random method by the Registrar in such a manner as the Registrar may determine.

Notice of Redemption. Prior to the redemption of any Bonds under the provisions of the Bond Resolution, the Registrar shall give notice by certified mail or electronic means not less than thirty (30) days prior to the redemption date to each registered owner thereof.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

Pursuant to the Bond Resolution and the Act, the Bonds and the interest thereon are general obligations of the City, and all taxable property within the corporate boundaries of the City is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See “APPENDIX A – INFORMATION ABOUT THE ISSUER.”

Section 76.2 of the Code of Iowa provides that when an Iowa political subdivision issues general obligation bonds, the governing authority of such political subdivision shall, by resolution adopted before issuing the bonds, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds. A certified copy of this resolution shall be filed with the county auditor in which the issuer is located, giving rise to a duty of the auditor to annually enter this levy for collection from the taxable property within the boundaries of the issuer, until funds are realized to pay the bonds in full.

For the purpose of providing for the levy and collection of a direct annual tax sufficient to pay the principal of and interest on the Bonds as the same become due, the Bond Resolution provides for the levy of a tax sufficient for that purpose, on all the taxable property in the City in each of the years while the Bonds are outstanding. The Issuer shall file a certified copy of the Bond Resolution with the County Auditor, pursuant to which the County Auditor is instructed to enter for collection and assess the tax authorized. When annually entering such taxes for collection, the County Auditor shall include the same as a part of the tax levy for Debt Service Fund purposes of the City and when collected, the proceeds of the taxes shall be converted into the Debt Service Fund of the City and set aside therein as a special account to be used solely and only for the payment of the principal of and interest on the Bonds and for no other purpose whatsoever.

Pursuant to the provisions of Section 76.4 of the Code of Iowa, each year while the Bonds remain outstanding and unpaid, any funds of the City which may lawfully be applied for such purpose, may be appropriated, budgeted and, if received, used for the payment of the principal of and interest on the Bonds as the same become due, and if so appropriated, the taxes for any given fiscal year as provided for in the Bond Resolution, shall be reduced by the amount of such alternate funds as have been appropriated for said purpose and evidenced in the City’s budget.

BONDHOLDERS’ RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad-valorem tax levied against all of the property valuation within the Issuer. As part of the budgetary process of the Issuer each fiscal year the Issuer will have an obligation to request a debt service levy to be applied against all of the property within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service on the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds.

2013 Property Tax Legislation

During its 2013 session the Iowa Legislature enacted, and the Governor signed, Senate File 295 (“SF295”). Among other things, SF295 limits annual assessed value growth with respect to residential and agricultural property from 4% to 3%, reduces as a rollback the taxable value applicable to commercial, industrial and railroad property to 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, and provides a partial exemption on telecommunications property. SF295 also creates a new separate classification for multiresidential properties which were previously taxed as commercial properties, and assigns an incremental rollback percentage over several years for multiresidential properties such that the multiresidential rollback determination will match that for residential properties in the 2022 assessment year. As a result of SF295, local governments expect to experience

reductions in property tax revenues over the next several fiscal years. SF295 includes state-funded replacement moneys for a portion of the expected reduction in property tax revenues to the local governments, but such replacement funding is limited in both amount and duration of availability. There can be no assurance the state-funded replacement moneys will be provided by the state, if at all, during the term the Bonds remain outstanding. The Issuer does not expect the state replacement funding to fully address the property tax reductions resulting from SF295 during the term the Bonds remain outstanding. While SF295 does not limit the legal obligation or the amount the Issuer may be required to levy for payments of debt service on the Bonds there can be no assurances that SF295 will not have a material adverse impact with respect to the Issuer's ability to pay debt service on a timely basis.

Changes in Property Taxation

From time to time the Iowa General Assembly has altered the method of property taxation and could do so again. Any alteration in property taxation structure could affect property tax revenues available to pay the Bonds.

Historically, the Iowa General Assembly has applied changes in property taxation structure on a prospective basis; however, there is no assurance that future changes in property taxation structure by the Iowa General Assembly will not be retroactive. It is impossible to predict the outcome of future property tax changes by the Iowa General Assembly or their potential impact on the Bonds and the security for the Bonds.

Matters Relating to Enforceability of Agreements

Holders of the Bonds shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of the Bonds, including, but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Bond Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Bond Resolution or the Loan Agreement. The remedies available to the owners of the Bonds upon an event of default under the Bond Resolution or the Loan Agreement, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Loan Agreement or the Bond Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No representation is made, and no assurance is given, that the enforcement of any remedies with respect to such assets will result in sufficient funds to pay all amounts due under the Bond Resolution or the Loan Agreement, including principal of and interest on the Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, secondary marketing practices in connection with a particular Bond or Bonds issue are suspended or terminated. Additionally, prices of bond or note issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

Moody's Investors Services ("Moody's") has assigned a rating of "Aa3" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such

forward- looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Matters, Bank Qualification and Loss of Tax Exemption

As discussed under the heading “TAX EXEMPTION AND RELATED TAX MATTERS” herein, the interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the Issuer in violation of its covenants in the Resolution. Should such an event of taxability occur, the Bonds would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Bonds, and there is no provision for an adjustment of the interest rate on the Bonds.

The Issuer will designate the Bonds as “qualified tax-exempt obligations” under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. However, the Issuer’s failure to comply with such covenants could cause the Bonds not to be “qualified tax-exempt obligations” and banks and certain other financial institutions would not receive more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

It is possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset. A determination of taxability on the Bonds, after closing of the Bonds, could materially adversely affect the value and marketability of the Bonds.

DTC-Beneficial Owners

Beneficial Owners of the Bonds may experience some delay in the receipt of distributions of principal of and interest on the Bonds since such distributions will be forwarded by the Paying Agent to DTC and DTC will credit such distributions to the accounts of the Participants which will thereafter credit them to the accounts of the Beneficial Owner either directly or indirectly through indirect Participants. Neither the Issuer nor the Paying Agent will have any responsibility or obligation to assure that any such notice or payment is forwarded by DTC to any Participants or by any Participant to any Beneficial Owner.

In addition, since transactions in the Bonds can be effected only through DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge the Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See “APPENDIX E - BOOK-ENTRY SYSTEM.”

Pending Federal Tax Legislation

From time to time, legislative proposals are pending in Congress that would, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. See “TAX EXEMPTION AND RELATED TAX MATTERS” herein.

Pension and OPEB Information

The Issuer contributes to the Iowa Public Employees’ Retirement System (“IPERS”), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2014 (the “IPERS CAFR”) indicates that as of June 30, 2014, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 82.68%, and the unfunded actuarial liability was \$5.544 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See “APPENDIX D — AUDITED FINANCIAL STATEMENTS” for additional information on IPERS.

In fiscal year 2014, the Issuer’s IPERS contribution totaled approximately \$410,331, compared to a contribution in fiscal year 2013 of \$381,437.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the IPERS CAFR. According to IPERS, as of the end of fiscal year 2014, there were approximately 346,413 total members participating in IPERS, including Issuer employees.

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Unfunded Actuarial Accrued Liability (UAAL) [b] – [a]	Funded Ratio [a] / [b]	Covered Payroll [c]	UAAL as a % of Covered Payroll ([b]-[a]) / [c]
2010	\$21,537,458,560	\$26,468,419,650	\$4,930,961,090	81.37%	\$6,571,182,005	75.04%
2011	\$22,575,309,199	\$28,257,080,114	\$5,681,770,915	79.89%	\$6,574,872,719	86.42%
2012	\$23,530,094,461	\$29,446,197,486	\$5,916,103,025	79.91%	\$6,786,158,720	87.18%
2013	\$24,711,096,187	\$30,498,342,320	\$5,787,246,133	81.02%	\$6,880,131,134	84.12%
2014	\$26,460,428,085	\$32,004,456,088	\$5,544,028,003	82.68%	\$7,099,277,280	78.09%

Source: IPERS Comprehensive Annual Financial Report (Fiscal Year 2014)

When calculating the funding status of IPERS for fiscal year 2014, the following assumptions were used by IPERS: (1) the amortization period for the total unfunded actuarial liability is 30 years (which is consistent with the maximum acceptable amortization period set forth by the Governmental Accounting Standards Board (“GASB”) in GASB Statement No. 25); (2) the rate of return on investments is assumed to be 7.5%; (3) salaries are projected to increase 4.0-17% for IPERS, depending on years of service; and (4) the rate of inflation is assumed to be 3.00% for prices and 4.0% for wages.

Bond Counsel, Disclosure Counsel, the Issuer, the Municipal Advisor and the Underwriter undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor’s website or links to other Internet sites accessed through the IPERS website.

Pursuant to Governmental Accounting Standards Board Statement No. 68, IPERS has allocated the net pension liability among its members, with the Issuer’s identified portion at approximately \$2,100,000. While the Issuer’s contributions to IPERS are controlled by state law, there can be no assurance the Issuer will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the Issuer. See Appendix D hereto for additional information on pension and liabilities of the Issuer.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

LITIGATION

The City encounters litigation occasionally, as a course of business, however, no litigation currently exists that is not believed to be covered by current insurance carriers and no litigation has been proposed that questions the validity of these Bonds.

ACCOUNTANT

The financial statements of the Issuer included as APPENDIX D to this Official Statement have been examined by Winkel, Parker & Foster, CPA PC, Iowa City, Iowa, to the extent and for the periods indicated in their report thereon. Such financial statements have been included herein without permission of said office, and said office expresses no opinion with respect to the Bonds or the Official Statement.

MUNICIPAL ADVISOR

The Issuer has retained Independent Public Advisors, LLC, Johnston, Iowa as municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. The Municipal Advisor assisted in matters relating to the planning, structuring and issuance of the Bonds. The Municipal Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of the Official Statement.

PLAN OF FINANCING

The City will use the proceeds of the Bonds to provide funds for the purposes of (1) constructing street, sewer system and water system improvements; (2) constructing improvements to existing parks; (3) current refunding the General Obligation Urban Renewal Corporate Purpose Bonds, Series 2007, dated August 1, 2007 (the “Series 2007 Bonds”) and current refunding the General Obligation Water Improvement Bonds, Series 2007B, dated December 15, 2007 (the “Series 2007B Bonds”); (4) constructing trail improvements; and (5) paying certain costs of issuance related to the Bonds.

The following table includes the maturities and amounts of the Refunded Bonds:

Bond	Maturity Date	Interest Rate	Par Amount
General Obligation Urban Renewal Corporate Purpose Bonds, Series 2007A	06-01-2016	4.00%	\$400,000
	06-01-2017	4.00%	\$420,000
General Obligation Water Improvement Bonds, Series 2007B	06-01-2016	3.75%	\$60,000
	06-01-2017	3.80%	\$65,000
	06-01-2018	3.85%	\$65,000
	06-01-2019	3.90%	\$70,000
	06-01-2020	4.00%	\$75,000
	06-01-2021	4.05%	\$75,000
	06-01-2022	4.10%	\$80,000

SOURCES AND USES OF FUNDS

The following are estimated sources and uses of funds, with respect to the Bonds.

<u>Sources of Funds</u>	
Bond Principal	\$9,965,000.00
Premium	\$188,085.55
<u>Total Sources of Funds</u>	<u>\$10,153,085.55</u>
<u>Uses of Funds</u>	
Deposit to Project Fund	\$8,619,039.28
Bond Redemption	\$1,310,000.00
Capitalized Interest	\$112,163.61
Underwriter’s Discount	\$53,659.43
Costs of Issuance & Contingency	\$58,223.23
<u>Total Uses of Funds</u>	<u>\$10,153,085.55</u>

TAX EXEMPTION AND RELATED TAX MATTERS

Federal Income Tax Exemption

The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 (the “Code”), provided, however that such interest must be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The opinion set forth in the preceding sentence will be subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from

gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolution authorizing the issuance of the Bonds, the Issuer will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of the Bonds should consult with their tax advisors as to such matters.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Qualified Tax-Exempt Obligations

In the resolution authorizing the issuance of the Bonds, the Issuer will designate the Bonds as “qualified tax exempt obligations” within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations. In the opinion of Bond Counsel, the Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest thereon (see “TAX EXEMPTION AND RELATED TAX MATTERS” herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as APPENDIX B. Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with issuance of the Bonds.

The legal opinion to be delivered will express the professional judgment of Bond Counsel, and by rendering a legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction.

RATING

The Bonds are rated “Aa3” by Moody’s. The rating reflects only the views of Moody’s, and an explanation of the significance of that rating may be obtained only from Moody’s and its published materials. The rating described above is not a recommendation to buy, sell or hold the Bonds. There can be no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of Moody’s, circumstances so warrant. Therefore, after the date hereof, investors should not assume that the rating is still in effect. A downward revision or withdrawal of the rating is likely to have an adverse effect on the market price and marketability of the Bonds. The Issuer has not assumed any responsibility either to notify the owners of the Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Certificate, or to contest any revision or withdrawal.

CONTINUING DISCLOSURE

The City will covenant in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Bonds to provide annually certain financial information and operating data relating to the City (the “Annual Report”), and to provide notices of

the occurrence of certain enumerated events. The Annual Report is to be filed by the City no later than twelve months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2015, with the Municipal Securities Rulemaking Board, at its internet repository named "Electronic Municipal Market Access" ("EMMA"). The notices of events, if any, are also to be filed with EMMA. (See "EXHIBIT C — Form of Continuing Disclosure Certificate.") The specific nature of the information to be contained in the Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in "EXHIBIT C — Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In the course of filing its annual continuing disclosure, the City did not timely make its annual report filings related to fiscal years 2012 and 2014 for \$1,815,000 Road Use Tax Revenue Bonds, Series 2012A. The City's annual reports were often not completed within the annual submission deadline, causing late filings for various series for fiscal years 2010 through 2013. Although the City filed timely notices for some fiscal years that the audit was not available and would be filed when available, the City did not include its unaudited financial statements with such notices, as required by the applicable continuing disclosure undertakings. In addition, certain annual reports (or portions thereof) filed by the City were not linked to all of the City's outstanding bond issues on the Electronic Municipal Market Access website. The City did not timely file for bond calls from 2011 through 2013 and did not timely file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings.

UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$10,099,426.12 (reflecting the par amount of the Bonds with original issue premium, and an underwriting discount of \$53,659.43).

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the cover page. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter.

The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

MISCELLANEOUS

Brief descriptions or summaries of the City, the Bonds, the Bond Resolution and other documents, agreements and statutes are included in this Official Statement. The summaries or references herein to the Bonds, the Bond Resolution and other documents, agreements and statutes referred to herein, and the description of the Bonds included herein, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained from the City.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Bonds.

The attached APPENDICES A, B, C, D and E are integral parts of this Official Statement and must be read together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

The City has reviewed the information contained herein which relates to it and has approved all such information for use within this Official Statement. The execution and delivery of this Official Statement has been duly authorized by the City.

NORTH LIBERTY, IOWA

/s/ Ryan Heiar, City Administrator

APPENDIX A - INFORMATION ABOUT THE ISSUER

CITY OF NORTH LIBERTY, IOWA

NORTH LIBERTY, IA

CITY HALL

3 QUAIL CREEK CIRCLE

North Liberty, IA 52317

Telephone 319-626-5700

MAYOR AND CITY COUNCIL

Amy Nielsen, Mayor *Term Expires December 31, 2017*
Terry Donahue, Council Member/ Mayor Pro Tempore *Term Expires December 31, 2015*
Coleen Chipman, Council Member *Term Expires December 31, 2015*
Chris Hoffman, Council Member *Term Expires December 31, 2015*
Annie Pollock, Council Member *Term Expires December 31, 2017*
Brian Wayson, Council Member *Term Expires December 31, 2017*

CITY OFFICIALS

Ryan Heiar *City Administrator*
Tracey Mulcahey *Assistant City Administrator/Clerk*
Debra Hilton *City Treasurer*
Mary Byers *Deputy City Clerk*
Scott Peterson *City Attorney*

PROPERTY VALUES

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs all County Auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The assessments finalized as of January 1 of each year are applied to the following fiscal year. The 2014 final Actual Values were adjusted by the Johnson County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2014, the Taxable Value rollback rate was 55.7335% of Actual Value for residential property; 44.7021% of Actual Value for agricultural property; 90% of Actual Value for commercial, industrial, and railroad property, and 100% of Actual Value for utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for most classes of property to 4% annually; utility taxable valuation growth is limited to 8%. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

1/1/2014 VALUATIONS (Taxes payable July 1, 2015 through June 30, 2016)

	<u>100% Actual Value</u>	<u>Taxable Value (With Rollback)</u>
Residential	\$961,638,954	\$535,970,733
Commercial	141,311,422	127,180,277
Industrial	8,163,084	7,346,776
Railroad	2,688,098	2,419,288
Utilities w/o Gas & Electric	2,958,987	2,958,987
Other	0	0
Gross valuation	\$1,116,760,545	\$675,876,061
Less military exemption	<u>(650,052)</u>	<u>(650,052)</u>
Net valuation	\$1,116,110,493	\$675,226,009
TIF increment (used to compute debt service levies and constitutional debt limit)	\$214,400,264	\$160,764,659
Taxed separately		
Ag. Land & Buildings	\$3,430,958 ¹	\$1,533,726
Utilities – Gas & Electric	7,646,434	2,136,565

Source: Iowa Department of Management

2014 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY²

	<u>Taxable Valuation</u>	<u>Percent Total</u>
Residential	\$535,970,733	78.782%
Ag. Land & Ag. Buildings	1,533,726	0.226%
Commercial, Industrial, Other, Railroad & Utility	139,905,328	20.588%
Utilities – Gas & Electric	<u>2,136,565</u>	<u>0.314%</u>
Total Gross Taxable Valuation	\$679,546,352.00	099.91%

Source: Iowa Department of Management

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

¹ Excludes \$931,672 of TIF ag land.

² Before military exemption, and exclusive of taxable TIF increment.

TREND OF VALUATIONS

The 100% Actual Valuations, before rollback and after reduction of military exemption, include Ag. Land, Ag. Buildings, TIF Increment, and Gas & Electric Utilities. The Net Taxable Valuations, with the rollback and after the reduction of military exemption, include Gas & Electric Utilities, but exclude Ag. Land, Ag Buildings, and Taxable TIF Increment. Iowa cities certify operating levies against Net Taxable Valuation excluding the Taxable TIF Increment and debt service levies are certified against Net Taxable Valuations including the Taxable TIF Increment.

Assessment <u>Year</u>	Payable <u>Fiscal Year</u>	100% <u>Actual Valuation</u>	Taxable Valuation <u>(With Rollback)</u>	Taxable <u>TIF Increment</u>
2010	2011-12	\$998,468,693	\$487,396,062	\$111,125,998
2011	2012-13	1,067,351,692	541,259,309	111,974,749
2012	2013-14	1,092,630,246	545,462,471	130,410,844
2013	2014-15	1,228,397,986	619,061,975	147,867,594
2014	2015-16	1,342,519,821	677,362,574	160,764,659

Source: Iowa Department of Management

LARGER TAXPAYERS

<u>Taxpayer</u>	Property_ <u>Type</u>	1/1/2014 <u>Taxable Valuation</u>
University Of Iowa Comm. Credit Union	Commercial	\$25,235,614
Arc Wpiacia001 LLC	Commercial	16,611,272
Heartland Equipment Inc	Commercial	11,375,306
Centro Inc	Industrial	5,969,950
Cameron Partners LLC	Commercial	5,693,792
Golfview Investors LC	Commercial	5,026,544
Hills Banks & Trust Co	Commercial	4,742,460
Springfever LLC	Commercial	4,551,480
Conagra Foods Inc	Commercial	4,536,990
Mercy Care Management Inc	Commercial	4,224,870

Source: Johnson County Iowa Auditor's Office.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2014 Actual Valuation applicable to the fiscal year 2015-16, is as follows:

2014 Actual Valuation of Property	\$1,343,169,873
	<u>(650,052)</u>
Net Valuation	\$1,342,519,821
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	<u>\$67,125,991</u>
Less: Applicable General Obligation Debt	<u>(34,113,000)</u>
Constitutional Debt Margin	\$33,012,991

DIRECT DEBT

General Obligation Debt Paid by Property Taxes (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
11/06C	\$570,000	Corporate Purpose	6/17	\$135,000
07/07A	\$817,216	Corporate Purpose	6/15 ³	\$0
06/08B	295,000	Corporate Purpose	6/18	120,000
05/09A	824,500	Corporate Purpose	6/24	566,100
10/10A	1,176,400	Corporate Purpose	6/20	680,000
09/11A	790,000	Corporate Purpose/ Refunding	6/22	355,000
07/13A	2,540,000	Refunding	6/23	2,065,000
11/13B	1,425,000	Corporate Purpose	6/24	1,295,000
10/15A	1,005,000	Corporate Purpose/Refunding	6/26	<u>1,005,000</u>
Subtotal				\$6,221,100

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

³ The 2016-2017 maturities are being refunded by the Bonds.

General Obligation Debt Paid by Tax Increment (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
07/07A	\$2,462,785	Urban Renewal	6/15 ⁴	\$0
06/08B	1,520,000	Urban Renewal	6/18	565,000
05/09A	1,600,500	Urban Renewal	6/24	1,098,900
10/10B	6,765,000	Urban Renewal	6/21	4,215,000
09/11B	5,810,000	Urban Renewal	6/26	4,715,000
11/12B	1,815,000	Urban Renewal	6/23	1,465,000
10/13C	3,540,000	Urban Renewal	6/24	3,215,000
10/14C	3,090,000	Urban Renewal	6/25	3,090,000
10/15A	3,240,000	Urban Renewal & Refunding	6/26	<u>3,240,000</u>
Subtotal				\$21,603,900

General Obligation Debt Paid by Sewer Revenues (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
01/98	\$1,000,000	Sewer Improvements	12/17	\$203,000
10/15A	2,960,000	Sewer Improvements	06/26	<u>2,960,000</u>
Subtotal				\$3,163,000

General Obligation Debt Paid by Water Revenues (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
12/07B	\$885,000	Water Improvements	6/15 ⁵	\$0
10/10A	553,600	Water Improvements	6/20	320,000
10/15A	2,705,000	Water Improvements & Refunding	6/26	<u>2,705,000</u>
Subtotal				\$3,025,000

General Obligation Debt Paid by Road Use Tax (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
07/07A	\$235,000	Street Improvements	6/15 ⁴	\$0
06/08B	125,000	Street Improvements	6/18	45,000
10/15A	55,000	Refunding	6/17	<u>55,000</u>
Subtotal				\$100,000

Total General Obligation Debt Subject to Debt Limit: \$34,113,000

⁴ The 2016-2017 maturities are being refunded by the Bonds.

⁵ The 2016-2022 maturities are being refunded by the Bonds.

ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS

General Obligation Debt Paid by Property Taxes (includes the Bonds, Excludes the Refunded Bonds)

Fiscal Year	Current Outstanding G.O. Debt Paid by <u>Property Taxes</u>		<u>The Bonds</u>		Total G.O. Debt Paid by <u>Property Taxes</u>	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
FY 2015-16	\$758,600	\$868,145	\$95,000	\$108,009	\$853,600	\$976,155
FY 2016-17	773,700	867,779	170,000	188,200	943,700	1,055,979
FY 2017-18	713,800	793,397	75,000	89,800	788,800	883,197
FY 2018-19	683,900	750,012	75,000	88,300	758,900	838,312
FY 2019-20	605,700	658,468	80,000	91,800	685,700	750,268
FY 2020-21	469,600	509,597	80,000	90,200	549,600	599,797
FY 2021-22	483,000	512,963	80,000	88,600	563,000	601,563
FY 2022-23	494,700	513,724	85,000	92,000	579,700	605,724
FY 2023-24	<u>233,100</u>	239,974	85,000	90,300	318,100	330,274
FY 2024-25			90,000	93,600	90,000	93,600
FY 2025-26			<u>90,000</u>	91,800	<u>90,000</u>	91,800
Total	\$5,216,100		\$1,005,000		\$6,221,100	

General Obligation Debt Paid by Tax Increment (Includes the Bonds, Excludes the Refunded Bonds)

Fiscal Year	Current Outstanding G.O. Debt Paid by <u>Tax Increment</u>		<u>The Bonds</u>		Total G.O. Debt Paid by <u>Tax Increment</u>	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
FY 2015-16	\$2,115,600	\$2,534,862	\$280,000	\$321,940	\$2,395,600	\$2,856,802
FY 2016-17	2,153,900	2,523,483	540,000	599,200	2,693,900	3,122,683
FY 2017-18	2,202,200	2,528,466	250,000	298,400	2,452,200	2,826,866
FY 2018-19	2,050,500	2,331,237	255,000	298,400	2,305,500	2,629,637
FY 2019-20	2,102,100	2,340,719	255,000	293,300	2,357,100	2,634,019
FY 2020-21	2,145,400	2,337,261	260,000	293,200	2,405,400	2,630,461
FY 2021-22	1,442,000	1,582,762	265,000	293,000	1,707,000	1,875,762
FY 2022-23	1,490,300	1,598,039	275,000	297,700	1,765,300	1,895,739
FY 2023-24	1,336,900	1,408,914	280,000	297,200	1,616,900	1,706,114
FY 2024-25	820,000	856,905	285,000	296,600	1,105,000	1,153,505
FY 2025-26	<u>505,000</u>	520,655	<u>295,000</u>	300,900	<u>800,000</u>	821,555
Total	\$18,363,900		\$3,240,000		\$21,603,900	

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

General Obligation Debt Paid by Sewer Revenues (Includes the Bonds)

Fiscal Year	Current Outstanding G.O. Debt Paid by <u>Sewer Revenues</u>		<u>The Bonds</u>		Total G.O. Debt Paid by <u>Sewer Revenues</u>	
	<u>Principal</u>	Principal and <u>Interest</u>	<u>Principal</u>	Principal and <u>Interest</u>	<u>Principal</u>	Principal and <u>Interest</u>
FY 2015-16	\$65,000	68,069		\$38,316	\$65,000	\$106,386
FY 2016-17	68,000	69,872	\$275,000	334,200	343,000	404,072
FY 2017-18	<u>70,000</u>	70,630	280,000	333,700	350,000	404,330
FY 2018-19			280,000	328,100	280,000	328,100
FY 2019-20			285,000	327,500	285,000	327,500
FY 2020-21			290,000	326,800	290,000	326,800
FY 2021-22			295,000	326,000	295,000	326,000
FY 2022-23			305,000	330,100	305,000	330,100
FY 2023-24			310,000	329,000	310,000	329,000
FY 2024-25			315,000	327,800	315,000	327,800
FY 2025-26			<u>325,000</u>	331,500	<u>325,000</u>	331,500
Total	\$203,000		\$2,960,000		\$3,163,000	

General Obligation Debt Paid by Water Revenues (Includes the Bonds, Excludes the Refunded Bonds)

Fiscal Year	Current Outstanding G.O. Debt Paid by <u>Water Revenues</u>		<u>The Bonds</u>		Total G.O. Debt Paid by <u>Water Revenues</u>	
	<u>Principal</u>	Principal and <u>Interest</u>	<u>Principal</u>	Principal and <u>Interest</u>	<u>Principal</u>	Principal and <u>Interest</u>
FY 2015-16	\$60,800	\$74,486	\$60,000	\$95,015	\$120,800	\$169,501
FY 2016-17	62,400	68,315	270,000	322,900	332,400	391,215
FY 2017-18	64,000	68,730	275,000	322,500	339,000	391,230
FY 2018-19	65,600	68,922	280,000	322,000	345,600	390,922
FY 2019-20	<u>67,200</u>	68,947	290,000	326,400	357,200	395,347
FY 2020-21			290,000	320,600	290,000	320,600
FY 2021-22			295,000	319,800	295,000	319,800
FY 2022-23			225,000	243,900	225,000	243,900
FY 2023-24			235,000	249,400	235,000	249,400
FY 2024-25			240,000	249,700	240,000	249,700
FY 2025-26			<u>245,000</u>	249,900	<u>245,000</u>	249,900
Total	\$320,000		\$2,705,000		\$3,025,000	

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

General Obligation Debt Paid by Road Use Taxes (Includes the Bonds, Excludes the Refunded Bonds)

Fiscal Year	Current Outstanding G.O. Debt Paid by Road Use Taxes		The Bonds		Total G.O. Debt Paid by Road Use Taxes Revenues	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
FY 2015-16	\$15,000	\$17,469	\$25,000	\$25,712	\$40,000	\$43,180
FY 2016-17	15,000	16,155	<u>30,000</u>	30,600	45,000	46,755
FY 2017-18	<u>15,000</u>	15,593			<u>15,000</u>	15,593
Total	\$045,000		\$055,000		\$100,000	

OTHER DEBT

The City has revenue debt payable solely from the net revenues of the Municipal Sewer System as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
03/98A	\$323,957	Sewer Projects (SRF)	12/18	\$90,000
03/98B	3,769,043	Sewer Projects (SRF)	12/18	991,000
08/07	5,271,000	Sewer Projects (SRF)	06/27	4,502,000
08/08A	3,250,000	Sewer Projects (SRF)	06/28	2,174,000
09/08C	1,550,000	Sewer Projects	06/23	950,000
04/14A	1,315,000	Sewer Refunding	06/25	<u>1,210,000</u>
Total				\$9,917,000

The City has revenue debt payable solely from the net revenues of the Municipal Waterworks System as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
09/08D	\$2,350,000	Water Improvements	06/23	\$1,495,000
11/12C	1,425,000	Refunding	06/23	1,090,000
04/14B	1,210,000	Refunding	06/26	<u>1,125,000</u>
Total				\$3,710,000

The City has revenue debt payable solely from the gross revenues of the Road Use Tax Fund as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 09/15/15</u>
03/12A	\$1,815,000	Street Improvements	06/27	\$1,500,000

INDIRECT DEBT

	1/1/2014 Taxable Valuation	Portion of Taxable Value In the City	Percent Applicable	GO Debt ⁶	City's Indirect Portion
<u>Taxing District</u>					
Johnson County	\$7,537,032,197	\$839,660,959	11.14%	\$9,930,000	\$1,106,249
Iowa City CSD	5,600,477,037	598,953,844	10.69%	17,975,000	1,922,371
Clear Creek – Amana CSD	933,319,414	240,707,115	25.68%	48,540,000	12,466,648
Kirkwood Comm. College	23,254,278,303	839,660,959	3.61%	123,199,056	4,448,448
TOTAL					\$19,943,716

DEBT RATIOS

	<u>G.O. Debt</u>	Debt/Actual Market Value \$1,342,519,821	Debt/13,374 Population
Direct General Obligation Debt	\$34,113,000	2.541%	\$2,550.70
Indirect General Obligation Debt	19,943,716	1.486%	1,491.23
Combined Debt	\$54,056,716.00	4.027%	\$4,041.93

LEVIES AND TAX COLLECTIONS

<u>Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>% of Taxes Levied</u>
2011-12	\$8,835,277	\$8,816,363	99.79%
2012-13	9,414,172	9,447,234	100.35%
2013-14	9,847,588	9,787,322	99.38%
2014-15	10,955,072	10,993,551	100.35%
2015-16	11,905,229	--in process of collection--	

After the assessment of property in a calendar year, taxes are levied for collection in the following fiscal year. Taxes are certified to the County Auditor in March. The County Treasurer collects taxes for all taxing entities in the County. Statutory dates for payment without penalty are September 30 for the first installment and March 31 for the second installment. Penalty rates are established by State law at 1% per month.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

⁶ Debt service based on publically available data. School district figures exclude Sale and Service Tax Revenue Bonds.

TAX RATES

	<u>Tax Rates (Per \$1,000 of Taxable Value)</u>				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Johnson County	6.98984	6.74909	6.73271	6.74168	6.90337
City of North Liberty	11.03264	11.03264	11.03264	11.03264	11.03264
Iowa City CSD	14.59055	14.07327	13.68792	13.69999	13.86773
Clear Creek-Amana CSD	15.54876	15.31063	15.31055	15.06516	15.62084
County Assessor	0.37289	0.33390	0.26472	0.30944	0.35488
Ag. Extension	0.08358	0.08146	0.08160	0.08119	0.08129
Kirkwood Community College	0.99870	1.07888	1.06473	1.05754	1.06125
State of Iowa	<u>0.00320</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>
 Total Tax Rate Iowa City CSD	 34.07140	 33.35254	 32.86762	 32.92578	 33.30446
 Total Tax Rate Clear-Creek Amana CSD	 35.02961	 34.58990	 34.49025	 34.29095	 35.05757

LEVY LIMITS

A city's general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the \$8.10 limitation is \$8.10 for FY 2015-16, and the City is not using the emergency levy. The City also levies for employee benefits. Debt service levies are not limited.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

FUNDS ON HAND (Cash and Investments as of August 18, 2015)

<u>Fund</u>	<u>Balance⁷</u>	<u>Fund</u>	<u>Balance⁷</u>
General	\$2,133,055	Water Bond Reserve	\$541,255
Fire Equipment Capital Fund	370,450	Water Capital Projects	(795,223)
Library Capital Fund	7,485	Sewer Fund	2,717,311
Recreation Capital Fund	166,611	Sewer Capital Reserve	1,071,115
Police Capital Fund	31,850	Sewer Sinking Fund	449,025
Transportation Impact Fees	1,415,256	Wastewater Treatment Plant Project	(1,018,862)
Stormwater Impact Fees	42,999	Sewer Trunk I & I	(4,717,718)
Tree Program	11,858	Sewer Bond Reserve	307,105
Park Capital Fund	202,932	Stormwater Management	<u>208,481</u>
Youth Sports Scholarship	51,799		
Equipment Revolving Fund	14,463		
Telecommunications Equipment	55,340		
Drug Task Force	22,384		
Seized Funds	1,931		
Road Use Tax Fund	1,006,174		
Street Capital Project	(475,918)		
IJOBS Street Projects	5,688		
TIF Fund	915,403		
Debt Service Fund	496,266		
Trust & Agency	11,861		
Customer Deposits	428,851		
TIF Projects	416,252		
Entryway Development	40,993		
Highway 965 Improvements	99,241		
Trail Projects	(33,686)		
Economic Development Projects	78,659		
Penn Street Improvements	(190,012)		
Land/Facilities	(502,247)		
Library Building Fund	46,559		
Ranshaw House Project	9,834		
Water Fund	1,363,887		
Water Capital Reserve	246,428		
Water Sinking Fund	318,469	Total Funds on Hand	\$7,573,604

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

⁷ Deficit balances to be eliminated by proceeds from the Bonds.

THE CITY

CITY GOVERNMENT

The City of North Liberty, Iowa (the “City”) was incorporated in 1913. The City is governed by a Mayor and a Council of five members elected on a non-partisan basis. Council members serve four-year terms and the Mayor serves a four-year term. The Council meets on the second and fourth Tuesday of each month. The City maintains police and fire departments and its own water and sanitary sewer systems.

EMPLOYEES AND PENSIONS

The City has 78 full-time and 220 part-time employees (including seasonal employees), of which 78 full-time employees are enrolled in the Iowa Public Employees Retirement System (the “IPERS”) pension plan administered by the State of Iowa. The City is current in its obligation to IPERS, which has been as follows: \$340,430 in Fiscal Year 2011-12, \$381,437 in Fiscal Year 2012-13, and \$410,332 for Fiscal Year 2013-14. In addition to the 298 employees of the City, there are 37 volunteer fire fighters.

UNION CONTRACTS

The City has a contract with the Public Professional & Maintenance Employees Local 2003 union, expiring June 30, 2016.

INSURANCE

The City’s insurance coverage is as follows:

<u>Type of Insurance</u>	<u>Limit</u>	<u>Type of Insurance</u>	<u>Limit</u>
Property		Umbrella	
Buildings & Personal Property	\$40,641,305	Commercial General Liability	Occurrence Basis
Liability		General Aggregate Limit	\$2,000,000
Legal Liability Limit	\$2,000,000	Prod/Comp Ops Aggregate Limit	\$2,000,000
Crime & Fidelity		Personal and Advertising Injury Limit	\$1,000,000
Employee Theft	\$500,000	Each Occurrence Limit	\$1,000,000
Forgery or Alterations	\$25,000	Employee Benefit Liability	\$2,000,000
Theft of Money and Securities	\$20,000	Bodily Injury by Accident	\$500,000
Computer Fraud	\$500,000	Bodily Injury by Disease	\$500,000
Funds Transfer Fraud	\$500,000	Public Officials Liability	\$1,000,000
Inland Marine		Law Enforcement Liability	\$1,000,000
Contractors Equipment	\$1,383,829	Linebacker	\$1,000,000
Accounts Receivable	\$100,000	Employee Health Insurance	\$1,000,000 Excess Ag.
Property Floater	\$809,348		
Watercraft	\$8,594		
Automobile			
Liability	\$1,000,000		
Auto Medical Payments	\$1,000		
Uninsured Motorists	\$1,000,000		
Underinsured Motorists	\$1,000,000		
Worker’s Compensation	Statutory		

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City is located in east central Iowa in Johnson County. The City is located off Interstate 380 between the cities of Cedar Rapids and Iowa City encompassing an area of 5 square miles. The City is a rapidly growing community with a population of 13,374 according to the U.S. 2010 census. The City has seen an increase in population of 85% from the 2004 special census to the 2010 census.

LARGER EMPLOYERS

A representative list of larger employers in the City is indicated below. Figures are as reported in a telephone survey conducted August 2015, except as noted.

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Centro, Inc.	Plastics Producer	382
City of North Liberty	Municipal Government	298
Iowa City Community School District ⁸	Education	228
Heartland Express	Transportation	225
University of Iowa Community Credit Union ⁹	Banking	185
L.L. Pelling Company	Asphalt Manufacturer	178
NIS, Inc. ⁹	Refrigerator Component Assembly	122
Conagra (J.M. Swank Company) ¹⁰	Food Distributor	110
Fareway	Grocery – Retail	108
Coles ¹¹	Frozen Bread Products	100
South Slope Cooperative Communications Co. ⁹	Telephone Service	87
McClure Engineering ⁹	Civil Engineering	70
Dan's Overhead Doors & More ¹²	Garage Doors	55
Transport America ¹³	Transportation	49
Hills Bank & Trust ⁹	Financial Services	46
CompleWare Corporation	Clinical Research Software	38
Advanced Millwork Inc.	Millwork Distributor	37

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

⁸ Figure reported in October 2013 phone survey.

⁹ 2014 figure as reported on Location One Information System accessed September 2015.

¹⁰ 2011 figure as reported on Location One Information System accessed September 2015.

¹¹ An additional 40 employees are anticipated by December 2015.

¹² Located in unincorporated Johnson County.

¹³ Figure reported in October 2014 phone survey.

BUILDING PERMITS

City officials reported the following construction activity as of August 18, 2015. Permits for the City are reported on a calendar year basis. The figures below include both new construction and remodeling.

Calendar Year	<u>Single Family Homes & Alterations</u>		<u>Multi-Family Dwellings</u>		<u>Residential Alterations</u>		<u>Commercial/ Industrial New</u>		<u>Commercial/ Industrial Alterations</u>	
	# Issued	Total Valuation	# Issued	Total Valuation	# Issued	Total Valuation	# Issued	Total Valuation	# Issued	Total Valuation
2011	170	23,980,743	1	1,908,998	127	1,238,511	3	1,847,500	35	961,663
2012	309	51,767,981	6	6,351,542	101	781,299	21	30,792,009	697	4,182,777
2013	192	52,229,403	9	11,594,425	82	828,087	74	5,133,339	664	4,816,017
2014	183	35,407,038	7	14,020,276	103	705,091	18	6,279,609	34	10,215,314
2015	82	17,053,511	7	16,335,342	47	686,829	0	0	26	495,034

<u>Annual Totals</u>		
Calendar Year	# Issued	Total Valuation
2011	336	29,937,415
2012	1134	93,875,608
2013	1021	74,601,271
2014	345	66,627,328
2015	162	34,570,716

Source: The City

U.S. CENSUS DATA

1980	2,046
1990	2,926
2000	5,367
2004 (Special City Census)	7,224
2010	13,374

Source: U.S. Census Bureau.

UNEMPLOYMENT RATES

Annual Averages	Johnson County	State of Iowa
2010	4.4%	6.1%
2011	4.3%	5.9%
2012	3.8%	5.2%
2013	3.3%	4.6%
2014	3.2%	4.4%
2015 ¹⁴	2.8%	3.5%

Source: Iowa Workforce Development

¹⁴ Average of January to July.

EDUCATION

Public education is provided by the Iowa City Community School District, with certified enrollment for the 2014-15 school year of 13,328 students. The Iowa City Community School District, owns and operates several pre-school sites, eighteen elementary schools, three junior high schools, two senior high schools, and one alternative school for ninth through twelfth graders. Public education is also provided by the Clear Creek – Amana Community School District, with a certified enrollment for the 2014-15 school year of 1,840. The Clear Creek-Amana Community School District, operates three elementary schools, one middle school and one high school. Private education in North Liberty is provided by Heritage Christian School (non-denominational) for grades Kindergarten through seventh grade.

Colleges and universities within thirty miles of the City are: University of Iowa, Kirkwood Community College, Hamilton College, Cornell College, Capri College, University of America, Coe College and Mount Mercy College.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B – FORM OF LEGAL OPINION

We hereby certify that we have examined certified copies of the proceedings (the “Proceedings”) of the City Council of the City of North Liberty (the “Issuer”), in the County of Johnson, Iowa, passed preliminary to the issue by the Issuer of its General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the “Bonds”) in the amount of \$9,965,000, dated October 8, 2015, in evidence of the Issuer’s obligation under a certain loan agreement (the “Loan Agreement”), dated as of October 8, 2015. The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, commencing June 1, 2016, at the respective rates as follows:

Date	Principal	Interest Rate	Date	Principal	Interest Rate
2016	\$ 460,000	2.00%	2022	\$ 935,000	2.00%
2017	\$1,285,000	2.00%	2023	\$ 890,000	2.00%
2018	\$ 880,000	2.00%	2024	\$ 910,000	2.00%
2019	\$ 890,000	2.00%	2025	\$ 930,000	2.00%
2020	\$ 910,000	2.00%	2026	\$ 955,000	2.00%
2021	\$ 920,000	2.00%			

Principal of the Bonds maturing in the years 2023 through 2026, inclusive, are subject to optional redemption prior to maturity on June 1, 2022, or on any date thereafter on terms of par plus accrued interest.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.
2. The Bonds and the Loan Agreement are valid and binding general obligations of the Issuer.
3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount.
4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
5. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the Bonds be, or continue to be, qualified tax-exempt obligations. The Issuer has covenanted to comply with each such requirement.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

DORSEY & WHITNEY LLP

APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of North Liberty, Iowa (the “Issuer”), in connection with the issuance of \$9,965,000 General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the “Bonds”), dated October 8, 2015. The Bonds are being issued pursuant to a resolution of the Issuer approved on September 22, 2015 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Dissemination Agent, if any, designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system available at <http://emma.msrb.org>.

“Holders” shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Municipal Securities Rulemaking Board” or “MSRB” shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Iowa.

Section 3. Provision of Annual Reports.

(a) Not later than June 30 (the “Submission Deadline”) of each year following the end of the 2014-2015 fiscal year, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file on EMMA an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate in a format and accompanied by such identifying information as prescribed by the MSRB. The

Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the changed fiscal year.

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the Submission Deadline, the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by State law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA when they become available.

(b) Tables, schedules or other information contained in the official statement for the Bonds, under the following captions:

Property Values

Iowa Property Valuations

1/1/2014 Valuations

2014 Gross Taxable Valuation by Class of Property

Trend of Valuations

Larger Taxpayers

Indebtedness

Debt Limit

Direct Debt

Annual Fiscal Year Debt Service Payments

Other Debt

Indirect Debt

Debt Ratios

Levies and Tax Collections

Tax Rates

Levy Limits

Funds on Hand

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note to paragraph (12): For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) If a Listed Event described in Section 5(a) paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13) or (14) has occurred and the Issuer has determined that such Listed Event is material under applicable federal securities laws, the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(c) If a Listed Event described in Section 5(a) paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11) or (12) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section (5)(a) paragraphs (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or Annual Report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Independent Public Advisors, LLC.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (ii) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver either (1) is approved by a majority of the Holders, or

(2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(b) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing audited financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the audited financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: October 8, 2015

CITY OF NORTH LIBERTY, IOWA

By _____
Mayor

Attest:

By _____
City Clerk

APPENDIX D – AUDITED FINANCIAL STATEMENTS

CITY OF NORTH LIBERTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2014

CITY OF NORTH LIBERTY, IOWA

Table of Contents

	<u>Page</u>
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	35
Notes to Other Information - Budgetary Reporting	37
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds - General Fund Detail	1 38
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	2 44
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds - Capital Projects Funds	3 45
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds - Water Enterprise and Sewer Enterprise Funds Detail	4 47
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	5 49
Schedule of Indebtedness	6 50
Bond and Note Maturities	7 52
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	8 56
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>	58
Schedule of Findings and Responses	60

CITY OF NORTH LIBERTY, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
Through December 31, 2013		
Thomas Salm	Mayor	January 2014
Gerald Kuhl	Mayor Pro Tem	January 2014
Brian Wayson	Council Member	January 2014
Chris Hoffman	Council Member	January 2016
Terry Donahue	Council Member	January 2016
Coleen Chipman	Council Member	January 2016
Beginning January 1, 2014		
Thomas Salm	Mayor (through May 18, 2014)	January 2016
Gerald Kuhl	Mayor (appointed June 24, 2014)	November 2015
Gerald Kuhl	Mayor Pro Tem (through June 24, 2014)	January 2018
Chris Hoffman	Council Member	January 2016
Terry Donahue	Council Member	January 2016
Coleen Chipman	Council Member	January 2016
Brian Wayson	Council Member	January 2018
<u>City Staff</u>		
Ryan Heiar	City Administrator	
Tracey Mulcahey	City Clerk/Assistant City Administrator	
Debra Hilton	Treasurer	
Scott Peterson	City Attorney	



**Winkel, Parker
& Foster, CPA PC**

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of North Liberty, 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, 2014, 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, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Liberty, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (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 eight years ended June 30, 2012 (which are not presented herein) were audited by other auditors and they expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Liberty, Iowa's basic financial statements. The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 12 and 35 through 37 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 February 20, 2015 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
February 20, 2015

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FY 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased almost \$6.3 million from FY 2013 to FY 2014. Property tax receipts remained relatively stable, tax increment financing increased approximately \$290,000 and charges for services increased approximately \$225,000. Bond proceeds were significantly more than the previous year, approximately \$7.5 million versus the previous year's \$2.2 million.
- Disbursements of the City's governmental activities increased approximately \$1.46 million, or 7.35%, from FY 2013 to FY 2014. Public safety disbursements increased approximately \$170,000, public works disbursements increased approximately \$57,000, culture and recreation disbursements increased approximately \$346,000, community and economic development disbursements decreased approximately \$200,000 and general government disbursements increased approximately \$40,000. Debt service disbursements increased by approximately \$2.7 million due to general obligation bond refunding. Capital project expenditures decreased by more than \$1.5 million.
- The City's total cash basis net position increased 19.60%, or approximately \$2,900,000, from June 30, 2013 to June 30, 2014. Of this amount, the position of the governmental activities increased by approximately \$2,100,000 and the position of the business type activities increased by approximately \$810,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City of North Liberty has two kinds of funds:

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

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

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

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

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

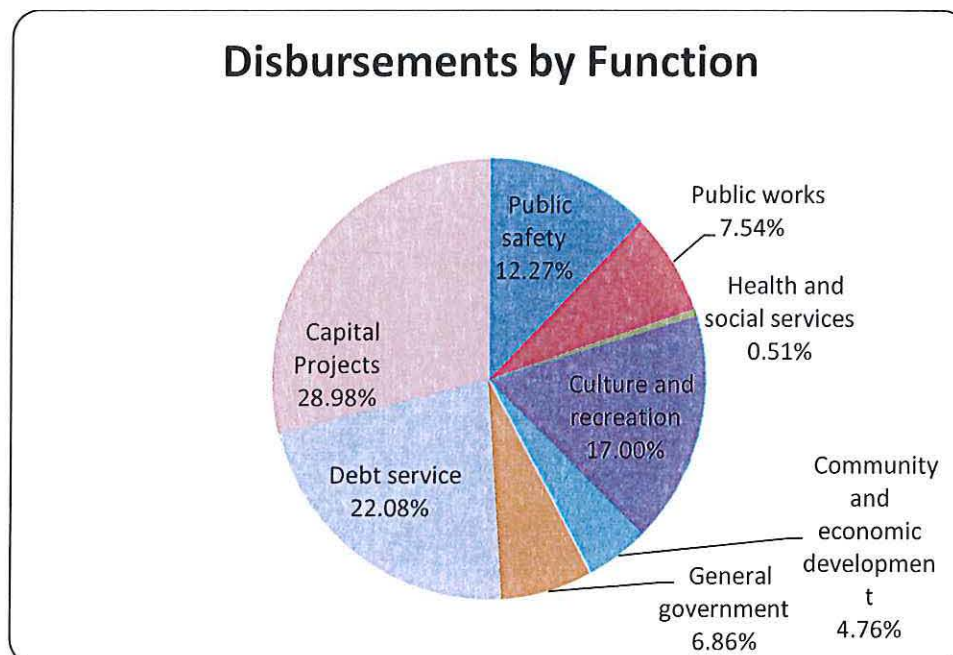
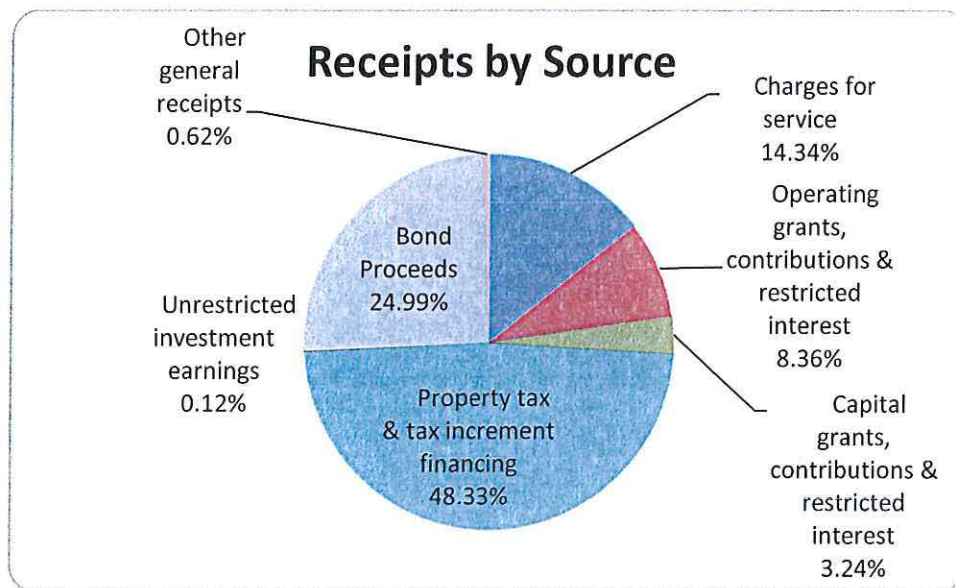
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash basis net position for governmental activities increased from a year ago, from approximately \$4,578,000 to \$6,684,000. 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 2014	FY 2013
Receipts:		
Program Receipts:		
Charges for service	\$2,885	\$2,660
Operating grants, contributions & restricted interest	1,682	1,567
Capital grants, contributions & restricted interest	652	351
General Receipts:		
Property tax & tax increment financing	9,724	9,386
Unrestricted investment earnings	24	27
Bond proceeds	7,518	2,189
Other general receipts	124	116
Total Receipts	\$22,609	\$16,296
Disbursements:		
Public safety	\$2,315	\$2,145
Public works	1,424	1,368
Health and social services	97	135
Culture and recreation	3,209	2,862
Community and economic development	898	1,097
General government	1,294	1,250
Debt service	6,658	3,952

Capital projects	5,468	7,092
Total Disbursements	<u>\$21,364</u>	<u>\$19,901</u>
Change in cash basis net position before transfers	\$1,246	(\$3,605)
Transfers, net	860	743
Change in cash basis net position	<u>\$2,106</u>	<u>(\$2,862)</u>
Cash basis net position, beginning of year	4,578	7,440
Cash basis net position, end of year	<u>\$6,684</u>	<u>\$4,578</u>



The City's total receipts for governmental activities increased 38.7% or approximately \$6,313,000. The total cost of all programs and services, provided by the City, increased by approximately \$1,463,000 or 7.35%. No new programs were added.

The City maintained the property tax rate for fiscal year 2014. With the growth in the City's taxable property, tax receipts increased approximately \$338,000 in fiscal year 2014. Because of the growth in taxable valuation in the City of North Liberty from \$539,951,812 in FY 2013 to \$544,158,125 in FY 2014, general property tax revenues increased by \$34,071 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 2014 was constant at \$11.03264 from the levy in FY 2013. The balance of the levy was made up of a \$1.31746 debt service levy and a \$1.61518 employee benefits levy.

The cost of all governmental activities this year was approximately \$21,364,000, compared to approximately \$19,901,000 last year. General City operating expenses increased with fewer capital projects than the previous fiscal year.

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

	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for Service		
Water	\$2,894	\$2,614
Sanitary Sewer	3,213	3,003
Storm Water	180	171
Utility Deposits	165	164
General Receipts:		
Unrestricted interest on investments		
Water	1	3
Sanitary Sewer	1	3
Bond and note proceeds	2,526	1,567
Total receipts	<u>\$8,980</u>	<u>\$7,525</u>
Disbursements:		
Water	\$1,548	\$1,402
Sanitary Sewer	1,501	1,230
Storm Water	65	61
Utility Deposits	138	113
Debt Service	4,057	3,165
Total Disbursements	<u>\$7,309</u>	<u>\$5,971</u>
Change in net cash basis net position before transfers	\$1,671	\$1,554
Transfers, net	<u>(860)</u>	<u>(743)</u>

Change in cash basis net position	\$811	\$811
Cash basis net position, beginning of year	3,831	3,020
Cash basis net position, end of year	\$4,642	\$3,831

Total business type activities receipts for the fiscal year were approximately \$8.98 million compared to approximately \$7.52 million last year. The increase was primarily due to a sewer refunding bond sale occurring in the fiscal year. The cash basis net position increased approximately \$811,000 due to increased revenues due to a rate increase for both utilities. Total disbursements for the fiscal year increased by 22%, or approximately \$1,338,000, due to the increase in the principal paid on the debt service refunding.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As North Liberty completed the year, its governmental funds reported a combined fund balance of \$6,684,338, an increase of almost \$2.1 million above last year's total of \$4,578,018. 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 decreased \$636,809 from the prior year to \$4,072,244. Cash on hand was used to fund larger purchases including a \$567,869 fire truck. Charges for service increased by \$58,139 due to an increase in garbage fees and recreation fees. The largest increase came through additional property tax receipts of \$440,441. Culture and Recreation costs increased over \$340,000 due to additional programs, costs of projects and increased costs due to the Library Expansion.

Special Revenue

- The Special Revenue, Urban Renewal Tax Increment fund cash balance increased by \$390,063. Collections of the tax increment financing receipts increased by \$289,741. 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 \$183,843. Collections of the road use tax receipts increased by \$54,671.

Debt Service – General Obligation Debt

- The Debt Service – General Obligation Debt cash balance increased by approximately \$150,000 due to decreased bond costs due to refundings of existing debt.

Debt Service – Road Use Tax Bond Reserve

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

Capital Projects

- Capital Projects – Street Capital Projects fund cash balance increased by \$1,134,502 due to bond funds being received for projects funded in the previous fiscal year.
- Highway 965 Improvements fund cash balance increased by \$233,171 due to proceeds from bonds for project costs exceeding expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Enterprise Fund cash basis net position increased \$363,658 to \$1,471,961, due to an increase in the sale of water over the prior year and an increase in the water rates at the end of June 2013.
- The Sewer Enterprise Fund cash basis net position increased \$449,277 to \$2,400,941 due to an increase in sales and an increase in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 10, 2014 and resulted in an increase in operating disbursements of approximately \$6,000,000 due to numerous unplanned expenses including increased garbage fees, additional capital projects, increased electric costs and group insurance midyear changes that were not anticipated when the budget was created, and additional other unexpected expenses. The City had sufficient cash balances to absorb these additional costs.

The actual disbursements for the year were less in all categories than budgeted. Capital project disbursements were almost \$6,000,000 less than budgeted due to delay of projects in construction.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$42,699,000 in bonds and long-term debt compared to \$42,050,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30	
	2014	2013
General obligation bonds	\$26,001	\$24,251
Rural Economic Development loan	360	360
Road Use Tax revenue bonds	1,610	1,720
Revenue bonds	14,728	15,719
Total	\$42,699	\$42,050

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

The City of North Liberty continues to carry a Moody's bond rating of Aa3 assigned by national rating agencies to the City's debt. The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$26,001,000 at June 30, 2014 is significantly below its constitutional debt limit of approximately \$53 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

North Liberty City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates, and fees charged for various City activities. Economic indicators such as unemployment, tax base growth, and rollback increase were taken into account when adopting the budget for fiscal year 2015. Fiscal year 2015 continues the trend of multiple capital projects. If all of the budget estimates are realized, the City's budgeted cash balance is expected to remain relatively steady in the upcoming fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF NORTH LIBERTY, IOWA

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

As of and for the Year Ended June 30, 2014

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,315,057	\$ 38,973	\$ 240,578	\$ -
Public works	1,424,544	651,388	1,335,444	-
Health and social services	97,000	-	-	-
Culture and recreation	3,208,940	1,034,034	39,222	-
Community and economic development	898,262	21,415	64,262	-
General government	1,293,854	827,937	2,643	-
Debt service	4,168,095	-	-	-
Capital projects	5,468,736	311,497	-	652,331
Total governmental activities	18,874,488	2,885,244	1,682,149	652,331
Business type activities:				
Water	2,101,695	2,893,765	-	-
Sewer	2,533,677	3,213,128	-	-
Utility deposits	138,159	164,275	-	-
Stormwater management	65,187	180,490	-	-
Total business type activities	4,838,718	6,451,658	-	-
Total	\$ 23,713,206	\$ 9,336,902	\$ 1,682,149	\$ 652,331

General Receipts and Financing Sources (Uses):

Property tax levied for:
 General purposes
 Debt service
 Other purposes
 Tax increment financing
 Unrestricted interest on investments
 Bond and loan proceeds
 Refunding debt service - principal
 Miscellaneous
 Sale of capital assets
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position, beginning of year

Cash basis net position, end of year

Exhibit A

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

Governmental Activities	Business Type Activities	Total
\$ (2,035,506)	\$ -	\$ (2,035,506)
562,288	-	562,288
(97,000)	-	(97,000)
(2,135,684)	-	(2,135,684)
(812,585)	-	(812,585)
(463,274)	-	(463,274)
(4,168,095)	-	(4,168,095)
(4,504,908)	-	(4,504,908)
(13,654,764)	-	(13,654,764)
-	792,070	792,070
-	679,451	679,451
-	26,116	26,116
-	115,303	115,303
-	1,612,940	1,612,940
(13,654,764)	1,612,940	(12,041,824)
4,430,582	-	4,430,582
892,333	-	892,333
882,433	-	882,433
3,518,713	-	3,518,713
24,217	1,847	26,064
7,518,337	2,526,167	10,044,504
(2,490,000)	(2,470,000)	(4,960,000)
117,041	-	117,041
7,296	-	7,296
860,132	(860,132)	-
15,761,084	(802,118)	14,958,966
2,106,320	810,822	2,917,142
4,578,018	3,831,405	8,409,423
\$ 6,684,338	\$ 4,642,227	\$ 11,326,565
(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, 2014

Cash Basis Net Position

Restricted

Expendable:

Streets

Urban renewal

Capital equipment purchases

Property improvements

Employee benefits

Debt service

Hotel/motel tax

Tree purchases

Police

Utility deposits

Unrestricted

Total cash basis net position

See accompanying notes to financial statements.

Exhibit A

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

Governmental Activities	Business Type Activities	Total
\$ 1,542,611	\$ -	\$ 1,542,611
1,158,953	-	1,158,953
7,652	-	7,652
255,587	-	255,587
2,545	-	2,545
488,761	1,270,273	1,759,034
3,817	-	3,817
4,432	-	4,432
2,381	-	2,381
-	499,942	499,942
3,217,599	2,872,012	6,089,611
\$ 6,684,338	\$ 4,642,227	\$ 11,326,565

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, 2014

		Special Revenue	
	General Fund	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 4,373,633	\$ -	\$ -
Tax increment financing	-	-	3,518,713
Other city tax	291,090	-	-
Licenses and permits	507,326	-	-
Use of money and property	143,870	-	-
Intergovernmental	331,695	1,335,444	-
Charges for service	1,674,579	-	-
Special assessments	1,067	-	-
Miscellaneous	252,437	-	-
Total receipts	<u>7,575,697</u>	<u>1,335,444</u>	<u>3,518,713</u>
Disbursements:			
Operating:			
Public safety	2,315,057	-	-
Public works	594,722	829,822	-
Health and social services	97,000	-	-
Culture and recreation	3,208,940	-	-
Community and economic development	617,702	-	280,560
General government	1,293,854	-	-
Debt service	-	-	-
Capital projects	1,229,286	-	-
Total disbursements	<u>9,356,561</u>	<u>829,822</u>	<u>280,560</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,780,864)</u>	<u>505,622</u>	<u>3,238,153</u>
Other financing sources (uses):			
Sale of capital assets	7,296	-	-
Proceeds from sale of general obligation bonds	435,000	-	-
Proceeds of refunding bonds	-	-	-
Refunding debt service - principal	-	-	-
Operating transfers in	2,096,393	-	-
Operating transfers (out)	<u>(1,394,634)</u>	<u>(321,779)</u>	<u>(2,848,090)</u>
Total other financing sources (uses)	<u>1,144,055</u>	<u>(321,779)</u>	<u>(2,848,090)</u>
Net change in cash balances	<u>(636,809)</u>	<u>183,843</u>	<u>390,063</u>
Cash and cash investments, beginning of year	<u>4,709,053</u>	<u>522,245</u>	<u>273,979</u>
Cash and cash investments, end of year	<u>\$ 4,072,244</u>	<u>\$ 706,088</u>	<u>\$ 664,042</u>

Exhibit B

Debt Service		Capital Projects		Other	Total
General Obligation Debt	Road Use Tax - Bond Reserve	Street Capital Projects	Highway 965 Improvements	Nonmajor Governmental Funds	
\$ 883,061	\$ -	\$ -	\$ -	\$ 871,087	\$ 6,127,781
-	-	-	-	-	3,518,713
9,272	-	-	-	11,346	311,708
-	-	-	-	-	507,326
-	-	-	-	17	143,887
-	-	-	3,700	481,358	2,152,197
-	-	-	-	-	1,674,579
-	-	-	-	-	1,067
74	-	-	311,497	83,777	647,785
892,407	-	-	315,197	1,447,585	15,085,043
-	-	-	-	-	2,315,057
-	-	-	-	-	1,424,544
-	-	-	-	-	97,000
-	-	-	-	-	3,208,940
-	-	-	-	-	898,262
-	-	-	-	-	1,293,854
4,168,095	-	-	-	-	4,168,095
-	-	2,432,120	1,332,026	475,304	5,468,736
4,168,095	-	2,432,120	1,332,026	475,304	18,874,488
(3,275,688)	-	(2,432,120)	(1,016,829)	972,281	(3,789,445)
-	-	-	-	-	7,296
226,843	-	2,700,000	1,250,000	405,000	5,016,843
2,501,494	-	-	-	-	2,501,494
(2,490,000)	-	-	-	-	(2,490,000)
3,191,053	-	999,622	-	153,000	6,440,068
-	-	(133,000)	-	(882,433)	(5,579,936)
3,429,390	-	3,566,622	1,250,000	(324,433)	5,895,765
153,702	-	1,134,502	233,171	647,848	2,106,320
185,319	149,740	(1,031,802)	494,964	(725,480)	4,578,018
\$ 339,021	\$ 149,740	\$ 102,700	\$ 728,135	\$ (77,632)	\$ 6,684,338

(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, 2014

	General Fund	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Cash basis fund balances:			
Restricted for:			
Street operations	\$ -	\$ 706,088	\$ -
Street capital projects	-	-	-
Urban renewal purposes	-	-	664,042
Urban renewal projects	-	-	-
Capital equipment purchases	-	-	-
Property improvements	-	-	-
Employee benefits	-	-	-
Debt service	-	-	-
Hotel/motel tax	3,817	-	-
Tree purchases	4,432	-	-
Police	2,381	-	-
Assigned for:			
Capital equipment purchases	394,531	-	-
Street capital projects	580,149	-	-
Park development	57,599	-	-
Stormwater capital projects	42,999	-	-
Youth scholarships/recreation capital equipment	45,986	-	-
Unassigned	2,940,350	-	-
Total cash basis fund balances	<u>\$ 4,072,244</u>	<u>\$ 706,088</u>	<u>\$ 664,042</u>

See accompanying notes to financial statements.

Exhibit B

Debt Service		Capital Projects		Other	Total
General Obligation Debt	Road Use Tax - Bond Reserve	Street Capital Projects	Highway 965	Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 706,088
-	-	102,700	728,135	5,688	836,523
-	-	-	-	-	664,042
-	-	-	-	494,911	494,911
-	-	-	-	7,652	7,652
-	-	-	-	255,587	255,587
-	-	-	-	2,545	2,545
339,021	149,740	-	-	-	488,761
-	-	-	-	-	3,817
-	-	-	-	-	4,432
-	-	-	-	-	2,381
-	-	-	-	-	394,531
-	-	-	-	40,993	621,142
-	-	-	-	-	57,599
-	-	-	-	-	42,999
-	-	-	-	-	45,986
-	-	-	-	(885,008)	2,055,342
<u>\$ 339,021</u>	<u>\$ 149,740</u>	<u>\$ 102,700</u>	<u>\$ 728,135</u>	<u>\$ (77,632)</u>	<u>\$ 6,684,338</u>

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

As of and for the Year Ended June 30, 2014

	Water Enterprise	Sewer Enterprise	Other Nonmajor Proprietary Funds	Total
Operating receipts:				
Charges for service	\$ 2,827,805	\$ 3,213,043	\$ 180,276	\$ 6,221,124
Miscellaneous	65,960	85	164,489	230,534
Total operating receipts	2,893,765	3,213,128	344,765	6,451,658
Operating disbursements:				
Business type activities	1,548,006	1,500,818	203,346	3,252,170
Excess of operating receipts over operating disbursements	1,345,759	1,712,310	141,419	3,199,488
Non-operating receipts and (disbursements):				
Interest on cash investments	935	912	-	1,847
Debt service	(553,689)	(1,032,859)	-	(1,586,548)
Total non-operating receipts and (disbursements)	(552,754)	(1,031,947)	-	(1,584,701)
Excess of receipts over disbursements	793,005	680,363	141,419	1,614,787
Other financing sources (uses):				
Proceeds of refunding bonds	1,209,545	1,316,622	-	2,526,167
Refunding debt service - principal	(1,200,000)	(1,270,000)	-	(2,470,000)
Operating transfers:				
Operating transfers in	785,474	1,299,109	-	2,084,583
Operating transfers (out)	(1,224,366)	(1,576,817)	(143,532)	(2,944,715)
Total other financing sources (uses)	(429,347)	(231,086)	(143,532)	(803,965)
Net change in cash balances	363,658	449,277	(2,113)	810,822
Cash and cash investments, beginning of year	1,108,303	1,951,664	771,438	3,831,405
Cash and cash investments, end of year	\$ 1,471,961	\$ 2,400,941	\$ 769,325	\$ 4,642,227
				(Exhibit A)
Cash basis fund balances:				
Restricted for:				
Debt service	\$ 617,927	\$ 652,346	\$ -	\$ 1,270,273
Utility deposits	-	-	499,942	499,942
Unrestricted:				
Unrestricted	854,034	1,748,595	269,383	2,872,012
Total cash basis fund balances	\$ 1,471,961	\$ 2,400,941	\$ 769,325	\$ 4,642,227

See accompanying notes to financial statements.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity and Jointly Governed Organizations

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

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

B. Basis of Presentation

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

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

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

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

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

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

Debt Service:

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

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

Capital Projects:

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

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

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted for all functions.

F. Property Tax Calendar

The City's property taxes were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable by the property owners in two installments on September 30, 2013 and March 31, 2014, at the Johnson County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks and credit unions at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

NOTE 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation, road use tax revenue and enterprise fund revenue bonds at June 30, 2014 are as follows:

Year Ending June 30,	General Obligation Bonds		Road Use Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 3,633,000	\$ 602,459	\$ 110,000	\$ 37,540
2016	3,185,000	519,846	110,000	35,340
2017	3,263,000	450,373	115,000	33,140
2018	2,835,000	376,248	115,000	30,840
2019	2,570,000	318,017	115,000	28,540
2020-2024	9,525,000	790,882	625,000	105,780
2025-2029	990,000	45,860	420,000	24,950
Total	\$ 26,001,000	\$ 3,103,685	\$ 1,610,000	\$ 296,130

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Year Ending June 30,	Enterprise Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2015	\$ 1,101,000	\$ 422,333	\$ 4,844,000	\$ 1,062,332
2016	1,138,000	389,936	4,433,000	945,122
2017	1,175,000	361,911	4,553,000	845,424
2018	1,213,000	332,436	4,163,000	739,524
2019	1,253,000	301,233	3,938,000	647,790
2020-2024	5,905,000	965,528	16,055,000	1,862,190
2025-2029	2,943,000	187,435	4,353,000	258,245
Total	<u>\$ 14,728,000</u>	<u>\$ 2,960,812</u>	<u>\$ 42,339,000</u>	<u>\$ 6,360,627</u>

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

The City has issued several general obligation urban renewal corporate purpose (tax increment financing) bonds for the purpose of defraying a portion of the costs of various construction and refurbishment projects within the City's urban renewal districts. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF districts and which are credited to the Special Revenue - Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds from the sales of the bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal areas. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2014, the outstanding balances on these bonds totaled approximately \$18,646,000, which are payable through June 1, 2026. Total interest remaining payable on the bonds at June 30, 2014 was approximately \$2,321,000. During the year, principal and interest paid on these bonds totaled approximately \$2,408,470 and \$466,284, respectively. Tax increment financing receipts during the year were \$3,518,713.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay three outstanding water revenue bond issues totaling \$5,135,000. The bonds were issued between September 2008 and April 2014. Proceeds from the sales of the bonds provided financing for the construction of several water system improvement projects in the City. The bonds are payable solely from water customer defined net receipts and are payable through June 2026. Annual principal and interest payments on the bonds are expected to require less than 35 percent of defined net receipts. At June 30, 2014, total principal and interest remaining to be paid on the bonds was \$4,782,700. During the year, \$1,210,000 of bonds were issued to refund the Water Revenue Series 2006B bonds. Principal and interest paid on all bonds totaled \$1,590,000 and \$148,689, respectively, which includes refunding the Series 2006B bonds. Total defined net receipts during the year were \$1,532,560.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay six sewer revenue bond issues totaling \$15,479,000. The bonds were issued between March 1998 and April 2014. Proceeds from the sales of the bonds provided financing for the construction of and improvements to the waste water treatment plant. The bonds are payable solely from sewer customer defined net receipts and are payable through June 2028. Annual principal and interest payments on the bonds are expected to require less than 45 percent of defined net receipts. At June 30, 2014, total principal and interest remaining to be paid on the bonds was \$12,906,112. During the year, \$1,315,000 of bonds were issued to refund the Sewer Revenue Series 2006A bonds. Principal and interest paid on all bonds totaled \$1,926,000 and \$346,198, respectively, which includes refunding the Series 2006A bonds. Total defined net receipts during the year were \$2,121,353.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

The City has pledged future road use tax receipts to repay one road use tax revenue bond issue totaling \$1,815,000. The bonds were issued in March 2012. Proceeds from the sale of the bonds provided financing to pay for a portion of the construction costs of the public works/streets department facility. The bonds are payable solely from future road use tax receipts and are payable through June 2027. At June 30, 2014, total principal and interest remaining to be paid on the bonds was \$1,906,130. During the year, principal and interest paid on the bonds totaled \$110,000 and \$39,740, respectively.

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

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate sewer and water revenue sinking accounts for the purpose of making the principal and interest payments when due.
- (c) The provisions of the Water Revenue Refunding Bond Series 2014B require that \$541,255 be set aside into the Water Reserve Fund and maintained until all water revenue bonds of the City have been fully redeemed.

The provisions of the Sewer Revenue Refunding Bond Series 2014A require that \$307,105 be set aside into the Sewer Reserve Fund and maintained until all sewer revenue bonds of the City have been fully redeemed.

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

Rural Economic Development Loan

During the year ended June 30, 2013, the City received a Rural Economic Development Loan of \$360,000 from Linn County Rural Electric Cooperative Association to provide funds for construction of a portion of the library expansion project. The loan is dated May 8, 2013 and has an interest rate of 0%. The loan is due in annual installments of \$40,000 beginning May 8, 2015, and continuing annually thereafter until final payment on May 8, 2023. There is an annual administrative fee of 1% based on the outstanding principal balance. The balance of the loan at June 30, 2014 was \$360,000.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Annual maturities of the loan at June 30, 2014 are as follows:

Year ending June 30, 2015	\$	40,000
2016		40,000
2017		40,000
2018		40,000
2019		40,000
2020 -2023		160,000
	\$	<u>360,000</u>

Early Redemption of Bonds

On July 1, 2013, the City called the General Obligation Series 2003 bonds, with interest rates ranging from 3.4% to 4.5%, for early redemption. The City issued \$2,540,000 of General Obligation Refunding Series 2013A bonds, with interest rates ranging from 0.35% to 2.15%, to pay for the early redemption of the bonds. The refunding reduced total debt service payments over the next ten years, through June 1, 2023, by approximately \$420,875. This results in an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$337,800.

On April 23, 2014, the City called the Sewer Revenue Series 2006A bonds, with interest rates ranging from 4.05% to 4.55%, for early redemption. The City issued \$1,315,000 of Sewer Revenue Refunding Series 2014A bonds, with interest rates ranging from 2.0% to 3.0%, to pay for the early redemption of the bonds. The refunding reduced total debt service payments over the next eleven years, through June 1, 2025, by approximately \$163,850. This results in an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$108,900.

On April 23, 2014, the City called the Water Revenue Series 2006B bonds, with an interest rate of 4.375%, for early redemption. The City issued \$1,210,000 of Sewer Revenue Refunding Series 2014B bonds, with interest rates ranging from 2.0% to 3.05%, to pay for the early redemption of the bonds. The refunding reduced total debt service payments over the next twelve years, through June 1, 2026, by approximately \$159,325. This results in an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$98,200.

Interest Rate Reductions

During the year ended June 30, 2014, the interest rates on the General Obligation Sewer Improvement Series 1998 bonds, the Sewer Revenue Series 1998A bonds and the Sewer Revenue Series 1998B bonds were reduced from 3.0% to 1.75% effective June 1, 2013. The State Revolving Fund (SRF) offers the new interest rate on all existing SRF loans that are at least ten years old. The amounts of the interest savings and economic gains (differences between present values of the old and new interest payments) for the bonds are as follows:

Bond Issue	Due Date	Interest Savings	Economic Gain
Series 1998	12/1/2017	\$ 10,500	\$ 10,157
Series 1998A	12/1/2018	5,056	4,862
Series 1998B	12/1/2018	55,706	53,568
		<u>\$ 71,262</u>	<u>\$ 68,587</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 4. PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 5.95% of their annual covered compensation and the City is required to contribute 8.93% of covered compensation. Certain employees in special risk occupations, and the City, contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$410,331, \$381,437 and \$340,430, respectively, equal to the required contributions for each year.

NOTE 5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon retirement, termination or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 24,953
Vacation	244,189
Total	<u>\$ 269,142</u>

This liability has been computed based on rates of pay as of June 30, 2014.

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, 2014, based on rates of pay as of June 30, 2014, is \$874,568.

NOTE 6. SOLID WASTE DISPOSAL CONTRACT

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

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

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

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 construction contracts totaling approximately \$13,700,000. The unpaid contract balances at June 30, 2014 totaled approximately \$6,670,000, which will be paid as work on the projects progresses.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. DEFICIT BALANCES

The following capital projects funds had deficit balances at June 30, 2014, because the project costs were incurred prior to availability of funds:

Capital Projects - Penn Street Improvements	\$	251,531
Capital Projects - Land and Facilities		633,477

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

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 11. LEASE COMMITMENTS

The City entered into a lease agreement effective May 1, 2014 to lease commercial space for the City administration offices and Council chambers for the period May 1, 2014 to December 31, 2018. This agreement supercedes a lease agreement for similar facilities for the period from April 1, 2011 to December 31, 2015. The current lease agreement provides for the option to exercise up to four additional extensions of six months each at a rate not to exceed the previous year's rate plus three percent increase per annum.

Lease payments are due in six month intervals each January 15 and July 15. Lease expense for the year ended June 30, 2014 was \$137,748.

Future commitments under this lease as of June 30, 2014 are as follows:

Year ending June 30, 2015	\$ 164,441
2016	165,751
2017	170,743
2018	175,836
2019	90,564
	<hr/>
	\$ 767,335

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

The City finances the health insurance plan with Wellmark on a pay-as-you-go basis. The most recent monthly premium costs are \$362.69 for single coverage, \$650.86 for employee/dependent coverage, \$700.88 for employee/spouse coverage and \$1,030.34 for family coverage. The same monthly premiums apply to retirees. There are 67 active employees, 1 terminated employee and 1 retiree participating in the plan as of June 30, 2014. During the year ended June 30, 2014, the City contributed \$539,627 and plan members contributed \$95,203 to the plan.

NOTE 13. CONDUIT DEBT OBLIGATIONS

During the year ended June 30, 2011, the City issued a total of \$2,032,000 of Midwest Disaster Area Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities in the community. Outstanding principal amounts on the bonds at June 30, 2014 totaled \$828,732. The bonds are secured by the properties purchased with the bond proceeds and are payable solely from payments received on the underlying mortgage loans, derived from rents payable by the tenants of the properties. The bond principal and interest do not constitute liabilities of the City, and neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 14. INTERFUND AND INTRAFUND TRANSFERS

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

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise -	
	Water Operating	\$ 272,708
	Sewer Enterprise -	
	Sewer Operating	272,708
	Stormwater Management	
	Enterprise	30,532
	Special Revenue -	
	Employee Benefits	882,433
		<u>1,458,381</u>
Debt Service Fund - General Obligation Debt	Special Revenue -	
	Urban Renewal Tax Increment	2,848,090
	Special Revenue -	
	Road Use Tax	196,779
	Water Enterprise -	
	Water Revenue Sinking	146,184
		<u>3,191,053</u>
General Fund - Equipment Revolving	Special Revenue -	
	Road Use Tax	125,000
	Stormwater Management	
	Enterprise	93,000
	Water Enterprise -	
	Water Operating	20,000
	Sewer Enterprise -	
	Sewer Operating	25,000
		<u>263,000</u>
Capital Projects - Street Capital Projects	General Fund -	
	Fire Equipment Reserve	33,000
	General Fund -	
	Transportation Impact Fee	966,622
		<u>999,622</u>
Capital Projects - Land and Facilities	General Fund	<u>20,000</u>
Capital Projects - Penn Street Improvements	Capital Projects - Street Capital Projects	<u>133,000</u>
Sewer Enterprise - Sewer Rental - Capital Reserve	Stormwater Management Enterprise	<u>20,000</u>
		<u>\$ 6,085,056</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 14. INTERFUND AND INTRAFUND TRANSFERS (Continued)

The detail of intrafund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Fire Equipment Reserve	General Fund	\$ 108,478
General Fund - Equipment Revolving		70,534
General Fund - Police Equipment Reserve		6,000
General Fund - Telecommunications Equipment		10,000
General Fund - Park Development		86,000
General Fund - Recreation Equipment		94,000
		<u>375,012</u>
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	686,873
Water Enterprise - Water Capital Projects		12,000
Water Enterprise - Water Utilities - Capital Reserve		50,000
		<u>748,873</u>
Water Enterprise - Water Capital Projects	Water Enterprise - Water Reserve	36,601
Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	1,040,109
Sewer Enterprise - Sewer Rental - Capital Reserve		239,000
		<u>1,279,109</u>
		<u>\$ 2,439,595</u>

Total transfers during the year ended June 30, 2014 were as follows:

Interfund transfers	\$ 6,085,056
Intrafund transfers	2,439,595
	<u>\$ 8,524,651</u>

Reconciliation to the financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds (Exhibit B)	\$ 6,440,068	\$ 5,579,936
Proprietary funds (Exhibit C)	2,084,583	2,944,715
	<u>\$ 8,524,651</u>	<u>\$ 8,524,651</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 15. LITIGATION

The City is the defendant in two unrelated cases brought by citizens seeking damages in connection with incidents that occurred in 2007 and 2011 involving City police officers. The cases are likely to be scheduled for trial in 2015. The City believes it has meritorious defense in both cases. No estimate of any possible loss to the City can be determined at this time.

The City is the defendant in a case brought by a property owner in November 2014 seeking to prevent the City from obtaining an easement on the plaintiff's land for a sewer project expected to occur in 2015 and 2016. The plaintiff is seeking a delay or termination of the condemnation proceedings and unspecified damages. The City expects to prevail in this case, but it is unknown how long this case may be pending.

NOTE 16. PROSPECTIVE ACCOUNTING CHANGE

The Government Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

NOTE 17. SUBSEQUENT EVENTS

The City sold the following bond issue after June 30, 2014:

Series 2014C - General Obligation Corporate Purpose - \$3,090,000

The City entered into an agreement to purchase a parcel of real estate consisting of approximately 28.8 acres for the expansion of the waste water treatment facility. The purchase price of the real estate is \$864,000.

OTHER INFORMATION

CITY OF NORTH LIBERTY, IOWA

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

Other Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 6,127,781	\$ -	\$ 6,127,781
Tax increment financing	3,518,713	-	3,518,713
Other city tax	311,708	-	311,708
Licenses and permits	507,326	-	507,326
Use of money and property	143,887	1,847	145,734
Intergovernmental	2,152,197	-	2,152,197
Charges for service	1,674,579	6,221,124	7,895,703
Special assessments	1,067	-	1,067
Miscellaneous	647,785	230,534	878,319
Total receipts	15,085,043	6,453,505	21,538,548
Disbursements:			
Public safety	2,315,057	-	2,315,057
Public works	1,424,544	-	1,424,544
Health and social services	97,000	-	97,000
Culture and recreation	3,208,940	-	3,208,940
Community and economic development	898,262	-	898,262
General government	1,293,854	-	1,293,854
Debt service	4,168,095	-	4,168,095
Capital projects	5,468,736	-	5,468,736
Business type activities	-	4,838,718	4,838,718
Total disbursements	18,874,488	4,838,718	23,713,206
Excess (deficiency) of receipts over (under) disbursements	(3,789,445)	1,614,787	(2,174,658)
Other financing sources (uses), net	5,895,765	(803,965)	5,091,800
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,106,320	810,822	2,917,142
Balances, beginning of year	4,578,018	3,831,405	8,409,423
Balances, end of year	\$ 6,684,338	\$ 4,642,227	\$ 11,326,565

There were no funds of the City not required to be budgeted during the year ended June 30, 2014.

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

Budgeted Amounts

<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
\$ 6,156,127	\$ 6,156,127	\$ (28,346)
3,691,461	3,691,461	(172,748)
108,105	108,105	203,603
703,450	703,450	(196,124)
151,970	158,970	(13,236)
3,249,936	3,842,560	(1,690,363)
6,985,282	7,019,282	876,421
-	5,920	(4,853)
245,000	826,745	51,574
<u>21,291,331</u>	<u>22,512,620</u>	<u>(974,072)</u>
2,945,183	3,271,990	956,933
1,538,837	1,762,417	337,873
91,000	103,000	6,000
3,532,762	3,616,661	407,721
1,457,871	1,477,871	579,609
1,405,983	1,570,783	276,929
4,079,774	6,767,434	2,599,339
12,097,000	12,596,090	7,127,354
5,472,265	7,860,808	3,022,090
<u>32,620,675</u>	<u>39,027,054</u>	<u>15,313,848</u>
(11,329,344)	(16,514,434)	14,339,776
<u>9,878,000</u>	<u>15,610,660</u>	<u>(10,518,860)</u>
(1,451,344)	(903,774)	3,820,916
<u>7,580,396</u>	<u>8,409,423</u>	<u>-</u>
<u>\$ 6,129,052</u>	<u>\$ 7,505,649</u>	<u>\$ 3,820,916</u>

CITY OF NORTH LIBERTY, IOWA

Notes to Other Information - Budgetary Reporting

June 30, 2014

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 \$6,406,379. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements for all functions did not exceed the amounts budgeted.

SUPPLEMENTARY INFORMATION

CITY OF NORTH LIBERTY, IOWA

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Governmental Funds - General Fund Detail
(Page 1 of 3)
As of and for the Year Ended June 30, 2014

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Receipts:						
Property tax	\$ 4,373,633	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax:						
Mobile home tax	18,761	-	-	-	-	-
Utility tax replacement excise tax	38,188	-	-	-	-	-
Hotel/motel tax	63,262	-	-	-	-	-
Utility franchise fees	170,879	-	-	-	-	-
	<u>291,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Licenses and permits:						
Beer and liquor	11,797	-	-	-	-	-
Cigarette	675	-	-	-	-	-
Business/building trades	1,675	-	-	-	-	-
Pet and other	1,249	-	-	-	-	-
Building	491,930	-	-	-	-	-
	<u>507,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Use of money and property:						
Interest on cash investments	24,200	-	-	-	-	-
Rent	119,670	-	-	-	-	-
	<u>143,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental:						
Emergency generator grant	67,221	-	-	-	-	-
Hazard mitigation grants	16,851	-	-	-	-	-
Police grants	8,694	-	-	-	-	-
Fire department SAFER grant	40,193	-	-	-	-	-
Township fire protection	164,025	-	-	-	-	-
County library contribution	25,168	-	-	-	-	-
Library grants and open access	9,543	-	-	-	-	-
	<u>331,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Charges for service:						
Inspection fees	14,033	-	-	-	-	-
Library fees	2,454	-	-	-	-	-
Police service fees	3,250	-	-	-	-	-
Fire department service fees	10,370	-	-	-	-	-
Zoning and subdivision	16,415	-	-	-	-	-
Garbage and recycling fees	516,174	-	-	-	-	-
Recreation charges	926,794	-	-	-	-	-
Rain barrels and compost bins	(200)	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Mowing and snow removal	2,049	-	-	-	-	-
Cemetery plot location fees	170	-	-	-	-	-
Animal control	580	-	-	-	-	-
Maps and photocopy fees	2,143	-	-	-	-	-
Administrative charges	37,309	-	-	-	-	-
Transit	75	-	-	-	-	-
	<u>1,531,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Schedule 1

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Trans- portation	Storm Water	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,373,633
-	-	-	-	-	-	-	18,761
-	-	-	-	-	-	-	38,188
-	-	-	-	-	-	-	63,262
-	-	-	-	-	-	-	170,879
-	-	-	-	-	-	-	291,090
-	-	-	-	-	-	-	11,797
-	-	-	-	-	-	-	675
-	-	-	-	-	-	-	1,675
-	-	-	-	-	-	-	1,249
-	-	-	-	-	-	-	491,930
-	-	-	-	-	-	-	507,326
-	-	-	-	-	-	-	24,200
-	-	-	-	-	-	-	119,670
-	-	-	-	-	-	-	143,870
-	-	-	-	-	-	-	67,221
-	-	-	-	-	-	-	16,851
-	-	-	-	-	-	-	8,694
-	-	-	-	-	-	-	40,193
-	-	-	-	-	-	-	164,025
-	-	-	-	-	-	-	25,168
-	-	-	-	-	-	-	9,543
-	-	-	-	-	-	-	331,695
-	-	-	-	-	-	-	14,033
-	-	-	-	-	-	-	2,454
-	-	-	10,740	-	-	-	13,990
-	-	-	-	-	-	-	10,370
-	-	-	-	-	-	-	16,415
-	-	-	-	-	-	-	516,174
-	-	-	-	-	-	-	926,794
-	-	-	-	-	-	-	(200)
-	-	-	-	-	132,223	-	132,223
-	-	-	-	-	-	-	2,049
-	-	-	-	-	-	-	170
-	-	-	-	-	-	-	580
-	-	-	-	-	-	-	2,143
-	-	-	-	-	-	-	37,309
-	-	-	-	-	-	-	75
-	-	-	10,740	-	132,223	-	1,674,579

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, 2014

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Receipts: (continued)						
Special assessments	1,067	-	-	-	-	-
Miscellaneous:						
Refunds and reimbursements	5,000	-	-	-	-	-
Fines and fees	41,821	-	-	-	-	-
Donations/contributions	11,154	-	23,090	-	-	1,000
Miscellaneous	64,767	-	-	12,623	-	-
Penalties	82,603	-	-	-	-	-
	205,345	-	23,090	12,623	-	1,000
Total receipts	7,385,642	-	23,090	12,623	-	1,000
Disbursements:						
Public Safety:						
Police	1,571,480	-	-	-	-	-
Emergency management	9,376	-	-	-	-	-
Fire	351,276	-	-	-	-	-
Building inspections/safety	354,373	-	-	-	-	-
Animal control	10,126	-	-	-	-	-
Total public safety	2,296,631	-	-	-	-	-
Public Works:						
Traffic control and safety	27,218	-	-	-	-	-
Streets	2,977	-	-	-	-	-
Sanitation	490,470	-	-	-	-	-
Transit	74,057	-	-	-	-	-
Total public works	594,722	-	-	-	-	-
Health and social services:						
Social services	97,000	-	-	-	-	-
Culture and recreation:						
Library	690,941	-	-	-	-	-
Parks	700,786	-	-	-	-	-
Recreation center	1,138,873	-	-	22,380	-	-
Aquatic center	646,276	-	-	-	-	-
Cemetery	9,684	-	-	-	-	-
Total culture and recreation	3,186,560	-	-	22,380	-	-
Community and economic development:						
Community beautification	-	-	-	-	-	1,080
Economic development	57,000	-	-	-	-	-
Tourism promotion	26,665	-	-	-	-	-
Planning and zoning	310,998	-	-	-	-	-
Telecommunications	221,959	-	-	-	-	-
Total community and economic development	616,622	-	-	-	-	1,080

Schedule 1

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Trans- portation	Storm Water	
-	-	-	-	-	-	-	1,067
-	-	8,065	-	-	-	-	13,065
-	-	-	-	-	-	-	41,821
-	-	-	-	-	-	-	35,244
-	-	4	-	2,310	-	-	79,704
-	-	-	-	-	-	-	82,603
-	-	8,069	-	2,310	-	-	252,437
-	-	8,069	10,740	2,310	132,223	-	7,575,697
-	-	-	17,373	1,053	-	-	1,589,906
-	-	-	-	-	-	-	9,376
-	-	-	-	-	-	-	351,276
-	-	-	-	-	-	-	354,373
-	-	-	-	-	-	-	10,126
-	-	-	17,373	1,053	-	-	2,315,057
-	-	-	-	-	-	-	27,218
-	-	-	-	-	-	-	2,977
-	-	-	-	-	-	-	490,470
-	-	-	-	-	-	-	74,057
-	-	-	-	-	-	-	594,722
-	-	-	-	-	-	-	97,000
-	-	-	-	-	-	-	690,941
-	-	-	-	-	-	-	700,786
-	-	-	-	-	-	-	1,161,253
-	-	-	-	-	-	-	646,276
-	-	-	-	-	-	-	9,684
-	-	-	-	-	-	-	3,208,940
-	-	-	-	-	-	-	1,080
-	-	-	-	-	-	-	57,000
-	-	-	-	-	-	-	26,665
-	-	-	-	-	-	-	310,998
-	-	-	-	-	-	-	221,959
-	-	-	-	-	-	-	617,702

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, 2014

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Disbursements: (continued)						
General government:						
Mayor and council	23,099	-	-	-	-	-
City administration	1,024,356	-	-	-	-	-
Elections	1,802	-	-	-	-	-
Legal services	195,843	-	-	-	-	-
Other general government	48,754	-	-	-	-	-
Total general government	1,293,854	-	-	-	-	-
Capital projects:						
Capital projects	134,615	157,430	111,746	-	6,666	-
Total disbursements	8,220,004	157,430	111,746	22,380	6,666	1,080
Excess (deficiency) of receipts over (under) disbursements	(834,362)	(157,430)	(88,656)	(9,757)	(6,666)	(80)
Other financing sources (uses):						
Sale of capital assets	296	-	-	-	-	-
Proceeds from sale of general obligation bonds	-	-	435,000	-	-	-
Operating transfers in	1,458,381	94,000	86,000	-	10,000	-
Operating transfers (out)	(395,012)	-	-	-	-	-
Total other financing sources (uses)	1,063,665	94,000	521,000	-	10,000	-
Net change in cash balances	229,303	(63,430)	432,344	(9,757)	3,334	(80)
Cash and cash investments, beginning of year	2,457,397	159,571	(253,560)	55,743	51,907	13,061
Cash and cash investments, end of year	\$ 2,686,700	\$ 96,141	\$ 178,784	\$ 45,986	\$ 55,241	\$ 12,981
Cash basis fund balances:						
Restricted for:						
Hotel/motel tax	\$ 3,817	\$ -	\$ -	\$ -	\$ -	\$ -
Tree purchases	-	-	-	-	-	4,432
Police	-	-	-	-	-	-
Assigned for:						
Capital equipment purchases	-	96,141	-	-	55,241	-
Street capital projects	-	-	-	-	-	-
Park development	-	-	57,599	-	-	-
Stormwater capital projects	-	-	-	-	-	-
Youth scholarships/ recreation capital equipment	-	-	-	45,986	-	-
Unassigned	2,682,883	-	121,185	-	-	8,549
Total cash basis fund balances	\$ 2,686,700	\$ 96,141	\$ 178,784	\$ 45,986	\$ 55,241	\$ 12,981

See accompanying independent auditor's report.

Schedule 1

Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Police Seized Funds	Impact Fees		Total
					Trans- portation	Storm Water	
-	-	-	-	-	-	-	23,099
-	-	-	-	-	-	-	1,024,356
-	-	-	-	-	-	-	1,802
-	-	-	-	-	-	-	195,843
-	-	-	-	-	-	-	48,754
-	-	-	-	-	-	-	1,293,854
-	567,869	250,960	-	-	-	-	1,229,286
-	567,869	250,960	17,373	1,053	-	-	9,356,561
-	(567,869)	(242,891)	(6,633)	1,257	132,223	-	(1,780,864)
-	7,000	-	-	-	-	-	7,296
-	-	-	-	-	-	-	435,000
-	108,478	333,534	6,000	-	-	-	2,096,393
-	(33,000)	-	-	-	(966,622)	-	(1,394,634)
-	82,478	333,534	6,000	-	(966,622)	-	1,144,055
-	(485,391)	90,643	(633)	1,257	(834,399)	-	(636,809)
2,592	702,316	37,090	24,265	1,124	1,414,548	42,999	4,709,053
\$ 2,592	\$ 216,925	\$ 127,733	\$ 23,632	\$ 2,381	\$ 580,149	\$ 42,999	\$ 4,072,244
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,817
-	-	-	-	-	-	-	4,432
-	-	-	-	2,381	-	-	2,381
2,592	216,925	-	23,632	-	-	-	394,531
-	-	-	-	-	580,149	-	580,149
-	-	-	-	-	-	-	57,599
-	-	-	-	-	-	42,999	42,999
-	-	-	-	-	-	-	45,986
-	-	127,733	-	-	-	-	2,940,350
\$ 2,592	\$ 216,925	\$ 127,733	\$ 23,632	\$ 2,381	\$ 580,149	\$ 42,999	\$ 4,072,244

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, 2014

	Special Revenue		Other	
	Employee	Drug Task	Capital	Total
	Benefits	Force	Projects	
Receipts:				
Property tax	\$ 871,087	\$ -	\$ -	\$ 871,087
Other city tax	11,346	-	-	11,346
Use of money and property	-	13	4	17
Intergovernmental	-	6,815	474,543	481,358
Miscellaneous	-	-	83,777	83,777
Total receipts	882,433	6,828	558,324	1,447,585
Disbursements:				
Capital projects	-	-	475,304	475,304
Excess of receipts over disbursements	882,433	6,828	83,020	972,281
Other financing sources (uses):				
Proceeds from sale of general obligation bonds	-	-	405,000	405,000
Operating transfers in	-	-	153,000	153,000
Operating transfers (out)	(882,433)	-	-	(882,433)
Total other financing sources (uses)	(882,433)	-	558,000	(324,433)
Net change in cash balances	-	6,828	641,020	647,848
Cash and cash investments, beginning of year	2,545	824	(728,849)	(725,480)
Cash and cash investments, end of year	\$ 2,545	\$ 7,652	\$ (87,829)	\$ (77,632)
Cash basis fund balances:				
Restricted for:				
Street capital projects	\$ -	\$ -	\$ 5,688	\$ 5,688
Urban renewal projects	-	-	494,911	494,911
Capital equipment purchases	-	7,652	-	7,652
Property improvements	-	-	255,587	255,587
Employee benefits	2,545	-	-	2,545
Assigned for:				
Street capital projects	-	-	40,993	40,993
Unassigned	-	-	(885,008)	(885,008)
Total cash basis fund balances	\$ 2,545	\$ 7,652	\$ (87,829)	\$ (77,632)

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, 2014

	Ranshaw House Project	TIF Projects	Library Expansion	Penn Street Improvements
Receipts:				
Use of money and property:				
Interest on cash investments	\$ -	\$ -	\$ 4	\$ -
Intergovernmental	-	-	474,543	-
Miscellaneous:				
Donations/contributions	1,700	-	82,077	-
Total receipts	1,700	-	556,624	-
Disbursements:				
Capital projects	-	-	454,624	-
Excess (deficiency) of receipts over (under) disbursements	1,700	-	102,000	-
Other financing sources(uses):				
Proceeds from sale of general obligation bonds	-	-	405,000	-
Operating transfers in	-	-	-	133,000
Total other financing sources(uses)	-	-	405,000	133,000
Net change in cash balances	1,700	-	507,000	133,000
Cash and cash investments, beginning of year	7,034	416,252	(260,147)	(384,531)
Cash and cash investments, end of year	\$ 8,734	\$ 416,252	\$ 246,853	\$ (251,531)
Cash basis fund balances:				
Restricted for:				
Street capital projects	\$ -	\$ -	\$ -	\$ -
Urban renewal projects	-	416,252	-	-
Property improvements	8,734	-	246,853	-
Assigned for:				
Street capital projects	-	-	-	-
Unassigned	-	-	-	(251,531)
Total cash basis fund balances	\$ 8,734	\$ 416,252	\$ 246,853	\$ (251,531)

See accompanying independent auditor's report.

Schedule 3

I-JOBS Street Projects	Entryway Development	Economic Development Projects	Land and Facilities	Total
\$ -	\$ -	\$ -	\$ -	\$ 4
-	-	-	-	474,543
-	-	-	-	83,777
-	-	-	-	558,324
-	-	-	20,680	475,304
-	-	-	(20,680)	83,020
-	-	-	-	405,000
-	-	-	20,000	153,000
-	-	-	20,000	558,000
-	-	-	(680)	641,020
5,688	40,993	78,659	(632,797)	(728,849)
\$ 5,688	\$ 40,993	\$ 78,659	\$ (633,477)	\$ (87,829)

\$ 5,688	\$ -	\$ -	\$ -	\$ 5,688
-	-	78,659	-	494,911
-	-	-	-	255,587
-	40,993	-	-	40,993
-	-	-	(633,477)	(885,008)
\$ 5,688	\$ 40,993	\$ 78,659	\$ (633,477)	\$ (87,829)

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, 2014

	Water Enterprise					
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Projects	Total
Operating receipts:						
Charges for service	\$ 2,821,894	\$ -	\$ -	\$ 5,911	\$ -	\$ 2,827,805
Miscellaneous	7,075	-	-	-	58,885	65,960
Total operating receipts	2,828,969	-	-	5,911	58,885	2,893,765
Operating disbursements:						
Business type activities	1,296,409	-	-	-	251,597	1,548,006
Excess (deficiency) of operating receipts over (under) operating disbursements	1,532,560	-	-	5,911	(192,712)	1,345,759
Non-operating receipts and (disbursements):						
Interest on cash investments	935	-	-	-	-	935
Debt service	-	(553,689)	-	-	-	(553,689)
Total non-operating receipts and (disbursements)	935	(553,689)	-	-	-	(552,754)
Excess (deficiency) of receipts over (under) disbursements	1,533,495	(553,689)	-	5,911	(192,712)	793,005
Other financing sources (uses):						
Proceeds of refunding bonds	-	1,209,545	-	-	-	1,209,545
Refunding debt service - principal	-	(1,200,000)	-	-	-	(1,200,000)
Operating transfers:						
Operating transfers in	-	686,873	-	50,000	48,601	785,474
Operating transfers (out)	(1,041,581)	(146,184)	(36,601)	-	-	(1,224,366)
Total other financing sources (uses)	(1,041,581)	550,234	(36,601)	50,000	48,601	(429,347)
Net change in cash balances	491,914	(3,455)	(36,601)	55,911	(144,111)	363,658
Cash and cash investments, beginning of year	513,374	80,127	577,856	314,158	(377,212)	1,108,303
Cash and cash investments, end of year	\$ 1,005,288	\$ 76,672	\$ 541,255	\$ 370,069	\$ (521,323)	\$ 1,471,961
Cash basis fund balances:						
Restricted for:						
Debt service	\$ -	\$ 76,672	\$ 541,255	\$ -	\$ -	\$ 617,927
Unrestricted:						
Unrestricted	1,005,288	-	-	370,069	(521,323)	854,034
	\$ 1,005,288	\$ 76,672	\$ 541,255	\$ 370,069	\$ (521,323)	\$ 1,471,961

See accompanying independent auditor's report.

Schedule 4

Sewer Enterprise						
Sewer Operating	Sewer Revenue Sinking	Sewer Reserve	Sewer Rental - Capital Reserve	Sewer Capital Projects	Total	
\$ 3,212,136 85	\$ - -	\$ - -	\$ 907 -	\$ - -	\$ 3,213,043 85	
3,212,221	-	-	907	-	3,213,128	
1,090,868	-	-	48,520	361,430	1,500,818	
2,121,353	-	-	(47,613)	(361,430)	1,712,310	
912 -	- (1,032,859)	- -	- -	- -	912 (1,032,859)	
912	(1,032,859)	-	-	-	(1,031,947)	
2,122,265	(1,032,859)	-	(47,613)	(361,430)	680,363	
- -	1,316,622 (1,270,000)	- -	- -	- -	1,316,622 (1,270,000)	
- (1,576,817)	1,040,109 -	- -	259,000 -	- -	1,299,109 (1,576,817)	
(1,576,817)	1,086,731	-	259,000	-	(231,086)	
545,448	53,872	-	211,387	(361,430)	449,277	
1,159,847	291,369	307,105	798,882	(605,539)	1,951,664	
\$ 1,705,295	\$ 345,241	\$ 307,105	\$ 1,010,269	\$ (966,969)	\$ 2,400,941	
\$ -	\$ 345,241	\$ 307,105	\$ -	\$ -	\$ 652,346	
1,705,295	-	-	1,010,269	(966,969)	1,748,595	
\$ 1,705,295	\$ 345,241	\$ 307,105	\$ 1,010,269	\$ (966,969)	\$ 2,400,941	

CITY OF NORTH LIBERTY, IOWA

Schedule 5Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Proprietary Funds

As of and for the Year Ended June 30, 2014

	Utility Deposits	Stormwater Management	Total
Operating receipts:			
Charges for service	\$ -	\$ 180,276	\$ 180,276
Miscellaneous	164,275	214	164,489
Total operating receipts	164,275	180,490	344,765
Operating disbursements:			
Business type activities	138,159	65,187	203,346
Excess of operating receipts over operating disbursements	26,116	115,303	141,419
Other financing sources (uses):			
Operating transfers:			
Operating transfers (out)	-	(143,532)	(143,532)
Net change in cash balances	26,116	(28,229)	(2,113)
Cash and cash investments, beginning of year	473,826	297,612	771,438
Cash and cash investments, end of year	\$ 499,942	\$ 269,383	\$ 769,325
Cash basis fund balances:			
Restricted for:			
Utility deposits	\$ 499,942	\$ -	\$ 499,942
Unrestricted:			
Unrestricted	-	269,383	269,383
	\$ 499,942	\$ 269,383	\$ 769,325

See accompanying independent auditor's report.

CITY OF NORTH LIBERTY, IOWA

Schedule of Indebtedness

Year Ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
General Obligation Sewer Improvement	1/6/98	1.75 %	\$ 1,000,000
Corporate Purpose	9/1/03	3.40-4.50	4,200,000
Urban Renewal Corporate Purpose	8/15/04	2.10-3.60	1,560,000
Urban Renewal Corporate Purpose	11/9/05	3.45	3,500,000
Corporate Purpose	11/15/06	3.6-3.85	570,000
Urban Renewal Corporate Purpose	8/1/07	4.00	3,515,000
General Obligation Water Improvement	12/15/07	3.45-4.10	855,000
Corporate Purpose	6/30/08	2.50-3.95	1,940,000
Corporate Purpose	5/27/09	1.50-4.15	2,425,000
Corporate Purpose	10/25/10	1.0-2.6	1,730,000
Urban Renewal Corporate Purpose	10/25/10	2.0-2.75	6,765,000
Corporate Purpose and Refunding	9/28/11	1.0-2.0	790,000
Urban Renewal Corporate Purpose	9/28/11	1.5-3.1	5,810,000
Urban Renewal Library Improvement	11/12/12	0.35-1.70	1,815,000
General Obligation Refunding	7/1/13	0.35-2.15	2,540,000
Corporate Purpose	11/5/13	2.0-2.4	1,425,000
Urban Renewal Corporate Purpose	11/5/13	2.0-2.4	3,540,000
Total			
Rural Economic Development Loan and Grant Program:			
Rural Economic Development Loan	5/8/13	0 %	\$ 360,000
Road Use Tax Revenue Bonds:			
Road Use Tax Series 2012A	3/29/12	2.0-3.0 %	\$ 1,815,000
Utility Revenue Bonds:			
Sewer Revenue Bond Series 1998A	3/23/98	1.75 %	\$ 323,957
Sewer Revenue Bond Series 1998B	3/23/98	1.75	3,769,043
Sewer Revenue Bond Series 2006A	4/15/06	4.05-4.55	1,860,000
Water Revenue Bond Series 2006B	11/15/06	4.375	1,670,000
Sewer Revenue Bond Series 2007	8/23/07	3.00	5,271,000
Sewer Revenue Bond Series 2008A	7/30/08	3.00	3,250,000
Sewer Revenue Bond Series 2008C	9/15/08	2.75-4.40	1,550,000
Water Revenue Bond Series 2008D	9/15/08	2.75-4.40	2,350,000
Water Revenue Refunding Bond Series 2012C	11/12/12	0.5-2.0	1,575,000
Sewer Revenue Refunding Bond Series 2014A	4/23/14	2.0-3.0	1,315,000
Water Revenue Refunding Bond Series 2014B	4/23/14	2.0-3.05	1,210,000
Total			

See accompanying independent auditor's report.

Schedule 6

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 326,000	\$ -	\$ 60,000	\$ 266,000	\$ 5,180	\$ -
2,490,000	-	2,490,000	-	8,881	-
180,000	-	180,000	-	6,480	-
905,000	-	445,000	460,000	31,453	-
255,000	-	60,000	195,000	9,635	-
1,575,000	-	370,000	1,205,000	63,000	-
605,000	-	55,000	550,000	23,498	-
1,175,000	-	220,000	955,000	42,322	-
1,980,000	-	155,000	1,825,000	68,453	-
1,370,000	-	185,000	1,185,000	26,520	-
5,505,000	-	640,000	4,865,000	121,150	-
620,000	-	130,000	490,000	8,217	-
5,450,000	-	365,000	5,085,000	119,843	-
1,815,000	-	175,000	1,640,000	17,805	-
-	2,540,000	225,000	2,315,000	28,483	-
-	1,425,000	-	1,425,000	16,982	-
-	3,540,000	-	3,540,000	42,194	-
<u>\$ 24,251,000</u>	<u>\$ 7,505,000</u>	<u>\$ 5,755,000</u>	<u>\$ 26,001,000</u>	<u>\$ 640,096</u>	<u>\$ -</u>
<u>\$ 360,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,720,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 1,610,000</u>	<u>\$ 39,740</u>	<u>\$ -</u>
\$ 129,000	\$ -	\$ 19,000	\$ 110,000	\$ 2,091	\$ -
1,433,000	-	217,000	1,216,000	23,179	-
1,355,000	-	1,355,000	-	59,093	-
1,275,000	-	1,275,000	-	55,781	-
4,716,000	-	106,000	4,610,000	141,480	-
2,436,000	-	129,000	2,307,000	73,080	-
1,150,000	-	100,000	1,050,000	47,275	-
1,800,000	-	150,000	1,650,000	74,057	-
1,425,000	-	165,000	1,260,000	18,850	-
-	1,315,000	-	1,315,000	-	-
-	1,210,000	-	1,210,000	-	-
<u>\$ 15,719,000</u>	<u>\$ 2,525,000</u>	<u>\$ 3,516,000</u>	<u>\$ 14,728,000</u>	<u>\$ 494,886</u>	<u>\$ -</u>

CITY OF NORTH LIBERTY, IOWA

Bond and Note Maturities
(Page 1 of 2)
June 30, 2014

Year Ending June 30	General Obligation Bonds							
	Sewer Improvement		Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued Jan. 6, 1998		Issued Nov. 9, 2005		Issued Nov. 15, 2006		Issued Aug. 1, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	1.75 %	\$ 63,000	3.50 %	\$ 460,000	3.75 %	\$ 60,000	4.00 %	\$ 385,000
2016	1.75	65,000			3.80	65,000	4.00	400,000
2017	1.75	68,000			3.85	70,000	4.00	420,000
2018	1.75	70,000						
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
Total		<u>\$ 266,000</u>		<u>\$ 460,000</u>		<u>\$ 195,000</u>		<u>\$ 1,205,000</u>

Year Ending June 30,	General Obligation Bonds							
	Corporate Purpose		Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued Oct. 25, 2010		Issued Oct. 25, 2010		Issued Sept. 28, 2011		Issued Sept. 28, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	1.60 %	\$ 185,000	2.00 %	\$ 650,000	1.10 %	\$ 135,000	1.50 %	\$ 370,000
2016	1.60	190,000	2.00	660,000	1.15	85,000	1.50	375,000
2017	1.90	195,000	2.00	675,000	1.40	90,000	1.50	380,000
2018	2.20	200,000	2.00	690,000	1.70	90,000	1.60	390,000
2019	2.40	205,000	2.25	710,000	2.00	90,000	1.85	400,000
2020	2.60	210,000	2.50	730,000			2.10	410,000
2021			2.75	750,000			2.30	420,000
2022							2.45	435,000
2023							2.60	450,000
2024							2.80	465,000
2025							3.00	485,000
2026							3.10	505,000
Total		<u>\$ 1,185,000</u>		<u>\$ 4,865,000</u>		<u>\$ 490,000</u>		<u>\$ 5,085,000</u>

See accompanying independent auditor's report.

Schedule 7

[illegible]

Library Improvement		General Obligation Refunding		Corporate Purpose		Corporate Purpose		
Issued Nov. 12, 2012		Issued July 1, 2013		Issued Nov. 5, 2013		Issued Nov. 5, 2013		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
0.45 %	\$ 175,000	0.45 %	\$ 250,000	2.00 %	\$ 130,000	2.00 %	\$ 325,000	\$ 3,633,000
0.55	175,000	0.65	250,000	2.00	135,000	2.00	330,000	3,185,000
0.70	175,000	0.85	250,000	2.00	135,000	2.00	330,000	3,263,000
0.80	180,000	1.10	255,000	2.00	135,000	2.00	340,000	2,835,000
1.00	180,000	1.30	255,000	2.00	140,000	2.00	345,000	2,570,000
1.20	185,000	1.50	260,000	2.00	140,000	2.00	350,000	2,545,000
1.35	185,000	1.75	260,000	2.00	145,000	2.00	360,000	2,385,000
1.55	190,000	1.90	265,000	2.10	150,000	2.10	375,000	1,695,000
1.70	195,000	2.15	270,000	2.25	155,000	2.25	385,000	1,660,000
				2.40	160,000	2.40	400,000	1,240,000
								485,000
								505,000
	<u>\$ 1,640,000</u>		<u>\$ 2,315,000</u>		<u>\$ 1,425,000</u>		<u>\$3,540,000</u>	<u>\$ 26,001,000</u>

CITY OF NORTH LIBERTY, IOWA

Bond and Note Maturities
(Page 2 of 2)
June 30, 2014

Year Ending June 30,	Sewer Revenue Series 1998A		Sewer Revenue Series 1998B		Enterprise Fund Revenue Bonds Sewer Revenue Series 2007	
	Issued March 23, 1998		Issued March 23, 1998		Issued Aug. 23, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	1.75 %	\$ 20,000	1.75 %	\$ 225,000	3.00 %	\$ 108,000
2016	1.75	21,000	1.75	234,000	3.00	111,000
2017	1.75	22,000	1.75	243,000	3.00	114,000
2018	1.75	23,000	1.75	252,000	3.00	117,000
2019	1.75	24,000	1.75	262,000	3.00	121,000
2020					3.00	416,000
2021					3.00	430,000
2022					3.00	444,000
2023					3.00	459,000
2024					3.00	475,000
2025					3.00	486,000
2026					3.00	654,000
2027					3.00	675,000
2028						
Total		<u>\$ 110,000</u>		<u>\$ 1,216,000</u>		<u>\$ 4,610,000</u>

Year Ending June 30,	Water Refunding Series 2012C		Sewer Refunding Series 2014A		Enterprise Fund Revenue Bonds Water Refunding Series 2014B	
	Issued Nov. 12, 2012		Issued April 23, 2014		Issued April 23, 2014	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	0.80 %	\$ 170,000	2.00 %	\$ 105,000	2.00 %	\$ 85,000
2016	1.00	170,000	2.00	110,000	2.00	90,000
2017	1.20	175,000	2.00	115,000	2.00	95,000
2018	1.40	180,000	2.00	115,000	2.00	95,000
2019	1.60	185,000	2.00	115,000	2.00	100,000
2020	1.80	190,000	2.00	120,000	2.00	100,000
2021	2.00	190,000	2.00	120,000	2.00	100,000
2022			2.25	125,000	2.25	105,000
2023			2.45	125,000	2.50	105,000
2024			2.70	130,000	2.70	110,000
2025			3.00	135,000	3.00	110,000
2026					3.05	115,000
2027						
2028						
Total		<u>\$ 1,260,000</u>		<u>\$ 1,315,000</u>		<u>\$ 1,210,000</u>

See accompanying independent auditor's report.

Sewer Revenue Series 2008A			Sewer Revenue Series 2008C			Water Revenue Series 2008D		
Issued July 30, 2008			Issued Sept. 15, 2008			Issued Sept. 15, 2008		
Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount	
3.00 %	\$	133,000	3.75 %	\$	100,000	3.75 %	\$	155,000
3.00		137,000	3.90		105,000	3.90		160,000
3.00		141,000	4.00		105,000	4.00		165,000
3.00		146,000	4.10		110,000	4.10		175,000
3.00		151,000	4.20		115,000	4.20		180,000
3.00		156,000	4.25		120,000	4.25		190,000
3.00		161,000	4.30		125,000	4.30		200,000
3.00		166,000	4.35		130,000	4.35		210,000
3.00		171,000	4.40		140,000	4.40		215,000
3.00		177,000						
3.00		183,000						
3.00		189,000						
3.00		195,000						
3.00		201,000						
	\$	2,307,000		\$	1,050,000		\$	1,650,000

Road Use Tax Revenue Bonds			Rural Economic Development Loan and Grant Program		
Road Use Tax Rev. Ser. 2012A			Rural Econ. Development Loan		
Issued March 29, 2012			Issued May 8, 2013		
Total	Interest Rates	Amount	Interest Rates	Amount	
\$ 1,101,000	2.00 %	\$ 110,000	0.00 %	\$	40,000
1,138,000	2.00	110,000	0.00		40,000
1,175,000	2.00	115,000	0.00		40,000
1,213,000	2.00	115,000	0.00		40,000
1,253,000	2.00	115,000	0.00		40,000
1,292,000	2.00	120,000	0.00		40,000
1,326,000	2.00	120,000	0.00		40,000
1,180,000	2.20	125,000	0.00		40,000
1,215,000	2.40	130,000	0.00		40,000
892,000	2.60	130,000			
914,000	2.80	135,000			
958,000	2.90	140,000			
870,000	3.00	145,000			
201,000					
\$ 14,728,000		\$ 1,610,000		\$	360,000

CITY OF NORTH LIBERTY, IOWA

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

Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 6,127,781	\$ 6,107,502	\$ 5,502,489	\$ 5,314,263
Tax increment financing	3,518,713	3,228,972	3,301,297	2,737,069
Other city tax	311,708	292,566	291,492	287,105
Licenses and permits	507,326	565,465	560,046	475,789
Use of money and property	143,887	140,675	164,087	177,521
Intergovernmental	2,152,197	1,767,090	2,264,687	1,617,962
Charges for service	1,674,579	1,698,909	1,457,531	1,547,314
Special assessments	1,067	1,660	5,051	6,285
Miscellaneous	647,785	302,042	545,227	598,909
Total	<u>\$ 15,085,043</u>	<u>\$ 14,104,881</u>	<u>\$ 14,091,907</u>	<u>\$ 12,762,217</u>
Disbursements:				
Public safety	\$ 2,315,057	\$ 2,144,553	\$ 1,984,061	\$ 1,779,435
Public works	1,424,544	1,367,808	1,163,999	1,102,168
Health and social services	97,000	135,150	86,000	90,446
Culture and recreation	3,208,940	2,862,412	2,825,660	2,692,700
Community and economic development	898,262	1,097,172	1,033,597	927,060
General government	1,293,854	1,250,373	1,133,334	1,048,025
Debt service	4,168,095	3,952,064	3,844,731	2,956,440
Capital projects	5,468,736	7,091,862	7,854,575	8,901,225
Total	<u>\$ 18,874,488</u>	<u>\$ 19,901,394</u>	<u>\$ 19,925,957</u>	<u>\$ 19,497,499</u>

See accompanying independent auditor's report.

Schedule 8

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 4,914,385	\$ 3,863,587	\$ 3,093,326	\$ 2,430,379	\$ 1,905,108	\$ 1,582,974
1,389,368	2,822,497	2,660,586	2,470,154	1,360,008	1,116,247
269,844	267,057	196,571	161,686	135,396	130,557
501,169	517,615	482,903	617,217	625,439	656,054
162,861	189,544	180,001	190,964	204,647	129,302
883,561	1,078,608	800,564	1,460,925	1,294,642	1,551,835
1,437,878	1,240,283	1,228,972	982,868	1,147,998	995,289
9,620	10,383	24,347	26,182	34,617	31,421
299,628	205,944	313,332	141,640	392,867	364,586
<u>\$ 9,868,314</u>	<u>\$ 10,195,518</u>	<u>\$ 8,980,602</u>	<u>\$ 8,482,015</u>	<u>\$ 7,100,722</u>	<u>\$ 6,558,265</u>
\$ 1,682,165	\$ 1,560,255	\$ 1,424,463	\$ 1,806,083	\$ 881,885	\$ 752,220
1,001,921	1,148,712	1,143,600	967,256	1,025,863	636,329
56,050	70,600	35,020	36,500	34,500	21,000
2,466,178	2,578,532	2,281,120	2,445,972	1,680,594	1,650,909
861,398	619,737	576,163	520,060	325,306	249,352
875,271	739,891	842,771	739,627	541,943	452,215
3,050,069	2,823,582	4,219,859	2,074,465	2,877,794	1,636,989
2,891,519	2,058,032	2,797,451	2,470,613	4,510,561	2,669,922
<u>\$ 12,884,571</u>	<u>\$ 11,599,341</u>	<u>\$ 13,320,447</u>	<u>\$ 11,060,576</u>	<u>\$ 11,878,446</u>	<u>\$ 8,068,936</u>



**Winkel, Parker
& Foster, CPA PC**

Certified Public Accountants & Consultants

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

To the Honorable Mayor and
Members of the City Council
City of North Liberty, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 20, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of North Liberty, Iowa's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures during our audit of the financial statements of the City of North Liberty, Iowa. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of North Liberty, Iowa's Responses to Findings

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

Purpose of this Report

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

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

Winkel, Parker & Foster, CPA PC

Iowa City, Iowa
February 20, 2015

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

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

INSTANCES OF COMPLIANCE

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

Part III. Other Findings Related to Required Statutory Reporting

- III-A-14 **Certified Budget** - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted for all functions.
- III-B-14 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-14 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-14 **Business Transactions with City Officials and Employees** - We noted no transactions between the City and City officials or employees during the year ended June 30, 2014.
- III-E-14 **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

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

- III-F-14 **Publication of Council Minutes** - No transactions were noted from the minutes of the Council meetings that we believe should have been approved by the Council but were not.

Comment - The minutes of the Council meetings of July 23, 2013 and March 11, 2014 were published timely but did not include the list of claims. The list of claims for each of these meetings was published after 15 days after the date of the Council meeting. In addition, the minutes of the Council meeting of January 28, 2014 were published one day late and we noted that the publisher changed the date of publication from Wednesday to Thursday in January 2014.

Recommendation - The minutes of all meetings should be published within 15 days of the meeting date in accordance with Chapter 372.13(6) of the Code of Iowa and should include a list of claims. Prior to submitting the minutes for publication, the minutes file should be reviewed by appropriate staff to ensure that all required information for publication is included and that the minutes are published in a timely manner.

Response - All minutes and claims lists will be published within the required 15 days.

Conclusion - Response accepted.

III-G-14 **Deposits and Investments**

Comment - The maximum depository amount at one of the banks the City is authorized to bank with was exceeded on two occasions during the year. These occasions were very short term and appear to have been caused by significant receipts of property taxes, proceeds from the sale of bonds or transfers of funds to pay for semiannual debt service payments.

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

Response - City staff has monitoring in place on all City accounts. Funds are moved immediately if the deposit limit is exceeded. The deposit limit at this specific bank was raised to accommodate debt service payments.

Conclusion - Response accepted.

- III-H-14 **Revenue Bonds** - No instances of noncompliance with the revenue bond resolutions or other requirements of those bonds were noted.

CITY OF NORTH LIBERTY, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

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

III-I-14 Financial Condition

Comment - The City had deficit balances at June 30, 2014 in two capital projects funds that arose because project and construction costs were incurred prior to the availability of funds.

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

Response - Projects are often funded with cash on hand instead of borrowing until completed, when the final amount needed is determined. Deficit balances are reviewed and eliminated when possible.

Conclusion - Response accepted.

III-J-14 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2013 and no exceptions were noted.

APPENDIX E – BOOK-ENTRY SYSTEM

The information in this Appendix concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC. Neither the Underwriter nor the Issuer take responsibility for the accuracy or completeness thereof, or for any material changes in such information subsequent to the date hereof, or for any information provided at the web sites referenced below. Beneficial Owners should confirm the following with DTC or the Direct Participants (as hereinafter defined). So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references in the Official Statement to the Bondowners or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for series of the Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Direct Participant as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on any payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.