

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

June 30, 2011

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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	January 1, 2013

CITY OF LISBON



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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2011, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lisbon, Iowa as of June 30, 2011, 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 March 6, 2012 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 34 through 36 are not a required part 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, 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 three years ended June 30, 2010 (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.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Cedar Rapids, Iowa
March 6, 2012

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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 Financial Highlights

Receipts of the City's governmental activities increased by 7.2%, or approximately \$114,000, from fiscal year 2010 to 2011. Property tax increased approximately \$19,000 and intergovernmental revenue increased approximately \$146,000, while revenues from special assessments and bond proceeds decreased approximately \$22,000 and \$99,000, respectively.

Disbursements for governmental activities had relatively little change. Public safety, public works, general government, and capital projects disbursements increased \$28,782, \$54,742, \$27,374, and \$59,585, respectively. Culture and recreation, community and economic development, and debt service decreased \$85,709, \$18,247, and \$68,940, respectively.

The City's total cash basis net assets increased 7.4%, or \$134,565, from June 30, 2010 to June 30, 2011. Of this amount the assets of the governmental activities increased \$186,162 and the assets of the business type activities decreased by \$51,597.

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 - Cash Basis. 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 and the City's indebtedness.

Basis of Accounting

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

The Statement of Activities and Net Assets - Cash Basis 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 - Cash Basis 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 Local Option Sales Tax, 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>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service	\$ 82	\$ 98
Operating grants, contributions and restricted interest	382	252
General receipts:		
Property tax	725	708
Tax increment financing	126	60
Local option sales tax	256	252
Other city tax	27	36
Unrestricted interest on investments	6	12
Other general receipts	54	29
Sales of assets	3	-
Bond and note proceeds	<u>39</u>	<u>138</u>
Total receipts	<u>1,700</u>	<u>1,585</u>
Disbursements:		
Public safety	307	278
Public works	273	218
Culture and recreation	234	319
Community and economic development	48	66
General government	229	202
Debt service	300	368
Capital projects	<u>262</u>	<u>203</u>
Total disbursements	<u>1,653</u>	<u>1,654</u>
Change in cash basis net assets before transfers	47	(69)
Transfers, net	<u>139</u>	<u>134</u>
Change in cash basis net assets	186	65
Cash basis net assets, beginning of year	<u>1,100</u>	<u>1,035</u>
Cash basis net assets, end of year	<u>\$ 1,286</u>	<u>\$ 1,100</u>

The City's total receipts for governmental activities increased by 7.2% or \$113,728. The total cost of all programs and services decreased by \$2,413, or .001%, with no new programs added this year.

The City property tax rates for 2011 are at 13.02786, lower than the rates of 2010 at 13.60852. This is a decrease of 4.27% from the 2010 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 \$1,652,477, compared to \$1,654,890 last year. However, as shown in the Statement of Activities and Net Assets - Cash Basis on pages 14 through 17, the amount taxpayers ultimately financed for these activities was only \$1,188,778 because some of the cost was paid by those who directly benefited from the programs (charges for service (\$81,884) or by other governments and organizations that subsidized certain programs with grants and contributions (\$381,815). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2011 by \$113,728.

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

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 203	\$ 249
Sewer	271	264
Solid waste	136	133
Utility deposits	4	5
General receipts:		
Unrestricted interest on investments	<u>4</u>	<u>7</u>
Total receipts	<u>618</u>	<u>658</u>
Disbursements:		
Water	165	134
Sewer	240	174
Solid waste	124	124
Utility deposits	<u>1</u>	<u>2</u>
Total disbursements	<u>530</u>	<u>434</u>
Change in cash basis net assets before transfers	88	224
Transfers, net	<u>(139)</u>	<u>(134)</u>
Change in cash basis net assets	(51)	90
Cash basis net assets, beginning of year	<u>728</u>	<u>638</u>
Cash basis net assets, end of year	<u>\$ 677</u>	<u>\$ 728</u>

Total business type activities receipts and transfers for the fiscal year were \$621,761, compared to \$660,812 last year. This decrease was due primarily to a decrease in water receipts. The ending cash balance decreased \$51,597.

Individual Major Governmental Fund Analysis

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$1,286,297, an increase of \$186,162 over the prior year.

- The General Fund cash balance increased \$76,925 from the prior year to \$583,002.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$54,039 from the prior year to \$61,600.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$85,786 from the prior year to \$480,467. This increase was due to local option sales taxes received.
- The Debt Service Fund cash balance increased \$1,194 from the prior year to \$18,768.

Business Type Fund Analysis

As the City of Lisbon completed the year, its business type funds reported a combined fund balance of \$676,697, a decrease of \$51,597 over the prior year. This decrease is due primarily to a decrease in water receipts.

Budgetary Highlights

Over the course of the year, the City amended its budget once. The budget amendment reflected the increased cost of operating services and capital project cost increases being offset by an increase in budgeted bond proceeds.

Debt Administration

As of June 30, 2011, the City had \$2,144,053 in bonds and other long-term debt, compared to \$2,321,000 last year, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
General obligation capital loan notes	\$ 786	\$ 910
Revenue notes	<u>1,358</u>	<u>1,411</u>
Total	<u>\$ 2,144</u>	<u>\$ 2,321</u>

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 \$786,000 is significantly below its constitutional debt limit of \$5,551,333.

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, 2011

	Program Receipts		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 306,569	\$ 12,811	\$ 18,024
Public works	272,782	-	179,489
Culture and recreation	233,748	21,716	32,615
Community and economic development	48,019	-	-
General government	229,401	47,357	117,963
Debt service	299,503	-	-
Capital projects	262,455	-	33,724
	1,652,477	81,884	381,815
Business type activities:			
Water	164,921	203,389	-
Sewer	240,503	271,166	-
Solid waste	123,896	135,873	-
Utility deposits	1,450	3,660	-
	530,770	614,088	-
Total	\$ 2,183,247	\$ 695,972	\$ 381,815

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

Governmental Activities	Business Type Activities	Total
\$ (275,734)	\$ -	\$ (275,734)
(93,293)	-	(93,293)
(179,417)	-	(179,417)
(48,019)	-	(48,019)
(64,081)	-	(64,081)
(299,503)	-	(299,503)
(228,731)	-	(228,731)
(1,188,778)	-	(1,188,778)
-	38,468	38,468
-	30,663	30,663
-	11,977	11,977
-	2,210	2,210
-	83,318	83,318
(1,188,778)	83,318	(1,105,460)
611,035	-	611,035
113,613	-	113,613
125,969	-	125,969
256,237	-	256,237
26,816	-	26,816
6,424	4,177	10,601
53,694	-	53,694
3,007	-	3,007
39,053	-	39,053
139,092	(139,092)	-
1,374,940	(134,915)	1,240,025

(continued)

CITY OF LISBON

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2011

	<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:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Urban renewal purposes		
Debt service		
Streets		
Other purposes		
Unrestricted		
TOTAL CASH BASIS NET ASSETS		

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

Governmental Activities	Business Type Activities	Total
186,162	(51,597)	134,565
<u>1,100,135</u>	<u>728,294</u>	<u>1,828,429</u>
<u>\$ 1,286,297</u>	<u>\$ 676,697</u>	<u>\$ 1,962,994</u>

\$ 68,862	\$ -	\$ 68,862
117,263	-	117,263
18,768	20,402	39,170
61,600	-	61,600
538,142	31,561	569,703
<u>481,662</u>	<u>624,734</u>	<u>1,106,396</u>
<u>\$ 1,286,297</u>	<u>\$ 676,697</u>	<u>\$ 1,962,994</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, 2011

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax	\$ 465,472	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	26,324	-	256,237
Licenses and permits	12,987	-	-
Use of money and property	9,600	-	-
Intergovernmental	161,621	179,489	-
Charges for services	38,282	-	-
Special assessments	-	-	-
Miscellaneous	65,647	-	-
	<u>779,933</u>	<u>179,489</u>	<u>256,237</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	258,947	-	-
Public works	-	233,528	-
Culture and recreation	218,891	-	-
Community and economic development	38,188	-	-
General government	201,756	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<u>717,782</u>	<u>233,528</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>62,151</u>	<u>(54,039)</u>	<u>256,237</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	3,007	-	-
Operating transfers in	15,891	-	-
Bond proceeds	-	-	-
Operating transfers out	(4,124)	-	(170,451)
	<u>14,774</u>	<u>-</u>	<u>(170,451)</u>
Total other financing sources (uses)			

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 110,308	\$ 145,563	\$ 721,343
-	125,969	125,969
3,305	492	286,358
-	-	12,987
-	4,502	14,102
-	33,724	374,834
-	-	38,282
-	17,702	17,702
-	263	65,910
<u>113,613</u>	<u>328,215</u>	<u>1,657,487</u>
-	47,622	306,569
-	39,254	272,782
-	14,857	233,748
-	9,831	48,019
-	27,645	229,401
299,503	-	299,503
-	262,455	262,455
<u>299,503</u>	<u>401,664</u>	<u>1,652,477</u>
<u>(185,890)</u>	<u>(73,449)</u>	<u>5,010</u>
-	-	3,007
187,084	260,050	463,025
-	39,053	39,053
-	(149,358)	(323,933)
<u>187,084</u>	<u>149,745</u>	<u>181,152</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, 2011

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
NET CHANGE IN CASH BALANCES	76,925	(54,039)	85,786
CASH BALANCES, BEGINNING OF YEAR, as restated	<u>506,077</u>	<u>115,639</u>	<u>394,681</u>
CASH BALANCES, END OF YEAR	<u>\$ 583,002</u>	<u>\$ 61,600</u>	<u>\$ 480,467</u>
CASH BASIS FUND BALANCES:			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Urban renewal purposes	-	-	-
Debt service	-	-	-
Streets	-	61,600	-
Other purposes	-	-	480,467
Assigned for:			
Railroad project	-	-	-
Unassigned:	<u>583,002</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 583,002</u>	<u>\$ 61,600</u>	<u>\$ 480,467</u>

Exhibit B

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
1,194	76,296	186,162
<u>17,574</u>	<u>66,164</u>	<u>1,100,135</u>
<u>\$ 18,768</u>	<u>\$ 142,460</u>	<u>\$ 1,286,297</u>
\$ -	\$ 68,862	\$ 68,862
-	117,263	117,263
18,768	-	18,768
-	-	61,600
-	57,675	538,142
-	19,000	19,000
-	(120,340)	462,662
<u>\$ 18,768</u>	<u>\$ 142,460</u>	<u>\$ 1,286,297</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, 2011

	Enterprise Funds				Totals
	Water	Sewer	Solid Waste	Nonmajor Utility Deposits	
OPERATING RECEIPTS:					
Charges for services	\$ 203,389	\$ 271,166	\$ 135,873	\$ -	\$ 610,428
Miscellaneous	-	-	-	3,660	3,660
Total operating receipts	203,389	271,166	135,873	3,660	614,088
OPERATING DISBURSEMENTS:					
Business type activities	164,921	240,503	123,896	1,450	530,770
Excess of operating receipts over operating disbursements	38,468	30,663	11,977	2,210	83,318
NON-OPERATING RECEIPTS:					
Interest on investments	2,948	996	233	-	4,177
Excess of receipts over disbursements	41,416	31,659	12,210	2,210	87,495
OTHER FINANCING SOURCES (USES):					
Operating transfers in	1,748	1,748	-	-	3,496
Operating transfers out	(60,045)	(82,543)	-	-	(142,588)
Net other financing uses	(58,297)	(80,795)	-	-	(139,092)
NET CHANGE IN CASH BALANCES	(16,881)	(49,136)	12,210	2,210	(51,597)
CASH BALANCES, BEGINNING OF YEAR	434,671	218,018	46,254	29,351	728,294
CASH BALANCES, END OF YEAR	\$ 417,790	\$ 168,882	\$ 58,464	\$ 31,561	\$ 676,697
CASH BASIS FUND BALANCES:					
Restricted:					
Debt service	\$ 10,983	\$ 9,419	\$ -	\$ -	\$ 20,402
Other purposes	-	-	-	31,561	31,561
Unrestricted	406,807	159,463	58,464	-	624,734
Total cash basis fund balances	\$ 417,790	\$ 168,882	\$ 58,464	\$ 31,561	\$ 676,697

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

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

(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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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, 2011

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

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. 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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The 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 property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

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

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

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

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.

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

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

D. Governmental Cash Basis Fund Balances:

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009 to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, at the Linn County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 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.

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

(2) Cash and Pooled Investments (continued)

At June 30, 2011, 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

During the current year, \$39,053 was drawn down against a \$71,000 water revenue loan and disbursement agreement anticipation project note. The note has a stated interest rate of 0% and matures on September 16, 2012. Loan proceeds are to be used for planning and designing improvements and extensions to the City's municipal waterworks system.

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
2012	\$ 130,000	\$ 32,293	\$ 75,000	\$ 39,570	\$ 205,000	\$ 71,863
2013	82,000	26,977	117,053	37,320	199,053	64,297
2014	87,000	23,786	79,000	34,980	166,000	58,766
2015	92,000	20,360	82,000	32,610	174,000	52,970
2016	93,000	16,672	85,000	30,150	178,000	46,822
2017	83,000	12,863	88,000	27,600	171,000	40,463
2018	89,000	9,418	90,000	24,960	179,000	34,378
2019	65,000	5,686	92,000	22,260	157,000	27,946
2020	65,000	2,861	95,000	19,500	160,000	22,361
2021	-	-	99,000	16,650	99,000	16,650
2022	-	-	102,000	13,680	102,000	13,680
2023	-	-	105,000	10,620	105,000	10,620
2024	-	-	107,000	7,470	107,000	7,470
2025	-	-	30,000	4,260	30,000	4,260
2026	-	-	31,000	3,360	31,000	3,360
2027	-	-	32,000	2,430	32,000	2,430
2028	-	-	34,000	1,470	34,000	1,470
2029	-	-	15,000	450	15,000	450
Total	\$ 786,000	\$ 150,916	\$ 1,358,053	\$ 329,340	\$ 2,144,053	\$ 480,256

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

(3) Bonds and Notes Payable

Revenue Notes

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 \$1,048,680. The revenue notes contain certain covenants. As of June 30, 2011, the City did not meet all of the loan covenant requirements.

Interest expenditures for the year ended June 30, 2011 totaled \$79,080.

(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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$21,017, \$18,285, and \$19,915, 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, 2011

(5) Compensated Absences (continued)

The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 23,223
Sick leave	<u>5,156</u>
Total	\$ <u>28,379</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 760
	Emergency Levy	<u>15,131</u>
		<u>15,891</u>
Debt Service	Capital Project:	
	Water Main Improvement	20,000
	Enterprise:	
	Water	34,811
	Sewer	82,543
	Special Revenue:	
	Urban Renewal Tax Increment	<u>49,730</u>
		<u>187,084</u>
Capital Project:		
West Side Trail	General	<u>627</u>
	Enterprise:	
Storm Water	Water	<u>13,458</u>
Well Rehabilitation	Water	<u>11,776</u>
	Special Revenue:	
North East Sidewalk	Special Assessments	<u>33,887</u>
East Main Street	Special Assessments	<u>11,572</u>
Lisbon Square	Urban Renewal Tax Increment	<u>19,038</u>
Sutliff Road	Local Option Sales Tax	<u>169,692</u>

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise:		
Water	General	<u>1,748</u>
Sewer	General	<u>1,748</u>
Total		<u>\$ 466,521</u>

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 is in the process of building a new city hall. Total cost of the project is estimated at \$1,200,000. Through June 2011, various contracts totaling \$476,726 have been approved and, of this amount, \$401,542 have not yet been paid as of June 30, 2011.

The City has also entered into various contracts for other capital projects, equipment purchases, and service contracts, totaling \$201,198. As of June 30, 2011, commitments of \$70,630 remain outstanding on these contracts.

During the current year, the City entered into an agreement with Brothers Market, Inc. to make economic development tax increment payments in an amount not to exceed \$500,000 in total. Payments will begin in December 2013 and are to be made semiannually through June 1, 2023 as property taxes become available. In addition, the City will provide Brothers Market, Inc. a forgivable loan of \$160,000 to be made in November 2011. For every month commencing December 2011, that the developers meet the loan's requirements, the City shall forgive \$1,333 of the loan. The loan is secured by property and final payment of any outstanding balance is due November 30, 2021.

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

(8) **Commitments** (continued)

Also during the current year, the City entered into an agreement with LaPorte Motor Supply, Inc. to make economic development tax increment payments in an amount not to exceed \$60,000 in total. Payments will begin in December 2013 and are to be made semiannually through June 1, 2018 as property taxes become available.

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:

2012	\$ 4,099
2013	4,099
2014	4,099
2015	<u>3,758</u>
Total	<u>\$ 16,055</u>

(9) **Deficit Fund Balances**

The following funds had deficit balances as shown at June 30, 2011:

Capital Projects:	
Highway 30 Expansion	\$ 24,184
Alger Estates	1,523
Highway 30 Turn Lane	734
City Hall	75,184
Downtown Revitalization	3,002
Gillette Turn Lane	10,000
Water Main Improvement	200
Novak Development	5,513

These deficits will be eliminated as funds are received or transfers are made from other funds.

(10) **Reclassifications**

For presentation purposes, the Special Revenue, Street Assessment and Special Revenue, Road Use Capital Equipment Funds were combined into the Special Revenue, Road Use Tax Fund. The effect of these reclassifications was to increase the June 30, 2010 fund balance for the Special Revenue, Road Use Tax Fund by \$64,000.

CITY OF LISBON

Notes to Financial Statements

June 30, 2011

(11) Interfund Loans

During fiscal year 2005, the City authorized the use of Enterprise, Water; Enterprise, Sewer; General and; Special Revenue, Road Use Tax to help finance the Special Revenue, Urban Renewal Tax Increment Fund. 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). At June 30, 2011, \$10,846 was owed to the General Fund and \$31,250 was owed to the Enterprise, Water Fund.

(12) Subsequent Events

In August 2011, the City issued \$2,395,000 of general obligation bonds in order to pay off the 2002 and 2007 general obligation bonds.

In August 2011, the City issued general obligation local option sales tax bonds totaling \$735,000. The proceeds will be used for the improvement/expansion of the City Hall/Police Department facility.

Management evaluated subsequent events through March 6, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to March 6, 2012, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, 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, 2011.

(13) Nonmonetary Transaction

During the current year, the City exchanged a dump truck for truck repair services valued at \$5,500. No gain or loss was recognized on the exchange.

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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 721,343	\$ -	\$ -
Tax increment financing collections	125,969	-	-
Other city tax	286,358	-	-
Licenses and permits	12,987	-	-
Use of money and property	14,102	4,177	-
Intergovernmental	374,834	-	-
Charges for services	38,282	610,428	-
Special assessments	17,702	-	-
Miscellaneous	65,910	3,660	-
	<u>1,657,487</u>	<u>618,265</u>	<u>-</u>
Total receipts			
DISBURSEMENTS:			
Public safety	306,569	-	-
Public works	272,782	-	-
Culture and recreation	233,748	-	-
Community and economic development	48,019	-	-
General government	229,401	-	-
Debt service	299,503	-	-
Capital projects	262,455	-	-
Business type activities	-	530,770	-
	<u>1,652,477</u>	<u>530,770</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	5,010	87,495	-
OTHER FINANCING SOURCES (USES), NET			
	<u>181,152</u>	<u>(139,092)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	186,162	(51,597)	-
BALANCES, BEGINNING OF YEAR	<u>1,100,135</u>	<u>728,294</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 1,286,297</u>	<u>\$ 676,697</u>	<u>\$ -</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 721,343	\$ 715,935	\$ 715,935	\$ 5,408
125,969	124,080	124,080	1,889
286,358	307,760	309,260	(22,902)
12,987	13,275	13,275	(288)
18,279	33,940	33,940	(15,661)
374,834	980,820	834,544	(459,710)
648,710	667,050	667,050	(18,340)
17,702	30,000	30,000	(12,298)
69,570	108,300	142,800	(73,230)
<u>2,275,752</u>	<u>2,981,160</u>	<u>2,870,884</u>	<u>(595,132)</u>
306,569	305,445	320,081	13,512
272,782	246,997	292,583	19,801
233,748	268,423	277,423	43,675
48,019	356,535	172,985	124,966
229,401	228,705	254,405	25,004
299,503	285,473	305,473	5,970
262,455	1,025,000	1,079,581	817,126
530,770	470,192	557,992	27,222
<u>2,183,247</u>	<u>3,186,770</u>	<u>3,260,523</u>	<u>1,077,276</u>
92,505	(205,610)	(389,639)	482,144
<u>42,060</u>	<u>110,000</u>	<u>2,680,000</u>	<u>(2,637,940)</u>
134,565	(95,610)	2,290,361	(2,155,796)
<u>1,828,429</u>	<u>1,800,233</u>	<u>1,800,233</u>	<u>28,196</u>
<u>\$ 1,962,994</u>	<u>\$ 1,704,623</u>	<u>\$ 4,090,594</u>	<u>\$ (2,127,600)</u>

See accompanying independent auditor's report.

CITY OF LISBON

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2011

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 \$110,276, increased disbursements by \$73,753, and increased other financing sources by \$2,570,000. 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, 2011

	Special Revenue							
	Urban Renewal Tax Increment	Special Assessment	Employee Benefits	Emergency Levy	NE Sidewalk	Well Rehab	City Hall	Westside Trail
RECEIPTS:								
Property tax	\$ -	\$ -	\$ 130,924	\$ 14,639	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	125,969	-	-	-	-	-	-	-
Other city tax	-	-	-	492	-	-	-	-
Use of money and property	4,502	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Special assessments	-	17,702	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total receipts	130,471	17,702	130,924	15,131	-	-	-	-
DISBURSEMENTS:								
Operating:								
Public safety	-	-	47,622	-	-	-	-	-
Public works	-	-	39,254	-	-	-	-	-
Culture and recreation	-	-	14,857	-	-	-	-	-
Community and economic development	7,153	-	753	-	-	-	-	-
General government	-	-	27,645	-	-	-	-	-
Capital projects	-	-	-	-	-	-	74,846	-
Total disbursements	7,153	-	130,131	-	-	-	74,846	-
Excess (deficiency) of receipts over (under) disbursements	123,318	17,702	793	15,131	-	-	(74,846)	-
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	33,887	11,776	-	627
Bond and note proceeds	-	-	-	-	-	-	-	-
Transfers out	(68,768)	(45,459)	-	(15,131)	-	-	-	-
Net other financing sources (uses)	(68,768)	(45,459)	-	(15,131)	33,887	11,776	-	627
NET CHANGE IN CASH BALANCES	54,550	(27,757)	793	-	33,887	11,776	(74,846)	627
CASH BALANCES, BEGINNING OF YEAR, as restated	62,713	78,558	6,081	-	(33,887)	(11,776)	(338)	(627)
CASH BALANCES, END OF YEAR	\$ 117,263	\$ 50,801	\$ 6,874	\$ -	\$ -	\$ -	\$ (75,184)	\$ -
CASH BASIS FUND BALANCES:								
Nonexpendable - cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:								
Urban renewal purposes	117,263	-	-	-	-	-	-	-
Other purposes	-	50,801	6,874	-	-	-	-	-
Assigned for:								
Railroad project	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(75,184)	-
Total cash basis fund balances	\$ 117,263	\$ 50,801	\$ 6,874	\$ -	\$ -	\$ -	\$ (75,184)	\$ -

Capital Projects												Permanent	Totals
Alger Estates	2005 Lisbon Square	Novak Development	Downtown Revitalization	E Main Street	Highway 30 Expansion	Highway 30 Turn Lane	Storm Water	Sutliff Road	Water Main Improvement	Turn Lane Gillette	Railroad Project	Cemetery Perpetual Care	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,563
-	-	-	-	-	-	-	-	-	-	-	-	-	125,969
-	-	-	-	-	-	-	-	-	-	-	-	-	492
-	-	-	-	-	-	-	-	-	-	-	-	-	4,502
-	-	-	-	-	-	-	23,637	10,087	-	-	-	-	33,724
-	-	-	-	-	-	-	-	-	-	-	-	-	17,702
-	-	-	-	-	-	-	-	-	-	-	-	263	263
-	-	-	-	-	-	-	23,837	10,087	-	-	-	263	328,215
-	-	-	-	-	-	-	-	-	-	-	-	-	47,622
-	-	-	-	-	-	-	-	-	-	-	-	-	39,254
-	-	-	-	-	-	-	-	-	-	-	-	-	14,857
-	-	-	1,925	-	-	-	-	-	-	-	-	-	9,831
-	-	5,513	-	-	2,114	-	1,375	163,207	5,400	10,000	-	-	27,645
-	-	5,513	1,925	-	2,114	-	1,375	163,207	5,400	10,000	-	-	262,455
-	-	(5,513)	(1,925)	-	(2,114)	-	22,262	(153,120)	(5,400)	(10,000)	-	263	401,664
-	-	(5,513)	(1,925)	-	(2,114)	-	22,262	(153,120)	(5,400)	(10,000)	-	263	(73,449)
-	19,038	-	-	11,572	-	-	13,458	169,692	-	-	-	-	260,050
-	-	-	-	-	-	-	-	-	39,053	-	-	-	39,053
-	-	-	-	-	-	-	-	-	(20,000)	-	-	-	(149,358)
-	19,038	-	-	11,572	-	-	13,458	169,692	19,053	-	-	-	149,745
-	19,038	(5,513)	(1,925)	11,572	(2,114)	-	35,720	16,572	13,653	(10,000)	-	263	76,296
(1,523)	(19,038)	-	(1,077)	(11,572)	(22,070)	(734)	(35,720)	(16,572)	(13,853)	-	19,000	68,599	66,164
\$ (1,523)	\$ -	\$ (5,513)	\$ (3,002)	\$ -	\$ (24,184)	\$ (734)	\$ -	\$ -	\$ (200)	\$ (10,000)	\$ 19,000	\$ 68,862	\$ 142,460
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,862	\$ 68,862
-	-	-	-	-	-	-	-	-	-	-	-	-	117,263
-	-	-	-	-	-	-	-	-	-	-	-	-	57,675
-	-	-	-	-	-	-	-	-	-	-	19,000	-	19,000
(1,523)	-	(5,513)	(3,002)	-	(24,184)	(734)	-	-	(200)	(10,000)	-	-	(120,340)
\$ (1,523)	\$ -	\$ (5,513)	\$ (3,002)	\$ -	\$ (24,184)	\$ (734)	\$ -	\$ -	\$ (200)	\$ (10,000)	\$ 19,000	\$ 68,862	\$ 142,460

CITY OF LISBON
Schedule of Indebtedness
Year Ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital loan notes:			
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
Total			
Revenue notes:			
Sewer improvements	May 18, 2004	3.00%	\$1,200,000
Water improvements	Jan. 14, 2009	3.00%	519,000
Water improvements	Sept. 16, 2009	0.00%	39,053
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>
\$ 95,000	\$ -	\$ 45,000	\$ 50,000	\$ 4,280	\$ -
640,000	-	60,000	580,000	26,060	-
<u>175,000</u>	<u>-</u>	<u>19,000</u>	<u>156,000</u>	<u>6,908</u>	<u>-</u>
<u>\$ 910,000</u>	<u>\$ -</u>	<u>\$ 124,000</u>	<u>\$ 786,000</u>	<u>\$ 37,248</u>	<u>\$ -</u>
\$ 911,000	\$ -	\$ 53,000	\$ 858,000	\$ 27,270	\$ -
500,000	-	39,000	461,000	14,562	-
<u>-</u>	<u>39,053</u>	<u>-</u>	<u>39,053</u>	<u>-</u>	<u>-</u>
<u>\$1,411,000</u>	<u>\$ 39,053</u>	<u>\$ 92,000</u>	<u>\$1,358,053</u>	<u>\$ 41,832</u>	<u>\$ -</u>

CITY OF LISBON
Bond and Note Maturities
June 30, 2011

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	
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		-	65,000
2020		-	4.40	65,000		-	65,000
Total		\$ 50,000		\$ 580,000		\$ 156,000	\$ 786,000

Revenue Notes							
Year Ending June 30,	Sewer Improvements		Water Improvements		Water Improvements		Total
	Issued May 18, 2004		Issued Jan. 14, 2009		Issued Sept. 16, 2009		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	3.00%	\$ 55,000	3.00%	\$ 20,000	0.00%	\$ -	\$ 75,000
2013	3.00	57,000	3.00	21,000	0.00	39,053	117,053
2014	3.00	58,000	3.00	21,000	0.00	-	79,000
2015	3.00	60,000	3.00	22,000	0.00	-	82,000
2016	3.00	62,000	3.00	23,000	0.00	-	85,000
2017	3.00	64,000	3.00	24,000	0.00	-	88,000
2018	3.00	66,000	3.00	24,000	0.00	-	90,000
2019	3.00	67,000	3.00	25,000	0.00	-	92,000
2020	3.00	69,000	3.00	26,000	0.00	-	95,000
2021	3.00	72,000	3.00	27,000	0.00	-	99,000
2022	3.00	74,000	3.00	28,000	0.00	-	102,000
2023	3.00	76,000	3.00	29,000	0.00	-	105,000
2024	3.00	78,000	3.00	29,000	0.00	-	107,000
2025		-	3.00	30,000	0.00	-	30,000
2026		-	3.00	31,000	0.00	-	31,000
2027		-	3.00	32,000	0.00	-	32,000
2028		-	3.00	34,000	0.00	-	34,000
2029		-	3.00	15,000	0.00	-	15,000
Total		\$ 858,000		\$ 461,000		\$ 39,053	\$ 1,358,053

CITY OF LISBON

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

For the Last Eight Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>(Unaudited) 2007</u>
RECEIPTS:					
Property tax	\$ 721,343	\$ 702,464	\$ 679,724	\$ 558,589	\$ 587,725
Tax increment financing collections	125,969	60,202	61,248	141,556	148,196
Other city tax	286,358	292,519	36,076	42,313	28,443
Licenses and permits	12,987	23,131	41,233	8,828	17,564
Use of money and property	14,102	19,177	22,474	46,156	68,112
Intergovernmental	374,834	228,903	211,142	336,634	793,044
Charges for service	38,282	42,531	34,950	36,199	41,110
Special assessments	17,702	40,116	38,442	262,112	31,792
Miscellaneous	<u>65,910</u>	<u>38,129</u>	<u>60,155</u>	<u>51,010</u>	<u>138,069</u>
 Total	 <u>\$ 1,657,487</u>	 <u>\$ 1,447,172</u>	 <u>\$ 1,185,444</u>	 <u>\$ 1,483,397</u>	 <u>\$ 1,854,055</u>
 DISBURSEMENTS:					
Operating:					
Public safety	\$ 306,569	\$ 277,787	\$ 264,077	\$ 306,448	\$ 215,210
Public works	272,782	218,040	238,007	240,445	140,351
Culture and recreation	233,748	319,457	238,914	214,118	205,703
Community and economic development	48,019	66,266	46,569	157,254	308,783
General government	229,401	202,027	187,851	203,592	147,964
Debt service	299,503	368,443	295,787	271,617	423,273
Capital projects	<u>262,455</u>	<u>202,870</u>	<u>422,993</u>	<u>343,768</u>	<u>482,663</u>
 Total	 <u>\$ 1,652,477</u>	 <u>1,654,890</u>	 <u>\$ 1,694,198</u>	 <u>\$ 1,737,242</u>	 <u>\$ 1,923,947</u>

Schedule 4

(Unaudited)		
<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 560,163	\$ 548,523	\$ 530,740
147,427	130,893	122,886
223,653	245,892	76,749
22,869	5,849	4,322
44,140	21,842	15,575
332,530	191,636	198,177
27,050	23,067	21,729
121,537	64,308	82,403
<u>37,418</u>	<u>25,715</u>	<u>40,879</u>
<u>\$ 1,516,787</u>	<u>\$ 1,257,725</u>	<u>\$ 1,093,460</u>

\$ 209,709	\$ 248,620	\$ 130,346
153,656	141,293	133,261
139,076	128,650	108,870
44,964	373,325	46,096
153,210	145,303	125,774
374,572	256,924	224,467
<u>1,435,523</u>	<u>1,421,452</u>	<u>476,781</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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 6, 2012. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lisbon, 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City'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-A-11 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 item II-B-11 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, 2011 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.

City of Lisbon, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the City's 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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Cedar Rapids, Iowa
March 6, 2012

CITY OF LISBON

Schedule of Findings and Responses

Year Ended June 30, 2011

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-11: 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, 2011

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-A-11: 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-11: 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, 2011

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-B-11: 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-11 Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- III-B-11 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-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-11 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, 2011

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

III-E-11 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-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-11 Revenue Bonds - The City's water and sewer revenue bond resolutions require the City to establish, impose, adjust and provide for the collection of rates to be charged to utility customers that produce net operating revenues equal to at least 110% of the principal and interest coming due in each fiscal year. The City's fiscal year 2011 net sewer operating receipts of \$31,659 were less than 110% of the \$80,270 of water revenue bond principal and interest due during fiscal year 2011.

Recommendation - The City should review sewer rates and consult bond counsel to determine the disposition of the matter.

Response - The City raised sewer rates in May 2011 by \$9.50, a 7% increase, for the first 1,000 gallons.

Conclusion - Response accepted.

III-H-11 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-11 Financial Condition - The City had a deficit balance at June 30, 2011 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.