



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

June 30, 2010

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CITY OF LISBON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rex Cook	Mayor	December 2011
Doug Kamberling	Council Member	December 2011
John Bardsley	Council Member	December 2013
Lance Zerbe	Council Member	December 2011
Travis Jubeck	Council Member	December 2013
Larry McAtee	Council Member	December 2013
Chris Yancey	City Administrator	Indefinite
Tawnia Kakacek	City Clerk/Treasurer	Indefinite
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, 2010, which collectively comprise the City's basic financial statements as 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 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, Iowa as of June 30, 2010, 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 31, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 33 through 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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, Iowa'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 for the two years ended June 30, 2009 (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 the 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 31, 2011

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 Financial Highlights

Revenues of the City's governmental activities increased by .3%, or approximately \$4,500, from fiscal year 2009 to 2010. Property tax increased approximately \$32,000, while licenses and permits and intergovernmental revenue all increased. Use of money and property revenue decreased.

Disbursements for governmental activities decreased by 2.3%, or approximately \$40,000, from fiscal year 2009 to fiscal year 2010. Community and economic development, public safety, general government, culture and recreation, and debt service disbursements increased \$19,697, \$13,710, \$14,176, \$80,543, and \$72,656, respectively. Capital projects and public works decreased approximately \$217,092, and \$19,967, respectively.

The City's total cash basis net assets increased 9%, or \$155,414, from June 30, 2009 to June 30, 2010. Of this amount the assets of the governmental activities increased \$65,026 and the assets of the business type activities increased by \$90,389.

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 statement for governmental funds is 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 statement for proprietary funds is 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>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for service	\$ 98	\$ 86
Operating grants, contributions and restricted interest	252	241
General receipts:		
Property tax	708	676
Tax increment financing	60	61
Local option sales tax	252	23
Other city tax	36	36
Unrestricted interest on investments	12	20
Other general receipts	29	36
Sales of assets	-	6
Bond and note proceeds	<u>138</u>	<u>396</u>
Total receipts	<u>1,585</u>	<u>1,581</u>
Disbursements:		
Public safety	278	264
Public works	218	238
Culture and recreation	319	239
Community and economic development	66	46
General government	202	188
Debt service	368	296
Capital projects	<u>203</u>	<u>423</u>
Total disbursements	<u>1,654</u>	<u>1,694</u>
Change in cash basis net assets before transfers	(69)	(113)
Transfers, net	<u>134</u>	<u>(109)</u>
Change in cash basis net assets	65	(222)
Cash basis net assets, beginning of year	<u>1,035</u>	<u>1,257</u>
Cash basis net assets, end of year	<u>\$ 1,100</u>	<u>\$ 1,035</u>

The City's total receipts for governmental activities increased by .3% or \$4,501. The total cost of all programs and services decreased by \$39,308, or 2.3%, with no new programs added this year.

The City property tax rates for 2010 are at 13.60852, lower than the rates of 2009 at 13.62461. This is a decrease of .001% from the 2009 rate due to a debt service levy decrease as a result of a loan paid off in 2010.

The cost of all governmental activities this year was \$1,654,890, compared to \$1,694,198 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 \$1,304,200 because some of the cost was paid by those who directly benefited from the programs (charges for service (\$98,554) or by other governments and organizations that subsidized certain programs with grants and contributions (\$252,136). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2010 by \$22,869.

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

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 249	\$ 187
Sewer	264	248
Solid waste	133	118
Utility deposits	5	5
General receipts:		
Unrestricted interest on investments	7	8
Bond and note proceeds	-	28
	<u>658</u>	<u>594</u>
Total receipts		
Disbursements:		
Water	134	166
Sewer	174	213
Solid waste	124	130
Utility deposits	2	2
	<u>434</u>	<u>511</u>
Total disbursements		
Change in cash basis net assets before transfers	224	83
Transfers, net	<u>(134)</u>	<u>109</u>
Change in cash basis net assets	90	192
Cash basis net assets, beginning of year	<u>638</u>	<u>446</u>
Cash basis net assets, end of year	<u>\$ 728</u>	<u>\$ 638</u>

Total business type activities receipts and transfers for the fiscal year were \$660,812 compared to \$790,399 last year. This decrease was due primarily to receiving payback of interfund loans from water and sewer in 2009. The cash balance increased \$90,389.

Individual Major Governmental Fund Analysis

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$1,100,135, an increase of \$65,026 over the prior year.

- The General Fund cash balance decreased \$166,889 from the prior year to 506,077.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$38,834 from the prior year to \$51,639.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$251,612 from the prior year to \$394,681. This increase was due to local option sales taxes received.
- The Debt Service Fund cash balance decreased \$1,823 from the prior year to \$17,574.

Individual Major Business Type Fund Analysis

As the City of Lisbon completed the year, its business type funds reported a combined fund balance of \$728,294, an increase of \$90,389 over the prior year. This increase is due to water rate increases.

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, 2010, the City had \$2,321,000 in bonds and other long-term debt, compared to \$2,454,450 last year, as shown below.

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

	Year Ended June 30,	
	2010	2009
General obligation capital loan notes	\$ 910	\$ 1,114
Revenue notes	1,411	1,340
Total	\$ 2,321	\$ 2,454

Debt decreased as a result of principal payments made during the year.

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 \$910,000 is significantly below its constitutional debt limit of \$5,404,560.

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, 2010

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 277,787	\$ 10,929	\$ 20,392
Public works	218,040	-	-
Culture and recreation	319,457	24,378	49,329
Community and economic development	66,266	-	-
General government	202,027	63,247	6,353
Debt service	368,443	-	-
Capital projects	202,870	-	176,062
	<u>1,654,890</u>	<u>98,554</u>	<u>252,136</u>
Total governmental activities			
Business type activities:			
Water	133,978	248,759	-
Sewer	174,298	264,484	-
Solid waste	124,044	132,653	-
Utility deposits	1,674	5,000	-
	<u>433,994</u>	<u>650,896</u>	<u>-</u>
Total business type activities			
Total	<u>\$ 2,088,884</u>	<u>\$ 749,450</u>	<u>\$ 252,136</u>

GENERAL RECEIPTS AND TRANSFERS:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
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**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (246,466)	\$ -	\$ (246,466)
(218,040)	-	(218,040)
(245,750)	-	(245,750)
(66,266)	-	(66,266)
(132,427)	-	(132,427)
(368,443)	-	(368,443)
(26,808)	-	(26,808)
<u>(1,304,200)</u>	<u>-</u>	<u>(1,304,200)</u>
-	114,781	114,781
-	90,186	90,186
-	8,609	8,609
-	3,326	3,326
<u>-</u>	<u>216,902</u>	<u>216,902</u>
<u>(1,304,200)</u>	<u>216,902</u>	<u>(1,087,298)</u>
556,734	-	556,734
150,940	-	150,940
60,202	-	60,202
251,612	-	251,612
35,699	-	35,699
12,058	7,584	19,642
29,237	-	29,237
143	-	143
138,504	-	138,504
134,097	(134,097)	-
<u>1,369,226</u>	<u>(126,513)</u>	<u>1,242,713</u>

(continued)

CITY OF LISBON

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2010

	<u>Program Receipts</u>	
	<u>Charges for</u>	<u>Operating Grants,</u>
	<u>Services</u>	<u>Contributions,</u>
		<u>and Restricted</u>
	<u>Disbursements</u>	<u>Interest</u>
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>
65,026	90,389	155,415
<u>1,035,109</u>	<u>637,905</u>	<u>1,673,014</u>
<u>\$ 1,100,135</u>	<u>\$ 728,294</u>	<u>\$ 1,828,429</u>
\$ 446,320	\$ -	\$ 446,320
-	10,000	10,000
17,574	21,684	39,258
<u>636,241</u>	<u>696,610</u>	<u>1,332,851</u>
<u>\$ 1,100,135</u>	<u>\$ 728,294</u>	<u>\$ 1,828,429</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, 2010

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
RECEIPTS:			
Property tax	\$ 424,703	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	35,189	-	251,612
Licenses and permits	23,131	-	-
Use of money and property	19,177	-	-
Intergovernmental	52,841	167,772	-
Charges for services	42,531	-	-
Special assessments	-	-	-
Miscellaneous	33,834	-	-
	<u>631,406</u>	<u>167,772</u>	<u>251,612</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	233,339	-	-
Public works	-	187,378	-
Culture and recreation	305,036	-	-
Community and economic development	39,911	-	-
General government	179,662	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<u>757,948</u>	<u>187,378</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(126,542)</u>	<u>(19,606)</u>	<u>251,612</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	143	-	-
Operating transfers in	14,518	-	-
Bond and note proceeds	-	-	-
Operating transfers out	(55,008)	(19,228)	-
	<u>(40,347)</u>	<u>(19,228)</u>	<u>-</u>
Net other financing sources (uses)			

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 145,730	\$ 132,031	\$ 702,464
-	60,202	60,202
5,207	511	292,519
-	-	23,131
-	-	19,177
-	8,290	228,903
-	-	42,531
-	40,116	40,116
-	4,295	38,129
<u>150,937</u>	<u>245,445</u>	<u>1,447,172</u>
-	44,448	277,787
-	30,662	218,040
-	14,421	319,457
-	26,355	66,266
-	22,365	202,027
368,443	-	368,443
-	202,870	202,870
<u>368,443</u>	<u>341,121</u>	<u>1,654,890</u>
<u>(217,506)</u>	<u>(95,676)</u>	<u>(207,718)</u>
-	-	143
215,683	44,220	274,421
-	138,504	138,504
-	(66,088)	(140,324)
<u>215,683</u>	<u>116,636</u>	<u>272,744</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, 2010

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
NET CHANGE IN CASH BALANCES	(166,889)	(38,834)	251,612
CASH BALANCES, BEGINNING OF YEAR	<u>672,966</u>	<u>90,473</u>	<u>143,069</u>
CASH BALANCES, END OF YEAR	<u>\$ 506,077</u>	<u>\$ 51,639</u>	<u>\$ 394,681</u>
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Streets	-	51,639	394,681
Unreserved:			
General	506,077	-	-
Special revenue funds	-	-	-
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 506,077</u>	<u>\$ 51,639</u>	<u>\$ 394,681</u>

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
(1,823)	20,960	65,026
<u>19,397</u>	<u>109,204</u>	<u>1,035,109</u>
<u>\$ 17,574</u>	<u>\$ 130,164</u>	<u>\$ 1,100,135</u>
\$ 17,574	\$ -	\$ 17,574
-	-	446,320
-	-	506,077
-	211,352	211,352
-	(149,787)	(149,787)
<u>-</u>	<u>68,599</u>	<u>68,599</u>
<u>\$ 17,574</u>	<u>\$ 130,164</u>	<u>\$ 1,100,135</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, 2010

	Enterprise Funds				Totals
	Water	Sewer	Solid Waste	Nonmajor Utility Deposits	
OPERATING RECEIPTS:					
Charges for services	\$ 247,465	\$ 264,068	\$ 132,653	\$ -	\$ 644,186
Miscellaneous	1,294	416	-	5,000	6,710
Total operating receipts	248,759	264,484	132,653	5,000	650,896
OPERATING DISBURSEMENTS:					
Business type activities	133,978	174,298	124,044	1,674	433,994
Excess of operating receipts over operating disbursements	114,781	90,186	8,609	3,326	216,902
NON-OPERATING RECEIPTS:					
Interest on investments	4,938	2,260	386	-	7,584
Excess of receipts over disbursements	119,719	92,446	8,995	3,326	224,486
OTHER FINANCING SOURCES (USES):					
Operating transfers in	1,166	1,166	-	-	2,332
Operating transfers out	(43,968)	(92,461)	-	-	(136,429)
Net other financing uses	(42,802)	(91,295)	-	-	(134,097)
NET CHANGE IN CASH BALANCES	76,917	1,151	8,995	3,326	90,389
CASH BALANCES, BEGINNING OF YEAR	357,754	216,867	37,259	26,025	637,905
CASH BALANCES, END OF YEAR	\$ 434,671	\$ 218,018	\$ 46,254	\$ 29,351	\$ 728,294
CASH BASIS FUND BALANCES:					
Reserved:					
Debt service	\$ 10,979	\$ 10,705	\$ -	\$ -	\$ 21,684
Improvements	10,000	-	-	-	10,000
Unreserved	413,692	207,313	46,254	29,351	696,610
Total cash basis fund balances	\$ 434,671	\$ 218,018	\$ 46,254	\$ 29,351	\$ 728,294

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

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

(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, community and economic development 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.

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

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

B. Basis of Presentation (continued)

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.

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.

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

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

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

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

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

The Enterprise, 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 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. During the year ended June 30, 2010, 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, 2008 to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, 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, 2010

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the City's deposits consisted of cash, cash equivalents and bank certificates of deposit.

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 are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 124,000	\$ 37,165	\$ 72,000	\$ 42,330	\$ 196,000	\$ 79,495
2012	130,000	32,293	75,000	40,170	205,000	72,463
2013	82,000	26,977	78,000	37,920	160,000	64,897
2014	87,000	23,786	79,000	35,580	166,000	59,366
2015	92,000	20,360	82,000	33,210	174,000	53,570
2016	93,000	16,672	85,000	30,750	178,000	47,422
2017	83,000	12,863	88,000	28,200	171,000	41,063
2018	89,000	9,418	90,000	25,560	179,000	34,978
2019	65,000	5,686	92,000	22,860	157,000	28,546
2020	65,000	2,861	95,000	20,100	160,000	22,961
2021	-	-	99,000	17,250	99,000	17,250
2022	-	-	102,000	14,280	102,000	14,280
2023	-	-	105,000	11,220	105,000	11,220
2024	-	-	107,000	8,070	107,000	8,070
2025	-	-	30,000	4,860	30,000	4,860

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

(3) Bonds and Notes Payable (continued)

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	-	-	31,000	3,960	31,000	3,960
2027	-	-	32,000	3,030	32,000	3,030
2028	-	-	34,000	2,070	34,000	2,070
2029	-	-	<u>35,000</u>	<u>1,050</u>	<u>35,000</u>	<u>1,050</u>
Total	<u>\$ 910,000</u>	<u>\$ 188,081</u>	<u>\$1,411,000</u>	<u>\$ 382,470</u>	<u>\$2,321,000</u>	<u>\$ 570,551</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue notes issued in May 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 \$1,129,010. Interest expenditures for the year ended June 30, 2010 totaled \$ 87,916.

(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$18,285, \$19,915, and \$19,393, respectively, equal to the required contributions for each year.

(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.

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

(5) **Compensated Absences** (continued)

The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 20,677
Sick leave	<u>10,175</u>
Total	<u>\$ 30,852</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(6) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Emergency Levy	<u>\$ 14,518</u>
Debt Service	General	18,456
	Enterprise: Water	43,968
	Sewer	92,461
	Special Revenue: Urban Renewal Tax Increment	51,570
	Road Use Tax	<u>9,228</u>
		<u>215,683</u>
Capital Project Storm Water	General	<u>2,553</u>
Special Revenue: Employee Benefit	General	31,667
Road Use Capital Equipment	Special Revenue: Road Use Tax	<u>10,000</u>
		<u>41,667</u>
Enterprise: Sewer	General	<u>1,166</u>
Water	General	<u>1,166</u>
Total		<u>\$ 276,753</u>

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

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

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

(7) **Risk Management**

The City 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**

The City has entered into various contracts for capital projects, equipment purchases and service contracts, totaling \$179,999. Through June 30, 2010, \$52,663 has been paid towards these commitments.

The City has entered into an agreement to lease a photocopier. Future minimum lease payments required under the lease for the years ending June 30 are as follows:

2011	\$ 4,099
2012	4,099
2013	4,099
2014	4,099
2015	<u>3,758</u>
Total	<u>\$ 20,154</u>

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

(9) Deficit Fund Balances

The following funds had deficit balances as shown at June 30, 2010:

Capital Projects:

E Main Street	\$ 11,572
Highway 30 Expansion	22,070
NE Sidewalk	33,887
Well Rehab	11,776
Alger Estates	1,523
2005 Lisbon Square	19,038
Storm Water	35,720
Sutliff Road	16,572
Highway 30 Turn Lane	734
City Hall	338
Downtown Revitalization	1,077
Westside Trail	627
Water Main Improvement	13,853

(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).

CITY OF LISBON

Notes to Financial Statements

June 30, 2010

(11) Subsequent Events

Management evaluated subsequent events through January 31, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to January 31, 2011, that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2010.

Subsequent to year end, the City entered into a water revenue loan agreement with the Iowa State Finance Authority to borrow up to \$71,000 under a revolving loan agreement. At June 30, 2010, the balance on this loan was \$0. 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, 2011. Principal payments will be due annually beginning June 1, 2011, and interest will be payable semi-annually at the rate of 3.0%.

(12) New Accounting Standard

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

It is not anticipated that the implementation of the new standard will have a significant effect 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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 702,464	\$ -	\$ -
Tax increment financing collections	60,202	-	-
Other city tax	292,519	-	-
Licenses and permits	23,131	-	-
Use of money and property	19,177	7,584	-
Intergovernmental	228,903	-	-
Charges for services	42,531	644,186	-
Special assessments	40,116	-	-
Miscellaneous	38,129	6,710	-
	<u>1,447,172</u>	<u>658,480</u>	<u>-</u>
Total receipts			
DISBURSEMENTS:			
Public safety	277,787	-	-
Public works	218,040	-	-
Culture and recreation	319,457	-	-
Community and economic development	66,266	-	-
General government	202,027	-	-
Debt service	368,443	-	-
Capital projects	202,870	-	-
Business type activities	-	433,994	-
	<u>1,654,890</u>	<u>433,994</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	(207,718)	224,486	-
OTHER FINANCING SOURCES (USES), NET			
	<u>272,744</u>	<u>(134,097)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	65,026	90,389	-
BALANCES, BEGINNING OF YEAR	<u>1,035,109</u>	<u>637,905</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 1,100,135</u>	<u>\$ 728,294</u>	<u>\$ -</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 702,464	\$ 724,378	\$ 724,378	\$ (21,914)
60,202	58,812	58,812	1,390
292,519	112,375	112,375	180,144
23,131	13,300	13,300	9,831
26,761	29,390	29,390	(2,629)
228,903	975,728	980,328	(751,425)
686,717	743,050	749,050	(62,333)
40,116	40,000	40,000	116
44,839	175,700	187,380	(142,541)
<u>2,105,652</u>	<u>2,872,733</u>	<u>2,895,013</u>	<u>(789,361)</u>
277,787	252,557	290,657	12,870
218,040	199,479	221,479	3,439
319,457	386,590	375,990	56,533
66,266	112,901	104,401	38,135
202,027	204,885	225,035	23,008
368,443	329,593	375,733	7,290
202,870	770,300	824,300	621,430
433,994	449,079	478,579	44,585
<u>2,088,884</u>	<u>2,705,384</u>	<u>2,896,174</u>	<u>807,290</u>
16,768	167,349	(1,161)	17,929
138,647	-	139,000	(353)
155,415	167,349	137,839	17,576
<u>1,673,014</u>	<u>1,689,736</u>	<u>1,689,736</u>	<u>(16,722)</u>
<u>\$ 1,828,429</u>	<u>\$ 1,857,085</u>	<u>\$ 1,827,575</u>	<u>\$ 854</u>

See accompanying independent auditor's report.

CITY OF LISBON

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2010

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 increased budgeted revenues by \$161,280 and increased disbursements by \$190,790. 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, 2010

	Special Revenue								
	Urban Renewal Tax Increment	Special Assessment	Employee Benefits	Emergency Levy	Street Assessment	Road Use Capital Equipment	NE Sidewalk	Well Rehab	City Hall
RECEIPTS:									
Property tax	\$ -	\$ -	\$ 118,069	\$ 13,962	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	60,202	-	-	-	-	-	-	-	-
Other city tax	-	-	-	511	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Special assessments	-	40,116	-	-	-	-	-	-	-
Miscellaneous	2,675	-	-	45	-	-	-	-	-
Total receipts	62,877	40,116	118,069	14,518	-	-	-	-	-
DISBURSEMENTS:									
Operating:									
Public safety	-	-	44,448	-	-	-	-	-	-
Public works	-	-	30,662	-	-	-	-	-	-
Culture and recreation	-	-	14,421	-	-	-	-	-	-
Community and economic development	5,850	-	92	-	-	-	-	-	-
General government	-	-	22,365	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	130,386	338
Total disbursements	5,850	-	111,988	-	-	-	-	130,386	338
Excess (deficiency) of receipts over (under) disbursements	57,027	40,116	6,081	14,518	-	-	-	(130,386)	(338)
OTHER FINANCING SOURCES (USES):									
Transfers in	-	-	31,667	-	-	10,000	-	-	-
Bond and note proceeds	-	-	-	-	-	-	-	138,504	-
Transfers out	(51,570)	-	-	(14,518)	-	-	-	-	-
Net other financing sources (uses)	(51,570)	-	31,667	(14,518)	-	10,000	-	138,504	-
NET CHANGE IN CASH BALANCES	5,457	40,116	37,748	-	-	10,000	-	8,118	(338)
CASH BALANCES, BEGINNING OF YEAR	57,256	38,442	(31,667)	-	25,000	29,000	(33,887)	(19,894)	-
CASH BALANCES, END OF YEAR	\$ 62,713	\$ 78,558	\$ 6,081	\$ -	\$ 25,000	\$ 39,000	\$ (33,887)	\$ (11,776)	\$ (338)
CASH BASIS FUND BALANCE:									
Unreserved:									
Special revenue funds	\$ 62,713	\$ 78,558	\$ 6,081	\$ -	\$ 25,000	\$ 39,000	\$ -	\$ -	\$ -
Capital project funds	-	-	-	-	-	-	(33,887)	(11,776)	(338)
Permanent fund	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 62,713	\$ 78,558	\$ 6,081	\$ -	\$ 25,000	\$ 39,000	\$ (33,887)	\$ (11,776)	\$ (338)

Capital Projects											Permanent Cemetery Perpetual Care	Totals
Westside Trail	Alger Estates	2005 Lisbon Square	Downtown Revitalization	E Main Street	Highway 30 Expansion	Highway 30 Turn Lane	Storm Water	Sutliff Road	Water Main Improvement	Railroad		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,031
-	-	-	-	-	-	-	-	-	-	-	-	60,202
-	-	-	-	-	-	-	-	-	-	-	-	511
-	-	-	-	-	-	-	-	8,290	-	-	-	8,290
-	-	-	-	-	-	-	-	-	-	-	-	40,116
-	-	-	-	-	-	-	-	-	-	-	1,575	4,295
-	-	-	-	-	-	-	-	8,290	-	-	1,575	245,445
-	-	-	-	-	-	-	-	-	-	-	-	44,448
-	-	-	-	-	-	-	-	-	-	-	-	30,662
-	-	-	-	-	-	-	-	-	-	-	-	14,421
-	-	-	20,413	-	-	-	-	-	-	-	-	26,355
-	-	-	-	-	-	-	-	-	-	-	-	22,365
627	-	-	-	-	-	734	32,070	24,862	13,853	-	-	202,870
627	-	-	20,413	-	-	734	32,070	24,862	13,853	-	-	341,121
(627)	-	-	(20,413)	-	-	(734)	(32,070)	(16,572)	(13,853)	-	1,575	(95,676)
-	-	-	-	-	-	-	2,553	-	-	-	-	44,220
-	-	-	-	-	-	-	-	-	-	-	-	138,504
-	-	-	-	-	-	-	-	-	-	-	-	(66,088)
-	-	-	-	-	-	-	2,553	-	-	-	-	116,636
(627)	-	-	(20,413)	-	-	(734)	(29,517)	(16,572)	(13,853)	-	1,575	20,960
-	(1,523)	(19,038)	19,336	(11,572)	(22,070)	-	(6,203)	-	-	19,000	67,024	109,204
\$ (627)	\$ (1,523)	\$ (19,038)	\$ (1,077)	\$ (11,572)	\$ (22,070)	\$ (734)	\$ (35,720)	\$ (16,572)	\$ (13,853)	\$ 19,000	\$ 68,599	\$ 130,164
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,352
(627)	(1,523)	(19,038)	(1,077)	(11,572)	(22,070)	(734)	(35,720)	(16,572)	(13,853)	19,000	-	(149,787)
-	-	-	-	-	-	-	-	-	-	-	68,599	68,599
\$ (627)	\$ (1,523)	\$ (19,038)	\$ (1,077)	\$ (11,572)	\$ (22,070)	\$ (734)	\$ (35,720)	\$ (16,572)	\$ (13,853)	\$ 19,000	\$ 68,599	\$ 130,164

CITY OF LISBON
 Schedule of Indebtedness
 Year Ended June 30, 2010

<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 improvements	May 18, 2004	3.00%	\$1,200,000
Water improvements	Jan. 14, 2009	3.00%	519,000
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>
\$ 45,000	\$ -	\$ 45,000	\$ -	\$ 2,385	\$ -
140,000	-	45,000	95,000	6,170	-
690,000	-	50,000	640,000	27,785	-
193,000	-	18,000	175,000	8,304	-
<u>45,925</u>	<u>-</u>	<u>45,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$1,113,925</u>	<u>\$ -</u>	<u>\$ 203,925</u>	<u>\$ 910,000</u>	<u>\$ 44,644</u>	<u>\$ -</u>
\$ 963,000	\$ -	\$ 18,000	\$ 911,000	\$ 28,830	\$ -
<u>377,525</u>	<u>141,475</u>	<u>19,000</u>	<u>500,000</u>	<u>14,442</u>	<u>-</u>
<u>\$1,340,525</u>	<u>\$ 141,475</u>	<u>\$ 37,000</u>	<u>\$1,411,000</u>	<u>\$ 43,272</u>	<u>\$ -</u>

CITY OF LISBON
Bond and Note Maturities

June 30, 2010

General Obligation Capital Loan Notes

Year Ending June 30,	Street, Sewer, Sidewalk and Lighting Improvements		Street, Fire Truck and Waterworks Improvements		Street Improvements		Total
	Issued Oct. 1, 2002		Issued April 15, 2005		Issued Oct. 1, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	4.40%	\$ 45,000	3.60%	\$ 60,000	3.90%	\$ 19,000	\$ 124,000
2012	4.60	50,000	3.70	60,000	3.90	20,000	130,000
2013	-	-	3.90	60,000	3.90	22,000	82,000
2014	-	-	3.95	65,000	3.90	22,000	87,000
2015	-	-	4.05	70,000	3.90	22,000	92,000
2016	-	-	4.15	70,000	3.90	23,000	93,000
2017	-	-	4.25	60,000	3.90	23,000	83,000
2018	-	-	4.30	65,000	3.90	24,000	89,000
2019	-	-	4.35	65,000	3.90	-	65,000
2020	-	-	4.40	65,000	-	-	65,000
Total		<u>\$ 95,000</u>		<u>\$ 640,000</u>		<u>\$ 175,000</u>	<u>\$ 910,000</u>

Revenue Notes

Year Ending June 30,	Sewer Improvements Issued May 18, 2004		Water Improvements Issued Jan. 14, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	
2011	3.00%	\$ 53,000	3.00%	\$ 19,000	\$ 72,000
2012	3.00	55,000	3.00	20,000	75,000
2013	3.00	57,000	3.00	21,000	78,000
2014	3.00	58,000	3.00	21,000	79,000
2015	3.00	60,000	3.00	22,000	82,000
2016	3.00	62,000	3.00	23,000	85,000
2017	3.00	64,000	3.00	24,000	88,000
2018	3.00	66,000	3.00	24,000	90,000
2019	3.00	67,000	3.00	25,000	92,000
2020	3.00	69,000	3.00	26,000	95,000
2021	3.00	72,000	3.00	27,000	99,000
2022	3.00	74,000	3.00	28,000	102,000
2023	3.00	76,000	3.00	29,000	105,000
2024	3.00	78,000	3.00	29,000	107,000
2025	-	-	3.00	30,000	30,000
2026	-	-	3.00	31,000	31,000
2027	-	-	3.00	32,000	32,000
2028	-	-	3.00	34,000	34,000
2029	-	-	3.00	35,000	35,000
Total		<u>\$ 911,000</u>		<u>\$ 500,000</u>	<u>\$ 1,411,000</u>

CITY OF LISBON

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

For the Last Seven Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>(Unaudited)</u> <u>2007</u>	<u>(Unaudited)</u> <u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:							
Property tax	\$ 702,464	\$ 679,724	\$ 558,589	\$ 587,725	\$ 560,163	\$ 548,523	\$ 530,740
Tax increment financing collections	60,202	61,248	141,556	148,196	147,427	130,893	122,886
Other city tax	292,519	36,076	42,313	28,443	223,653	245,892	76,749
Licenses and permits	23,131	41,233	8,828	17,564	22,869	5,849	4,322
Use of money and property	19,177	22,474	46,156	68,112	44,140	21,842	15,575
Intergovernmental	228,903	211,142	336,634	793,044	332,530	191,636	198,177
Charges for service	42,531	34,950	36,199	41,110	27,050	23,067	21,729
Special assessments	40,116	38,442	262,112	31,792	121,537	64,308	82,403
Miscellaneous	38,129	60,155	51,010	138,069	37,418	25,715	40,879
Total	\$ 1,447,172	\$ 1,185,444	\$ 1,483,397	\$ 1,854,055	\$ 1,516,787	\$ 1,257,725	\$ 1,093,460
DISBURSEMENTS:							
Operating:							
Public safety	\$ 277,787	\$ 264,077	\$ 306,448	\$ 215,210	\$ 209,709	\$ 248,620	\$ 130,346
Public works	218,040	238,007	240,445	140,351	153,656	141,293	133,261
Culture and recreation	319,457	238,914	214,118	205,703	139,076	128,650	108,870
Community and economic development	66,266	46,569	157,254	308,783	44,964	373,325	46,096
General government	202,027	187,851	203,592	147,964	153,210	145,303	125,774
Debt service	368,443	295,787	271,617	423,273	374,572	256,924	224,467
Capital projects	202,870	422,993	343,768	482,663	1,435,523	1,421,452	476,781
Total	\$ 1,654,890	\$ 1,694,198	\$ 1,737,242	\$ 1,923,947	\$ 2,510,710	\$ 2,715,567	\$ 1,245,595

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 31, 2011. Our report expressed unqualified opinions 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, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lisbon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lisbon, Iowa'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we have identified a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Lisbon, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Responses as item II-B-10 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Responses as Items II-A-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lisbon, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Lisbon, Iowa'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, Iowa and other parties to whom the City of Lisbon, Iowa may report and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Cedar Rapids, Iowa
January 31, 2011

CITY OF LISBON

Schedule of Findings and Responses

Year Ended June 30, 2010

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) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INTERNAL CONTROL DEFICIENCIES:

II-A-10: 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 and Responses

Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-A-10: 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 have implemented various procedures to improve the City's checks and balances. We will continue to monitor the situation and segregate accounting duties where practical.

Conclusion:

Response accepted.

II-B-10: 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 and Responses

Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-B-10: 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. 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-10 Certified Budget - Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- III-B-10 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-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-10 Business Transactions - We noted no business transactions between the City and City officials or employees.

CITY OF LISBON

Schedule of Findings and Responses

Year Ended June 30, 2010

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

III-E-10 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-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-10 Revenue Bonds - No instances of noncompliance with the revenue bond resolutions were noted.

III-H-10 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-10 Financial Condition - The City had a deficit balance at June 30, 2010 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.