

City of North Liberty
Communications Letter
June 30, 2021

City of North Liberty
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

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

In planning and performing our audit of the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of North Liberty, as of and for the year ended June 30, 2021, 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, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

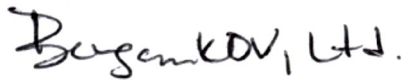
- *Reasonably possible* – the chance of the future event or events occurring is more than remote but less than likely;
- *Probable* – the future event or events are likely to occur. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. The significant deficiency identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated February 11, 2022, on such statements.

This communication is intended solely for the information and use of management and the Members of City Council and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "BergankDV, LTD." with a stylized, cursive-like font.

St. Cloud, Minnesota
February 11, 2022

City of North Liberty Significant Deficiency

Lack of Segregation of Accounting Duties

During the year ended June 30, 2021, the City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. Adequate segregation of accounting duties is in place when the following four areas of a transaction have been separated: authorization, custody, recording, and reconciliation. Examples of functions within the City that demonstrate this lack of segregation of accounting duties include, but are not limited to, the following:

- Cash Disbursements – The Administrative Assistant inputs purchases into the system, prints the checks, and reconciles the bank accounts. An independent review of invoices and/or purchase order is completed before checks are issued.
- Financial Reporting – The Assistant City Administrator is responsible for month-end and year-end reconciliations and reporting and has full access to the accounting system including the ability to make adjustments.

Management and the City Council are aware of this condition and have taken certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

City of North Liberty Required Communication

We have audited the basic financial statements of the governmental activities, each major fund, and discretely presented component unit of the City as of and for the year ended June 30, 2021. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Basic Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with cash basis of accounting. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of basic financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's 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 basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

City of North Liberty Required Communication

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimate affecting the basic financial statements is:

Expense Allocation – The City is currently allocating salaries among Governmental and Enterprise Funds. The costs are allocated based on management's estimates.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit. Management did not identify and we did not notify them of any uncorrected basic financial statement misstatements

City of North Liberty Required Communication

Uncorrected and Corrected Misstatements (Continued)

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, Or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating , and regulatory conditions affecting the City, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Matters

With respect to the supplementary information accompanying the basic financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the other information accompanying the basic financial statements but are not RSI. Such information 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.

City of North Liberty Financial Analysis

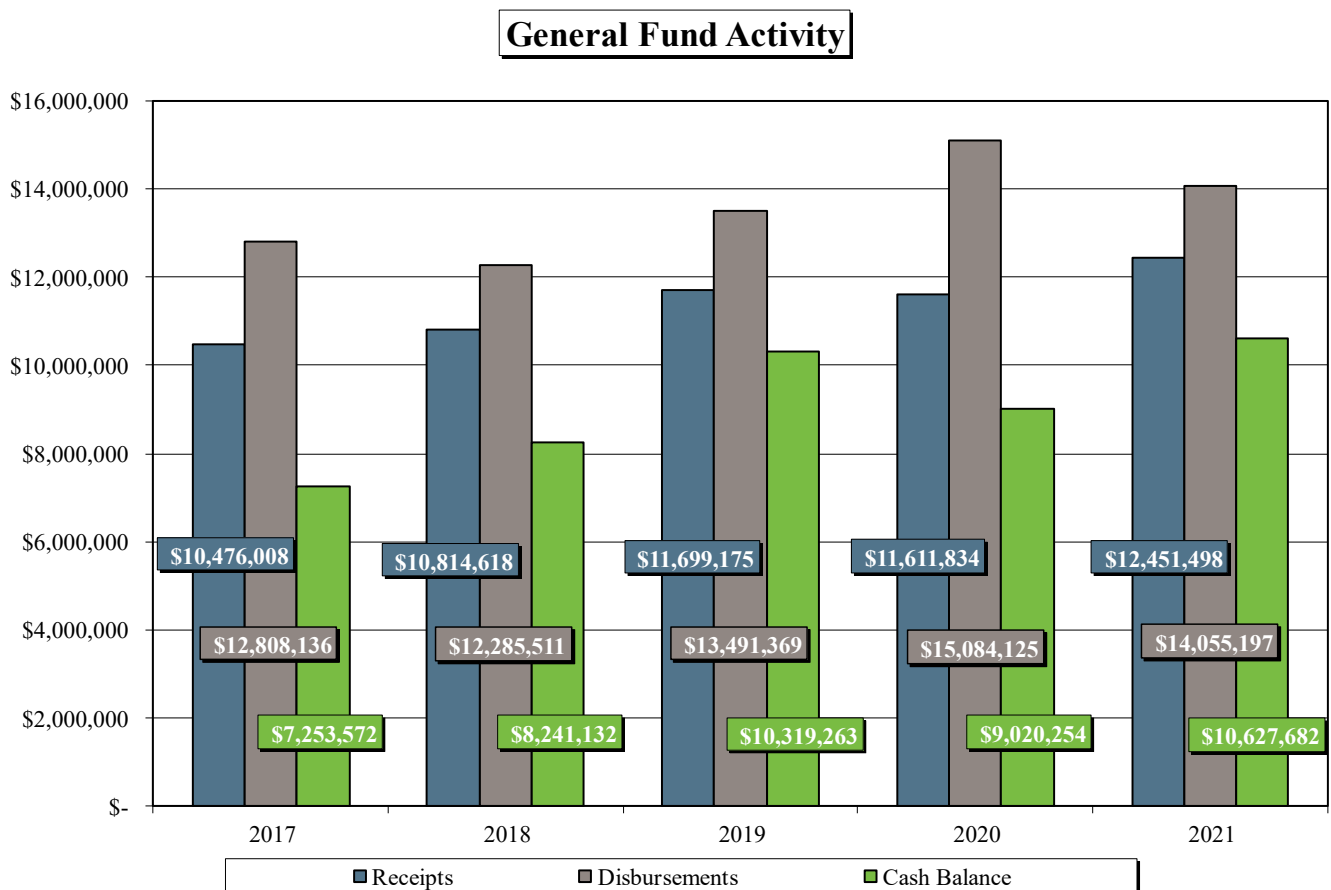
The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance. We suggest you review each graph and document if our analysis is consistent with yours.

General Fund

Disbursements exceeded receipts by \$1,603,699 in 2021, after transfers in and out, and other financing sources, the General Fund cash balance increased by \$1,607,428.

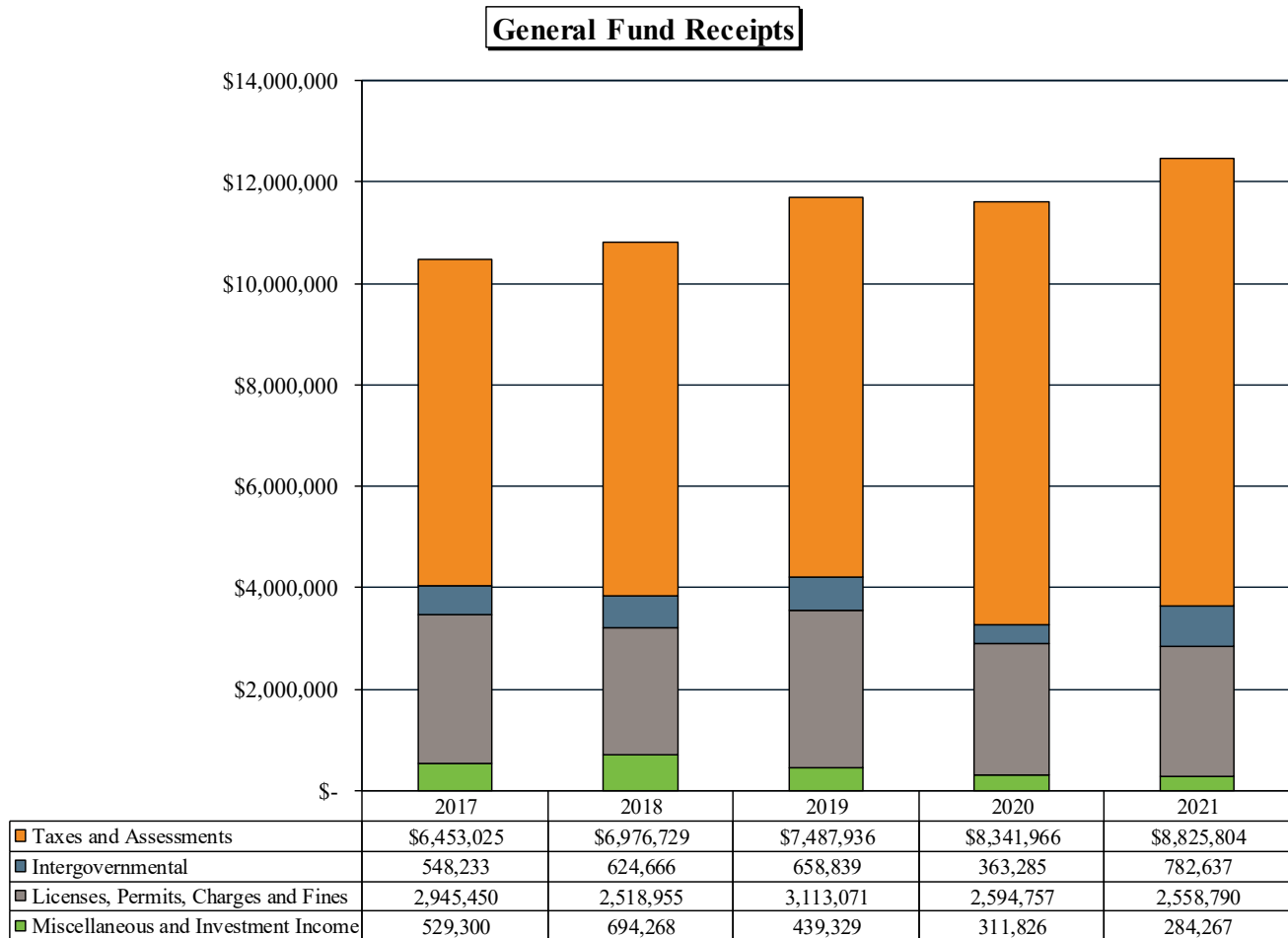
The following bar graph highlights the General Fund operations for the past five years. The receipts and disbursements below do not include other financing sources or uses, such as operating transfers, sale of capital assets, and debt proceeds.

The City's fund balance policy states that the City will have a minimum of 25% of the next year's budgeted revenue in unassigned fund balance. Unassigned fund balance of \$6,243,281 at June 30, 2021, represents 48.4% of revenues based on 2021 revenue levels.



City of North Liberty Financial Analysis

General Fund Receipts

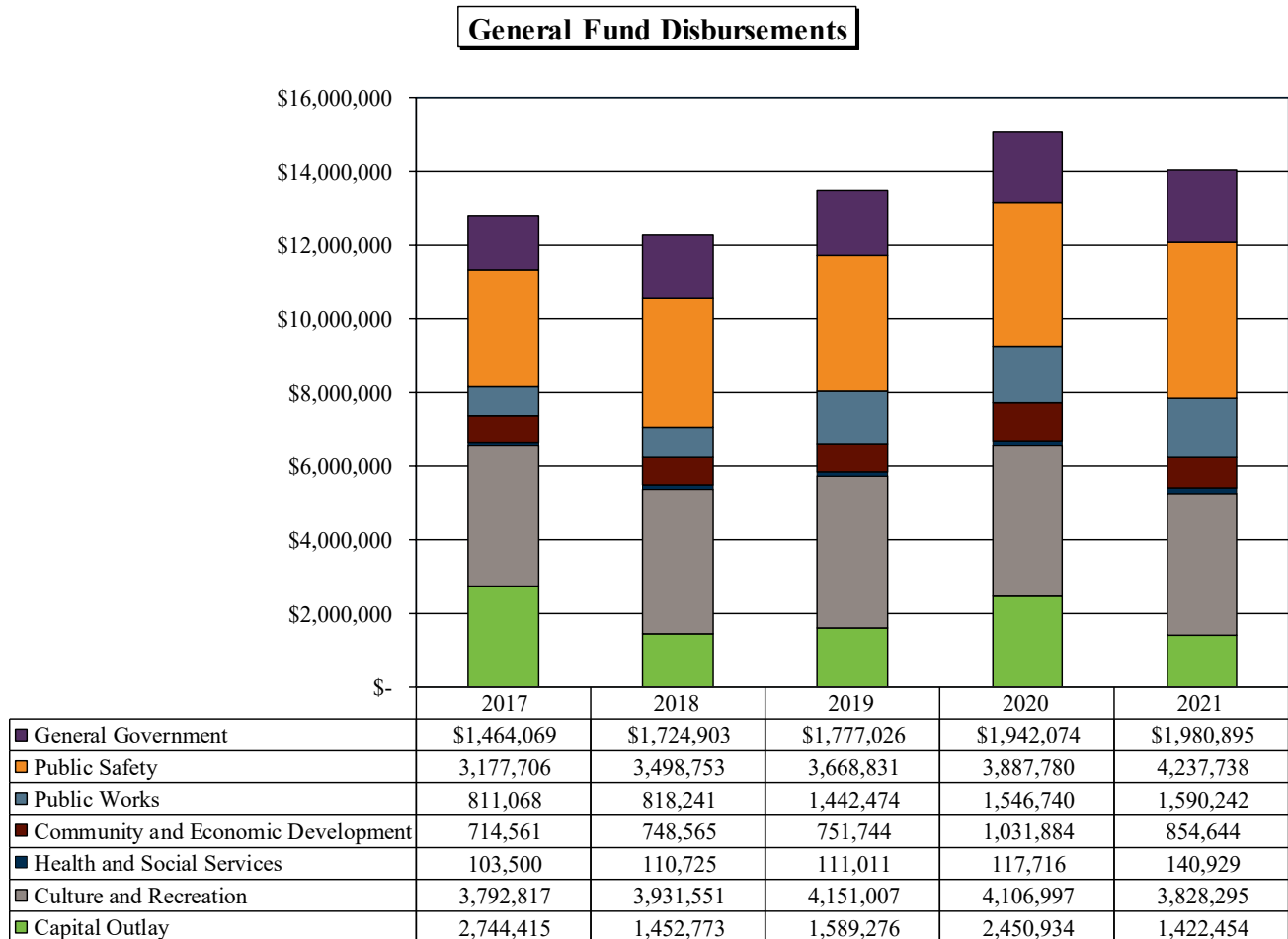


General Fund receipts increased approximately 7.2%, or \$839,664, during 2021. Taxes and assessments receipts increased \$483,838 due to an increase in the levy and a higher levy collection percentage. Intergovernmental receipts increased \$419,352 due to receiving CARES grant funding.

In addition to the receipts discussed above, the General Fund also received cash in the form of net transfers from other funds totaling \$2,729,481 in 2021 as well as \$24,869 from the sale of capital assets and \$456,777 in insurance proceeds.

City of North Liberty Financial Analysis

General Fund Disbursements

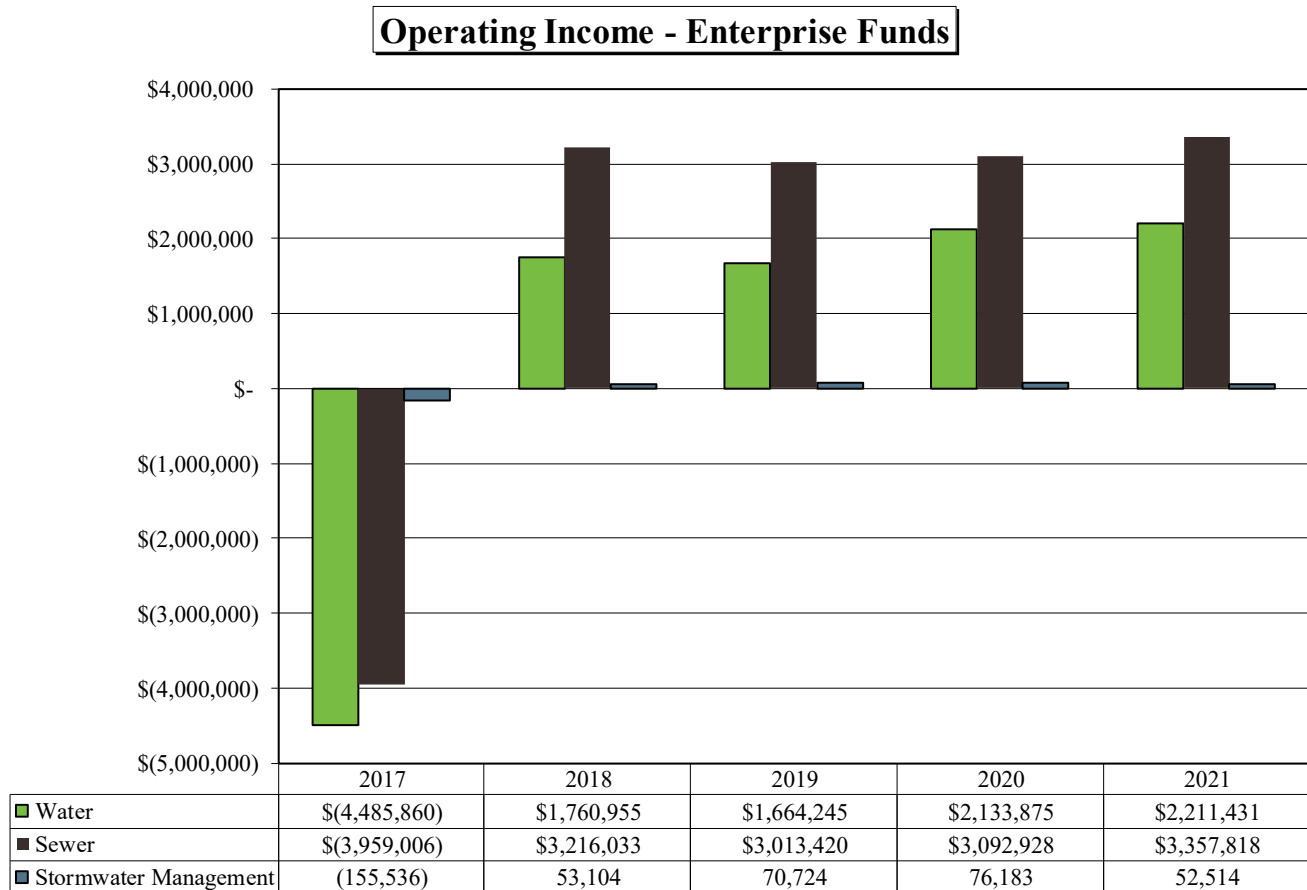


General Fund disbursements decreased in 2021, from \$15,084,125 in 2020 to \$14,055,197 in 2021. This was a decrease of \$1,028,928 or 6.8%. Capital outlay disbursements decreased \$1,028,480 due in part to the purchase of a new pumper tanker for the fire department in 2020. Culture and recreation disbursements decreased \$278,702 due to decreased programming related to the impact of COVID-19. Community and economic development disbursements decreased \$177,240 due to decreased development and a position that was vacant for part of the year. Public safety disbursements increased \$349,958 due to a new officer and fire department employee being hired as well as annual cost of living adjustments and step increases.

City of North Liberty Financial Analysis

Enterprise Funds

The following graph shows the operating income for the Enterprise Funds for the last five years.



In 2021, the Water Fund had an operating income of \$2,211,431, which is an increase of \$77,556 from 2020. The operating income increased slightly due to increased rates, an increase in the number of customers and reporting the utility deposits received in the water fund for the first time in 2021.

The Sewer Fund's 2021 operating income was \$3,357,818, which is an increase of \$264,890 from 2020. This increase in operating income was primarily due to increased usage and number of customers.

The Stormwater Management 2021 operating income was \$52,514, which is a decrease of \$23,669 from 2020. The operating income decreased due to additional storm drainage maintenance costs in 2021.

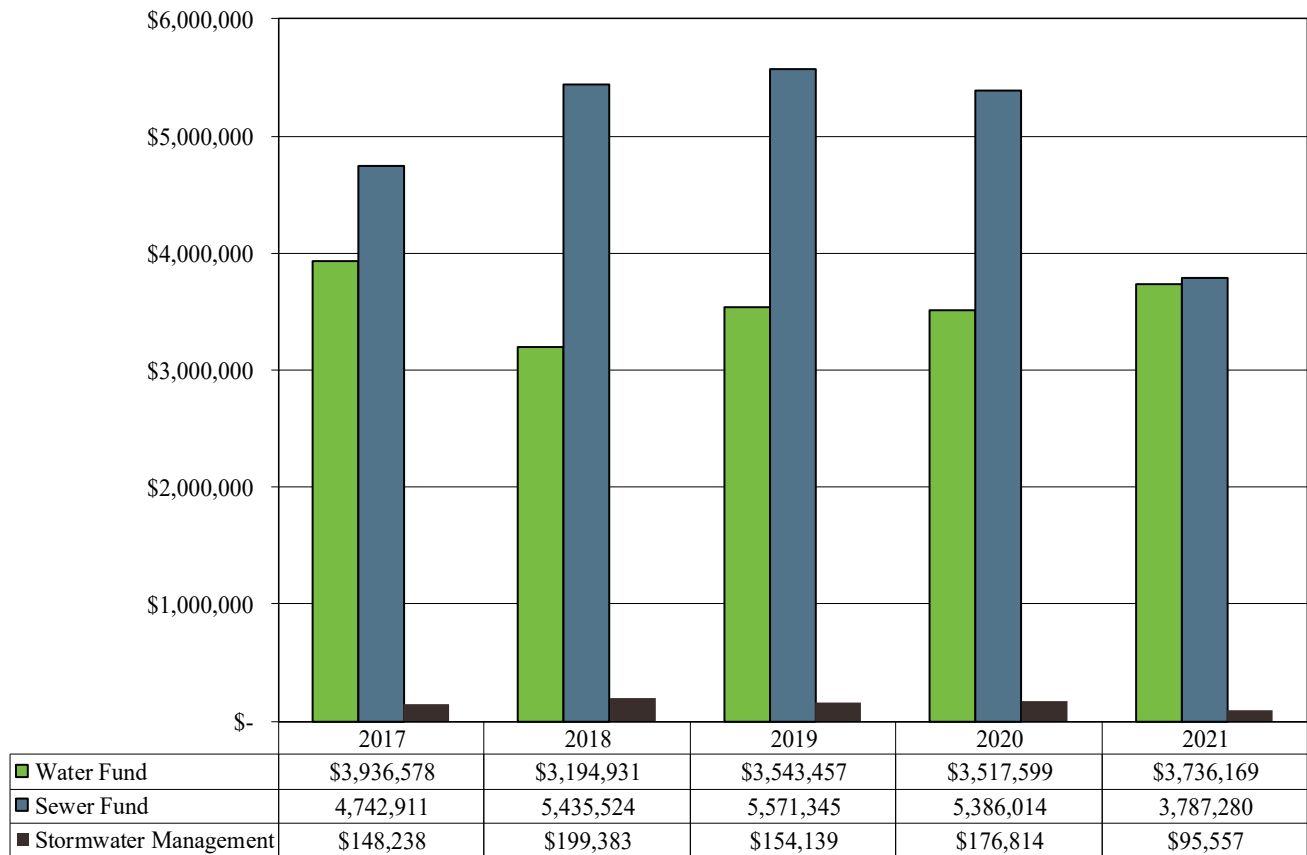
We recommend the City continue to monitor operating costs in the Enterprise Funds to ensure rates are sufficient to provide continued operating income and to cover debt payment requirements.

City of North Liberty Financial Analysis

Enterprise Funds (Continued)

The following graph illustrates the total cash and cash equivalents for the Enterprise Funds for the last five years.

Enterprise Fund Cash Position



Cash balances of the Water Fund have remained relatively consistent for each of the five years presented. Cash balances of the Sewer Fund decreased \$1,598,734 due to costs related to the Southwest growth area project, this cash balance will be replenished by bond issuances in FY22. Cash balances of the Stormwater Management Fund decreased \$81,257 mostly due to a transfer to the general fund to reimburse costs related to stormwater capital costs from prior years.

City of North Liberty

**Independent Auditor's Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings and Responses**

June 30, 2021

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**City of North Liberty
Officials
June 30, 2021**

| <u>Elected Officials</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------|----------------|---------------------|
| Terry Donahue | Mayor | December 2021 |
| Chris Hoffman | Mayor Pro Tem | December 2023 |
| Chris Hoffman | Council Member | December 2023 |
| Brian Wayson | Council Member | December 2021 |
| RaQuishia Harrington | Council Member | December 2023 |
| Brent Smith | Council Member | December 2023 |
| Annie Pollock | Council Member | December 2021 |

City Staff

| | |
|-----------------|---|
| Ryan Heiar | City Administrator |
| Tracey Mulcahey | City Clerk/Assistant City Administrator |
| Debra Hilton | Treasurer |
| Grant Lientz | City Attorney |

Independent Auditor's Report

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

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, 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, 2021, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Basic Financial Statements

The management of the City of North Liberty is responsible for the preparation and fair presentation of these financial statements in accordance with cash basis of accounting discussed 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic 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 entity'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 basic financial statements.

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

Opinions

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business type activities, each major fund, and the aggregate fund information of City of North Liberty as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these basic financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise City of North Liberty's basic financial statements. The basic financial statements for the seven years ended June 30, 2018, (which are not presented herein) were audited by other auditors and they expressed unmodified opinions on those basic financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, 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.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions as listed in the table of contents, 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 11, 2022, on our consideration of the City of North Liberty'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 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 City of North Liberty's internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
February 11, 2022

City of North Liberty 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, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FY 2021 Financial Highlights

- The City began using a new financial system in March 2021. With this system update, the City's chart of accounts was revised to be more succinct and in compliance with the Iowa Chart of Accounts.
- Receipts of the City's governmental activities increased approximately \$1.13 million from FY 2020 to FY 2021. Property tax receipts increased approximately \$500,000, tax increment financing increased approximately \$1.2 million, licenses and permits increased approximately \$221,000 and charges for services decreased approximately \$260,000. Intergovernmental receipts decreased approximately \$1.3 million from FY 2020. There was one sale of a new bond issue in this fiscal year resulting in \$9.1 million in proceeds.
- Receipts of the City's business-type activities increased approximately \$1.4 million from FY 2020 to FY 2021 due to \$994,000 in bond and note proceeds and increased charges for service.
- Disbursements of the City's governmental activities decreased approximately \$8.2 million, or 22.33%, from FY 2020 to FY 2021. Public safety disbursements increased approximately \$350,000, public works disbursements increased approximately \$116,000, health and social service disbursements increased approximately \$23,000, culture and recreation disbursements decreased approximately \$279,000, community and economic development disbursements increased approximately \$39,000 and general government disbursements increased approximately \$39,000. Debt service disbursements decreased by approximately \$2.9 million. Capital project expenditures decreased by approximately \$5.6 million.
- The City's total cash basis net position increased 44.30%, or approximately \$5.5 million, from June 30, 2020 to June 30, 2021. Of this amount, the net position of the governmental activities increased by approximately \$7.3 million and the net position of the business type activities decreased by approximately \$1.8 million.

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.

City of North Liberty Management's Discussion and Analysis

Using This Annual Report (Continued)

Other Information further explains and supports the financial statements with a comparison to the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the General Fund, nonmajor governmental funds, proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

Basis of Accounting

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

Reporting the City's Financial Activities

Government-wide Financial Statement

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

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

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

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

City of North Liberty Management's Discussion and Analysis

Reporting the City's Financial Activities (Continued)

Fund Financial Statements

The City of North Liberty has two kinds of funds:

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.

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

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of financial position. The City's cash basis net position for governmental activities increased from a year ago, from approximately \$3 million to \$10 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

**City of North Liberty
Management's Discussion and Analysis**

Government-Wide Financial Analysis (Continued)

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 \$3 million to \$10 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

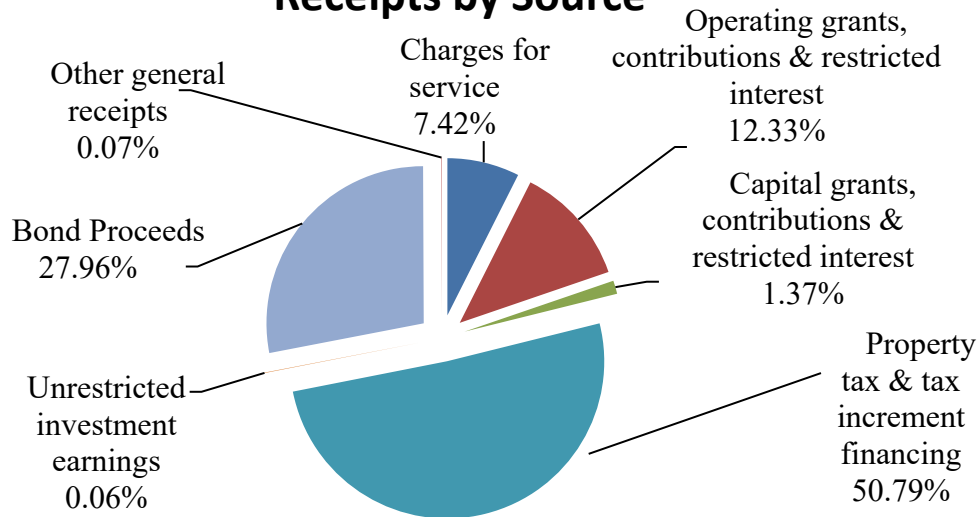
**Changes in Cash Basis Net Position of Government Activities
(Expressed in Thousands)**

| | Year ended June 30, | |
|---|---------------------|------------------|
| | FY 2021 | FY 2020 |
| Receipts | | |
| Program Receipts | | |
| Charges for service | \$ 2,558 | \$ 2,698 |
| Operating grants, contributions and restricted interest | 4,245 | 2,748 |
| Capital grants, contributions and restricted interest | 471 | 3,112 |
| General Receipts | | |
| Property tax and tax increment financing | 17,492 | 16,041 |
| Unrestricted investment earnings | 22 | 39 |
| Bond and loan proceeds | 9,629 | 8,346 |
| Other general receipts | 25 | 333 |
| Total Receipts | <u>\$ 34,442</u> | <u>\$ 33,317</u> |
| Disbursements | | |
| Public safety | \$ 4,238 | \$ 3,888 |
| Public works | 3,022 | 2,906 |
| Health and social services | 141 | 118 |
| Culture and recreation | 3,828 | 4,107 |
| Community and economic development | 1,917 | 1,878 |
| General government | 1,981 | 1,942 |
| Debt service | 6,022 | 8,899 |
| Capital projects | 7,410 | 13,033 |
| Total Disbursements | <u>\$ 28,559</u> | <u>\$ 36,771</u> |
| Change in cash basis net position before transfers | \$5,883 | (\$3,454) |
| Transfers, net | <u>1,455</u> | <u>1,527</u> |
| Change in cash basis net position | \$ 7,338 | \$ (1,927) |
| Cash basis net position, beginning of year | 2,970 | 4,896 |
| Cash basis net position, end of year | <u>\$ 10,308</u> | <u>\$ 2,970</u> |

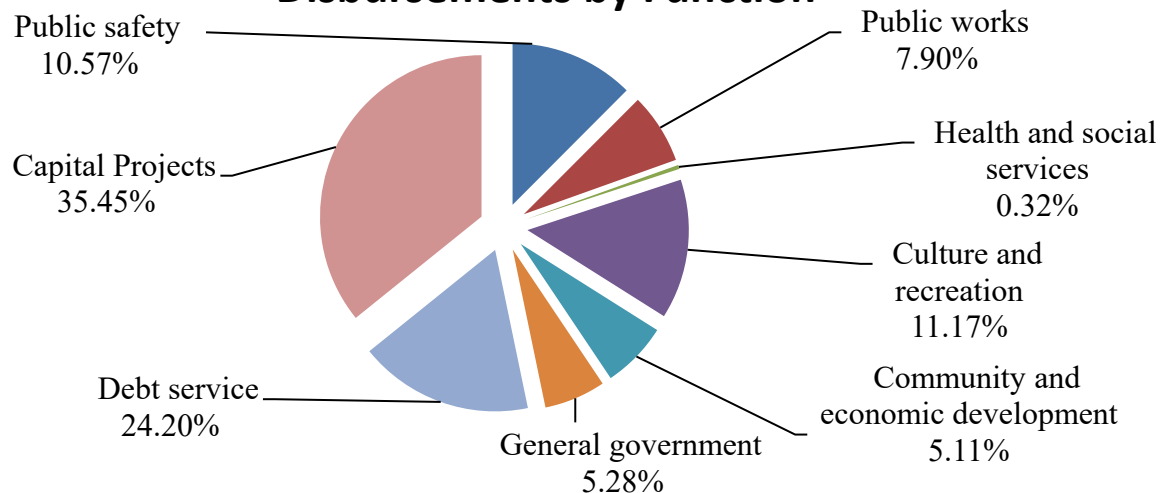
City of North Liberty Management's Discussion and Analysis

Government-Wide Financial Analysis (Continued)

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 3.38%, or approximately \$1,125,000. The total cost of all programs and services provided by the City decreased by approximately \$8,212,000, or 22.33%. No new programs were added. Fewer capital projects and debt payments were made in FY 2021. Some services were offered on a limited basis due to COVID-19 shut downs and limitations reducing costs.

The City maintained the property tax rate for fiscal year 2021. With the growth in the City's taxable property, tax receipts increased approximately \$128,000 in fiscal year 2021. Because of the growth in taxable valuation in the City of North Liberty from \$911,313,796 in FY 2020 to \$927,483,804 in FY 2021, general property tax revenues increased by \$281,000 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 2021 was constant at \$11.03264 from the levy in FY 2020. The balance of the levy was made up of a \$0.93026 debt service levy and a \$2.00238 employee benefits levy.

**City of North Liberty
Management's Discussion and Analysis**

Government-Wide Financial Analysis (Continued)

The cost of all governmental activities this year was approximately \$28,559,000, compared to approximately \$36,771,000 last year. Decreases were seen in Culture and Recreation, Debt Service and Capital Projects. All other categories saw an increase.

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

| | Year Ended June 30, | |
|--|------------------------|------------------------|
| | 2021 | 2020 |
| Receipts | | |
| Program receipts | | |
| Charges for Service | | |
| Water | \$ 4,429 | \$ 4,031 |
| Sanitary Sewer | 5,125 | 4,887 |
| Storm Water | 223 | 224 |
| Utility Deposits | - | 157 |
| General Receipts | | |
| Unrestricted interest on investments | | |
| Water | 10 | 34 |
| Sanitary Sewer | 15 | 48 |
| Storm Water | 1 | 1 |
| Bond and note proceeds | 994 | - |
| Total receipts | <u>\$ 10,797</u> | <u>\$ 9,382</u> |
| Disbursements | | |
| Water | \$ 4,296 | \$ 3,394 |
| Sanitary Sewer | 6,710 | 4,345 |
| Storm Water | 170 | 166 |
| Utility Deposits | - | 147 |
| Total Disbursements | <u>\$ 11,176</u> | <u>\$ 8,052</u> |
| Change in net cash basis net position before transfers | <u>\$ (379)</u> | <u>\$ 1,330</u> |
| Transfers, net | <u>(1,455)</u> | <u>(1,527)</u> |
| Change in cash basis net position | <u>\$ (1,834)</u> | <u>(\$197)</u> |
| Cash basis net position, beginning of year | <u>9,453</u> | <u>9,650</u> |
| Cash basis net position, end of year | <u><u>\$ 7,619</u></u> | <u><u>\$ 9,453</u></u> |

Total business type activities receipts this fiscal year were approximately \$10.80 million compared to approximately \$9.38 million last year. There was one sale of new bond issues during FY 2021. A few small final draws of SRF were made. More capital project costs in the current fiscal year were incurred than the previous fiscal year. The cash basis net position decreased approximately \$1.8 million by using cash on hand to fund capital projects. Total disbursements for the fiscal year increased by approximately \$3.1 million, or 38.8%.

City of North Liberty Management's Discussion and Analysis

Individual Major Governmental Fund Analysis

As North Liberty completed the year, its governmental funds reported a combined fund balance of \$10,307,742, an increase of approximately \$7,338,000 above last year's total of \$2,969,570. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

General Fund

- The General Fund balance increased \$1,607,428 from the prior year to \$10,627,682. Property taxes increased by approximately \$379,000. Licenses and Permits increased by approximately \$221,000 due to an increase in construction. Intergovernmental revenues increased just over \$419,000 due to receipts from other jurisdictions in FY 2021 that were a one-time payment. Charges for service decreased by just over \$257,000. The reduction in programming city wide due to the pandemic resulted in the decrease. Public safety expenditures increased by approximately \$350,000 due to increased personnel costs in police and fire departments including the addition of new employees. Public works costs increased by more than \$43,000 due to increased numbers in the trash and recycling program. Culture and recreation costs decreased approximately \$278,000 due fewer programs and costs due to the pandemic. General Government costs were approximately \$39,000 higher due to personnel costs. Capital project costs for fiscal year 2021 were approximately \$1.0 million lower than in fiscal year 2020.

Special Revenue

- The Special Revenue, Urban Renewal Tax Increment fund cash balance increased by \$333,000. Collections of the tax increment financing receipts increased by approximately \$1.2 million. The City only draws what is necessary to cover costs from this funding source. The additional funds will be used to cover debt owed to the Iowa Department of Transportation for the Forevergreen Road Reconstruction Project
- The Special Revenue, Road Use Tax fund cash balance increased by \$529,146. Revenues increase by approximately \$387,000 and expenses only increased by approximately \$72,000.

Debt Service – General Obligation Debt

- The Debt Service – General Obligation Debt cash balance increased by approximately \$630,522 primarily from drawing funds to pay for projects, like Forevergreen Road.

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

- All Street Capital Project funds were combined into one fund. Street Capital Projects fund cash balance decreased by \$515,198 due to proceeds from bonds and grants for project costs being less than project expenditures in fiscal year 2021.
- Land and Facilities Capital Projects fund cash balance increased by \$1,882,054 due to the bond proceeds for the construction of the police station being received.

City of North Liberty Management's Discussion and Analysis

Individual Major Business Type Fund Analysis

- The Water Enterprise Fund cash basis net position increased \$218,570 to \$3,736,169, due to fewer project costs being funded with cash on hand.
- The Sewer Enterprise Fund cash basis net position decreased \$1,598,734 to \$3,787,280 due to project costs that were funded with cash on hand that will be replenished with future borrowing.

Budgetary Highlights

Over the course of the year, the City amended its budget once.

The actual disbursements for the year were under budget in all categories, other than the debt service category.

Debt Administration

At June 30, 2021, the City had \$80,484,994 in bonds and long-term debt compared to \$81,460,000 last year, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)

| | 2021 | 2020 |
|---------------------------------|------------------|------------------|
| General obligation bonds | \$ 35,225 | \$ 29,970 |
| Rural Economic Development loan | 108 | 144 |
| Road Use Tax revenue bonds | 805 | 925 |
| Revenue bonds | 44,347 | 50,421 |
| Total | <u>\$ 80,485</u> | <u>\$ 81,460</u> |

Total outstanding debt decreased as a result of the new debt issuance being less than payments on the existing debts. There were \$10,623,257 of bonds sold in FY 2021.

The City of North Liberty has a Moody's bond rating of Aa2 assigned by national rating agencies to the City's debt. The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$35,225,000 at June 30, 2021 is significantly below its constitutional debt limit of approximately \$94 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 2022 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 the next fiscal year. Fiscal year 2022 continues the trend of multiple, large capital projects. If all of the budget estimates are realized, the City's budgeted cash balance is expected to remain relatively steady in the upcoming fiscal year. The City Council will continue to review the impact of the COVID-19 pandemic on the financial condition of the city.

**City of North Liberty
Management's Discussion and Analysis**

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.

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BASIC FINANCIAL STATEMENTS

City of North Liberty
Cash Basis Statement of Activities and Net Position
Year Ended June 30, 2021

| Functions/Programs | Disbursements | Program Receipts | | |
|------------------------------------|--------------------------|--------------------------|------------------------------------|----------------------------------|
| | | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities | | | | |
| General government | \$ 1,980,895 | \$ 49,330 | \$ 855,207 | \$ - |
| Public safety | 4,237,738 | 602,820 | 216,805 | - |
| Public works | 3,021,471 | 1,475,724 | 2,778,862 | 471,465 |
| Health and social services | 140,929 | - | - | - |
| Culture and recreation | 3,828,295 | 429,626 | 394,565 | - |
| Community and economic development | 1,917,325 | - | - | - |
| Debt service | 6,022,038 | - | - | - |
| Capital projects | 7,410,437 | - | - | - |
| Total governmental activities | <u>28,559,128</u> | <u>2,557,500</u> | <u>4,245,439</u> | <u>471,465</u> |
| Business-type activities | | | | |
| Water | 4,296,149 | 4,429,006 | - | - |
| Sewer | 6,710,020 | 5,125,345 | - | - |
| Stormwater management | 170,133 | 222,647 | - | - |
| Total business-type activities | <u>11,176,302</u> | <u>9,776,998</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 39,735,430</u> | <u>\$ 12,334,498</u> | <u>\$ 4,245,439</u> | <u>\$ 471,465</u> |

General Receipts, Transfers, and Debt Proceeds

Property and other city tax levied for
 General purposes
 Debt service
 Other purposes
Commercial/industrial tax replacement
Tax increment financing
Unrestricted interest on investments
Sale of capital assets
Transfers
Proceeds from long-term debt
Total general receipts, transfers, and debt proceeds

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

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

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (1,076,358) | \$ - | \$ (1,076,358) |
| (3,418,113) | - | (3,418,113) |
| 1,704,580 | - | 1,704,580 |
| (140,929) | - | (140,929) |
| (3,004,104) | - | (3,004,104) |
| (1,917,325) | - | (1,917,325) |
| (6,022,038) | - | (6,022,038) |
| (7,410,437) | - | (7,410,437) |
| <u>(21,284,724)</u> | <u>-</u> | <u>(21,284,724)</u> |
| - | 132,857 | 132,857 |
| - | (1,584,675) | (1,584,675) |
| - | 52,514 | 52,514 |
| <u>-</u> | <u>(1,399,304)</u> | <u>(1,399,304)</u> |
| <u>(21,284,724)</u> | <u>(1,399,304)</u> | <u>(22,684,028)</u> |
| 7,765,973 | - | 7,765,973 |
| 1,102,997 | - | 1,102,997 |
| 2,300,761 | - | 2,300,761 |
| 335,127 | - | 335,127 |
| 5,987,424 | - | 5,987,424 |
| 21,829 | 25,480 | 47,309 |
| 24,869 | - | 24,869 |
| 1,454,537 | (1,454,537) | - |
| <u>9,629,379</u> | <u>993,878</u> | <u>10,623,257</u> |
| <u>28,622,896</u> | <u>(435,179)</u> | <u>28,187,717</u> |
| 7,338,172 | (1,834,483) | 5,503,689 |
| <u>2,969,570</u> | <u>9,453,489</u> | <u>12,423,059</u> |
| <u>\$ 10,307,742</u> | <u>\$ 7,619,006</u> | <u>\$ 17,926,748</u> |

See notes to basic financial statements.

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City of North Liberty
Cash Basis Statement of Activities and Net Position
Year Ended June 30, 2021

| | Primary Government | | |
|--------------------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business Type Activities | Total |
| Cash Basis Net Position | | | |
| Restricted | | | |
| Nonexpendable | | | |
| Utility deposits | \$ - | \$ 343,833 | \$ 343,833 |
| Expendable | | | |
| Streets | 2,369,075 | - | 2,369,075 |
| Urban renewal purposes | 2,552,776 | - | 2,552,776 |
| Debt service | 1,828,185 | 2,143,956 | 3,972,141 |
| Hotel/motel tax | 32,753 | - | 32,753 |
| Tree purchases | 4,333 | - | 4,333 |
| Police | 83,570 | - | 83,570 |
| Housing rehabilitation | 21,246 | - | 21,246 |
| Capital projects | - | 441,365 | 441,365 |
| Unrestricted | 3,415,804 | 4,689,852 | 8,105,656 |
| Total cash basis net position | <u>\$ 10,307,742</u> | <u>\$ 7,619,006</u> | <u>\$ 17,926,748</u> |

City of North Liberty
Statement of Cash Receipts, Disbursements, and
Changes in Cash Fund Balances -
Governmental Funds
Year Ended June 30, 2021

| | | Special Revenue | | Debt Service |
|--|---------------|---|-----------------------|-----------------------|
| | General | Urban Renewal Tax Increment (125) | Road Use Tax (110) | Debt Service (200) |
| Receipts | | | | |
| General property taxes | \$ 7,765,973 | \$ - | \$ - | \$ 1,102,997 |
| Tax increments | - | 5,987,424 | - | - |
| Commercial and industrial tax replacement | 335,127 | - | - | - |
| Other city tax | 724,704 | - | - | - |
| Licenses and permits | 519,717 | - | - | - |
| Intergovernmental | 782,637 | - | 2,738,669 | - |
| Charges for services | 2,039,073 | - | - | - |
| Use of money and property | 20,769 | - | - | - |
| Miscellaneous | 263,498 | - | - | - |
| Total receipts | 12,451,498 | 5,987,424 | 2,738,669 | 1,102,997 |
| Disbursements | | | | |
| Current | | | | |
| General government | 1,980,895 | - | - | - |
| Public safety | 4,237,738 | - | - | - |
| Public works | 1,590,242 | - | 1,431,229 | - |
| Health and social services | 140,929 | - | - | - |
| Community and economic development | 854,644 | 1,062,681 | - | - |
| Culture and recreation | 3,828,295 | - | - | - |
| Debt service | | | | |
| Principal and interest | - | - | - | 5,065,000 |
| Interest and fiscal charges | - | - | - | 957,038 |
| Capital outlay | | | | |
| General government | 25,164 | - | - | - |
| Public safety | 141,765 | - | - | - |
| Public works | 455,025 | - | - | - |
| Economic development | - | - | - | - |
| Culture and recreation | 800,500 | - | - | - |
| Total disbursements | 14,055,197 | 1,062,681 | 1,431,229 | 6,022,038 |
| Excess of receipts over (under) disbursements | (1,603,699) | 4,924,743 | 1,307,440 | (4,919,041) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital asset | 24,869 | - | - | - |
| Proceeds from long-term debt | - | - | - | 19,266 |
| Bond premium | - | - | - | - |
| Insurance proceeds | 456,777 | - | - | - |
| Transfers in | 2,849,864 | - | - | 5,530,297 |
| Transfers out | (120,383) | (4,591,557) | (778,294) | - |
| Total other financing sources (uses) | 3,211,127 | (4,591,557) | (778,294) | 5,549,563 |
| Net change in cash fund balances | 1,607,428 | 333,186 | 529,146 | 630,522 |
| Cash Fund Balances | | | | |
| Beginning of year | 9,020,254 | 1,681,769 | 1,839,929 | 1,047,923 |
| End of year | \$ 10,627,682 | \$ 2,014,955 | \$ 2,369,075 | \$ 1,678,445 |

See notes to basic financial statements.

| Debt Service | | Capital Projects | | | |
|-------------------------------|--------------------------------------|----------------------------------|------------------------------|--------------------------------|--------------------------------|
| Road Use Tax- Bond Reserve | Highway 965 Improvements (315) | Street Capital Projects (301) | Land and Facilities (304) | Other Governmental Funds | Total Governmental Funds |
| \$ - | \$ - | \$ - | \$ - | \$ 1,932,926 | \$ 10,801,896 |
| - | - | - | - | - | 5,987,424 |
| - | - | - | - | - | 335,127 |
| - | - | - | - | - | 724,704 |
| - | - | - | - | - | 519,717 |
| - | - | 61,732 | - | 2,568 | 3,585,606 |
| - | - | - | - | - | 2,039,073 |
| - | - | - | - | 1,060 | 21,829 |
| - | - | 38,898 | - | 13,966 | 316,362 |
| - | - | 100,630 | - | 1,950,520 | 24,331,738 |
| - | - | - | - | - | 1,980,895 |
| - | - | - | - | - | 4,237,738 |
| - | - | - | - | - | 3,021,471 |
| - | - | - | - | - | 140,929 |
| - | - | - | - | - | 1,917,325 |
| - | - | - | - | - | 3,828,295 |
| - | - | - | - | - | 5,065,000 |
| - | - | - | - | - | 957,038 |
| - | - | - | - | - | 25,164 |
| - | - | - | - | - | 141,765 |
| - | - | 4,742,978 | 1,148,103 | - | 6,346,106 |
| - | - | - | - | 60,500 | 60,500 |
| - | - | - | - | 36,402 | 836,902 |
| - | - | 4,742,978 | 1,148,103 | 96,902 | 28,559,128 |
| - | - | (4,642,348) | (1,148,103) | 1,853,618 | (4,227,390) |
| - | - | - | - | - | 24,869 |
| - | - | 5,356,072 | 2,893,028 | 881,584 | 9,149,950 |
| - | - | 479,429 | - | - | 479,429 |
| - | - | - | - | - | 456,777 |
| - | 2,243,956 | 535,605 | 137,129 | 120,383 | 11,417,234 |
| - | - | (2,243,956) | - | (2,228,507) | (9,962,697) |
| - | 2,243,956 | 4,127,150 | 3,030,157 | (1,226,540) | 11,565,562 |
| - | 2,243,956 | (515,198) | 1,882,054 | 627,078 | 7,338,172 |
| 149,740 | (2,243,956) | (4,298,836) | (4,556,427) | 329,174 | 2,969,570 |
| \$ 149,740 | \$ - | \$ (4,814,034) | \$ (2,674,373) | \$ 956,252 | \$ 10,307,742 |

City of North Liberty
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Governmental Funds
Year Ended June 30, 2021

| | | Special Revenue | | Debt Service |
|------------------------------------|---------------|---|-----------------------|-----------------------|
| | | Urban Renewal Tax Increment (125) | Road Use Tax (110) | Debt Service (200) |
| Cash Basis Fund Balances | | | | |
| Restricted for | | | | |
| Street operations | \$ - | \$ - | \$ 2,369,075 | \$ - |
| Urban renewal purposes | - | 2,014,955 | - | - |
| Urban renewal projects | - | - | - | - |
| Debt service | - | - | - | 1,678,445 |
| Hotel/motel tax | 32,753 | - | - | - |
| Tree purchases | 4,333 | - | - | - |
| Police capital equipment purchases | 29,682 | - | - | - |
| Housing rehabilitation | 21,246 | - | - | - |
| Assigned for | | | | |
| Capital equipment purchases | 1,863,528 | - | - | - |
| Capital projects | 2,257,727 | - | - | - |
| FY22 general fund deficit | 94,096 | - | - | - |
| Miscellaneous projects | 81,036 | - | - | - |
| Unassigned | 6,243,281 | - | - | - |
| Total cash fund balances | \$ 10,627,682 | \$ 2,014,955 | \$ 2,369,075 | \$ 1,678,445 |

| <u>Debt Service</u> | <u>Capital Projects</u> | | | |
|--|--|--------------------------------------|---|---|
| <u>Road Use Tax - Bond Reserve</u> | <u>Street Capital Projects (301)</u> | <u>Land and Facilities (304)</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 2,369,075 |
| - | - | - | - | 2,014,955 |
| - | - | - | 537,821 | 537,821 |
| 149,740 | - | - | - | 1,828,185 |
| - | - | - | - | 32,753 |
| - | - | - | - | 4,333 |
| - | - | - | 53,888 | 83,570 |
| - | - | - | - | 21,246 |
| - | - | - | - | 1,863,528 |
| - | - | - | 364,543 | 2,622,270 |
| - | - | - | - | 94,096 |
| - | - | - | - | 81,036 |
| - | (4,814,034) | (2,674,373) | - | (1,245,126) |
| <u>\$ 149,740</u> | <u>\$ (4,814,034)</u> | <u>\$ (2,674,373)</u> | <u>\$ 956,252</u> | <u>\$ 10,307,742</u> |

City of North Liberty
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances -
Proprietary Funds
Year Ended June 30, 2021

| | Enterprise Funds | | | | |
|---|---------------------|---------------------|------------------------|----------------------------------|---------------------|
| | Water (600-605) | Sewer (610-614) | Utility Deposits (280) | Storm Water Management (740-741) | Total |
| Operating Receipts | | | | | |
| Charges for services | \$ 4,241,820 | \$ 5,036,297 | \$ - | \$ 222,516 | \$ 9,500,633 |
| Miscellaneous | 187,186 | 89,048 | - | 131 | 276,365 |
| Total operating receipts | 4,429,006 | 5,125,345 | - | 222,647 | 9,776,998 |
| Operating Disbursements | | | | | |
| Business type activities | 2,217,575 | 1,767,527 | - | 170,133 | 4,155,235 |
| Excess of operating receipts over operating disbursements | 2,211,431 | 3,357,818 | - | 52,514 | 5,621,763 |
| Nonoperating Receipts (Disbursements) | | | | | |
| Interest on investments | 10,356 | 14,673 | - | 451 | 25,480 |
| Debt service | (1,727,291) | (1,744,017) | - | - | (3,471,308) |
| Capital projects | (351,283) | (3,198,476) | - | - | (3,549,759) |
| Total nonoperating receipts (disbursements) | (2,068,218) | (4,927,820) | - | 451 | (6,995,587) |
| Excess of receipts over (under) disbursements | 143,213 | (1,570,002) | - | 52,965 | (1,373,824) |
| Other Financing Sources (Uses) | | | | | |
| State Revolving Fund loan draws | 126,089 | - | - | 12,505 | 138,594 |
| Bond proceeds | - | 855,284 | - | - | 855,284 |
| Transfers in | 544,273 | - | - | - | 544,273 |
| Transfers out | (595,005) | (884,016) | (373,062) | (146,727) | (1,998,810) |
| Total other financing sources (uses) | 75,357 | (28,732) | (373,062) | (134,222) | (460,659) |
| Change in cash balances | \$ 218,570 | \$ (1,598,734) | \$ (373,062) | \$ (81,257) | \$ (1,834,483) |
| Cash Balances | | | | | |
| Beginning of year | 3,517,599 | 5,386,014 | 373,062 | 176,814 | 9,453,489 |
| End of year | <u>\$ 3,736,169</u> | <u>\$ 3,787,280</u> | <u>\$ -</u> | <u>\$ 95,557</u> | <u>\$ 7,619,006</u> |
| Cash Basis Fund Balances | | | | | |
| Restricted for | | | | | |
| Debt service | \$ 1,365,865 | \$ 778,091 | \$ - | \$ - | \$ 2,143,956 |
| Capital projects | 441,365 | - | - | - | 441,365 |
| Utility deposits | 343,833 | - | - | - | 343,833 |
| Unrestricted | 1,585,106 | 3,009,189 | - | 95,557 | 4,689,852 |
| Total cash basis fund balances | <u>\$ 3,736,169</u> | <u>\$ 3,787,280</u> | <u>\$ -</u> | <u>\$ 95,557</u> | <u>\$ 7,619,006</u> |

City of North Liberty
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity and Jointly Governed Organizations

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

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

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the 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:

Non-expendable restricted net position is subject to externally imposed stipulations which requires the cash balances to be maintained permanently by the City, including customer utility deposits.

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

City of North Liberty
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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 basic 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:

General Fund – This 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 not paid from other funds.

Special Revenue:

Urban Renewal Tax Increment Fund – This fund is used to account for urban renewal projects and repayment of general obligation debt attributable to urban renewal purposes financed by tax increment financing collections.

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

Debt Service:

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.

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 bond.

City of North Liberty
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Capital Projects:

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

Street Capital Projects Fund – This fund is used to account for improvements to other streets within the City.

Land and Facilities Fund – This fund is used to account for improvements to city owned land and facilities.

The City reports the following major proprietary funds:

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

Sewer Enterprise Fund – This fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Utility Deposits Fund – This fund accounts for the receipt and disbursement of utility deposits.

Storm Water Management Enterprise Fund – This fund accounts for the operation and maintenance of the City's storm 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 basic 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 basic financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally expected in the United States of America.

Under the terms of grant agreements, the City funds certain programs by 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 program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general 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.

City of North Liberty
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating receipts and disbursements from non-operating 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 non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

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

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

Committed – Amounts that have been approved by the City Council in the adopted budget or through other appropriate measures like approving additional expenditures for a capital project or purchase.

Assigned – Amounts which the City Council or City Administrator designates to use for future projects or equipment purchases.

Unassigned – All amounts not included in the preceding classifications.

The City shall maintain a minimum unassigned general fund balance of 25% and a maximum of 30% of the following year's revenue budget amount to be used for cash flow purposes unanticipated expenditures of a non-recurring nature, or to meet unexpected increase in service delivery costs.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Tax and Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2019, to compute the amounts which became liens on property on July 1, 2020. These taxes were due and payable in two installments on September 30, 2020 and March 31, 2021, at the Johnson County Treasurer's offices. 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, 2021, 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.

City of North Liberty
Notes to Basic Financial Statements

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

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

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

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

Custodial Credit Risk – Deposits: The City has a policy to only make deposits in the state of Iowa where deposits are covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The City's deposits in banks at June 30, 2021, 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 had \$449,278 in certificates of deposit and \$17,477,470 in checking and savings accounts at June 30, 2021.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes, general obligation bonds, and revenue bonds of the City are as follows.

| Year Ending June 30, | G.O. Bonds and Notes | | Road Use Tax Revenue Bonds | |
|-------------------------|----------------------|---------------------|-------------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$ 5,135,000 | \$ 772,527 | \$ 125,000 | \$ 21,440 |
| 2023 | 5,175,000 | 662,672 | 130,000 | 18,690 |
| 2024 | 4,805,000 | 550,153 | 130,000 | 15,570 |
| 2025 | 4,125,000 | 443,713 | 135,000 | 12,190 |
| 2026 | 3,860,000 | 355,013 | 140,000 | 8,410 |
| 2027-2031 | 10,695,000 | 832,679 | 145,000 | 4,350 |
| 2032 | 1,430,000 | 28,600 | - | - |
| Total | <u>\$ 35,225,000</u> | <u>\$ 3,645,357</u> | <u>\$ 805,000</u> | <u>\$ 80,650</u> |

City of North Liberty
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

| Year Ending June 30, | Enterprise Fund Revenue Bonds | | Total | |
|-------------------------|-------------------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$ 2,478,000 | \$ 531,432 | \$ 7,738,000 | \$ 1,325,399 |
| 2023 | 2,513,000 | 679,675 | 7,818,000 | 1,361,037 |
| 2024 | 2,345,000 | 626,305 | 7,280,000 | 1,192,028 |
| 2025 | 2,750,154 | 580,639 | 7,010,154 | 1,036,542 |
| 2026 | 2,810,000 | 527,039 | 6,810,000 | 890,462 |
| 2027-2031 | 13,860,840 | 1,901,927 | 24,700,840 | 2,738,956 |
| 2032-2036 | 14,551,000 | 865,098 | 15,981,000 | 893,698 |
| 2037 | 3,039,000 | 44,400 | 3,039,000 | 44,400 |
| Total | <u>\$ 44,346,994</u> | <u>\$ 5,756,515</u> | <u>\$ 80,376,994</u> | <u>\$ 9,482,522</u> |

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

The City has issued several general obligation urban renewal corporate purpose (tax increment financing) bonds for the purpose of defraying a portion of the costs of various construction and refurbishment projects within the City's urban renewal districts. Portions of certain other issued general obligation bonds were for the same purposes. The bonds are payable in part, or in full, from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF districts and which are credited to the Special Revenue - Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds from the sales of the bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal areas. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2021, the outstanding amounts on these bonds totaled approximately \$16,095,000, which are payable through June 1, 2032. Total interest remaining payable on the bonds at June 30, 2021, was approximately \$1,828,368. During the year, principal and interest paid on these bonds totaled approximately \$2,860,000 and \$427,559, respectively. Tax increment financing receipts during the year were \$5,987,424.

B. Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay four outstanding water revenue bond issues totaling \$20,288,154. The bonds were issued between November 2012 and October 2020. Proceeds from the sales of the bonds provided financing for the construction of several water system improvement projects in the City and to refinance the 2008 water revenue bonds. The bonds are payable solely from water customer defined net receipts and are payable through June 2037. Annual principal and interest payments on the bonds are expected to require less than 80 percent of defined net receipts. At June 30, 2021, total principal and interest remaining to be paid on the bonds was \$23,467,083. Principal and interest paid on all bonds totaled \$1,290,000 and \$385,929, respectively. Total defined water operating net receipts during the year were \$2,211,431.

City of North Liberty
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

B. Revenue Bonds (Continued)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay five sewer revenue bond issues totaling \$24,058,840. The bonds were issued between August 2007 and October 2020. Proceeds from the sales of the bonds provided financing for the construction of and improvements to the wastewater treatment plant and for soil quality restoration projects. The bonds are payable solely from sewer customer defined net receipts and are payable through June 2037. Annual principal and interest payments on the bonds are expected to require less than 52% of defined net receipts. At June 30, 2021, total principal and interest remaining to be paid on the bonds was \$26,636,426. Principal and interest paid on all bonds totaled \$1,329,000 and \$353,132, respectively. Total defined sewer operating net receipts during the year were \$3,357,818.

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

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

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

- (d) All funds remaining in the sewer rental and water utilities accounts after the payments of all maintenance and operating expenses and required transfers shall be placed in separate water and sewer revenue surplus accounts. These accounts are restricted for the purpose of paying any deficiency in the sinking funds. As long as the sinking funds have the full amount required to be deposited, any balance in the surplus funds may be made available to the City as the Council may from time to time direct.
- (e) User rates shall be established at a level which produces and maintains defined net receipts at the following levels:

Water - equal to at least 120% of the average amount that will come due in any fiscal year during the life of the water revenue bond issues and only during years in which water revenue bonds not funded by the State Revolving Fund are outstanding.

City of North Liberty
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

B. Revenue Bonds (Continued)

Sewer - equal to at least 125% of the average amount that will come due in any fiscal year during the life of the sewer revenue bond issues, and equal to at least 125% of the maximum amount that will come due in any fiscal year during the life of the sewer revenue bonds. On and after June 1, 2026, these percentages decrease to 110% for all outstanding sewer revenue bond issues.

Interest Rate Reduction

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

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, 2021, total principal and interest remaining to be paid on the bonds was \$885,650. During the year, principal and interest paid on the bonds totaled \$120,000 and \$23,840, respectively.

C. 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 \$36,000 beginning May 8, 2015 and continuing annually thereafter until final payment on May 8, 2022. There is an annual administrative fee of 1 % based on the outstanding principal balance. During the year ended June 30, 2021, \$36,000 was paid on the loan and the balance of the loan at June 30, 2021, was \$108,000.

Annual maturities of the loan at June 30, 2021 are as follows:

| | |
|-------|--------------------------|
| 2022 | \$ 36,000 |
| 2023 | 36,000 |
| 2024 | <u>36,000</u> |
| Total | <u><u>\$ 108,000</u></u> |

NOTE 4 - PENSION PLAN

A. Plan Description

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

City of North Liberty
Notes to Basic Financial Statements

NOTE 4 - PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

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

B. Pension Benefits

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate protection occupation member's monthly IPERS benefits include:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but no more than 30 years of services.
- The member's highest three-year average salary.

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

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

City of North Liberty
Notes to Basic Financial Statements

NOTE 4 - PENSION PLAN (CONTINUED)

C. Disability and Death Benefits

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

D. Contributions

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

In fiscal year 2021, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll for a total of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021, totaled \$675,249.

E. Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City reported a liability of \$4,517,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contribution to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.062320%, which was an increase of 0.002461% from its proportion measured as of June 30, 2019. At June 30, 2020, the City's Protection occupations proportion was 0.519529%, which was an increase of 0.038527% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$920,984, \$1,367,288, and \$109,470, respectively.

There were no non-employer contributing entities to IPERS.

City of North Liberty
Notes to Basic Financial Statements

NOTE 4 - PENSION PLAN (CONTINUED)

F. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-------------------------------------|--|
| Rate of inflation | |
| (effective June 30, 2017) | 2.60% per annum |
| Rate of salary increase | 3.25 to 16.25% average, including inflation. |
| (effective June 30, 2017) | Rates vary by membership group |
| Long-term investment rate of return | 7.00% compounded annually, net of investment |
| (effective June 30, 2017) | expense, including inflation |
| Wage Growth | 3.25% per annum, based on 2.6% inflation |
| (effective June 30, 2017) | and 0.65% real wage inflation |

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience study dated March 24, 2017, and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Health Annuitant Tables with MP-2017 generational adjustments.

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

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|------------------|---|
| Domestic equity | 22.0 % | 4.43 % |
| International equity | 17.5 | 5.15 |
| Global smart beta equity | 6.0 | 4.89 |
| Core plus fixed income | 28.0 | (0.29) |
| Public credit | 4.0 | 2.29 |
| Cash | 1.0 | (0.78) |
| Private equity | 11.0 | 6.54 |
| Private real assets | 7.5 | 4.48 |
| Private credit | 3.0 | 3.11 |
| Total | 100.0 % | |

City of North Liberty
Notes to Basic Financial Statements

NOTE 4 - PENSION PLAN (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1% Decrease in Discount Rate (6.00%) | Current Discount Rate (7.00%) | 1% Increase in Discount Rate (8.00%) |
|--|--|-------------------------------------|--|
| City's proportionate share of the net pension liability | \$ 8,635,571 | \$ 4,517,056 | \$ 1,065,176 |

I. IPERS Fiduciary Net Position

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

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon retirement, termination or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|-------------------|
| Compensatory time | \$ 29,232 |
| Sick leave | 101,467 |
| Vacation | 426,056 |
| Total | <u>\$ 556,755</u> |

This liability has been computed based on rates of pay as of June 30, 2021.

Sick leave is payable when used. Upon retirement, a percentage of unused sick pay is paid out to the retiree. It is not paid upon termination or death.

City of North Liberty
Notes to Basic Financial Statements

NOTE 6 – SOLID WASTE DISPOSAL CONTRACT

An agreement between the City and Johnson County Refuse for the period July 1, 2018 through June 30, 2028, provides the City and its citizens with solid waste collection and disposal services. The agreement providing for the services includes the following provisions:

- (a) The City shall pay the contractor a monthly charge (\$4.85 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.
- (c) The City shall pay the contractor a monthly charge for garbage collection services:
 - 1. \$7.65 for bi-weekly pickup of a 35-gallon container.
 - 2. \$12.65 for weekly pick up of a 35-gallon container.
 - 3. \$14.65 for weekly pickup of a 65-gallon container.

NOTE 7 – TRANSIT SERVICES CONTRACT

An agreement for the period July 1, 2013 through June 30, 2014, between the City and the City of Coralville, provides the City and its citizens with limited transit services. The agreement providing for these services includes the following provisions:

- (a) The City shall pay the City of Coralville a monthly charge for the operating cost per hour for the number of hours of transit services provided each month.
- (b) The City shall pay the City of Coralville for the amount the City of Coralville pays to Johnson County SEATS for paratransit services provided to citizens of the City of North Liberty.
- (c) All fares collected shall be kept by the City of Coralville.
- (d) The agreement will automatically be renewed on a year-to-year basis unless one party gives notice to the other party no later than November 1 in a given year of its intent to terminate the agreement.

NOTE 8 – CONSTRUCTION CONTRACTS

The City has entered into various contracts with construction companies totaling approximately \$12,000,000. The unpaid balances at June 30, 2021 totaled approximately \$9,000,000, which will be paid as work on the projects progresses.

NOTE 9 – DEFICIT FUND BALANCES

The following Funds had deficit fund balances at June 30, 2021:

| Fund | Amount |
|-------------------------|----------------|
| Major Funds | |
| Street capital projects | \$ (4,814,034) |
| Land and facilities | (2,674,373) |

City of North Liberty
Notes to Basic Financial Statements

NOTE 9 – DEFICIT FUND BALANCES (CONTINUED)

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

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – LEASE COMMITMENTS

The City entered into a lease agreement effective July 1, 2021 to lease commercial space for the City administration office and Council chambers for the period July 1, 2021 to June 30, 2024. This agreement supersedes a lease agreement for similar facilities for the period from April 1, 2014 to June 30, 2021.

Lease payments are due in six month intervals each January 15 and July 15. Lease expense for the year ended June 30, 2021, was \$204,273.

Future minimum commitments under this lease as of June 30, 2021, are as follows:

| <u>Year ended</u> | |
|-------------------|-------------------|
| 2022 | \$ 209,804 |
| 2023 | 216,098 |
| 2024 | <u>222,581</u> |
| Total | <u>\$ 648,483</u> |

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their qualified beneficiaries. Group insurance benefits are established under Iowa Code Section 509A.13. The City finances the health benefit plan with Well mark on a pay-as-you-go basis. The most recent active member monthly premium costs for the City and the plan members are \$481 for single coverage, \$879 for employee/child coverage, \$948 for employee/spouse coverage and \$1,403 for family coverage. During the year ended June 30, 2021, the City contributed \$957,496, and plan members eligible for benefits contributed \$159,124 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

City of North Liberty
Notes to Basic Financial Statements

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. OPEB Benefits

Employees of the City that are eligible to participate in the group health plan 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. Retirees and their beneficiaries under age 65 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, which results in an implicit rate subsidy.

| | |
|--|-------------|
| Inactive employees or beneficiaries currently receiving benefits | 1 |
| Active employees | 92 |
| | <hr/> |
| Total | 93 |
| | <hr/> <hr/> |

NOTE 13 – CONDUIT DEBT OBLIGATIONS

During the year ended June 30, 2020, the City issued a total of \$3,000,000 of Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities in the community. The outstanding principal amount on the bonds at June 30, 2021, totaled \$2,835,074. The bonds are secured by property purchased with the bond proceeds and are payable solely from payments received on the underlying mortgage loans, derived from rents payable by the tenants. The bond principal and interest do not constitute liabilities of the City, and neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

NOTE 14 – ECONOMIC DEVELOPMENT LOANS

The City entered into one economic development forgivable loan agreement with a local business entity during the year ended June 30, 2021. The loan proceeds to this entity are to be used to relocate the entity's operations within the City. Details of the loan agreements are as follows:

An agreement dated August 11, 2020 with Moxie Solar LLC, in the amount of \$50,000. This loan is forgivable if certain requirements are met. This forgivable loan will accrue interest at a rate of 4% and will be due, if not forgiven, on February 16, 2026.

NOTE 15 – TAX ABATEMENTS

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

City of North Liberty
Notes to Basic Financial Statements

NOTE 15 – TAX ABATEMENTS (CONTINUED)

A. City Tax Abatements

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

For the year ended June 30, 2021, the City abated \$661,313 of property tax under the urban renewal and economic development projects.

B. Tax Abatements of Other Entities

During the year ended June 30, 2021, there were no agreements entered into by other entities that reduced property tax revenues of the City.

NOTE 16 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2021, are as follows:

| Transfers out | Transfers in | | | | | Non-major Governmental Funds | | Total |
|-----------------------------|---------------------|---------------------|--------------------------|-------------------------|---------------------|------------------------------|-------------------|----------------------|
| | General | Debt Service | Highway 965 Improvements | Street Capital Projects | Land and Facilities | | Water | |
| General | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 120,383 | \$ - | \$ 120,383 |
| Urban Renewal Tax Increment | - | 4,591,557 | - | - | - | - | - | 4,591,557 |
| Road Use Tax | 245,000 | 144,440 | - | 388,854 | - | - | - | 778,294 |
| Street Capital Projects | - | - | 2,243,956 | - | - | - | - | 2,243,956 |
| Other Governmental Funds | 1,944,627 | - | - | 146,751 | 137,129 | - | - | 2,228,507 |
| Water | 274,255 | 320,750 | - | - | - | - | - | 595,005 |
| Sewer | 274,255 | 473,550 | - | - | - | - | 136,211 | 884,016 |
| Utility Deposits | - | - | - | - | - | - | 373,062 | 373,062 |
| Storm Water Management | 111,727 | - | - | - | - | - | 35,000 | 146,727 |
| Total | <u>\$ 2,849,864</u> | <u>\$ 5,530,297</u> | <u>\$ 2,243,956</u> | <u>\$ 535,605</u> | <u>\$ 137,129</u> | <u>\$ 120,383</u> | <u>\$ 544,273</u> | <u>\$ 11,961,507</u> |

Transfers above move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources or to assist in the funding of capital assets.

NOTE 17– CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 18– SUBSEQUENT EVENT

On August 17, 2021, the City issued \$7,270,000 of General Obligation Corporate Purpose Bonds, Series 2021A. The City will use the proceeds to fund capital improvement projects.

OTHER INFORMATION

City of North Liberty
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances-
Budget and Actual (Cash basis) - All Governmental Funds and Proprietary Funds
Year Ended June 30, 2021

| | Governmental Funds Actual | Proprietary Funds Actual | Total |
|---|---------------------------------|--------------------------------|-----------------------------|
| Receipts | | | |
| Property tax | \$ 11,137,023 | \$ - | \$ 11,137,023 |
| Tax increment financing | 5,987,424 | - | 5,987,424 |
| Other city tax | 724,704 | - | 724,704 |
| Licenses and permits | 519,717 | - | 519,717 |
| Use of money and property | 21,829 | 25,480 | 47,309 |
| Intergovernmental | 3,585,606 | - | 3,585,606 |
| Charges for services | 2,039,073 | 9,500,633 | 11,539,706 |
| Miscellaneous | 773,139 | 276,365 | 1,049,504 |
| Total receipts | <u>24,788,515</u> | <u>9,802,478</u> | <u>34,590,993</u> |
| Disbursements | | | |
| General government | 1,980,895 | - | 1,980,895 |
| Public safety | 4,237,738 | - | 4,237,738 |
| Public works | 3,021,471 | - | 3,021,471 |
| Health and social services | 140,929 | - | 140,929 |
| Culture and recreation | 3,828,295 | - | 3,828,295 |
| Community and economic development | 1,917,325 | - | 1,917,325 |
| Debt service | 6,022,038 | 3,471,308 | 9,493,346 |
| Capital outlay | 7,410,437 | 3,549,759 | 10,960,196 |
| Business type activities | - | 4,155,235 | 4,155,235 |
| Total disbursements | <u>28,559,128</u> | <u>11,176,302</u> | <u>39,735,430</u> |
| Excess (deficiency) of receipts over (under) disbursements | (3,770,613) | (1,373,824) | (5,144,437) |
| Other financing sources (uses), net | 11,108,785 | (460,659) | 10,648,126 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 7,338,172 | (1,834,483) | 5,503,689 |
| Balances beginning of year | <u>2,969,570</u> | <u>9,453,489</u> | <u>12,423,059</u> |
| Balances end of year | <u><u>\$ 10,307,742</u></u> | <u><u>\$ 7,619,006</u></u> | <u><u>\$ 17,926,748</u></u> |

| Budgeted Amounts | | Final to |
|----------------------|----------------------|---------------------|
| Original | Final | Total Variance |
| \$ 10,388,351 | \$ 10,388,351 | \$ 748,672 |
| 5,632,284 | 5,632,284 | 355,140 |
| 345,107 | 345,107 | 379,597 |
| 705,800 | 705,800 | (186,083) |
| 213,500 | 213,500 | (166,191) |
| 5,426,050 | 5,470,833 | (1,885,227) |
| 11,688,249 | 11,883,249 | (343,543) |
| 321,600 | 1,457,900 | (408,396) |
| <u>34,720,941</u> | <u>36,097,024</u> | <u>(1,506,031)</u> |
| 1,977,647 | 2,069,447 | (88,552) |
| 4,486,087 | 5,344,541 | (1,106,803) |
| 2,864,888 | 3,337,888 | (316,417) |
| 125,000 | 141,000 | (71) |
| 5,718,305 | 5,983,500 | (2,155,205) |
| 2,086,979 | 2,086,979 | (169,654) |
| 9,229,268 | 9,412,184 | 81,162 |
| 11,799,000 | 12,395,000 | (1,434,804) |
| 4,886,448 | 5,087,715 | (932,480) |
| <u>43,173,622</u> | <u>45,858,254</u> | <u>(6,122,824)</u> |
| (8,452,681) | (9,761,230) | 4,616,793 |
| 8,413,000 | 8,992,000 | 1,656,126 |
| (39,681) | (769,230) | 6,272,919 |
| <u>14,020,036</u> | <u>12,423,059</u> | <u>-</u> |
| <u>\$ 13,980,355</u> | <u>\$ 11,653,829</u> | <u>\$ 6,272,919</u> |

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City of North Liberty
Notes to Other Information – Budgetary Reporting

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 Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. 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. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,684,632. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements in the Debt Service function exceeded the amount budgeted.

City of North Liberty
Schedule of the Primary Government's Proportionate
Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Seven Years*
Other Information

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| City's Proportion of the net pension liability (asset) | 0.062320% | 0.059858% | 0.058680% | 0.056538% |
| City's Proportionate share of the net pension liability (asset) | \$ 4,517,056 | \$ 3,342,903 | \$ 3,712,257 | \$ 3,766,217 |
| City's Covered employee payroll | | | | |
| Regular | 5,291,028 | 4,911,314 | 4,586,049 | 4,143,396 |
| Protection occupation | <u>1,829,095</u> | <u>1,986,700</u> | <u>1,758,335</u> | <u>1,403,042</u> |
| Total | <u>\$ 7,120,123</u> | <u>\$ 6,898,014</u> | <u>\$ 6,344,384</u> | <u>\$ 5,546,438</u> |
| Proportionate share of the net pension liability (assets) as a percentage of covered payroll | | | | |
| Regular | 63.44% | 48.46% | 64.78% | 67.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.90% | 85.45% | 83.62% | 82.21% |

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

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

| <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---------------------|---------------------|---------------------|
| 0.056470% | 0.051521% | 0.046738% |
| \$ 2,553,832 | \$ 2,545,393 | \$ 1,853,576 |
| 3,964,819 | 3,741,181 | 3,462,507 |
| <u>1,263,298</u> | <u>1,143,311</u> | <u>997,332</u> |
| <u>\$ 5,228,117</u> | <u>\$ 4,884,492</u> | <u>\$ 4,459,839</u> |

| | | |
|--------|--------|--------|
| 67.98% | 52.11% | 41.56% |
|--------|--------|--------|

| | | |
|--------|--------|--------|
| 81.82% | 85.19% | 87.61% |
|--------|--------|--------|

City of North Liberty
Schedule of the Primary Government's Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years
Other Information

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Primary government (city) | | | | | |
| Statutorily required contribution | | | | | |
| Regular | \$ 499,473 | \$ 463,628 | \$ 432,923 | \$ 393,721 | \$ 370,005 |
| Protection occupation | 175,776 | 196,882 | 179,526 | 159,267 | 138,059 |
| Total | <u>\$ 675,249</u> | <u>\$ 660,510</u> | <u>\$ 612,449</u> | <u>\$ 552,988</u> | <u>\$ 508,064</u> |
| Contributions in relation to the | | | | | |
| Statutorily required contribution | | | | | |
| Regular | \$ 499,473 | \$ 463,628 | \$ 432,923 | \$ 393,721 | \$ 370,005 |
| Protection occupation | 175,776 | 196,882 | 179,526 | 159,267 | 138,059 |
| Total | <u>675,249</u> | <u>660,510</u> | <u>612,449</u> | <u>552,988</u> | <u>508,064</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | | | | | |
| Regular | \$ 5,291,028 | \$ 4,911,314 | \$ 4,586,049 | \$ 4,413,845 | \$ 4,143,396 |
| Protection occupation | 1,829,095 | 1,986,700 | 1,758,335 | 1,618,562 | 1,403,042 |
| Total | <u>\$ 7,120,122</u> | <u>\$ 6,898,014</u> | <u>\$ 6,344,384</u> | <u>\$ 6,032,407</u> | <u>\$ 5,546,438</u> |
| Contributions as a percentage of | | | | | |
| covered employee payroll | | | | | |
| Regular | 9.44% | 9.44% | 9.44% | 8.93% | 8.93% |
| Protection occupation | 9.61% | 9.91% | 10.21% | 9.84% | 9.84% |

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| \$ 354,058 <u>124,309</u> | \$ 334,088 <u>115,932</u> | \$ 309,202 <u>101,129</u> | \$ 285,504 <u>95,933</u> | \$ 257,699 <u>82,283</u> |
| <u>\$ 478,367</u> | <u>\$ 450,020</u> | <u>\$ 410,331</u> | <u>\$ 381,437</u> | <u>\$ 339,982</u> |
| | | | | |
| \$ 354,058 <u>124,309</u> | \$ 334,088 <u>115,932</u> | \$ 309,202 <u>101,129</u> | \$ 285,504 <u>95,933</u> | \$ 257,699 <u>82,283</u> |
| <u>478,367</u> | <u>450,020</u> | <u>410,331</u> | <u>381,437</u> | <u>339,982</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| \$ 3,964,819 <u>1,263,298</u> | \$ 3,741,181 <u>1,143,311</u> | \$ 3,462,507 <u>997,332</u> | \$ 3,293,006 <u>934,112</u> | \$ 3,193,298 <u>825,306</u> |
| <u>\$ 5,228,117</u> | <u>\$ 4,884,492</u> | <u>\$ 4,459,839</u> | <u>\$ 4,227,118</u> | <u>\$ 4,018,604</u> |
| | | | | |
| 8.93% | 8.93% | 8.93% | 8.67% | 8.07% |
| 9.84% | 10.14% | 10.14% | 10.27% | 9.97% |

City of North Liberty
Notes to Other Information – Pension Liability

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

SUPPLEMENTARY INFORMATION

Schedule 1
Combining Statement of Cash Receipts,
Disbursements, and Changes in Cash Fund
Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2021

| | Special Revenue | | Capital Projects | |
|--|----------------------------|-------------------------|-----------------------------------|-----------------------|
| | Employee Benefits (112) | Drug Task Force (10) | Ranshaw House Project (324) | TIF Projects (302) |
| Receipts | | | | |
| General property taxes | \$ 1,932,926 | \$ - | \$ - | \$ - |
| Intergovernmental | - | 2,568 | - | - |
| Use of money and property | - | 44 | - | 1,016 |
| Miscellaneous | - | - | - | - |
| Total receipts | <u>1,932,926</u> | <u>2,612</u> | <u>-</u> | <u>1,016</u> |
| Disbursements | | | | |
| Capital outlay | | | | |
| Economic development | - | - | - | 50,000 |
| Culture and recreation | - | - | - | - |
| Total disbursements | <u>-</u> | <u>-</u> | <u>-</u> | <u>50,000</u> |
| Excess of receipts over (under) disbursements | 1,932,926 | 2,612 | - | (48,984) |
| Other financing sources (uses) | | | | |
| Proceeds from long-term debt, Net | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | (1,932,926) | - | (137,129) | - |
| Total other financing sources (uses) | <u>(1,932,926)</u> | <u>-</u> | <u>(137,129)</u> | <u>-</u> |
| Net change in cash fund balances | - | 2,612 | (137,129) | (48,984) |
| Cash Fund Balances | | | | |
| Beginning of year | <u>-</u> | <u>51,276</u> | <u>137,129</u> | <u>523,295</u> |
| End of year | <u>\$ -</u> | <u>\$ 53,888</u> | <u>\$ -</u> | <u>\$ 474,311</u> |
| Cash basis fund balances | | | | |
| Restricted for | | | | |
| Urban renewal projects | \$ - | \$ - | \$ - | \$ 474,311 |
| Police capital equipment purchases | - | 53,888 | - | - |
| Assigned for | | | | |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total cash basis fund balance | <u>\$ -</u> | <u>\$ 53,888</u> | <u>\$ -</u> | <u>\$ 474,311</u> |

Capital Projects

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Schedule 1
Combining Statement of Cash Receipts,
Disbursements, and Changes in Cash Fund
Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2021

| | <u>Capital Projects</u> Park Development (305) | <u>Total Other Governmental Funds</u> |
|--|---|---|
| Receipts | | |
| General property taxes | \$ - | \$ 1,932,926 |
| Intergovernmental | - | 2,568 |
| Use of money and property | - | 1,060 |
| Miscellaneous | 13,966 | 13,966 |
| Total receipts | <u>13,966</u> | <u>1,950,520</u> |
| Disbursements | | |
| Capital outlay | | |
| Economic development | - | 60,500 |
| Culture and recreation | 14,900 | 36,402 |
| Total disbursements | <u>14,900</u> | <u>96,902</u> |
| Excess of receipts over (under) disbursements | (934) | 1,853,618 |
| Other financing sources (uses) | | |
| Proceeds from long-term debt, Net | 226,182 | 881,584 |
| Transfers in | 120,383 | 120,383 |
| Transfers out | - | (2,228,507) |
| Total other financing sources (uses) | <u>346,565</u> | <u>(1,226,540)</u> |
| Net change in cash fund balances | 345,631 | 627,078 |
| Cash Fund Balances | | |
| Beginning of year | <u>-</u> | <u>329,174</u> |
| End of year | <u>\$ 345,631</u> | <u>\$ 956,252</u> |
| Cash basis fund balances | | |
| Restricted for | | |
| Urban renewal projects | \$ - | \$ 537,821 |
| Police capital equipment purchases | - | 53,888 |
| Assigned for | | |
| Capital projects | <u>345,631</u> | <u>364,543</u> |
| Total cash basis fund balance | <u>\$ 345,631</u> | <u>\$ 956,252</u> |

City of North Liberty
Schedule 2
Schedule of Indebtedness
Year Ended June 30, 2021

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|--|--------------------|-------------------|--------------------------------|
| General obligation bonds | | | |
| Urban Renewal Library Improvement | Nov 12, 2012 | 0.35-1.70 | \$ 1,815,000 |
| Refunding | July 1, 2013 | 0.35-2.15 | 2,540,000 |
| Corporate Purpose | Nov 5, 2013 | 2.00-2.40 | 1,425,000 |
| Urban Renewal Corporate Purpose | Nov 5, 2013 | 2.00-2.40 | 3,540,000 |
| Corporate Purpose | Oct 30, 2014 | 2.00 | 3,090,000 |
| Corporate Purpose | Oct 8, 2015 | 2.00 | 9,965,000 |
| Corporate Purpose and Refunding | April 27, 2017 | 3.00 | 4,435,000 |
| Urban Renewal Corporate Purpose and Refunding | May 9, 2017 | 2.00-2.50 | 7,980,000 |
| Urban Renewal Corporate Purpose | October 15, 2018 | 3.00-3.15 | 4,595,000 |
| Urban Renewal Corporate Purpose | September 17, 2019 | 2.00 | 8,010,000 |
| Corporate Purpose | July 8, 2020 | 2.00 | 10,160,000 |
| Total | | | |
| Rural Economic Development Loan and Grant Program | | | |
| Rural Economic Development Loan | May 8, 2013 | 0% | 360,000 |
| Road Use Tax Revenue Bonds | | | |
| Road Use Tax Series 2012A | Mar 29, 2012 | 2.00-3.00% | 1,815,000 |
| Revenue bonds | | | |
| Sewer Revenue Bonds Series 2007 | Aug 23, 2007 (a) | 3.00/1.75 | 5,271,000 |
| Sewer Revenue Bonds Series 2008A | July 30, 2008 | 3.00 | 3,250,000 |
| Sewer Revenue Bonds Series 2008C | Sept 15, 2008 | 2.75-4.40 | 1,550,000 |
| Water Revenue Refunding Bond Series 2012C | Nov 12, 2012 | 0.50-2.00 | 1,575,000 |
| Sewer Revenue Refunding Bond Series 2014A | April 23, 2014 | 2.00-3.00 | 1,315,000 |
| Water Revenue Refunding Bond Series 2014B | April 23, 2014 | 2.00-3.05 | 1,210,000 |
| Sewer Revenue Improvement and Refunding Bond Series 2016 | Oct 7, 2016 | 1.20 | 22,337,000 |
| Water Revenue Improvement Bond Series 2017 | Feb 24, 2017 | 1.75 | 22,072,000 |
| Water Revenue Refunding Bond Series 2017C | April 27, 2017 | 2.00-2.25 | 1,190,000 |
| Total | | | |

(a) The interest rate on this bond was reduced to 1.75% on December 1, 2017

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|-------------------|
| \$ 570,000 | \$ - | \$ 185,000 | \$ 385,000 | \$ 8,758 |
| 795,000 | - | 260,000 | 535,000 | 15,390 |
| 610,000 | - | 145,000 | 465,000 | 13,378 |
| 1,520,000 | - | 360,000 | 1,160,000 | 33,338 |
| 1,605,000 | - | 305,000 | 1,300,000 | 32,100 |
| 5,540,000 | - | 920,000 | 4,620,000 | 110,800 |
| 2,465,000 | - | 415,000 | 2,050,000 | 73,950 |
| 5,010,000 | - | 1,180,000 | 3,830,000 | 104,681 |
| 4,260,000 | - | 345,000 | 3,915,000 | 128,883 |
| 7,595,000 | - | 790,000 | 6,805,000 | 151,900 |
| - | 10,160,000 | - | 10,160,000 | 182,316 |
| <u>\$ 29,970,000</u> | <u>\$ 10,160,000</u> | <u>\$ 4,905,000</u> | <u>\$ 35,225,000</u> | <u>\$ 855,494</u> |
| <u>\$ 144,000</u> | <u>\$ -</u> | <u>\$ 36,000</u> | <u>\$ 108,000</u> | <u>\$ 4,000</u> |
| <u>\$ 925,000</u> | <u>\$ -</u> | <u>\$ 120,000</u> | <u>\$ 805,000</u> | <u>\$ 23,840</u> |
| \$ 3,623,000 | \$ - | \$ 430,000 | \$ 3,193,000 | \$ 63,403 |
| 1,443,000 | - | 161,000 | 1,282,000 | 25,253 |
| 395,000 | - | 125,000 | 270,000 | 17,190 |
| 190,000 | - | 190,000 | - | 3,800 |
| 635,000 | - | 120,000 | 515,000 | 15,835 |
| 645,000 | - | 100,000 | 545,000 | 16,765 |
| 20,900,000 | 12,505 | 2,113,665 | 18,798,840 | 231,452 |
| 21,970,000 | 126,089 | 2,772,935 | 19,323,154 | 351,414 |
| 620,000 | - | 200,000 | 420,000 | 13,950 |
| <u>\$ 50,421,000</u> | <u>\$ 138,594</u> | <u>\$ 6,212,600</u> | <u>\$ 44,346,994</u> | <u>\$ 739,062</u> |

City of North Liberty
Schedule 3
Bond and Note Maturities
Year Ended June 30, 2021

| Year Ending June 30, | General Obligation Bonds | | | | | |
|----------------------------|--------------------------|-------------------|------------------------------|-------------------|--------------------|-------------------|
| | Library Improvement | | General Obligation Refunding | | Corporate Purpose | |
| | Issued Nov 12, 2012 | | Issued Jul 1, 2013 | | Issued Nov 5, 2013 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2022 | 1.55 | \$ 190,000 | 1.90 | \$ 265,000 | 2.10 | \$ 150,000 |
| 2023 | 1.70 | 195,000 | 2.15 | 270,000 | 2.25 | 155,000 |
| 2024 | | - | | - | 2.40 | 160,000 |
| 2025 | | - | | - | | - |
| 2026 | | - | | - | | - |
| Total | | <u>\$ 385,000</u> | | <u>\$ 535,000</u> | | <u>\$ 465,000</u> |

| Year Ending June 30, | General Obligation Bonds | | | | | |
|----------------------------|--------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| | Corporate Purpose | | Corporate Purpose | | Corporate Purpose | |
| | Issued Oct 8, 2015 | | Issued Apr 27, 2017 | | Issued May 9, 2017 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2022 | 2.00 | \$ 935,000 | 3.00 | \$ 425,000 | 2.00 | \$ 445,000 |
| 2023 | 2.00 | 890,000 | 3.00 | 425,000 | 2.00 | 455,000 |
| 2024 | 2.00 | 910,000 | 3.00 | 445,000 | 2.00 | 460,000 |
| 2025 | 2.00 | 930,000 | 3.00 | 245,000 | 2.00 | 470,000 |
| 2026 | 2.00 | 955,000 | 3.00 | 250,000 | 2.00 | 480,000 |
| 2027 | | - | 3.00 | 260,000 | 2.125 | 495,000 |
| 2028 | | - | | - | 2.25 | 505,000 |
| 2029 | | - | | - | 2.50 | 520,000 |
| 2030 | | - | | - | | - |
| 2031 | | - | | - | | - |
| 2032 | | - | | - | | - |
| Total | | <u>\$ 4,620,000</u> | | <u>\$ 2,050,000</u> | | <u>\$ 3,830,000</u> |

| Year Ending June 30, | Rural Economic Development Loan and Grant Program | | Road Use Tax Revenue Bonds | |
|----------------------------|--|-------------------|-------------------------------|-------------------|
| | Rural Economic Development | | Revenue Bonds | |
| | Issued May 8, 2013 | | Issued Mar 29, 2012 | |
| | Interest Rates | Amount | Interest Rates | Amount |
| 2022 | 0.00 | \$ 36,000 | 2.20 | \$ 125,000 |
| 2023 | 0.00 | 36,000 | 2.40 | 130,000 |
| 2024 | | 36,000 | 2.60 | 130,000 |
| 2025 | | - | 2.80 | 135,000 |
| 2026 | | - | 2.90 | 140,000 |
| 2027 | | - | 3.00 | 145,000 |
| Total | | <u>\$ 108,000</u> | | <u>\$ 805,000</u> |

| General Obligation Bonds | | | |
|--------------------------|---------------------|---------------------|---------------------|
| Corporate Purpose | | Corporate Purpose | |
| Issued Nov 5, 2013 | | Issued Oct 30, 2014 | |
| Interest Rates | Amount | Interest Rates | Amount |
| 2.10 | \$ 375,000 | 2.00 | \$ 310,000 |
| 2.25 | 385,000 | 2.00 | 325,000 |
| 2.40 | 400,000 | 2.00 | 330,000 |
| | - | 2.00 | 335,000 |
| | - | | - |
| | <u>\$ 1,160,000</u> | | <u>\$ 1,300,000</u> |

| General Obligation Bonds | | | | | | |
|--------------------------|--------------|---------------------------|--------------|---------------------|---------------|---------------|
| Urban Renewal | | Urban Renewal | | Corporate Purpose | | Total |
| Issued October 15, 2018 | | Issued September 17, 2019 | | Issued July 8, 2020 | | |
| Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 3.00 | \$ 350,000 | 2.00 | \$ 810,000 | 2.00 | \$ 880,000 | \$ 5,135,000 |
| 3.00 | 360,000 | 2.00 | 830,000 | 2.00 | 885,000 | 5,175,000 |
| 3.00 | 365,000 | 2.00 | 845,000 | 2.00 | 890,000 | 4,805,000 |
| 3.00 | 375,000 | 2.00 | 870,000 | 2.00 | 900,000 | 4,125,000 |
| 3.00 | 385,000 | 2.00 | 880,000 | 2.00 | 910,000 | 3,860,000 |
| 3.00 | 395,000 | 2.00 | 410,000 | 2.00 | 915,000 | 2,475,000 |
| 3.00 | 405,000 | 2.00 | 415,000 | 2.00 | 930,000 | 2,255,000 |
| 3.00 | 415,000 | 2.00 | 425,000 | 2.00 | 945,000 | 2,305,000 |
| 3.10 | 430,000 | 2.00 | 430,000 | 2.00 | 955,000 | 1,815,000 |
| 3.15 | 435,000 | 2.00 | 440,000 | 2.00 | 970,000 | 1,845,000 |
| | - | 2.00 | 450,000 | 2.00 | 980,000 | 1,430,000 |
| | \$ 3,915,000 | | \$ 6,805,000 | | \$ 10,160,000 | \$ 35,225,000 |

City of North Liberty
Schedule 3
Bond and Note Maturities
Year Ended June 30, 2021

| Year Ending June 30, | Enterprise Revenue Bonds | | | | | |
|----------------------------|---------------------------|---------------------|----------------------------|---------------------|----------------------------|-------------------|
| | Sewer Revenue Series 2007 | | Sewer Revenue Series 2008A | | Sewer Revenue Series 2008C | |
| | Issued Aug 23, 2007 | | Issued Jul 30, 2008 | | Issued Sept 15, 2008 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2022 | 1.75 | \$ 444,000 | 3.00 | \$ 166,000 | 4.35 | \$ 130,000 |
| 2023 | 1.75 | 459,000 | 3.00 | 171,000 | 4.40 | 140,000 |
| 2024 | 1.75 | 475,000 | 3.00 | 177,000 | | - |
| 2025 | 1.75 | 486,000 | 3.00 | 183,000 | | - |
| 2026 | 1.75 | 654,000 | 3.00 | 189,000 | | - |
| 2027 | 1.75 | 675,000 | 3.00 | 195,000 | | - |
| 2028 | - | - | 3.00 | 201,000 | | - |
| 2029 | - | - | | - | | - |
| 2030 | - | - | | - | | - |
| 2031 | - | - | | - | | - |
| 2032 | - | - | | - | | - |
| 2033 | - | - | | - | | - |
| 2034 | - | - | | - | | - |
| 2035 | - | - | | - | | - |
| 2036 | - | - | | - | | - |
| 2037 | - | - | | - | | - |
| Total | | <u>\$ 3,193,000</u> | | <u>\$ 1,282,000</u> | | <u>\$ 270,000</u> |

| Year Ending June 30, | Enterprise Revenue Bonds | | | | | |
|----------------------------|------------------------------|-------------------|-------------------------------|----------------------|--------------------------------|----------------------|
| | Water Refunding Series 2014B | | Sewer Improvement Series 2016 | | Water Improvements Series 2017 | |
| | Issued Apr 23, 2014 | | Issued Oct. 7 2016 | | Issued Feb. 24, 2017 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2022 | 2.25 | \$ 105,000 | 1.20 | \$ 498,000 | 1.75 | \$ 800,000 |
| 2023 | 2.50 | 105,000 | 1.20 | 503,000 | 1.75 | 800,000 |
| 2024 | 2.70 | 110,000 | 1.20 | 653,000 | 1.75 | 800,000 |
| 2025 | 3.00 | 110,000 | 1.20 | 666,000 | 1.75 | 1,170,154 |
| 2026 | 3.05 | 115,000 | 1.20 | 661,000 | 1.75 | 1,191,000 |
| 2027 | - | - | 1.20 | 672,000 | 1.75 | 1,212,000 |
| 2028 | - | - | 1.20 | 1,433,840 | 1.75 | 1,233,000 |
| 2029 | - | - | 1.20 | 1,452,000 | 1.75 | 1,255,000 |
| 2030 | - | - | 1.20 | 1,469,000 | 1.75 | 1,277,000 |
| 2031 | - | - | 1.20 | 1,487,000 | 1.75 | 1,299,000 |
| 2032 | - | - | 1.20 | 1,505,000 | 1.75 | 1,322,000 |
| 2033 | - | - | 1.20 | 1,523,000 | 1.75 | 1,345,000 |
| 2034 | - | - | 1.20 | 1,541,000 | 1.75 | 1,368,000 |
| 2035 | - | - | 1.20 | 1,560,000 | 1.75 | 1,392,000 |
| 2036 | - | - | 1.20 | 1,578,000 | 1.75 | 1,417,000 |
| 2037 | - | - | 1.20 | 1,597,000 | 1.75 | 1,442,000 |
| Total | | <u>\$ 545,000</u> | | <u>\$ 18,798,840</u> | | <u>\$ 19,323,154</u> |

| Enterprise Revenue Bonds | | |
|------------------------------|-------------------|----------------------|
| Water Refunding Series 2017C | | |
| Issued Apr 27, 2017 | | |
| Interest Rates | Amount | Total |
| 2.25 | \$ 210,000 | \$ 2,478,000 |
| 2.25 | 210,000 | 2,513,000 |
| | - | 2,345,000 |
| | - | 2,750,154 |
| | - | 2,810,000 |
| | - | 2,754,000 |
| | - | 2,867,840 |
| | - | 2,707,000 |
| | - | 2,746,000 |
| | - | 2,786,000 |
| | - | 2,827,000 |
| | - | 2,868,000 |
| | - | 2,909,000 |
| | - | 2,952,000 |
| | - | 2,995,000 |
| | - | 3,039,000 |
| | <u>\$ 420,000</u> | <u>\$ 44,346,994</u> |

City of North Liberty
Schedule 4
Schedule of Receipts by Source
and Disbursements by Function - All Governmental Funds
For the Last Ten Years

| | 2021 | 2020 | 2019 | 2018 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Receipts | | | | |
| Property tax | \$ 11,137,023 | \$ 10,650,663 | \$ 10,228,659 | \$ 9,161,827 |
| Tax increment financing | 5,987,424 | 4,778,458 | 4,386,319 | 4,074,528 |
| Other city tax | 724,704 | 612,161 | 537,488 | 327,429 |
| Licenses and permits | 519,717 | 298,270 | 404,875 | 575,399 |
| Use of money and property | 21,829 | 39,187 | 47,046 | 221,892 |
| Intergovernmental | 3,585,606 | 4,831,972 | 6,648,076 | 3,931,853 |
| Charges for services | 2,039,073 | 2,296,487 | 2,608,668 | 1,943,556 |
| Special assessments | - | - | - | - |
| Miscellaneous | 773,139 | 1,279,840 | 235,649 | 1,145,670 |
| Total | <u>\$ 24,788,515</u> | <u>\$ 24,787,038</u> | <u>\$ 25,096,780</u> | <u>\$ 21,382,154</u> |
| Disbursements | | | | |
| Operating | | | | |
| General government | \$ 1,980,895 | \$ 1,942,074 | \$ 1,777,026 | \$ 1,724,903 |
| Public safety | 4,237,738 | 3,887,780 | 3,668,831 | 3,498,753 |
| Public works | 3,021,471 | 2,906,043 | 2,688,011 | 1,981,066 |
| Health and social services | 140,929 | 117,716 | 111,011 | 110,725 |
| Culture and recreation | 3,828,295 | 4,106,997 | 4,151,007 | 3,931,551 |
| Community and economic development | 1,917,325 | 1,877,902 | 1,812,636 | 1,859,840 |
| Debt service | 6,022,038 | 8,898,724 | 5,291,567 | 4,899,061 |
| Capital projects | 7,410,437 | 13,033,299 | 13,438,638 | 10,035,175 |
| Total | <u>\$ 28,559,128</u> | <u>\$ 36,770,535</u> | <u>\$ 32,938,727</u> | <u>\$ 28,041,074</u> |

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 8,495,238 | \$ 7,583,031 | \$ 6,861,247 | \$ 6,127,781 | \$ 6,107,502 | \$ 5,502,489 |
| 4,389,642 | 4,509,489 | 3,918,081 | 3,518,713 | 3,228,972 | 3,301,297 |
| 335,049 | 360,492 | 341,057 | 311,708 | 292,566 | 291,492 |
| 389,066 | 478,562 | 552,067 | 507,326 | 565,465 | 560,046 |
| 182,754 | 159,353 | 149,029 | 143,887 | 140,675 | 164,087 |
| 3,353,878 | 3,889,968 | 2,136,378 | 2,152,197 | 1,767,090 | 2,264,687 |
| 2,556,384 | 1,893,581 | 2,219,792 | 1,674,579 | 1,698,909 | 1,457,531 |
| - | - | - | 1,067 | 1,660 | 5,051 |
| 355,213 | 471,339 | 390,306 | 647,785 | 302,042 | 545,227 |
| <u>\$ 20,057,224</u> | <u>\$ 19,345,815</u> | <u>\$ 16,567,957</u> | <u>\$ 15,085,043</u> | <u>\$ 14,104,881</u> | <u>\$ 14,091,907</u> |
| \$ 1,464,069 | \$ 1,591,679 | \$ 1,537,711 | \$ 1,293,854 | \$ 1,250,373 | \$ 1,133,334 |
| 3,177,706 | 2,836,301 | 2,563,426 | 2,315,057 | 2,144,553 | 1,984,061 |
| 1,788,477 | 1,626,565 | 1,511,077 | 1,424,544 | 1,367,808 | 1,163,999 |
| 103,500 | 105,350 | 98,207 | 97,000 | 135,150 | 86,000 |
| 3,792,817 | 3,593,454 | 3,458,203 | 3,208,940 | 2,862,412 | 2,825,660 |
| 1,723,266 | 1,647,664 | 1,166,131 | 898,262 | 1,097,172 | 1,033,597 |
| 5,309,615 | 4,831,259 | 4,528,242 | 4,168,095 | 3,952,064 | 3,844,731 |
| 8,882,559 | 8,023,964 | 4,181,863 | 5,468,736 | 7,091,862 | 7,854,575 |
| <u>\$ 26,242,009</u> | <u>\$ 24,256,236</u> | <u>\$ 19,044,860</u> | <u>\$ 18,874,488</u> | <u>\$ 19,901,394</u> | <u>\$ 19,925,957</u> |

City of North Liberty
Schedule 5
Schedule of Cash Receipts, Disbursements, and
Changes in Cash Balances -
General Fund Detail
Year Ended June 30, 2021

| | General Fund (1) | Recreation Equipment (4) | Park Development (18) | Youth Sports Scholarship (19) |
|--|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| Receipts | | | | |
| General property taxes | \$ 7,765,973 | \$ - | \$ - | \$ - |
| Commercial and industrial tax replacement | 335,127 | - | - | - |
| Other city tax | 306,943 | - | - | - |
| Licenses and permits | 519,717 | - | - | - |
| Intergovernmental | 781,673 | - | - | - |
| Charges for services | 2,032,727 | 2,706 | - | - |
| Use of money and property | 20,764 | - | - | - |
| Miscellaneous | 191,819 | 12,009 | - | - |
| Total receipts | <u>11,954,743</u> | <u>14,715</u> | <u>-</u> | <u>-</u> |
| Disbursements | | | | |
| Current | | | | |
| General government | 1,980,895 | - | - | - |
| Public safety | 4,237,452 | - | - | - |
| Public works | 1,590,242 | - | - | - |
| Health and social services | 140,929 | - | - | - |
| Community and economic development | 854,644 | - | - | - |
| Culture and recreation | 3,828,295 | - | - | - |
| Capital outlay | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | 796,274 | - | - |
| Total disbursements | <u>12,632,457</u> | <u>796,274</u> | <u>-</u> | <u>-</u> |
| Excess of receipts over (under) disbursements | (677,714) | (781,559) | - | - |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital asset | 169 | - | - | - |
| Insurance proceeds | 115,994 | 340,783 | - | - |
| Transfers in | 2,510,305 | 144,228 | - | - |
| Transfers out | (297,000) | - | (60,383) | (59,228) |
| Total other financing sources (uses) | <u>2,329,468</u> | <u>485,011</u> | <u>(60,383)</u> | <u>(59,228)</u> |
| Net change in cash fund balances | 1,651,754 | (296,548) | (60,383) | (59,228) |
| Cash Fund Balances | | | | |
| Beginning of year | <u>5,539,500</u> | <u>870,452</u> | <u>60,383</u> | <u>59,228</u> |
| End of year | <u>\$ 7,191,254</u> | <u>\$ 573,904</u> | <u>\$ -</u> | <u>\$ -</u> |

| Tele communications Equipment (9) | Tree Program (7) | Hotel/Motel Tax (12) | Library Reserve (3) | Fire Equipment Reserve (2) | Equipment Revolving Fund (8) | Police Equipment Reserve (5) |
|---|---------------------|-------------------------|------------------------|-------------------------------|------------------------------------|------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | 60,892 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 964 |
| - | - | - | - | - | - | 3,640 |
| - | - | - | 5 | - | - | - |
| - | 2,000 | - | 8,456 | 4,628 | 41,114 | 925 |
| - | 2,000 | 60,892 | 8,461 | 4,628 | 41,114 | 5,529 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 9,632 | - | 15,532 | - | - | - | - |
| - | - | - | - | 141,765 | - | - |
| - | - | - | - | - | 423,775 | - |
| - | - | - | 4,226 | - | - | - |
| 9,632 | - | 15,532 | 4,226 | 141,765 | 423,775 | - |
| (9,632) | 2,000 | 45,360 | 4,235 | (137,137) | (382,661) | 5,529 |
| - | - | - | - | - | 24,700 | - |
| - | - | - | - | - | - | - |
| 10,000 | - | - | 11,701 | 24,000 | 458,000 | - |
| - | - | (60,000) | - | - | - | - |
| 10,000 | - | (60,000) | 11,701 | 24,000 | 482,700 | - |
| 368 | 2,000 | (14,640) | 15,936 | (113,137) | 100,039 | 5,529 |
| 29,534 | 13,481 | 47,393 | 23,866 | 235,448 | 110,099 | 119,199 |
| \$ 29,902 | \$ 15,481 | \$ 32,753 | \$ 39,802 | \$ 122,311 | \$ 210,138 | \$ 124,728 |

City of North Liberty
Schedule 5
Schedule of Cash Receipts, Disbursements, and
Changes in Cash Balances -
General Fund Detail
Year Ended June 30, 2021

| | Police Seized Funds (11) | Transportation (6) | Stormwater Impact (16) moved to 740 | Total General Fund |
|--|-----------------------------|-----------------------|---|-----------------------|
| Receipts | | | | |
| General property taxes | \$ - | \$ - | \$ - | \$ 7,765,973 |
| Commercial and industrial tax replacement | - | - | - | 335,127 |
| Other city tax | - | 356,869 | - | 724,704 |
| Licenses and permits | - | - | - | 519,717 |
| Intergovernmental | - | - | - | 782,637 |
| Charges for services | - | - | - | 2,039,073 |
| Use of money and property | - | - | - | 20,769 |
| Miscellaneous | 2,547 | - | - | 263,498 |
| Total receipts | <u>2,547</u> | <u>356,869</u> | <u>-</u> | <u>12,451,498</u> |
| Disbursements | | | | |
| Current | | | | |
| General government | - | - | - | 1,980,895 |
| Public safety | 286 | - | - | 4,237,738 |
| Public works | - | - | - | 1,590,242 |
| Health and social services | - | - | - | 140,929 |
| Community and economic development | - | - | - | 854,644 |
| Culture and recreation | - | - | - | 3,828,295 |
| Capital outlay | | | | |
| General government | - | - | - | 25,164 |
| Public safety | - | - | - | 141,765 |
| Public works | - | 31,250 | - | 455,025 |
| Culture and recreation | - | - | - | 800,500 |
| Total disbursements | <u>286</u> | <u>31,250</u> | <u>-</u> | <u>14,055,197</u> |
| Excess of receipts over (under) disbursements | 2,261 | 325,619 | - | (1,603,699) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital asset | - | - | - | 24,869 |
| Insurance proceeds | - | - | - | 456,777 |
| Transfers in | - | - | 47,858 | 3,206,092 |
| Transfers out | - | - | - | (476,611) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>47,858</u> | <u>3,211,127</u> |
| Net change in cash fund balances | 2,261 | 325,619 | 47,858 | 1,607,428 |
| Cash Fund Balances | | | | |
| Beginning of year | <u>27,421</u> | <u>1,932,108</u> | <u>(47,858)</u> | <u>9,020,254</u> |
| End of year | <u>\$ 29,682</u> | <u>\$ 2,257,727</u> | <u>\$ -</u> | <u>\$ 10,627,682</u> |

City of North Liberty
Schedule 5
Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances
- General Fund Detail
Year Ended June 30, 2021

| | General Fund (1) | Recreation Equipment (4) | Tele communications Equipment (9) | Tree Program (7) |
|------------------------------------|---------------------|-----------------------------|---|---------------------|
| Cash Basis Fund Balances | | | | |
| Restricted for | | | | |
| Hotel/motel tax | \$ - | \$ - | \$ - | \$ - |
| Tree purchases | - | - | - | 4,333 |
| Police capital equipment purchases | - | - | - | - |
| Housing rehabilitation | 21,246 | - | - | - |
| Assigned for | | | | |
| Capital purchases | 972,881 | 573,904 | 29,902 | - |
| Street capital projects | - | - | - | - |
| FY22 general fund deficit | 94,096 | - | - | - |
| Miscellaneous projects | 81,036 | - | - | - |
| Unassigned | 6,021,995 | - | - | 11,148 |
| | <u>\$ 7,191,254</u> | <u>\$ 573,904</u> | <u>\$ 29,902</u> | <u>\$ 15,481</u> |
| Total cash fund balances | <u>\$ 7,191,254</u> | <u>\$ 573,904</u> | <u>\$ 29,902</u> | <u>\$ 15,481</u> |

| <u>Hotel/Motel Tax (12)</u> | <u>Library Reserve (3)</u> | <u>Fire Equipment Reserve (2)</u> | <u>Equipment Revolving Fund (8)</u> | <u>Police Equipment Reserve (5)</u> | <u>Police Seized Funds (25)</u> |
|---------------------------------|--------------------------------|---------------------------------------|---|---|-------------------------------------|
| \$ 32,753 | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | 29,682 |
| - | - | - | - | - | - |
| - | 39,802 | 122,311 | - | 124,728 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 210,138 | - | - |
| <u>\$ 32,753</u> | <u>\$ 39,802</u> | <u>\$ 122,311</u> | <u>\$ 210,138</u> | <u>\$ 124,728</u> | <u>\$ 29,682</u> |

City of North Liberty
Schedule 5
Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances
- General Fund Detail
Year Ended June 30, 2021

| | Transportation (6) | Total General Fund |
|--|-----------------------|-----------------------|
| Cash Basis Fund Balances | | |
| Restricted for | | |
| Hotel/motel tax | \$ - | \$ 32,753 |
| Tree purchases | - | 4,333 |
| Police capital equipment purchases | - | 29,682 |
| Housing rehabilitation | - | 21,246 |
| Assigned for | | |
| Capital equipment purchases | - | 1,863,528 |
| Street capital projects | 2,257,727 | 2,257,727 |
| FY20 tax rate reduction and social service | - | 94,096 |
| Miscellaneous projects | - | 81,036 |
| Unassigned | - | 6,243,281 |
| | <u> </u> | <u> </u> |
| Total cash fund balances | <u>\$ 2,257,727</u> | <u>\$ 10,627,682</u> |

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic 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, 2021, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2022. Our report expressed unmodified opinions on the basic financial statements which were prepared on a basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

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

Internal Control over Financial Reporting (Continued)

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control, audit finding, Audit Finding I-A-21.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from 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 basic financial statements. 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*.

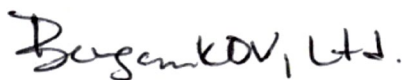
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021, are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matter are not intended to constitute legal interpretations of those statutes.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



St. Cloud, Minnesota
February 11, 2022

**City of North Liberty
Schedule of Findings and Responses**

Part I: Findings Related to the Basic Financial Statements:

I-A-21 LACK OF SEGREGATION OF ACCOUNTING DUTIES

During the year ended June 30, 2021, the City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of segregation of accounting duties could adversely affect City's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements. Adequate segregation of accounting duties is in place when the following four areas of a transaction have been separated: authorization, custody, recording, and reconciliation. Examples of functions within the City that demonstrate this lack of segregation of accounting duties include, but are not limited to, the following:

- Cash Disbursements – The Administrative Assistant inputs purchases into the system, prints the checks, and reconciles the bank accounts.
- Financial Reporting – The Assistant City Administrator is responsible for month-end and year-end reconciliations and reporting and has full access to the accounting system including the ability to make adjustments.

Management and the City Council are aware of this condition and have taken certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

| | |
|----------------|---|
| Recommendation | The City should continue to monitor duties and further segregate accounting duties where practical. |
| Response | Agrees with finding. |
| Conclusion | Response accepted. |

City of North Liberty
Schedule of Findings and Responses

Part II: Other Findings Related to Statutory Reporting:

- II-A-21 Certified Budget - Disbursements in the Debt Service functional areas exceeded amounts budgeted during the year

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

City's Response – The budget will be amended in the future prior to exceeding it.

Auditor's Conclusion – Response accepted.

- II-B-21 Questionable Disbursements

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-21 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-21 Business Transactions

No business transactions between City and City officials or employees were noted.

- II-E-21 Restricted Donor Activity

No Transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

- II-F-21 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.

- II-G-21 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-H-21 Deposits and Investments

No instances of noncompliance with the deposit and investment provision of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- II-I-21 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

- II-J-21 Annual Urban Renewal Report - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.