

CITY OF LISBON, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2005

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## CITY OF LISBON

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Williams	Mayor	January 2010
LuAnn Yarbrough	Council Member	January 2008
John Bardsley	Council Member	January 2010
Stephanie Kamberling	Council Member	January 2010
Randy Roberts	Council Member	January 2010
Russ Rasmussen	Council Member	January 2008
Sandie Deahl	City Administrator/Clerk	Indefinite
Meg Tjaden	Administrative Assistant	Indefinite
Jim Craig, Moyer & Bergman	City Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Lisbon, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lisbon, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lisbon as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2006 on our consideration of the City's internal control over financial reporting and 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 29 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lisbon's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
July 7, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lisbon 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by 222%, or approximately \$2,500,000, from fiscal 2004 to fiscal 2005. Local option sales tax and bond proceeds increased approximately \$169,000 and \$2,009,000, respectively, while licenses and permits, use of money and property and intergovernmental revenue all decreased.
- Disbursements for governmental activities increased 118%, or approximately \$1,470,000 in fiscal 2005 from fiscal 2004. Public safety, debt service, community and economic development and capital projects disbursements increased approximately \$118,000, \$32,000, \$327,000 and \$945,000, respectively.
- The City's total cash basis net assets increased 52%, or approximately \$756,000 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased by approximately \$912,000 and business type activities decreased by \$156,000.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view 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 to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, these 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and solid waste. These activities are financed primarily by user charges.

### **Fund Financial Statements**

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Cemetery. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and solid waste funds. The water and sewer funds are considered to be major funds of the City.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased sharply from a year ago, increasing from \$883,206 to \$1,794,946. The analysis that follows focuses on the changes in cash balances for governmental activities.

**Changes in Cash Basis Net Assets of Governmental Activities  
(Expressed in Thousands)**

	<b>Year Ended June 30,</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 99	\$ 116
Operating grants, contributions and restricted interest	200	201
General receipts:		
Property tax	679	654
Local option sales tax	233	63
Rental income	2	-
Grants and contributions not restricted to specific purposes	1	6
Unrestricted investment earnings	20	15
Bond proceeds	2,009	-
Other general receipts	23	42
Sale of assets	6	-
Transfers, net	<u>355</u>	<u>30</u>
Total receipts and transfers	<u>3,627</u>	<u>1,127</u>
Disbursements:		
Public safety	249	130
Public works	141	133
Culture and recreation	129	109
Community and economic development	373	46
General government	145	126
Debt service	257	225
Capital projects	<u>1,421</u>	<u>477</u>
Total disbursements	<u>2,715</u>	<u>1,246</u>
Increase (decrease) in cash basis net assets	912	(119)
Cash basis net assets, beginning of year	<u>883</u>	<u>1,002</u>
Cash basis net assets, end of year	<u>\$ 1,795</u>	<u>\$ 883</u>

The City’s total receipts for governmental activities increased by 222%, or \$2,500,000. The total cost of all programs and services increased by approximately \$1,469,000, or 118%, with no new programs added this year.

The City property tax rates for 2005 remained at 12.67, the same as 2004.

The cost of all governmental activities this year was \$2,715,000, compared to \$1,246,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 13-16, the amount taxpayers ultimately financed for these activities was only \$2,416,000 because some of the cost was paid by those who directly benefited from the programs (charges for service \$99,641) or by other governments and organizations that subsidized certain programs with grants and contributions (\$200,424). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2005 from \$316,874 to \$300,065. The City paid for the remaining "public benefit" portion of governmental activities with \$2,415,502 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, bond proceeds and general entitlements.

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

	<b>Year Ended June 30,</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 203	\$ 186
Sewer	243	164
Solid waste	112	111
General receipts:		
Unrestricted investment earnings	3	3
Bond proceeds	93	-
Other general receipts	-	127
Total receipts	<u>654</u>	<u>591</u>
Disbursements and transfers:		
Water	203	126
Sewer	137	214
Solid waste	115	106
Transfers, net	<u>355</u>	<u>30</u>
Total disbursements and transfers	<u>810</u>	<u>476</u>
Increase (decrease) in cash basis net assets	(156)	115
Cash basis net assets, beginning of year	<u>570</u>	<u>455</u>
Cash basis net assets, end of year	<u>\$ 414</u>	<u>\$ 570</u>

Total business type activities receipts for the fiscal year were \$654,000 compared to \$591,000 last year. This increase was due primarily to the receipt of \$93,000 in bond proceeds and partially due to the sewer bond fee imposed on utility customers to repay the debt incurred by the wastewater treatment plant construction project. A lawsuit settlement of \$127,000 was received in the prior year. The cash balance decreased this year approximately \$156,000. Total disbursements and transfers for the fiscal year increased by \$334,000, to a total of \$810,000. Net transfers to governmental funds totaled \$355,000, of which \$174,500 was due to an interfund loan established by the city council in support of economic development in the community.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$1,795,000, an increase of \$912,000 over the prior year. The following are the major reasons for the changes in the fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$86,157 from the prior year to \$345,487. This decrease was due in large part to expenditures related to reduced revenues per state mandates while maintaining city services.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$19,552 from the prior year to \$182,050. This increase was due to interfund loans received to support local economic development.
- The following Capital Projects funds, Wastewater Treatment Plant, West Side Street and Fire Truck, had cash increases of \$263,810, \$218,089 and \$244,414, respectively, over the prior year due to bond sale proceeds received.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Lisbon completed the year, its business type funds reported a combined fund balance of \$414,000, a decrease of \$156,000 over the prior year. This decrease includes an interfund loan made to the Special Revenue, Urban Renewal Tax Increment Fund totaling \$174,500.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. This was a balanced budget amendment reflecting the increased cost of operating services and capital project cost increases being offset by an increase in revenues.

## DEBT ADMINISTRATION

At June 30, 2005, the City had \$2,705,000 in bonds and other long-term debt, compared to \$780,000 last year, as show below.

	<b>Outstanding Debt at Year End</b>	
	<b>Year Ended June 30,</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
General obligation capital loan notes	\$1,475,000	\$ 705,000
Revenue notes	1,155,000	-
Special assessment capital loan notes	<u>75,000</u>	<u>75,000</u>
Total	<u>\$2,705,000</u>	<u>\$ 780,000</u>

Debt increased as a result of issuing revenue bonds for a sewer construction project and general obligation bonds for the purchase of a fire truck, completion of water infrastructure upgrades and curb and gutter and sidewalk work in conjunction with a street replacement project on South Street.

The City does not carry a general obligation bond rating assigned by national rating agencies due to the small size of the City and the debt that we traditionally bond for; additionally, it is considered that the cost associated with obtaining such a rating would not be in line with any potential resulting savings or points discounted. 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 \$1,475,000 is significantly below its constitutional debt limit of \$4,256,152.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with 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 the City Administrator at Lisbon City Hall, 115 N. Washington, Lisbon, Iowa (319) 455-2459.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LISBON**

**Statement of Activities and Net Assets - Cash Basis**

**As of and for the year ended June 30, 2005**

		<b>Program Receipts</b>	
	<b><u>Disbursements</u></b>	<b><u>Charges for Service</u></b>	<b><u>Operating Grants, Contributions, and Restricted Interest</u></b>
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 248,620	\$ 4,325	\$ 13,392
Public works	141,293	-	161,392
Culture and recreation	128,650	11,930	25,166
Community and economic development	373,325	-	-
General government	145,303	83,386	474
Debt service	256,924	-	-
Capital projects	1,421,452	-	-
Total governmental activities	2,715,567	99,641	200,424
Business type activities:			
Water	200,713	196,048	-
Sewer	136,484	242,503	-
Solid waste	115,388	112,196	-
Meter deposits	2,752	7,311	-
Total business type activities	455,337	558,058	-
Total	\$ 3,170,904	\$ 657,699	\$ 200,424
<b>General Receipts:</b>			
Property tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Rental income			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Bond proceeds			
Transfers			
Total general receipts and transfers			

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (230,903)	\$ -	\$ (230,903)
20,099	-	20,099
(91,554)	-	(91,554)
(373,325)	-	(373,325)
(61,443)	-	(61,443)
(256,924)	-	(256,924)
<u>(1,421,452)</u>	<u>-</u>	<u>(1,421,452)</u>
<u>(2,415,502)</u>	<u>-</u>	<u>(2,415,502)</u>
-	(4,665)	(4,665)
-	106,019	106,019
-	(3,192)	(3,192)
<u>-</u>	<u>4,559</u>	<u>4,559</u>
<u>-</u>	<u>102,721</u>	<u>102,721</u>
<u>(2,415,502)</u>	<u>102,721</u>	<u>(2,312,781)</u>
423,310	-	423,310
130,893	-	130,893
125,213	-	125,213
232,778	-	232,778
1,738	-	1,738
875	-	875
20,105	2,914	23,019
22,748	-	22,748
6,050	-	6,050
2,008,759	93,000	2,101,759
<u>354,773</u>	<u>(354,773)</u>	<u>-</u>
<u>3,327,242</u>	<u>(258,859)</u>	<u>3,068,383</u>

(continued)

CITY OF LISBON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Change in cash basis net assets			
Cash basis net assets, beginning of year			
Cash basis net assets, end of year			
<b>Cash Basis Net Assets</b>			
Restricted:			
Streets			
Maintenance and improvements			
Urban renewal purposes			
Debt service			
Cemetery perpetual care			
Other purposes			
Unrestricted			
<b>Total Cash Basis Net Assets</b>			

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
911,740	(156,138)	755,602
<u>883,206</u>	<u>569,808</u>	<u>1,453,014</u>
<u>\$ 1,794,946</u>	<u>\$ 413,670</u>	<u>\$ 2,208,616</u>
\$ 115,182	\$ -	\$ 115,182
-	10,000	10,000
182,050	-	182,050
21,311	93,811	115,122
63,460	-	63,460
1,067,456	19,076	1,086,532
<u>345,487</u>	<u>290,783</u>	<u>636,270</u>
<u>\$ 1,794,946</u>	<u>\$ 413,670</u>	<u>\$ 2,208,616</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF LISBON**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds**

**As of and for the year ended June 30, 2005**

	<u>General</u>	<u>Special Revenue Urban Renewal Tax Increment</u>	<u>Waste- water Treatment Plant</u>
Receipts:			
Property tax	\$ 373,252	\$ -	\$ -
Tax increment financing collections	-	130,893	-
Other city tax	12,899	-	-
Licenses and permits	5,849	-	-
Use of money and property	21,842	-	-
Intergovernmental	33,825	-	-
Charges for service	23,067	-	-
Special assessments	-	-	-
Miscellaneous	<u>16,488</u>	<u>3,567</u>	<u>-</u>
Total receipts	<u>487,222</u>	<u>134,460</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	210,622	-	-
Public works	-	-	-
Culture and recreation	124,209	-	-
Community and economic development	5,541	367,738	-
General government	136,530	-	-
Debt service	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>1,102,670</u>
Total disbursements	<u>476,902</u>	<u>367,738</u>	<u>1,102,670</u>
Excess (deficiency) of receipts over (under) disbursements	<u>10,320</u>	<u>(233,278)</u>	<u>(1,102,670)</u>
Other financing sources (uses):			
Bond proceeds	-	-	1,186,000
Sale of capital assets	6,050	-	-
Operating transfers in	20,000	419,556	180,480
Operating transfers out	<u>(122,527)</u>	<u>(166,726)</u>	<u>-</u>
Total other financing sources (uses)	<u>(96,477)</u>	<u>252,830</u>	<u>1,366,480</u>

<u>Capital Projects</u>			
<u>West Side Street</u>	<u>Fire Truck</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 175,271	\$ 548,523
-	-	-	130,893
-	-	232,993	245,892
-	-	-	5,849
-	-	-	21,842
-	-	157,811	191,636
-	-	-	23,067
-	-	64,308	64,308
-	-	5,660	25,715
<u>-</u>	<u>-</u>	<u>636,043</u>	<u>1,257,725</u>
-	-	37,998	248,620
-	-	141,293	141,293
-	-	4,441	128,650
-	-	46	373,325
-	-	8,773	145,303
-	-	256,924	256,924
<u>28,614</u>	<u>5,586</u>	<u>284,582</u>	<u>1,421,452</u>
<u>28,614</u>	<u>5,586</u>	<u>734,057</u>	<u>2,715,567</u>
<u>(28,614)</u>	<u>(5,586)</u>	<u>(98,014)</u>	<u>(1,457,842)</u>
246,703	250,000	326,056	2,008,759
-	-	-	6,050
-	-	436,059	1,056,095
<u>-</u>	<u>-</u>	<u>(412,069)</u>	<u>(701,322)</u>
<u>246,703</u>	<u>250,000</u>	<u>350,046</u>	<u>2,369,582</u>

(continued)

**CITY OF LISBON**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds**

**As of and for the year ended June 30, 2005**

	<u>General</u>	<u>Special Revenue Urban Renewal Tax Increment</u>	<u>Waste- water Treatment Plant</u>
Net change in cash balances	(86,157)	19,552	263,810
Cash balances, beginning of year	<u>431,644</u>	<u>162,498</u>	<u>(190,928)</u>
Cash balances, end of year	<u>\$ 345,487</u>	<u>\$ 182,050</u>	<u>\$ 72,882</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Police reserve	39,196	-	-
Fire reserve	17,754	-	-
Unreserved:			
General fund	288,537	-	-
Special revenue funds	-	182,050	-
Capital projects fund	-	-	72,882
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 345,487</u>	<u>\$ 182,050</u>	<u>\$ 72,882</u>

<u>Capital Projects</u>			
<u>West Side Street</u>	<u>Fire Truck</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
218,089	244,414	252,032	911,740
<u>(4,450)</u>	<u>-</u>	<u>484,442</u>	<u>883,206</u>
<u>\$ 213,639</u>	<u>\$ 244,414</u>	<u>\$ 736,474</u>	<u>\$1,794,946</u>
\$ -	\$ -	\$ 21,311	\$ 21,311
-	-	-	39,196
-	-	-	17,754
-	-	-	288,537
-	-	317,450	499,500
213,639	244,414	334,253	865,188
<u>-</u>	<u>-</u>	<u>63,460</u>	<u>63,460</u>
<u>\$ 213,639</u>	<u>\$ 244,414</u>	<u>\$ 736,474</u>	<u>\$1,794,946</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

## CITY OF LISBON

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

As of and for the year ended June 30, 2005

	Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Meter Deposits</u>	<u>Total</u>
Operating receipts:					
Use of money and property	\$ 2,914	\$ -	\$ -	\$ -	\$ 2,914
Charges for service	196,048	242,503	112,196	-	550,747
Miscellaneous	-	-	-	7,311	7,311
Total operating receipts	198,962	242,503	112,196	7,311	560,972
Operating disbursements:					
Business type activities	200,713	136,484	115,388	2,752	455,337
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,751)	106,019	(3,192)	4,559	105,635
Non-operating receipts:					
Bond proceeds	93,000	-	-	-	93,000
Excess (deficiency) of receipts over (under) disbursements	91,249	106,019	(3,192)	4,559	198,635
Operating transfers out	228,987	125,786	-	-	354,773
Net change in cash balances	(137,738)	(19,767)	(3,192)	4,559	(156,138)
Cash balances, beginning of year	384,355	112,592	58,344	14,517	569,808
Cash balances, end of year	\$ 246,617	\$ 92,825	\$ 55,152	\$ 19,076	\$ 413,670
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ 10,936	\$ 82,875	\$ -	\$ -	\$ 93,811
Reserved for improvements	10,000	-	-	-	10,000
Unreserved	225,681	9,950	55,152	19,076	309,859
Total cash basis fund balances	\$ 246,617	\$ 92,825	\$ 55,152	\$ 19,076	\$ 413,670

These financial statements should be read only in connection with the accompanying notes to financial statements.

# CITY OF LISBON

## Notes to Financial Statements

June 30, 2005

### (1) Summary of Significant Accounting Policies

The City of Lisbon is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1875 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 non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water, sewer and solid waste utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

#### B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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.

## CITY OF LISBON

### Notes to Financial Statements

June 30, 2005

#### (1) Summary of Significant Accounting Policies (continued)

##### B. Basis of Presentation (continued)

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Capital Projects funds are used to account for construction projects and certain major purchases.

The City reports the following major proprietary funds:

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

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

##### C. Measurement Focus and Basis of Accounting

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

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**CITY OF LISBON**

**Notes to Financial Statements**

**June 30, 2005**

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence 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.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation and special assessment notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Special Assessment Capital Loan Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 145,000	\$ 64,761	\$ -	\$ 4,360	\$ 46,000	\$ 34,650	\$ 191,000	\$ 103,771
2007	180,000	54,043	-	4,360	47,000	33,270	227,000	91,673
2008	135,000	47,503	-	4,360	49,000	31,860	184,000	83,723
2009	140,000	42,155	-	4,360	50,000	30,390	190,000	76,905
2010	140,000	36,341	75,000	4,360	52,000	28,890	267,000	69,591
2011	105,000	30,340	-	-	53,000	27,330	158,000	57,670
2012	110,000	26,200	-	-	55,000	25,740	165,000	51,940
2013	60,000	21,680	-	-	57,000	24,090	117,000	45,770
2014	65,000	19,340	-	-	58,000	22,380	123,000	41,720
2015	70,000	16,772	-	-	60,000	20,640	130,000	37,412
2016	70,000	13,938	-	-	62,000	18,840	132,000	32,778
2017	60,000	11,032	-	-	64,000	16,980	124,000	28,012
2018	65,000	8,482	-	-	66,000	15,060	131,000	23,542
2019	65,000	5,686	-	-	67,000	13,080	132,000	18,776
2020	65,000	2,861	-	-	69,000	11,070	134,000	13,931
2021	-	-	-	-	72,000	9,000	72,000	9,000
2022	-	-	-	-	74,000	6,840	74,000	6,840
2023	-	-	-	-	76,000	4,620	76,000	4,620
2024	-	-	-	-	78,000	2,340	78,000	2,340
Total	<u>\$1,475,000</u>	<u>\$ 401,134</u>	<u>\$ 75,000</u>	<u>\$ 21,800</u>	<u>\$1,155,000</u>	<u>\$ 377,070</u>	<u>\$2,705,000</u>	<u>\$ 800,004</u>

# CITY OF LISBON

## Notes to Financial Statements

June 30, 2005

### (3) Bonds and Notes Payable (continued)

During the current year, the City approved the issuance of up to \$925,000 of general obligation bonds in order to finance purchase of firetruck and improve streets and water treatment facility.

### (4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$13,796, \$16,561, and \$16,971, respectively, equal to the required contributions for each year.

### (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2005, primarily relating to the General Fund, is \$2,671. This liability has been computed based on rates of pay as of June 30, 2005.

### (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service:	Special Revenue:	
Debt Service	Urban Renewal Tax Increment	\$ 53,670
	Special Assessment Notes	89,610
		<u>143,280</u>
Capital Projects:	Enterprise:	
Wastewater Treatment Plant	Sewer	30,000
	Special Revenue:	
	Local Option Sales Tax	150,480
		<u>180,480</u>

**CITY OF LISBON**

**Notes to Financial Statements**

**June 30, 2005**

**(6) Interfund Transfers (continued)**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: Park Pavilion	Special Revenue: Urban Renewal Tax Increment	<u>93,056</u>
Special Revenue: Urban Renewal Tax Increment	Enterprise: Water	143,250
	Sewer	31,250
	General	122,527
	Special Revenue: Road Use Tax	<u>122,529</u>
		<u>419,556</u>
General	Special Revenue: Urban Renewal Tax Increment	<u>20,000</u>
Capital Projects: Water Distribution Control	Enterprise: Water	<u>75,737</u>
Capital Projects: Biosolids Renewal Project	Enterprise: Sewer	<u>64,536</u>
Capital Projects: Emergency Warning Sirens	Special Revenue: Local Option Sales Tax	<u>49,450</u>
Capital Projects: Well Rehabilitation	Enterprise: Water	<u>10,000</u>
Total		<u>\$1,056,095</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Money transferred into the Capital Projects funds will be used to finance various improvement projects or significant purchases.

Money transferred into the General Fund will be used for housing rehabilitation costs.

Transfers into the Special Revenue, Urban Renewal Tax Increment Fund represent interfund loans.

**CITY OF LISBON**

**Notes to Financial Statements**

**June 30, 2005**

**(7) Risk Management**

The City of Lisbon 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.

**(8) Commitments**

Following is a table of the City's construction commitments at June 30, 2005:

<u>Commitment</u>	<u>Contract Amount</u>	<u>Paid to 6-30-05</u>	<u>Unpaid Commitment</u>
Wastewater treatment plant	\$1,565,905	\$1,483,392	\$ 82,513
Painting water tower	50,200	41,411	8,789
Park pavilion	89,514	85,038	4,476
Highway 30 crossing	352,283	-	352,283
Emergency warning sirens	52,168	-	52,168

**(9) Deficit Fund Balance**

The Capital Projects, Park Pavilion Fund, had a deficit balance of \$2,674 at June 30, 2005. The deficit balance was a result of project costs incurred prior to availability of funds.

**(10) Interfund Loans**

During the current year, \$419,556 was loaned to the Special Revenue, Urban Renewal Tax Increment fund from other funds, as follows: Enterprise, Water \$143,250; Enterprise, Sewer \$31,250; General \$122,527 and; Special Revenue, Road Use Tax \$122,529. These funds will be used to pay the costs of improvements within the City's Urban Renewal Area relative to the Novak Estates Part I Development. These loans will be repaid, with interest at the rate of 5% per annum, out of incremental property tax revenues received on real property within the Urban Renewal Area (Novak Part I).

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LISBON**

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

**Required Supplementary Information**

**Year ended June 30, 2005**

	<b>Governmental Funds <u>Actual</u></b>	<b>Proprietary Funds <u>Actual</u></b>	<b>Less Funds not Required to be Budgeted</b>
<b>Receipts:</b>			
Property tax	\$ 548,523	\$ -	\$ -
Tax increment financing collections	130,893	-	-
Other city tax	245,892	-	-
Licenses and permits	5,849	-	-
Use of money and property	21,842	2,914	-
Intergovernmental	191,636	-	-
Charges for service	23,067	550,747	-
Special assessments	64,308	-	-
Miscellaneous	<u>25,715</u>	<u>7,311</u>	<u>-</u>
Total receipts	<u>1,257,725</u>	<u>560,972</u>	<u>-</u>
<b>Disbursements:</b>			
Public safety	248,620	-	-
Public works	141,293	-	-
Culture and recreation	128,650	-	-
Community and economic development	373,325	-	-
General government	145,303	-	-
Debt service	256,924	-	-
Capital projects	1,421,452	-	-
Business type activities	<u>-</u>	<u>455,337</u>	<u>-</u>
Total disbursements	<u>2,715,567</u>	<u>455,337</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(1,457,842)	105,635	-
Other financing sources, net	<u>2,369,582</u>	<u>(261,773)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	911,740	(156,138)	-
Balances, beginning of year	<u>883,206</u>	<u>569,808</u>	<u>-</u>
Balances, end of year	<u>\$ 1,794,946</u>	<u>\$ 413,670</u>	<u>\$ -</u>

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 548,523	\$ 524,264	\$ 610,632	\$ (62,109)
130,893	123,567	123,567	7,326
245,892	118,107	158,107	87,785
5,849	15,500	15,500	(9,651)
24,756	15,850	16,100	8,656
191,636	330,665	476,215	(284,579)
573,814	434,300	521,100	52,714
64,308	35,500	244,359	(180,051)
<u>33,026</u>	<u>5,350</u>	<u>8,700</u>	<u>24,326</u>
<u>1,818,697</u>	<u>1,603,103</u>	<u>2,174,280</u>	<u>(355,583)</u>
248,620	255,980	269,867	21,247
141,293	145,357	145,357	4,064
128,650	116,105	130,833	2,183
373,325	38,546	38,546	(334,779)
145,303	123,633	138,831	(6,472)
256,924	268,678	352,678	95,754
1,421,452	1,414,930	2,294,507	873,055
<u>455,337</u>	<u>365,698</u>	<u>473,934</u>	<u>18,597</u>
<u>3,170,904</u>	<u>2,728,927</u>	<u>3,844,553</u>	<u>673,649</u>
(1,352,207)	(1,125,824)	(1,670,273)	318,066
<u>2,107,809</u>	<u>1,114,835</u>	<u>1,596,714</u>	<u>511,095</u>
755,602	(10,989)	(73,559)	829,161
<u>1,453,014</u>	<u>1,335,383</u>	<u>2,778,336</u>	<u>7,019,747</u>
<u>\$ 2,208,616</u>	<u>\$ 1,324,394</u>	<u>\$ 2,704,777</u>	<u>\$ 7,019,747</u>

## **CITY OF LISBON**

### **Notes to Required Supplementary Information - Budgetary Reporting**

**June 30, 2005**

The budgetary comparison is presented as Required Supplementary Information 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 Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary 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, a budget amendment increased budgeted disbursements by \$1,115,626. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the community and economic development and general government functions.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF LISBON**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2005

	Special Revenue					Highway 30	
	Road Use Tax	Employee Benefits	Local Option Sales Tax	Special Assessment Notes	Debt Service	Park Pavilion	School Crossing
Receipts:							
Property tax	\$ -	\$ 50,058	\$ -	\$ -	\$125,213	\$ -	\$ -
Other city tax	-	-	232,778	-	215	-	-
Intergovernmental	157,811	-	-	-	-	-	-
Special assessments	-	-	-	64,308	-	-	-
Miscellaneous	-	4,322	-	-	188	-	-
Total receipts	<u>157,811</u>	<u>54,380</u>	<u>232,778</u>	<u>64,308</u>	<u>125,616</u>	<u>-</u>	<u>-</u>
Disbursements:							
Operating:							
Public safety	-	37,998	-	-	-	-	-
Public works	121,837	19,456	-	-	-	-	-
Culture and recreation	-	4,441	-	-	-	-	-
Community and economic development	-	46	-	-	-	-	-
General government	-	8,773	-	-	-	-	-
Debt service	-	-	-	-	256,924	-	-
Capital projects	-	-	-	-	-	95,730	22,988
Total disbursements	<u>121,837</u>	<u>70,714</u>	<u>-</u>	<u>-</u>	<u>256,924</u>	<u>95,730</u>	<u>22,988</u>
Excess (deficiency) of receipts over (under) disbursements	<u>35,974</u>	<u>(16,334)</u>	<u>232,778</u>	<u>64,308</u>	<u>(131,308)</u>	<u>(95,730)</u>	<u>(22,988)</u>
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	107,770
Operating transfers in	-	-	-	-	143,280	93,056	-
Operating transfers out	(122,529)	-	(199,930)	(89,610)	-	-	-
Total other financing sources (uses)	<u>(122,529)</u>	<u>-</u>	<u>(199,930)</u>	<u>(89,610)</u>	<u>143,280</u>	<u>93,056</u>	<u>107,770</u>
Net change in cash balances	(86,555)	(16,334)	32,848	(25,302)	11,972	(2,674)	84,782
Cash balances, beginning of year	<u>201,737</u>	<u>36,796</u>	<u>62,939</u>	<u>111,321</u>	<u>9,339</u>	<u>-</u>	<u>-</u>
Cash balances, end of year	<u>\$115,182</u>	<u>\$ 20,462</u>	<u>\$ 95,787</u>	<u>\$ 86,019</u>	<u>\$ 21,311</u>	<u>\$ (2,674)</u>	<u>\$ 84,782</u>

<u>Capital Projects</u>							<u>Permanent</u>	
<u>Water</u>	<u>Westside</u>	<u>Biosolids</u>	<u>Capital</u>	<u>Emergency</u>	<u>Well</u>	<u>West</u>	<u>Cemetery</u>	
<u>Distribution</u>	<u>Trail</u>	<u>Removal</u>	<u>Improve-</u>	<u>Warning</u>	<u>Rehabili-</u>	<u>Side</u>	<u>Perpetual</u>	<u>Total</u>
<u>Control</u>		<u>Project</u>	<u>ments</u>	<u>Sirens</u>	<u>tation</u>	<u>Water</u>	<u>Care</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$175,271
-	-	-	-	-	-	-	-	232,993
-	-	-	-	-	-	-	-	157,811
-	-	-	-	-	-	-	-	64,308
-	-	-	-	-	-	-	1,150	5,660
-	-	-	-	-	-	-	1,150	636,043
-	-	-	-	-	-	-	-	37,998
-	-	-	-	-	-	-	-	141,293
-	-	-	-	-	-	-	-	4,441
-	-	-	-	-	-	-	-	46
-	-	-	-	-	-	-	-	8,773
-	-	-	-	-	-	-	-	256,924
<u>75,737</u>	<u>21,685</u>	<u>64,536</u>	<u>517</u>	<u>-</u>	<u>-</u>	<u>3,389</u>	<u>-</u>	<u>284,582</u>
<u>75,737</u>	<u>21,685</u>	<u>64,536</u>	<u>517</u>	<u>-</u>	<u>-</u>	<u>3,389</u>	<u>-</u>	<u>734,057</u>
<u>(75,737)</u>	<u>(21,685)</u>	<u>(64,536)</u>	<u>(517)</u>	<u>-</u>	<u>-</u>	<u>(3,389)</u>	<u>1,150</u>	<u>(98,014)</u>
-	43,500	-	23,129	-	-	151,657	-	326,056
75,737	-	64,536	-	49,450	10,000	-	-	436,059
-	-	-	-	-	-	-	-	(412,069)
<u>75,737</u>	<u>43,500</u>	<u>64,536</u>	<u>23,129</u>	<u>49,450</u>	<u>10,000</u>	<u>151,657</u>	<u>-</u>	<u>350,046</u>
-	21,815	-	22,612	49,450	10,000	148,268	1,150	252,032
-	-	-	-	-	-	-	62,310	484,442
<u>\$ -</u>	<u>\$ 21,815</u>	<u>\$ -</u>	<u>\$ 22,612</u>	<u>\$ 49,450</u>	<u>\$ 10,000</u>	<u>\$148,268</u>	<u>\$ 63,460</u>	<u>\$736,474</u>

(continued)

**CITY OF LISBON**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2005

	<u>Special Revenue</u>						
	<u>Road Use Tax</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Special Assessment Notes</u>	<u>Debt Service</u>	<u>Park Pavilion</u>	<u>Highway 30 School Crossing</u>
<b>Cash Basis Fund Balances</b>							
Reserved:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 21,311	\$ -	\$ -
Unreserved:							
Special revenue funds	115,182	20,462	95,787	86,019	-	-	-
Capital project funds	-	-	-	-	-	(2,674)	84,782
Permanent fund	-	-	-	-	-	-	-
Total cash basis fund balance	<u>\$115,182</u>	<u>\$ 20,462</u>	<u>\$ 95,787</u>	<u>\$ 86,019</u>	<u>\$ 21,311</u>	<u>\$ (2,674)</u>	<u>\$ 84,782</u>

<u>Capital Projects</u>							<u>Permanent</u>	
<u>Water</u>	<u>Westside</u>	<u>Biosolids</u>	<u>Capital</u>	<u>Emergency</u>	<u>Well</u>	<u>West</u>	<u>Cemetery</u>	
<u>Distribution</u>	<u>Trail</u>	<u>Removal</u>	<u>Improve-</u>	<u>Warning</u>	<u>Rehabili-</u>	<u>Side</u>	<u>Perpetual</u>	<u>Total</u>
<u>Control</u>		<u>Project</u>	<u>ments</u>	<u>Sirens</u>	<u>tation</u>	<u>Water</u>	<u>Care</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,311
-	-	-	-	-	-	-	-	317,450
-	21,815	-	22,612	49,450	10,000	148,268	-	334,253
-	-	-	-	-	-	-	63,460	63,460
<u>\$ -</u>	<u>\$ 21,815</u>	<u>\$ -</u>	<u>\$ 22,612</u>	<u>\$ 49,450</u>	<u>\$ 10,000</u>	<u>\$ 148,268</u>	<u>\$ 63,460</u>	<u>\$ 736,474</u>

**CITY OF LISBON**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2005**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital loan notes:			
Street improvements, fire truck, waterworks improvements	April 15, 2005	2.90-4.40%	\$ 925,000
Street improvements	Dec. 1, 1994	6.00-6.70%	375,000
CDBG street/sewer	July 1, 1996	5.00-5.70%	290,000
Street improvements	Dec. 1, 1999	4.60-5.30%	365,000
Street, sewer, sidewalk and lighting improvements	Oct. 1, 2002	2.40-4.60%	415,000
Total			
Special assessment capital loan notes:			
Street improvements	Dec. 1, 1999	5.00-5.90%	\$ 258,000
Revenue bonds:			
Sewer improvement	May 18, 2004	3.00%	\$1,200,000

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$ 925,000	\$ -	\$ 925,000	\$ -	\$ -
45,000	-	45,000	-	3,015	-
75,000	-	35,000	40,000	4,240	-
240,000	-	35,000	205,000	12,344	-
<u>345,000</u>	<u>-</u>	<u>40,000</u>	<u>305,000</u>	<u>13,370</u>	<u>-</u>
<u>\$ 705,000</u>	<u>\$ 925,000</u>	<u>\$ 155,000</u>	<u>\$ 1,475,000</u>	<u>\$ 32,969</u>	<u>\$ -</u>
<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 4,360</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 45,000</u>	<u>\$ 1,155,000</u>	<u>\$ 36,000</u>	<u>\$ -</u>



Loan NotesStreet, Fire Truck and  
Waterworks Improvements  
Issued April 15, 2005

<u>Interest</u>			
<u>Rates</u>	<u>Amount</u>		<u>Total</u>
2.90%	\$ 30,000	\$	145,000
3.10	100,000		180,000
3.25	55,000		135,000
3.35	50,000		140,000
3.45	50,000		140,000
3.60	60,000		105,000
3.70	60,000		110,000
3.90	60,000		60,000
3.95	65,000		65,000
4.05	70,000		70,000
4.15	70,000		70,000
4.25	60,000		60,000
4.30	65,000		65,000
4.35	65,000		65,000
4.40	65,000		65,000
	-		-
	-		-
	-		-
	-		-
	<u>\$ 925,000</u>		<u>\$1,475,000</u>

Revenue BondsSewer Improvement  
Issued May 18, 2004

<u>Interest</u>		
<u>Rates</u>	<u>Amount</u>	
3.00%	\$ 46,000	
3.00	47,000	
3.00	49,000	
3.00	50,000	
3.00	52,000	
3.00	53,000	
3.00	55,000	
3.00	57,000	
3.00	58,000	
3.00	60,000	
3.00	62,000	
3.00	64,000	
3.00	66,000	
3.00	67,000	
3.00	69,000	
3.00	72,000	
3.00	74,000	
3.00	76,000	
3.00	<u>78,000</u>	
	<u>\$1,155,000</u>	

## CITY OF LISBON

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

	<u>Years Ended June 30,</u>			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts:				
Property tax	\$ 548,523	\$ 530,740	\$ 504,061	\$ 467,504
Tax increment financing collections	130,893	122,886	181,063	168,066
Other city tax	245,892	76,749	172,367	57,890
Licenses and permits	5,849	4,322	9,130	8,551
Use of money and property	21,842	15,575	29,910	39,389
Intergovernmental	191,636	198,177	213,381	226,404
Charges for service	23,067	21,729	11,724	7,283
Special assessments	64,308	82,403	71,750	132,111
Miscellaneous	<u>25,715</u>	<u>40,879</u>	<u>41,112</u>	<u>42,263</u>
Total	<u>\$1,257,725</u>	<u>\$1,093,460</u>	<u>\$1,234,498</u>	<u>\$1,149,461</u>
Disbursements:				
Operating:				
Public safety	\$ 248,620	\$ 130,346		
Public works	141,293	133,261		
Culture and recreation	128,650	108,870		
Community and economic development	373,325	46,096		
General government	145,303	125,774		
Debt service	256,924	224,467		
Capital projects	<u>1,421,452</u>	<u>476,781</u>		
Total	<u>\$2,715,567</u>	<u>\$1,245,595</u>		

See accompanying independent auditor's report.

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

To the Honorable Mayor and  
Members of the City Council  
Lisbon, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lisbon, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 7, 2006. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Lisbon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Lisbon's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-05, II-B-05 and II-C-05 are material weaknesses.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the 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 matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lisbon and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
July 7, 2006

**CITY OF LISBON**

**Schedule of Findings**

**Year Ended June 30, 2005**

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

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CITY OF LISBON**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

**Part II: Findings Related to the Financial Statements:**

**Instances of non-compliance**

No matters were noted.

**Reportable conditions**

**II-A-05 Segregation of Duties**

Criteria - The City should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition - The City does not have adequate segregation of duties over all accounting transactions. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Cause - The City has a limited number of personnel performing accounting functions.

Effect - As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Recommendation - When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The City is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

Conclusion - Response accepted.

**II-B-05 Reconciliation of Accounts**

Criteria - General ledger balances should be reviewed and reconciled to verify their accuracy.

Condition - During the audit we found that the general ledger cash/fund balance accounts did not agree with the reconciled bank balance.

Cause - Regular reconciliations were not being performed to the extent necessary to verify the accuracy of the account balances.

Effect - The general ledger cash/fund balance accounts did not agree with the reconciled bank balance.

**CITY OF LISBON**

**Schedule of Findings**

**Year Ended June 30, 2005**

**Part II: Findings Related to the Financial Statements: (continued)**

**II-B-05 Reconciliation of Accounts (continued)**

Recommendation - We recommend that at the end of each month the general ledger account balances be reviewed for accuracy and that the general ledger cash balances be reconciled to the bank's balance. To improve controls over this process, we recommend that someone outside of the accounting department perform a review on a monthly basis to determine that the account balances are accurate.

Response - The City has implemented month-end procedures which includes reviewing general ledger account balances for accuracy and reconciling the bank's account balances to the City's cash/fund balances.

Conclusion - Response accepted.

**II-C-05 Account Classifications**

Criteria - Revenue and expenditure transactions should be coded to appropriate general ledger accounts.

Condition - During the audit we found many instances where amounts weren't coded to the proper accounts.

Cause - Transaction codings were not reviewed or verified for accuracy and misclassifications were made in some cases to prevent budget overages.

Effect - The audit resulted in numerous account adjustments in order to correct the classification of amounts.

Recommendation - Care should be taken in coding of revenue and expense amounts to ensure their proper account and fund classification. We recommend that oversight be added to include the monthly review and approval of the City's general ledger and account classifications.

Response - We will do this.

Conclusion - Response accepted.

**II-D-05 Permanent Cemetery Interest**

Criteria - Interest earned on permanent cemetery funds should be transferred to the general fund.

Condition - During the audit we found that the interest earned on the permanent cemetery funds had not yet been transferred to the general fund.

**CITY OF LISBON**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

**Part II: Findings Related to the Financial Statements:** (continued)

**II-D-05 Permanent Cemetery Interest** (continued)

Cause - Due to an oversight, the interest did not get transferred to the general fund.

Effect - Interest earned on the permanent cemetery fund are still in that fund rather than in the general fund.

Recommendation - Interest earned on permanent cemetery funds should be transferred to the general fund in order to cover costs incurred for the maintenance and upkeep of the cemetery.

Response - We will transfer any past interest earnings to the general fund and in the future will record this interest in the general fund.

Conclusion - Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

**III-A-05 Official Depositories**

A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

**III-B-05 Certified Budget**

Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the community and economic development and general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

**III-C-05 Questionable Disbursements**

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

**CITY OF LISBON**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

**Part III: Other Findings Related to Statutory Reporting: (continued)**

**III-D-05 Travel Expense**

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

**III-E-05 Business Transactions**

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

**III-F-05 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 insure that the coverage is adequate for current operations.

**III-G-05 Council Minutes**

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

Published council minutes did not include a summary of receipts as required by Chapter 372 of the Code of Iowa.

Recommendation - Published council minutes should include a summary of receipts as required by the Code of Iowa.

Response - We will do this in the future.

Conclusion - Response accepted.

Council minutes for the January 24, 2005 meeting were not properly signed as required by Chapter 380 of the Code of Iowa.

Recommendation - We recommend that council minutes be signed as required by the Code of Iowa.

Response - This was a limited instance as the practice of the City is to have the minutes signed by the proper parties.

Conclusion - Response accepted.

**CITY OF LISBON**

**Schedule of Findings**

**Year Ended June 30, 2005**

**Part III: Other Findings Related to Statutory Reporting: (continued)**

**III-H-05 Deposits and Investments**

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.