



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

June 30, 2009



## TABLE OF CONTENTS

		<u>Page</u>
<b>OFFICIALS</b>		3
<b>INDEPENDENT AUDITOR'S REPORT</b>		5-6
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		7-12
<b>BASIC FINANCIAL STATEMENTS:</b>		13
	<u>Exhibit</u>	
Government-wide Financial Statement: Statement of Activities and Net Assets - Cash Basis	A	14-17
Governmental Fund Financial Statement: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	18-21
Proprietary Fund Financial Statement: Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	C	22
Notes to Financial Statements		23-31
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		32
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		33-34
Notes to Required Supplementary Information - Budgetary Reporting		35
<b>OTHER SUPPLEMENTARY INFORMATION:</b>		36
	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	1	37-38
Schedule of Indebtedness	2	39-40
Bond and Note Maturities	3	41-42
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	43
<b>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</b>		44-45
<b>SCHEDULE OF FINDINGS</b>		46-49
<b>STAFF</b>		50

## CITY OF LISBON

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rex Cook	Mayor	January 2012
Doug Kamberling	Council Member	January 2012
John Bardsley	Council Member	January 2010
Stephanie Kamberling	Council Member	January 2010
Randy Roberts	Council Member	January 2010
Lance Zerbe	Council Member	January 2012
Chris Yancey	City Administrator	Indefinite
Tawnia Kakacek	City Clerk/Treasurer	Indefinite
Jim Craig, Lederer, Weston & Craig	City Attorney	Indefinite

CITY OF LISBON

## 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, 2009, 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 U.S. generally accepted auditing standards 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 U.S. generally accepted accounting principles.

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, 2009, 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 January 25, 2010 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 7 through 12 and 32 through 34 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 two years ended June 30, 2005 and the year ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements. We did not audit the information presented for the two years ended June 30, 2007 and we express no opinion on it. 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, other than that presented for the two years ended June 30, 2007, 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 Henderson LLP*

Cedar Rapids, Iowa  
January 25, 2010

## 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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2009 Financial Highlights

Revenues of the City's governmental activities decreased by 7%, or approximately \$112,000, from fiscal year 2008 to 2009. Property taxes, including tax increment financing collections, increased approximately \$37,500 and bond proceeds increased \$185,876, while licenses and permits and use of money and property and intergovernmental revenue all decreased.

Disbursements for governmental activities decreased by 2.5%, or approximately \$43,000, from fiscal year 2008 to fiscal year 2009. Community and economic development, public safety, and general government disbursements decreased \$110,685, \$42,371, and \$15,741, respectively. Culture and recreation, debt service, and capital projects increased \$24,796, \$24,170, and \$79,225 respectively.

The City's total cash basis net assets decreased by 2%, or \$29,380, from June 30, 2008 to June 30, 2009. Of this amount the assets of the governmental activities decreased by \$221,802 and the assets of the business type activities increased by \$192,422.

### 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 non-major 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, 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 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 Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, solid waste and utility deposits funds. The water, sewer and solid waste 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 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)

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts		
Charges for service	\$ 86	\$ 302
Operating grants, contributions and restricted interest	241	364
General receipts:		
Property tax	676	558
Tax increment financing	61	142
Local option sales tax	23	-
Other city tax	36	42
Grants and contributions not restricted to specific purposes	-	1
Unrestricted interest on investments	20	46
Other general receipts	36	28
Sale of assets	6	-
Bond and note proceeds	396	210
Total receipts	<u>1,581</u>	<u>1,693</u>
Disbursements:		
Public safety	264	306
Public works	238	240
Culture and recreation	239	214
Community and economic development	46	157
General government	188	204
Debt service	296	272
Capital projects	423	344
Total disbursements	<u>1,694</u>	<u>1,737</u>
Change in cash basis net assets before transfers	(113)	(44)
Transfers, net	<u>(109)</u>	<u>104</u>
Change in cash basis net assets	(222)	60
Cash basis net assets, beginning of year	<u>1,257</u>	<u>1,197</u>

Cash basis net assets, end of year \$ 1,035    \$ 1,257

The City's total receipts for governmental activities decreased by 7%, or approximately \$112,000. The total cost of all governmental programs and services decreased by approximately \$43,000, or 2.5%, with no new programs added this year.

The City property tax rates for 2009 are at 13.62461, higher than the rates of 2008 at 13.61361. This is an increase of .5% from the 2008 rate.

The cost of all governmental activities this year was \$1,694,198, compared to \$1,737,242 last year. However, as shown in the Statement of Activities and Net Assets on pages 14 through 17, the amount taxpayers ultimately financed for these activities was only \$1,366,377 because some of the cost was paid by those who directly benefited from the programs (charges for service (\$86,487) or by other governments and organizations that subsidized certain programs with grants and contributions (\$241,334). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2009 by \$112,079.

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

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 187	\$ 183
Sewer	248	241
Solid waste	118	110
Utility deposits	5	-
General receipts:		
Other receipts	-	11
Unrestricted interest on investments	8	14
Bond and note proceeds	<u>28</u>	<u>-</u>
Total receipts	<u>594</u>	<u>559</u>
Disbursements:		
Water	166	136
Sewer	213	155
Solid waste	130	124
Utility deposits	<u>2</u>	<u>3</u>
Total disbursements	<u>511</u>	<u>418</u>
Change in cash basis net assets before transfers	83	141
Transfers, net	<u>109</u>	<u>(104)</u>
Change in cash basis net assets	192	37
Cash basis net assets, beginning of year	<u>446</u>	<u>409</u>
Cash basis net assets, end of year	<u>\$ 638</u>	<u>\$ 446</u>

Total business type activities receipts for the fiscal year were \$594,148 compared to \$558,820 last year. This increase was due primarily to receiving payback of interfund loans from water and sewer. The cash balance increased \$192,422.

### **Individual Major Governmental Fund Analysis**

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$1,035,110, a decrease of \$221,802 over the prior year.

- The General Fund cash balance increased \$222,927 from the prior year to \$672,966. This increase was due in large part to payback of inter-fund loans.
- The Special Revenue, Road Use Tax Fund cash balance increased \$72,597 from the prior year to \$90,473. This increase was due in large part to payback of an inter-fund loan.
- The Debt Service Fund cash balance decreased \$119,770 from the prior year to \$19,397. This decrease was a result of paying back inter-fund loans.
- The Local Option Sales Tax Fund cash balance decreased \$141,632 from the prior year to \$143,069. This decrease was a result of paying back inter-fund loans.
- The Well Rehab Fund had a deficit balance of \$19,894, an increase in the deficit of \$5,951 from the prior year. The increase was due to the cost of capital projects exceeding bond 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 \$637,905, an increase of \$192,422 over the prior year. This increase is due to receipt of payback of inter-fund loans, water rate increases and reductions of debt service payments over the prior year.

### **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**

As of June 30, 2009, the City had \$2,454,450 in bonds and other long-term debt, compared to \$2,238,000 last year, as shown below.

**Outstanding Debt at Year End  
(Expressed in Thousands)**

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
General obligation capital loan notes	\$ 1,114	\$ 1,225
Revenue notes	<u>1,340</u>	<u>1,013</u>
Total	<u>\$ 2,454</u>	<u>\$ 2,238</u>

Debt increased as a result of revenue notes issued for water improvements and a short-term loan received for a skidloader.

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 \$1,113,925 is significantly below its constitutional debt limit of \$5,283,575.

**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 information, contact the City Administrator or the City Clerk/Treasurer at Lisbon City Hall, 115 N Washington, P.O. Box 68, Lisbon, Iowa 52253. (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, 2009

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Governmental activities:			
Public safety	\$ 264,077	\$ 8,505	\$ 16,032
Public works	238,007	-	-
Culture and recreation	238,914	20,716	49,185
Community and economic development	46,569	-	-
General government	187,851	57,266	18,640
Debt service	295,787	-	-
Capital projects	422,993	-	157,477
	<u>1,694,198</u>	<u>86,487</u>	<u>241,334</u>
Total governmental activities			
Business type activities:			
Water	165,754	187,858	-
Sewer	213,293	248,495	-
Solid waste	129,655	117,603	-
Utility deposits	1,945	4,880	-
	<u>510,647</u>	<u>558,836</u>	<u>-</u>
Total business type activities			
Total	<u>2,204,845</u>	<u>645,323</u>	<u>241,334</u>
<b>GENERAL RECEIPTS:</b>			
Property and other city tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Other city tax			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Bond and note proceeds			
Transfers			
Total general receipts and transfers			

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

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<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (239,540)	\$ -	\$ (239,540)
(238,007)	-	(238,007)
(169,013)	-	(169,013)
(46,569)	-	(46,569)
(111,945)	-	(111,945)
(295,787)	-	(295,787)
(265,516)	-	(265,516)
<u>(1,366,377)</u>	<u>-</u>	<u>(1,366,377)</u>
-	22,104	22,104
-	35,202	35,202
-	(12,052)	(12,052)
-	2,935	2,935
<u>-</u>	<u>48,189</u>	<u>48,189</u>
<u>(1,366,377)</u>	<u>48,189</u>	<u>(1,318,188)</u>
510,050	-	510,050
61,249	-	61,249
166,251	-	166,251
23,368	-	23,368
36,076	-	36,076
20,149	7,738	27,887
34,454	-	34,454
6,024	-	6,024
395,876	27,574	423,450
<u>(108,921)</u>	<u>108,921</u>	<u>-</u>
<u>1,144,575</u>	<u>144,233</u>	<u>1,288,808</u>

CITY OF LISBON

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2009

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS, BEGINNING OF YEAR			
CASH BASIS NET ASSETS, END OF YEAR			
CASH BASIS NET ASSETS:			
Restricted:			
Streets			
Capital projects			
Debt service			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(221,802)	192,422	(29,380)
<u>1,256,912</u>	<u>445,483</u>	<u>1,702,395</u>
<u>\$ 1,035,110</u>	<u>\$ 637,905</u>	<u>\$ 1,673,015</u>
\$ 233,542	\$ -	\$ 233,542
-	10,000	10,000
19,397	23,090	42,487
<u>782,170</u>	<u>604,815</u>	<u>1,386,985</u>
<u>\$ 1,035,110</u>	<u>\$ 637,905</u>	<u>\$ 1,673,015</u>

The accompanying notes are an integral part of the 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, 2009

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
<b>RECEIPTS:</b>			
Property tax	\$ 401,765	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	36,076	-	-
Licenses and permits	17,865	-	23,368
Use of money and property	22,474	-	-
Intergovernmental	53,665	157,477	-
Charges for services	34,950	-	-
Special assessments	-	-	-
Miscellaneous	54,227	-	-
	<u>621,022</u>	<u>157,477</u>	<u>23,368</u>
Total receipts			
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	220,106	-	-
Public works	-	207,409	-
Culture and recreation	224,338	-	-
Community and economic development	36,931	-	-
General government	172,038	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<u>653,413</u>	<u>207,409</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(32,391)</u>	<u>(49,932)</u>	<u>23,368</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond and note proceeds	18,349	-	-
Operating transfers in	236,969	122,529	-
Operating transfers out	-	-	(165,000)
	<u>255,318</u>	<u>122,529</u>	<u>(165,000)</u>
Net other financing sources (uses)			

<u>Capital Projects</u>			
<u>Debt Service</u>	<u>Well Rehab</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 169,658	\$ -	\$ 108,301	\$ 679,724
-	-	61,248	61,248
-	-	-	36,076
-	-	-	41,233
-	-	-	22,474
-	-	-	211,142
-	-	-	34,950
-	-	38,442	38,442
-	-	5,928	60,155
<u>169,658</u>	<u>-</u>	<u>213,919</u>	<u>1,185,444</u>
-	-	43,971	264,077
-	-	30,598	238,007
-	-	14,576	238,914
-	-	9,638	46,569
-	-	15,813	187,851
295,787	-	-	295,787
<u>-</u>	<u>383,476</u>	<u>39,517</u>	<u>422,993</u>
<u>295,787</u>	<u>383,476</u>	<u>154,113</u>	<u>1,694,198</u>
<u>(126,129)</u>	<u>(383,476)</u>	<u>59,806</u>	<u>(508,754)</u>
-	377,525	-	395,874
140,599	-	121,314	621,411
<u>(134,240)</u>	<u>-</u>	<u>(431,092)</u>	<u>(730,332)</u>
<u>6,359</u>	<u>377,525</u>	<u>(309,778)</u>	<u>286,953</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, 2009

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
NET CHANGE IN CASH BALANCES	222,927	72,597	(141,632)
CASH BALANCES, BEGINNING OF YEAR	<u>450,039</u>	<u>17,876</u>	<u>284,702</u>
CASH BALANCES, END OF YEAR	<u>\$ 672,966</u>	<u>\$ 90,473</u>	<u>\$ 143,069</u>
<b>CASH BASIS FUND BALANCES:</b>			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Streets	-	90,473	143,069
Unreserved:			
General	672,966	-	-
Special revenue funds	-	-	-
Capital project funds	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 672,966</u>	<u>\$ 90,473</u>	<u>\$ 143,069</u>

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Totals</u>
	<u>Well Rehab</u>	<u>Other Nonmajor Governmental Funds</u>	
(119,770)	(5,951)	(249,972)	(221,802)
<u>139,167</u>	<u>(13,943)</u>	<u>379,071</u>	<u>1,256,912</u>
<u>\$ 19,397</u>	<u>\$ (19,894)</u>	<u>\$ 129,098</u>	<u>\$ 1,035,110</u>
\$ 19,397	\$ -	\$ -	\$ 19,397
-	-	-	233,542
-	-	-	672,966
-	-	118,031	118,031
-	(19,894)	(55,957)	(75,851)
-	-	67,024	67,024
<u>\$ 19,397</u>	<u>\$ (19,894)</u>	<u>\$ 129,098</u>	<u>\$ 1,035,110</u>

The accompanying notes are an integral part of the 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, 2009

	Enterprise Funds				Totals
	Water	Sewer	Solid Waste	Utility Deposits	
<b>OPERATING RECEIPTS:</b>					
Charges for services	\$ 183,686	\$ 246,985	\$ 117,603	\$ -	\$ 548,274
Miscellaneous	4,172	1,510	-	4,880	10,562
Total operating receipts	187,858	248,495	117,603	4,880	558,836
<b>OPERATING DISBURSEMENTS:</b>					
Business type activities	165,754	213,293	129,655	1,945	510,647
Excess (deficiency) of operating receipts over (under) operating disbursements	22,104	35,202	(12,052)	2,935	48,189
<b>NON-OPERATING RECEIPTS:</b>					
Interest on investments	5,563	1,610	565	-	7,738
General obligation note proceeds	18,399	9,175	-	-	27,574
Net non-operating receipts	23,962	10,785	565	-	35,312
Excess (deficiency) of receipts over (under) disbursements	46,066	45,987	(11,487)	2,935	83,501
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	196,250	-	-	196,250
Operating transfers out	(4,471)	(82,858)	-	-	(87,329)
Net other financing sources (uses)	(4,471)	113,392	-	-	108,921
<b>NET CHANGE IN CASH BALANCES</b>	41,595	159,379	(11,487)	2,935	192,422
<b>CASH BALANCES, BEGINNING OF YEAR</b>	316,159	57,488	48,746	23,090	445,483
<b>CASH BALANCES, END OF YEAR</b>	\$ 357,754	\$ 216,867	\$ 37,259	\$ 26,025	\$ 637,905
<b>CASH BASIS FUND BALANCES:</b>					
Reserved:					
Debt service	\$ 10,970	\$ 12,120	\$ -	\$ -	\$ 23,090
Improvements	10,000	-	-	-	10,000
Unreserved	336,784	204,747	37,259	26,025	604,815
Total cash basis fund balances	\$ 357,754	\$ 216,867	\$ 37,259	\$ 26,025	\$ 637,905

The accompanying notes are an integral part of the financial statements.

## CITY OF LISBON

### Notes to Financial Statements

June 30, 2009

#### (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 and recreation, and general government 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

The police and fire reserve organizations have governing authorities independent from the City and are not considered to be component units of the City. As such, their activity is not included in the financial statements of the City.

##### B. Basis of Presentation

Government-wide Financial Statement - 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 service.

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.

CITY OF LISBON

Notes to Financial Statements

June 30, 2009

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

B. Basis of Presentation (continued)

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.

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax.

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

The Well Rehab Fund is used to account for repairs and maintenance of the City's well.

The City reports the following major proprietary funds:

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

CITY OF LISBON

Notes to Financial Statements

June 30, 2009

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

B. Basis of Presentation (continued)

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

The Solid Waste Fund accounts for the operation and maintenance of the City's garbage collection services.

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 U.S. generally accepted accounting principles.

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. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007 to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Linn County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**CITY OF LISBON**

**Notes to Financial Statements**

**June 30, 2009**

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2009 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.

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 use of the City.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation and revenue notes, not including the Iowa State Finance Authority loan discussed on the next page, are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 167,185	\$ 46,196	\$ 52,000	\$ 28,890	\$ 219,185	\$ 75,086
2011	133,185	39,028	53,000	27,330	186,185	66,358
2012	139,185	33,694	55,000	25,740	194,185	59,434
2013	91,185	27,908	57,000	24,090	148,185	51,998
2014	96,185	24,252	58,000	22,380	154,185	46,632
2015	92,000	20,360	60,000	20,640	152,000	41,000
2016	93,000	16,672	62,000	18,840	155,000	35,512
2017	83,000	12,863	64,000	16,980	147,000	29,843
2018	89,000	9,418	66,000	15,060	155,000	24,478
2019	65,000	5,686	67,000	13,080	132,000	18,766
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
<b>Total</b>	<b>\$1,113,925</b>	<b>\$ 238,938</b>	<b>\$ 963,000</b>	<b>\$ 246,900</b>	<b>\$2,076,925</b>	<b>\$ 485,838</b>

## CITY OF LISBON

### Notes to Financial Statements

June 30, 2009

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

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue notes issued in April 2004. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment system. The note is payable solely from sewer customer net receipts and are payable through 2024. The total principal and interest remaining to be paid on the notes is \$1,209,900.

During the current year, the City borrowed \$45,925 from Hills Bank and Trust Company for the purchase of a Bobcat skidloader. The loan requires five annual principal payments of \$9,185 each beginning June 10, 2010. Interest accrues at 5% per year and is due in 10 semi-annual payments beginning December 10, 2010.

During the current year, the City entered into a water revenue loan agreement with the Iowa State Finance Authority to borrow up to \$600,000 under a revolving loan agreement. At June 30, 2009, the balance on this loan was \$377,525. The City does not anticipate borrowing the full amount of the available loan amount. Principal payments will be calculated after the final loan disbursement has occurred, which is expected to occur in the year ending June 30, 2010. Principal payments will be due annually beginning June 1, 2010, and interest will be payable semi-annually at the rate of 3.0%. Since the final loan amount and repayment terms had not yet been finalized as of June 30, 2009, this loan was not included in the maturities schedule shown on the previous page.

(4) **Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$19,915, \$19,393, and \$18,245, respectively, equal to the required contributions for each year.

**CITY OF LISBON**

**Notes to Financial Statements**

**June 30, 2009**

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or, in certain cases, for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Unused vacation hours are payable to all employees upon termination, retirement or death. One-half of accumulated sick leave hours are payable only to union-contracted employees upon their retirement.

The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 13,179
Sick leave	<u>7,966</u>
<b>Total</b>	<b>\$ <u>21,145</u></b>

This liability has been computed based on rates of pay in effect at June 30, 2009.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Debt Service	\$ 123,568
	Special Revenue:	
	Urban Renewal Tax Increment	111,681
	Permanent Fund:	
	Perpetual Care	<u>1,720</u>
		<u>236,969</u>
Debt Service	Enterprise:	
	Water	4,471
	Sewer	82,858
	Special Revenue:	
	Urban Renewal Tax Increment	<u>53,270</u>
		<u>140,599</u>

**CITY OF LISBON**

**Notes to Financial Statements**

**June 30, 2009**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Road Use Tax	Special Revenue: Urban Renewal Tax Increment	103,884
	Capital Projects: Novak Development	<u>18,645</u>
		<u>122,529</u>
Capital Projects: Casey's Development	Capital Projects: Highway 30 Expansion	<u>22,070</u>
Capital Projects: Highway 30 Expansion	Debt Service	<u>10,672</u>
Capital Projects: Westside Street Project	Special Revenue: Special Assessments	<u>12,523</u>
Capital Projects: Sidewalk Project	Special Revenue: Special Assessments	<u>76,049</u>
Enterprise: Sewer	Special Revenue: Local Option Sales Tax	165,000
	Urban Renewal Tax Increment	<u>31,250</u>
		<u>196,250</u>
Total		<u>\$ 817,661</u>

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

**(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.

**CITY OF LISBON**

**Notes to Financial Statements**

**June 30, 2009**

**(8) Commitments**

Following is a schedule of the City's construction and equipment purchase commitments at June 30, 2009:

<u>Commitment</u>	<u>Contract Amount</u>	<u>Paid to 6-30-09</u>	<u>Unpaid Commitment</u>
Well rehab project	\$ 620,004	\$ 393,345	\$ 226,659
East and water main extensions	71,000	-	71,000
Brush mower	2,699	-	2,699
History Center heating and air conditioning	6,000	-	6,000
John Deere Gator	10,820	-	10,820
BioSolids removal project	43,000	12,700	30,300

**(9) Deficit Fund Balances**

The following funds had deficit balances as shown at June 30, 2009:

Capital Projects:

E Main Street	\$ 11,572
Highway 30 Expansion	22,070
NE Sidewalk	33,887
Well Rehab	19,894
Alger Estates	1,523
2005 Lisbon Square	19,038
Storm Water	6,203

Special Revenue:

Employee Benefits	31,667
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**(10) Interfund Loans**

During fiscal year 2005, \$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 were 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).

**(11) Subsequent Events**

On August 27, 2009, the Iowa Finance Authority advanced \$71,000 to the City under a Water Revenue Loan and Disbursement Agreement Anticipation Project Note to finance water main improvements.

CITY OF LISBON

Notes to Financial Statements

June 30, 2009

(11) **Subsequent Events** (continued)

During the year ending June 30, 2010, the City of Lisbon will implement GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform accounting and financial reporting standards for state and local governmental entities related to postemployment benefits other than pension plans ("OPEB"). The adoption of GASB 45 is not expected to have a material impact on the City's financial statements.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>RECEIPTS:</b>			
Property tax	\$ 679,724	\$ -	\$ -
Tax increment financing collections	61,248	-	-
Other city tax	36,076	-	-
Licenses and permits	41,233	-	-
Use of money and property	22,474	7,738	-
Intergovernmental	211,142	-	-
Charges for services	34,950	548,274	-
Special assessments	38,442	-	-
Miscellaneous	60,155	10,562	2,064
	<u>1,185,444</u>	<u>566,574</u>	<u>2,064</u>
Total receipts			
	<u>1,185,444</u>	<u>566,574</u>	<u>2,064</u>
<b>DISBURSEMENTS:</b>			
Public safety	264,077	-	-
Public works	238,007	-	-
Culture and recreation	238,914	-	-
Community and economic development	46,569	-	-
General government	187,851	-	-
Debt service	295,787	-	-
Capital projects	422,993	-	-
Business type activities	-	510,647	-
	<u>1,694,198</u>	<u>510,647</u>	<u>-</u>
Total disbursements			
	<u>1,694,198</u>	<u>510,647</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(508,754)	55,927	2,064
<b>OTHER FINANCING SOURCES, NET</b>			
	<u>286,953</u>	<u>136,495</u>	<u>(1,720)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(221,802)	192,422	344
<b>BALANCES, BEGINNING OF YEAR</b>	<u>1,256,912</u>	<u>445,483</u>	<u>66,681</u>
<b>BALANCES, END OF YEAR</b>	<u>\$ 1,035,110</u>	<u>\$ 637,905</u>	<u>\$ 67,024</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 679,724	\$ 692,706	\$ 692,706	\$ (12,982)
61,248	58,650	58,650	2,598
36,076	34,181	34,181	1,895
41,233	17,425	7,425	33,808
30,212	44,885	23,685	6,527
211,142	278,736	288,506	(77,364)
583,224	703,012	705,912	(122,688)
38,442	59,550	59,550	(21,108)
68,653	8,569	17,969	50,684
<u>1,749,954</u>	<u>1,897,714</u>	<u>1,888,584</u>	<u>(138,630)</u>
264,077	267,877	266,477	2,400
238,007	211,114	270,114	32,107
238,914	291,228	366,948	128,034
46,569	53,326	54,826	8,257
187,851	160,598	192,198	4,347
295,787	298,925	298,925	3,138
422,993	270,000	668,700	245,707
510,647	440,002	577,402	66,755
<u>2,204,845</u>	<u>1,993,070</u>	<u>2,695,590</u>	<u>490,745</u>
(454,891)	(95,356)	(807,006)	352,115
<u>425,168</u>	<u>-</u>	<u>663,000</u>	<u>(237,832)</u>
(29,723)	(95,356)	(144,006)	114,283
<u>1,635,714</u>	<u>2,015,652</u>	<u>2,015,652</u>	<u>(379,938)</u>
<u>\$ 1,605,990</u>	<u>\$ 1,920,296</u>	<u>\$ 1,871,646</u>	<u>\$ (265,656)</u>

See accompanying independent auditor's report.

## CITY OF LISBON

### Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2009

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. 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. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, 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, a budget amendment decreased budgeted revenues by \$9,130 and increased disbursements by \$702,520. The budget amendment is reflected in the final budgeted amounts.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF LISBON

Schedule of Cash Receipts, Disbursements,  
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the Year Ended June 30, 2009

	Special Revenue						
	Urban Renewal Tax Increment	Special Assessment	Employee Benefits	Street Assessment	Novak Development	Road Use Capital Equipment	Casey's Development
<b>RECEIPTS:</b>							
Property tax	\$ -	\$ -	\$ 108,301	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	61,248	-	-	-	-	-	-
Special assessments	-	38,442	-	-	-	-	-
Miscellaneous	3,864	-	-	-	-	-	-
<b>Total receipts</b>	<b>65,112</b>	<b>38,442</b>	<b>108,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DISBURSEMENTS:</b>							
Operating:							
Public safety	-	-	43,971	-	-	-	-
Public works	-	-	30,598	-	-	-	-
Culture and recreation	-	-	14,576	-	-	-	-
Community and economic development	5,633	-	54	-	-	-	-
General government	-	-	15,813	-	-	-	-
Capital projects	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>5,633</b>	<b>-</b>	<b>105,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	59,479	38,442	3,289	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	-	-	-	-	-	-	22,070
Transfers out	(300,085)	(88,572)	-	-	(18,645)	-	-
<b>Net other financing sources (uses)</b>	<b>(300,085)</b>	<b>(88,572)</b>	<b>-</b>	<b>-</b>	<b>(18,645)</b>	<b>-</b>	<b>22,070</b>
<b>NET CHANGE IN CASH BALANCE</b>	<b>(240,606)</b>	<b>(50,130)</b>	<b>3,289</b>	<b>-</b>	<b>(18,645)</b>	<b>-</b>	<b>22,070</b>
<b>CASH BALANCES, BEGINNING OF YEAR</b>	<b>297,862</b>	<b>88,572</b>	<b>(34,956)</b>	<b>25,000</b>	<b>18,645</b>	<b>29,000</b>	<b>(22,070)</b>
<b>CASH BALANCES, END OF YEAR</b>	<b>\$ 57,256</b>	<b>\$ 38,442</b>	<b>\$ (31,667)</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 29,000</b>	<b>\$ -</b>
<b>CASH BASIS FUND BALANCE:</b>							
Unreserved:							
Special revenue funds	57,256	38,442	(31,667)	25,000	-	29,000	-
Capital project funds	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 57,256</b>	<b>\$ 38,442</b>	<b>\$ (31,667)</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 29,000</b>	<b>\$ -</b>

Capital Projects									Permanent	
NE Sidewalk	Westside Street	Alger Estates	2005 Lisbon Square	Downtown Revitalization	E Main Street	Highway 30 Expansion	Storm Water	Railroad	Cemetery Perpetual Care	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,301
-	-	-	-	-	-	-	-	-	-	61,248
-	-	-	-	-	-	-	-	-	-	38,442
-	-	-	-	-	-	-	-	-	2,064	5,928
-	-	-	-	-	-	-	-	-	2,064	213,919
-	-	-	-	-	-	-	-	-	-	43,971
-	-	-	-	-	-	-	-	-	-	30,598
-	-	-	-	3,951	-	-	-	-	-	14,576
-	-	-	-	-	-	-	-	-	-	9,638
-	-	-	-	-	-	-	-	-	-	15,813
4,208	-	-	18,870	-	10,236	-	6,203	-	-	39,517
4,208	-	-	18,870	3,951	10,236	-	6,203	-	-	154,113
(4,208)	-	-	(18,870)	(3,951)	(10,236)	-	(6,203)	-	2,064	59,806
76,049	12,523	-	-	-	-	10,672	-	-	-	121,314
-	-	-	-	-	-	(22,070)	-	-	(1,720)	(431,092)
76,049	12,523	-	-	-	-	(11,398)	-	-	(1,720)	(309,778)
71,841	12,523	-	(18,870)	(3,951)	(10,236)	(11,398)	(6,203)	-	344	(249,972)
(105,728)	(12,523)	(1,523)	(168)	23,287	(1,336)	(10,672)	-	19,000	66,681	379,071
\$ (33,887)	\$ -	\$ (1,523)	\$ (19,038)	\$ 19,336	\$ (11,572)	\$ (22,070)	\$ (6,203)	\$ 19,000	\$ 67,024	\$ 129,098
-	-	-	-	-	-	-	-	-	-	118,031
(33,887)	-	(1,523)	(19,038)	19,336	(11,572)	(22,070)	(6,203)	19,000	-	(55,957)
-	-	-	-	-	-	-	-	-	67,024	67,024
\$ (33,887)	\$ -	\$ (1,523)	\$ (19,038)	\$ 19,336	\$ (11,572)	\$ (22,070)	\$ (6,203)	\$ 19,000	\$ 67,024	\$ 129,098

CITY OF LISBON

Schedule of Indebtedness

Year Ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital loan notes:			
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
Street improvements, fire truck, waterworks improvements	April 15, 2005	2.90-4.40%	925,000
Street improvements	Oct. 1, 2007	3.90%	210,000
Skidloader	June 10, 2009	5.00%	45,925
Total			
Revenue notes:			
Sewer improvement	May 18, 2004	3.00%	\$1,200,000
Water improvement	Jan. 14, 2009	3.00%	377,525
Total			

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>
\$ 90,000	\$ -	\$ 45,000	\$ 45,000	\$ 4,725	\$ -
185,000	-	45,000	140,000	7,970	-
740,000	-	50,000	690,000	29,460	-
210,000	-	17,000	193,000	8,304	-
<u>-</u>	<u>45,925</u>	<u>-</u>	<u>45,925</u>	<u>-</u>	<u>-</u>
<u>\$1,225,000</u>	<u>\$ 45,925</u>	<u>\$ 157,000</u>	<u>\$1,113,925</u>	<u>\$ 50,459</u>	<u>\$ -</u>
\$1,013,000	\$ -	\$ 50,000	\$ 963,000	\$ 30,330	\$ -
<u>-</u>	<u>377,525</u>	<u>-</u>	<u>377,525</u>	<u>-</u>	<u>-</u>
<u>\$1,013,000</u>	<u>\$ 377,525</u>	<u>\$ 50,000</u>	<u>\$1,340,525</u>	<u>\$ 30,330</u>	<u>\$ -</u>

**CITY OF LISBON**  
**Bond and Note Maturities**  
**June 30, 2009**

General Obligation Capital Loan Notes

<u>Year Ending June 30,</u>	<u>Street Improvements Issued Dec. 1, 1999</u>		<u>Street, Sewer, Sidewalk and Lighting Improvements Issued Oct. 1, 2002</u>		<u>Street, Fire Truck and Waterworks Improvements Issued April 15, 2005</u>		<u>Street Improvements Issued Oct. 1, 2007</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
	2010	5.30%	\$ 45,000	4.20%	\$ 45,000	3.45%	\$ 50,000	3.90%
2011		-	4.40	45,000	3.60	60,000	3.90	19,000
2012		-	4.60	50,000	3.70	60,000	3.90	20,000
2013		-		-	3.90	60,000	3.90	22,000
2014		-		-	3.95	65,000	3.90	22,000
2015		-		-	4.05	70,000	3.90	22,000
2016		-		-	4.15	70,000	3.90	23,000
2017		-		-	4.25	60,000	3.90	23,000
2018		-		-	4.30	65,000	3.90	24,000
2019		-		-	4.35	65,000	3.90	-
2020		-		-	4.40	65,000		-
<b>Total</b>		<u>\$ 45,000</u>		<u>\$ 140,000</u>		<u>\$ 690,000</u>		<u>\$ 193,000</u>

<u>Year Ending June 30,</u>	<u>Revenue Notes Sewer Improvement Issued May 18, 2004</u>	
	<u>Interest Rates</u>	<u>Amount</u>
2010	3.00%	\$ 52,000
2011	3.00	53,000
2012	3.00	55,000
2013	3.00	57,000
2014	3.00	58,000
2015	3.00	60,000
2016	3.00	62,000
2017	3.00	64,000
2018	3.00	66,000
2019	3.00	67,000
2020	3.00	69,000
2021	3.00	72,000
2022	3.00	74,000
2023	3.00	76,000
2024	3.00	78,000
<b>Total</b>		<u>\$ 963,000</u>

During the current year, the City entered into a water revenue loan agreement with the Iowa State Finance Authority to borrow up to \$600,000 under a revolving loan agreement. At June 30, 2009, the balance on this loan was \$377,525. The City does not anticipate borrowing the full amount of the available loan amount. Principal payments will be calculated after the final loan disbursement has occurred, which is expected to occur in the year ending June 30, 2010. Principal payments will be due annually beginning June 1, 2010, and interest will be payable semi-annually at the rate of 3.0%. Since the final loan amount and repayment terms had not yet been finalized as of June 30, 2009, this loan was not included in this maturities schedule.

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<u>Year Ending June 30,</u>	<u>Skidloader Issued June 10, 2009</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	
2010	5.00%	\$ 9,185	\$ 167,185
2011	5.00	9,185	133,185
2012	5.00	9,185	139,185
2013	5.00	9,185	91,185
2014	5.00	9,185	96,185
2015		-	92,000
2016		-	93,000
2017		-	83,000
2018		-	89,000
2019		-	65,000
2020		-	65,000
<b>Total</b>		<u>\$ 45,925</u>	<u>\$1,113,925</u>

## CITY OF LISBON

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

For the Last Six Years

	<u>2009</u>	<u>2008</u>	(Unaudited) <u>2007</u>	(Unaudited) <u>2006</u>	<u>2005</u>	<u>2004</u>
<b>RECEIPTS:</b>						
Property tax	\$ 679,724	\$ 558,589	\$ 587,725	\$ 560,163	\$ 548,523	\$ 530,740
Tax increment financing collections	61,248	141,556	148,196	147,427	130,893	122,886
Other city tax	36,076	42,313	28,443	223,653	245,892	76,749
Licenses and permits	41,233	8,828	17,564	22,869	5,849	4,322
Use of money and property	22,474	46,156	68,112	44,140	21,842	15,575
Intergovernmental	211,142	336,634	793,044	332,530	191,636	198,177
Charges for service	34,950	36,199	41,110	27,050	23,067	21,729
Special assessments	38,442	262,112	31,792	121,537	64,308	82,403
Miscellaneous	60,155	51,010	138,069	37,418	25,715	40,879
<b>Total</b>	<u>\$ 1,185,444</u>	<u>\$ 1,483,397</u>	<u>\$ 1,854,055</u>	<u>\$ 1,516,787</u>	<u>\$ 1,257,725</u>	<u>\$ 1,093,460</u>
<b>DISBURSEMENTS:</b>						
Operating:						
Public safety	\$ 264,077	\$ 306,448	\$ 215,210	\$ 209,709	\$ 248,620	\$ 130,346
Public works	238,007	240,445	140,351	153,656	141,293	133,261
Culture and recreation	238,914	214,118	205,703	139,076	128,650	108,870
Community and economic development	46,569	157,254	308,783	44,964	373,325	46,096
General government	187,851	203,592	147,964	153,210	145,303	125,774
Debt service	295,787	271,617	423,273	374,572	256,924	224,467
Capital projects	422,993	343,768	482,663	1,435,523	1,421,452	476,781
<b>Total</b>	<u>\$ 1,694,198</u>	<u>\$ 1,737,242</u>	<u>\$ 1,923,947</u>	<u>\$ 2,510,710</u>	<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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 25, 2010. 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 U.S. generally accepted auditing standards 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Lisbon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lisbon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Lisbon's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Lisbon's financial statements that is more than inconsequential will not be prevented or detected by the City of Lisbon's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Lisbon's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-B-09 is a material weakness.

### **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, 2009 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.

The City of Lisbon's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Lisbon's responses and, accordingly, we express no opinion on them.

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 of Lisbon may report. 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 Henderson LLP*

Cedar Rapids, Iowa  
January 25, 2010

CITY OF LISBON

Schedule of Findings

Year Ended June 30, 2009

**Part I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:**

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

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

**SIGNIFICANT DEFICIENCIES:**

**II-A-09: 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 complete segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

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.

Cause:

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

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.

CITY OF LISBON

Schedule of Findings

Year Ended June 30, 2009

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (CONTINUED)**

**SIGNIFICANT DEFICIENCIES: (CONTINUED)**

**II-A-09: Segregation of Duties (continued)**

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

Conclusion:

Response accepted.

**II-B-09: Preparation of Financial Statements**

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition:

The City Clerk has the ability to prepare the basic financial statements, but does not have the training and reference materials available to draft the footnotes to the financial statements.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

CITY OF LISBON

Schedule of Findings

Year Ended June 30, 2009

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (CONTINUED)**

**SIGNIFICANT DEFICIENCIES: (CONTINUED)**

**II-B-09: Preparation of Financial Statements (continued)**

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of reporting and disclosure requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Lisbon has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:**

- III-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- III-B-09 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-09 Business Transactions - We noted no business transactions between the City and City officials or employees.

CITY OF LISBON

Schedule of Findings

Year Ended June 30, 2009

**PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (CONTINUED)**

III-E-09 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 the coverage is adequate for current operations.

III-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-09 Revenue Bonds - No instances of noncompliance with the revenue bond resolutions were noted.

III-H-09 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-I-09 Financial Condition - The City had a deficit balance at June 30, 2009 in multiple funds.

Recommendation - The City should investigate alternatives to eliminate deficits in order to return these funds to a sound financial position.

Response - The majority of the deficits were due to capital project costs incurred greater than receipts received. The deficits will be eliminated in future years.

Conclusion - Response accepted.

**CITY OF LISBON**

**Staff**

This audit was performed by:

William Vincent, CPA, Partner

Bradley Hauge, CPA, Partner

James Fitzpatrick, CPA, Manager

Kimberly Drew, Senior Associate