

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

**JUNE 30, 2013**

# CITY OF LISBON, IOWA

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**CITY OF LISBON, IOWA**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Beryl O'Connor	Mayor	December 2015
Travis Jubeck	Mayor Pro-Tem	December 2013
John Bardsley	Council Member	December 2013
Larry McAtee	Council Member	December 2013
Doug O'Connor	Council Member	December 2015
Lance Zerbe	Council Member	December 2015
Chris Yancey	City Administrator	June 13, 2016
Tawnia Kakacek	City Clerk/Treasurer	January 1, 2014
Lederer Weston Craig PLC	City Attorney	January 1, 2014

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary Information*

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. The financial statements for the years ended June 30, 2004, 2005, 2008, 2009, 2010, 2011 and 2012 (none of which are presented herein) were audited by other auditors and they expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The years ended June 30, 2006 and 2007 were not audited. The supplementary 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Disclaimer of Opinion on Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lisbon's basic financial statements. The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 28 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014 on our consideration of the City of Lisbon, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* in considering the City of Lisbon, Iowa's internal control over financial reporting and compliance.

*Winkel, Parker & Foster, CPA PC*

Iowa City, Iowa  
January 17, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 Financial Highlights

Receipts of the City's governmental activities decreased approximately \$3,152,347 from fiscal year 2012 to 2013. Property tax decreased approximately \$35,957, receipts from intergovernmental sources increased approximately \$3,408 and miscellaneous receipts increased approximately \$26,005. Proceeds from issuance of long-term debt decreased from \$3,122,250 in 2012 to \$0 in 2013.

Disbursements for governmental activities decreased approximately \$318,182 from fiscal year 2012 to 2013. Public safety, public works, community and economic development, general government and debt service decreased \$41,959, \$43,200, \$231,178, \$16,333, and \$226,662, respectively. Culture and recreation and capital projects increased \$27,735 and \$213,415, respectively.

The City's total cash basis net position decreased 57.5%, or \$1,652,272, from June 30, 2012 to June 30, 2013. Of this amount, governmental activities decreased \$1,441,526 and business type activities decreased \$210,746.

### Using This Annual Report

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

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an 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.

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

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, 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 Funds 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 position 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 Position of Governmental Activities (Expressed in Thousands)

	<b>Year Ended June 30,</b>	
	<b>2012</b>	<b>2013</b>
Receipts:		
Program receipts:		
Charges for service	\$ 104	\$ 106
Operating grants, contributions and restricted interest	258	267
Capital grants, contributions and restricted interest	0	24
General receipts:		
Property tax	862	828
Tax increment financing	138	130
Local option sales tax	278	258
Unrestricted interest on investments	8	5
Other general receipts	11	11
Sales of assets	1	1
Bond and note proceeds	3,122	0
Total receipts	4,782	1,630
Disbursements:		
Public safety	321	278
Public works	283	240
Culture and recreation	228	256
Community and economic development	285	53
General government	285	269
Debt service	920	694
Capital projects	1,406	1619
Total disbursements	3,728	3,409
Change in cash basis net position before transfers	1,054	(1,779)
Transfers, net	137	338
Change in cash basis net position	1,191	(1,441)
Cash basis net position, beginning of year	1,286	2,477
Cash basis net position, end of year	\$ 2,477	\$ 1,036

The City's total receipts from governmental activities decreased by 65.9%, or \$3,152,347. The total cost of all programs and services decreased by \$318,182, or 8.5%, due to decreases in community and economic development and debt service in the year.

The City property tax rates for 2013 are at \$13.54138, lower than the rates of 2012 at \$14.38902. This is a decrease of 6% from the 2012 rate due to a debt service levy decrease as a result of a retiring certain debt obligation bonds.

The cost of all governmental activities this year was \$3,409,863, compared to \$3,728,045 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 10 through 13, the amount taxpayers ultimately financed for these activities was only \$3,012,277 because some of the cost was paid by those who directly benefited from the programs (charges for service or by other governments and organizations that subsidized certain programs with grants and contributions). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2013 by \$3,152,347 because no bonds were sold this year.

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

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 195	\$ 292
Sewer	266	334
Solid waste	138	136
Utility deposits	3	6
General receipts:		
Unrestricted interest on investments	<u>2</u>	<u>1</u>
Total receipts	<u>604</u>	<u>769</u>
Disbursements:		
Water	310	244
Sewer	307	265
Solid waste	127	124
Utility deposits	<u>2</u>	<u>9</u>
Total disbursements	<u>746</u>	<u>642</u>
Change in cash basis net position before transfers	(142)	127
Transfers, net	<u>(137)</u>	<u>(338)</u>
Change in cash basis net position	(279)	(211)
Cash basis net position, beginning of year	<u>677</u>	<u>398</u>
Cash basis net position, end of year	<u>\$ 398</u>	<u>\$ 187</u>

Total business type activities receipts for the fiscal year were \$769,372, compared to \$603,958 last year. The increase was due primarily to increase of utility billing rates in water and sewer. The ending cash balance decreased to \$187,631, primarily due to a transfer from the Water Enterprise Fund to the Capital Projects, Booster Station Fund for the booster station project.

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

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$1,035,641, a decrease of \$1,441,526 over the prior year.

- The General Fund cash balance decreased \$144,628 from the prior year to a balance of \$355,217. The decrease was primarily due to transfer of prior year grant monies to capital projects funds.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$889 from the prior year balance of \$1,144.
- The Special Revenue, Road Use Tax Fund cash balance increased \$7,942 from the prior year balance of \$34,109.
- The Special Revenue, LMI – TIF Fund cash balance increased \$39,996 from the prior year balance of \$64,569 due to a transfer from the Special Revenue, Urban Renewal Tax Increment Fund.
- The Debt Service Fund cash balance decreased \$51,053 from the prior year balance of \$93,550.
- The Capital Projects, Water Main Improvement Fund cash balance decreased \$406,169 from the prior year balance of \$455,078. The decrease was due to expenditures for this project.
- The Capital Projects, 2011 Street Project Fund cash balance increased \$1,012 from the prior year balance of \$306,692.
- The Capital Projects, Gillette Turn Lane Fund cash balance decreased \$661,649 from the prior year balance of \$1,174,834 due to expenditures for this project.

### **Business Type Fund Analysis**

As the City of Lisbon completed the year, its business type funds reported a combined fund balance of \$187,631, a decrease of \$210,746 over the prior year. This decrease is due primarily to funding for the booster station project expenditures.

### **Budgetary Highlights**

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

## Debt Administration

As of June 30, 2013, the City had \$3,975,293 in bonds and other debt, compared to \$4,508,053 last year, as shown below.

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

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2013</u>
General obligation capital loan notes	\$ 3,225	\$ 2,790
Revenue notes	1,244	1,166
Short-term debt	39	0
Bank note	<u>0</u>	<u>19</u>
Total	<u>\$ 4,508</u>	<u>\$ 3,975</u>

Debt decreased as a result of retiring bonds 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 \$2,790,000 is below its constitutional debt limit of \$5,719,367.

### 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, IOWA**

Cash Basis Statement of Activities and Net Position  
(Page 1 of 2)

As of and for the Year Ended June 30, 2013

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 278,544	\$ 11,686	\$ 15,578	\$ 2,200
Public works	239,798	12,512	206,088	-
Culture and recreation	256,082	29,146	40,127	-
Community and economic development	53,433	585	5,471	-
General government	268,848	52,090	-	-
Debt service	693,845	-	-	-
Capital projects	1,619,313	-	-	22,103
Total governmental activities	<u>3,409,863</u>	<u>106,019</u>	<u>267,264</u>	<u>24,303</u>
Business type activities:				
Water	243,631	292,316	-	-
Sewer	264,537	333,851	-	-
Solid Waste	124,484	135,546	-	-
Utility deposits	9,044	6,400	-	-
Total business type activities	<u>641,696</u>	<u>768,113</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,051,559</u>	<u>\$ 874,132</u>	<u>\$ 267,264</u>	<u>\$ 24,303</u>

**General Receipts and Transfers:**

Property and other city tax levied for:

  General purposes

  Debt service

  Other purposes

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Miscellaneous

Sale of capital assets

Transfers

    Total general receipts and transfers

Change in cash basis net position

Cash basis net position, beginning of year

Cash basis net position, end of year

**Exhibit A**

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

---

Governmental Activities	Business Type Activities	Total
\$ (249,080)	\$ -	\$ (249,080)
(21,198)	-	(21,198)
(186,809)	-	(186,809)
(47,377)	-	(47,377)
(216,758)	-	(216,758)
(693,845)	-	(693,845)
(1,597,210)	-	(1,597,210)
<u>(3,012,277)</u>	<u>-</u>	<u>(3,012,277)</u>
-	48,685	48,685
-	69,314	69,314
-	11,062	11,062
-	(2,644)	(2,644)
-	126,417	126,417
<u>(3,012,277)</u>	<u>126,417</u>	<u>(2,885,860)</u>
513,765	-	513,765
154,209	-	154,209
160,284	-	160,284
130,118	-	130,118
257,414	-	257,414
4,890	1,259	6,149
10,772	-	10,772
877	-	877
338,422	(338,422)	-
<u>1,570,751</u>	<u>(337,163)</u>	<u>1,233,588</u>
(1,441,526)	(210,746)	(1,652,272)
<u>2,477,167</u>	<u>398,377</u>	<u>2,875,544</u>
<u>\$ 1,035,641</u>	<u>\$ 187,631</u>	<u>\$ 1,223,272</u>
(Exhibit B)	(Exhibit C)	

**CITY OF LISBON, IOWA**

**Cash Basis Statement of Activities and Net Position  
(Page 2 of 2)**

**As of and for the Year Ended June 30, 2013**

Cash Basis Net Position

Restricted

Nonexpendable:

Cemetery perpetual care

Expendable:

Streets

Urban renewal

Debt service

Police

Other purposes

Unrestricted

Total cash basis net position

See accompanying Notes to Financial Statements.

**Exhibit A**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 72,087	\$ -	\$ 72,087
42,763	-	42,763
104,565	-	104,565
84,040	14,095	98,135
979	-	979
1,321	29,224	30,545
729,886	144,312	874,198
<u>\$ 1,035,641</u>	<u>\$ 187,631</u>	<u>\$ 1,223,272</u>

**CITY OF LISBON, IOWA**

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Governmental Funds  
(Page 1 of 2)

As of and for the Year Ended June 30, 2013

	General Fund	Special Revenue		
		Road Use Tax	Local Option Sales Tax	LMI - TIF
<b>Receipts:</b>				
Property tax	\$ 508,453	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Other city tax	33,365	-	257,414	-
Licenses and permits	18,185	-	-	-
Use of money and property	10,063	-	-	-
Intergovernmental	42,244	206,088	-	-
Charges for service	45,696	-	-	-
Special assessments	-	-	-	-
Miscellaneous	44,078	-	-	-
<b>Total receipts</b>	<b>702,084</b>	<b>206,088</b>	<b>257,414</b>	<b>-</b>
<b>Disbursements:</b>				
Operating				
Public safety	214,918	-	-	-
Public works	-	198,146	-	-
Culture and recreation	236,389	-	-	-
Community and economic development	33,120	-	-	-
General government	238,597	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>723,024</b>	<b>198,146</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	(20,940)	7,942	257,414	-
<b>Other financing sources (uses):</b>				
Sale of capital assets	877	-	-	-
Operating transfers in	-	-	-	39,996
Operating transfers (out)	(124,565)	-	(256,525)	-
<b>Total other financing sources (uses)</b>	<b>(123,688)</b>	<b>-</b>	<b>(256,525)</b>	<b>39,996</b>
Change in cash balances	(144,628)	7,942	889	39,996
Cash balances, beginning of year, as restated	499,845	34,109	1,144	64,569
<b>Cash balances, end of year</b>	<b>\$ 355,217</b>	<b>\$ 42,051</b>	<b>\$ 2,033</b>	<b>\$ 104,565</b>

**Exhibit B**

Debt Service	Capital Projects			Nonmajor Governmental Funds	Total
	Water Main Improvement	2011 Street Project	Gillette Turn Lane		
\$ 148,311	\$ -	\$ -	\$ -	\$ 138,123	\$ 794,887
-	-	-	-	130,118	130,118
5,898	-	-	-	5,885	302,562
-	-	-	-	-	18,185
-	-	-	-	2	10,065
-	-	-	-	-	248,332
-	-	-	-	-	45,696
-	-	-	-	12,512	12,512
-	1,582	-	-	21,021	66,681
154,209	1,582	-	-	307,661	1,629,038
-	-	-	-	63,626	278,544
-	-	-	-	41,652	239,798
-	-	-	-	19,693	256,082
-	-	-	-	20,313	53,433
-	-	-	-	30,251	268,848
693,845	-	-	-	-	693,845
-	407,751	(1,012)	636,731	575,843	1,619,313
693,845	407,751	(1,012)	636,731	751,378	3,409,863
(539,636)	(406,169)	1,012	(636,731)	(443,717)	(1,780,825)
-	-	-	-	-	877
488,583	-	-	-	396,127	924,706
-	-	-	(24,918)	(180,276)	(586,284)
488,583	-	-	(24,918)	215,851	339,299
(51,053)	(406,169)	1,012	(661,649)	(227,866)	(1,441,526)
93,550	455,078	306,692	1,174,834	(152,654)	2,477,167
\$ 42,497	\$ 48,909	\$ 307,704	\$ 513,185	\$ (380,520)	\$ 1,035,641

(Exhibit A)

**CITY OF LISBON, IOWA**

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Governmental Funds  
(Page 2 of 2)

As of and for the Year Ended June 30, 2013

	General Fund	Special Revenue		
		Road Use Tax	Local Option Sales Tax	LMI - TIF
Cash basis fund balances:				
Nonspendable				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Streets	-	42,051	712	-
Urban renewal	-	-	-	104,565
Debt service	-	-	-	-
Police	-	-	-	-
Other purposes	-	-	1,321	-
Assigned for:				
Capital projects	-	-	-	-
Railroad project	-	-	-	-
Sewer project	-	-	-	-
Unassigned	355,217	-	-	-
Total cash basis fund balances	\$ 355,217	\$ 42,051	\$ 2,033	\$ 104,565

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects			Nonmajor Governmental Funds	Total
	Water Main Improvement	2011 Street Project	Gillette Turn Lane		
\$ -	\$ -	\$ -	\$ -	\$ 72,087	\$ 72,087
-	-	-	-	-	42,763
-	-	-	-	-	104,565
42,497	-	-	-	41,543	84,040
-	-	-	-	979	979
-	-	-	-	-	1,321
-	48,909	307,704	513,185	-	869,798
-	-	-	-	19,000	19,000
-	-	-	-	99,640	99,640
-	-	-	-	(613,769)	(258,552)
<b>\$ 42,497</b>	<b>\$ 48,909</b>	<b>\$ 307,704</b>	<b>\$ 513,185</b>	<b>\$ (380,520)</b>	<b>\$ 1,035,641</b>

CITY OF LISBON, IOWA

Exhibit C

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

As of and for the Year Ended June 30, 2013

	Water	Sewer	Solid Waste	Nonmajor Fund - Utility Deposits	Total
<b>Operating receipts:</b>					
Charges for service	\$ 281,270	\$ 331,995	\$ 135,234	\$ -	\$ 748,499
Miscellaneous	11,046	1,856	312	6,400	19,614
Total operating receipts	292,316	333,851	135,546	6,400	768,113
<b>Operating disbursements:</b>					
Business type activities	243,631	264,537	124,484	9,044	641,696
Excess (deficiency) of operating receipts over (under) operating disbursements	48,685	69,314	11,062	(2,644)	126,417
<b>Non-operating receipts:</b>					
Interest on cash investments	1,010	121	128	-	1,259
Excess (deficiency) of receipts over (under) disbursements	49,695	69,435	11,190	(2,644)	127,676
<b>Other financing sources (uses):</b>					
Operating transfers in	1,748	3,928	-	-	5,676
Operating transfers (out)	(253,300)	(90,798)	-	-	(344,098)
Net operating transfers	(251,552)	(86,870)	-	-	(338,422)
Change in cash balances	(201,857)	(17,435)	11,190	(2,644)	(210,746)
Cash balances, beginning of year	258,255	38,661	69,593	31,868	398,377
Cash balances, end of year	\$ 56,398	\$ 21,226	\$ 80,783	\$ 29,224	\$ 187,631
					(Exhibit A)
<b>Cash basis fund balances:</b>					
<b>Restricted:</b>					
Debt service	\$ 10,987	\$ 3,108	\$ -	\$ -	\$ 14,095
Other purposes	-	-	-	29,224	29,224
Unrestricted	45,411	18,118	80,783	-	144,312
Total cash basis fund balances	\$ 56,398	\$ 21,226	\$ 80,783	\$ 29,224	\$ 187,631

See accompanying Notes to Financial Statements.

# CITY OF LISBON, IOWA

## Notes to Financial Statements

June 30, 2013

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lisbon, Iowa 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 nonpartisan 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 and Jointly Governed Organizations

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

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is not ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County E911 Service Board and Linn County Emergency Management. In addition, the police and fire reserve organizations have governing authorities independent of the City and are not considered to be components of the City, therefore, their activity is not included in the financial statements of the City.

#### B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

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

# CITY OF LISBON, IOWA

## Notes to Financial Statements

June 30, 2013

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

*Unrestricted net position* consists of cash balances that do not meet the definitions of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

*Fund Financial Statements* - Separate 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 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 proceeds of Local Option Sales Tax collections and expenditures related to the approved public referendum for this tax.

The LMI-TIF Fund is used to account for the tax increment financing proceeds for the Novak Estates project.

#### Debt Service:

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

#### Capital Projects:

The Water Main Improvement Fund is used to track spending and activity relating to the improvement of the City's water main system infrastructure.

# CITY OF LISBON, IOWA

## Notes to Financial Statements

June 30, 2013

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 2011 Street Project Fund is used to track spending and activity relating to street infrastructure projects funded by the Series 2011B General Obligation Bonds.

The Gillette Turn Lane Fund is used to track spending and activity relating to the construction of a turn lane on Gillette Road.

The City reports the following major proprietary funds:

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

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

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

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

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

#### 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.

# CITY OF LISBON, IOWA

## Notes to Financial Statements

June 30, 2013

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Governmental Cash Basis Fund Balances (Continued)

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 Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements did not exceed the final amounts budgeted for all functions.

#### F. Property Tax Calendar

The City's property taxes were extended against the assessed valuation of the City as of January 1, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable by the property owners in two installments on September 30, 2012 and March 31, 2013, at the Linn County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

### NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2013 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, 2013, the City's deposits consisted of cash accounts and 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 uses of the City.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2013

**NOTE 3. BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation bonds and revenue notes at June 30, 2013 are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes	
	Principal	Interest	Principal	Interest
2014	\$ 435,000	\$ 80,825	\$ 79,000	\$ 34,980
2015	200,000	71,182	82,000	32,610
2016	205,000	66,398	85,000	30,150
2017	195,000	61,467	88,000	27,600
2018	205,000	56,758	90,000	24,960
2019-2023	705,000	207,450	493,000	82,710
2024-2028	570,000	117,225	234,000	18,990
2029-2033	275,000	16,398	15,000	450
<b>Total</b>	<b>\$ 2,790,000</b>	<b>\$ 677,703</b>	<b>\$ 1,166,000</b>	<b>\$ 252,450</b>

  

Year Ending June 30,	Total	
	Principal	Interest
2014	\$ 514,000	\$ 115,805
2015	282,000	103,792
2016	290,000	96,548
2017	283,000	89,067
2018	295,000	81,718
2019-2023	1,198,000	290,160
2024-2028	804,000	136,215
2029-2033	290,000	16,848
<b>Total</b>	<b>\$ 3,956,000</b>	<b>\$ 930,153</b>

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the remaining balance of the \$1,200,000 sewer revenue notes issued in May 2004. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2024. The total principal and interest remaining to be paid on the notes, as of June 30, 2013, is \$886,850. The revenue notes contain certain covenants. As of June 30, 2013, the City met the requirements of those covenants.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the remaining balance of the \$519,000 water revenue notes issued in January 2009. Proceeds from the notes provided financing for the construction of a well and improvements to the water system. The notes are payable solely from water customer net receipts and are payable through 2029. The total principal and interest remaining to be paid on the notes, as of June 30, 2013, is \$531,600. The revenue notes contain certain covenants. As of June 30, 2013, the City met the requirements of those covenants.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2013

**NOTE 4. INSTALLMENT NOTE PAYABLE**

The City financed the purchase of a police department vehicle with a note payable to Hills Bank and Trust Company, dated February 13, 2013, in the amount of \$28,938.76. The note is due in annual installments of \$9,646.25, plus interest at a rate of 3.5% per annum, on June 1 of each year, the first installment due June 1, 2013, with final payment due June 1, 2015. The note is secured by a 2013 Chevy Tahoe. The balance of the note at June 30, 2013 is \$19,292.51.

Estimated annual maturities of the note at June 30, 2013 are as follows:

	Principal	Interest
Year ending December 31, 2014	\$ 9,647	\$ 675
2015	9,646	338
	<u>\$ 19,293</u>	<u>\$ 1,013</u>

**NOTE 5. 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 5.78% of their annual covered compensation and the City is required to contribute 8.67% of covered compensation. 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, 2013, 2012, and 2011 were \$40,711, \$26,090 and \$21,017, respectively, equal to the required contributions for each year.

**NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description* - The City operates a single-employer benefit plan which provides medical/prescription drug benefits for current employees and their spouses and families. IPERS-eligible retirees and their spouses are able to participate in the plan at their own expense. There are 8 active and no retired members in the plan. Participants must be age 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as the City pays on behalf of employees.

*Funding Policy* - The City finances the health insurance plan with Wellmark on a pay-as-you-go basis. Contribution requirements of plan members are established by and may be amended by the City. For the year ended June 30, 2013, the City contributed 95% of the premium and the employee was responsible for 5% of the premium.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2013

**NOTE 7. COMPENSATED ABSENCES**

City employees accumulate earned but unused vacation and sick leave hours for subsequent use or, in certain cases, for payment upon retirement, termination or death. These accumulations are not recognized as disbursements by the City until used or paid. Unused vacation hours are payable to all employees upon termination, retirement or death. One half of accumulated sick leave hours are payable only to union-contracted employees upon their retirement.

The approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2013, primarily relating to the General Fund, is \$36,291 for vacation and \$65,586 for sick leave. This liability has been computed based on rates of pay as of June 30, 2013.

**NOTE 8. INTERFUND TRANSFERS**

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources, move resources to facilitate the payment of principal and interest on bonds and notes payable, and move resources for the acquisition of major equipment purchases and capital projects.

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue LMI-TIF	Special Revenue Urban Renewal Tax Increment	\$ 39,996
Downtown Reinvestment	Urban Renewal Tax Increment	15,001
Novak Development	Urban Renewal Tax Increment	50,724
Brothers Market - TIF	Urban Renewal Tax Increment	<u>12,000</u>
		<u>117,721</u>
Debt Service	General Fund	9,950
	Special Revenue	
	Local Option Sales Tax	256,525
	Urban Renewal Tax Increment	45,000
	Special Assessments	17,555
	Water Enterprise	68,755
	Sewer Enterprise	<u>90,798</u>
		<u>488,583</u>

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2013

**NOTE 8. INTERFUND TRANSFERS (Continued)**

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects		
Capital Improvement	General Fund	108,995
Alger Estates	General Fund	1,523
City Hall Expansion	General Fund	600
Booster Station	Water Enterprise	182,366
Highway 30 Turn Lanes	Capital Projects	
	Gillette Turn Lane	734
Highway 30 Expansion	Gillette Turn Lane	24,184
Water Enterprise	General Fund	1,748
Sewer Enterprise	General Fund	1,749
	Water Enterprise	2,179
		3,928
		<u>\$ 930,382</u>

**NOTE 9. CONSTRUCTION CONTRACTS**

The City has entered into various construction contracts totaling approximately \$1,304,500. The unpaid contract balances at June 30, 2013 totaled approximately \$202,300, which will be paid as work on the projects progresses.

**NOTE 10. RISK MANAGEMENT**

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

**NOTE 11. LITIGATION**

The City was not subject to litigation at June 30, 2013.

**NOTE 12. COMMITMENTS**

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. As part of the \$500,000, the City provided Brothers Market, Inc. with a forgivable loan of \$160,000 in November 2011. For every month that the developers meet the loan's requirements, the City shall forgive a portion of the loan. The loan is secured by property, and final payment of any outstanding balance is due November 30, 2021.

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.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2013

**NOTE 12. COMMITMENTS (Continued)**

The City has an agreement to lease a photocopier. Future minimum lease payments required under the lease as of June 30, 2013 are as follows:

Year ending June 30, 2014	\$ 4,099
2015	3,758
	\$ 7,857
	\$ 7,857

**NOTE 13. DEFICIT BALANCES**

The following special revenue and capital projects funds had deficit balances at June 30, 2013 as a result of construction projects, property development and property rehabilitation projects:

Special Revenue:	
Downtown Reinvestment	\$ 8,270
Novak Development	13,276
Brothers Market - TIF	152,200
Capital Projects:	
Novak Development	53,557
City Hall Expansion	340,616
Storm Water Projects	44,837

Deficit balances in these funds arose because project costs were incurred prior to the availability of funds. These deficits will be eliminated with tax increment financing receipts, proceeds from sales of land and available City funds.

The Employee Benefits Special Revenue Fund had a deficit balance of \$1,013 at June 30, 2013 because the qualifying employee benefit costs paid through June 30, 2013 exceeded property taxes levied and received by the City. The deficit will be covered by the July 2013 receipt of property taxes levied for this purpose.

**NOTE 14. RESTATED BEGINNING BALANCES**

The City has determined that the Police Forfeiture Fund should be recorded and accounted for as a special revenue fund, rather than being included in the General Fund. The cash balances of the funds at the beginning of the year have been restated as follows:

Fund	As Originally Reported	Restated Amounts
General Fund	\$ 500,822	\$ 499,845
Special Revenue Fund - Police Forfeiture	-	977
Total	\$ 500,822	\$ 500,822

**NOTE 15. SUBSEQUENT EVENTS**

Management of the City has evaluated events through January 17, 2014, the date which the financial statements were available to be issued.

## OTHER INFORMATION

**CITY OF LISBON, IOWA**

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

Other Information

Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 794,887	\$ -	\$ 794,887
Tax increment financing	130,118	-	130,118
Other city tax	302,562	-	302,562
Licenses and permits	18,185	-	18,185
Use of money and property	10,065	1,259	11,324
Intergovernmental	248,332	-	248,332
Charges for service	45,696	748,499	794,195
Special assessments	12,512	-	12,512
Miscellaneous	66,681	19,614	86,295
<b>Total receipts</b>	<b>1,629,038</b>	<b>769,372</b>	<b>2,398,410</b>
Disbursements:			
Public safety	278,544	-	278,544
Public works	239,798	-	239,798
Culture and recreation	256,082	-	256,082
Community and economic development	53,433	-	53,433
General government	268,848	-	268,848
Debt service	693,845	-	693,845
Capital projects	1,619,313	-	1,619,313
Business type activities	-	641,696	641,696
<b>Total disbursements</b>	<b>3,409,863</b>	<b>641,696</b>	<b>4,051,559</b>
Excess (deficiency) of receipts over (under) disbursements	(1,780,825)	127,676	(1,653,149)
Other financing sources (uses), net	339,299	(338,422)	877
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,441,526)	(210,746)	(1,652,272)
Balances, beginning of year	2,477,167	398,377	2,875,544
Balances, end of year	\$ 1,035,641	\$ 187,631	\$ 1,223,272

There were no funds of the City not required to be budgeted during the year ended June 30, 2013.

See accompanying Independent Auditor's Report and  
accompanying Notes to Other Information.

Budgeted Amounts

<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
\$ 806,191	\$ 806,191	\$ (11,304)
140,540	140,540	(10,422)
350,225	350,225	(47,663)
14,621	14,621	3,564
9,225	9,225	2,099
252,712	283,418	(35,086)
816,116	817,616	(23,421)
4,000	4,000	8,512
30,199	36,120	50,175
<u>2,423,829</u>	<u>2,461,956</u>	<u>(63,546)</u>
280,448	299,398	20,854
222,538	240,349	551
249,385	300,004	43,922
193,589	86,714	33,281
241,896	284,096	15,248
660,609	699,662	5,817
107,000	1,722,500	103,187
615,224	642,102	406
<u>2,570,689</u>	<u>4,274,825</u>	<u>223,266</u>
(146,860)	(1,812,869)	159,720
<u>171,000</u>	<u>64,000</u>	<u>(63,123)</u>
24,140	(1,748,869)	96,597
<u>1,012,877</u>	<u>3,888,424</u>	<u>(1,012,880)</u>
<u>\$ 1,037,017</u>	<u>\$ 2,139,555</u>	<u>\$ (916,283)</u>

## CITY OF LISBON, IOWA

### Notes to Other Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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 or fund type. 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 are required to be budgeted for all 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, one budget amendment increased budgeted disbursements by \$1,704,136. The budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2013 did not exceed final budgeted amounts. Disbursements in the capital projects function exceeded the original budgeted amount prior to amendment on May 28, 2013.

## SUPPLEMENTARY INFORMATION

CITY OF LISBON, IOWA

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Nonmajor Governmental Funds

As of and for the Year Ended June 30, 2013

	Special Revenue						
	Employee Benefits	Urban Renewal Tax Increment	Downtown Reinvestment	Novak Development	Police Forfeiture	Brothers Market - TIF	Special Assessments
Receipts:							
Property tax	\$ 138,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	130,118	-	-	-	-	-
Other city tax	5,885	-	-	-	-	-	-
Use of money and property	-	-	-	-	2	-	-
Special assessments	-	-	-	-	-	-	12,512
Miscellaneous	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>144,008</b>	<b>130,118</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>12,512</b>
Disbursements:							
Operating							
Public safety	63,626	-	-	-	-	-	-
Public works	41,652	-	-	-	-	-	-
Culture and recreation	19,693	-	-	-	-	-	-
Community and economic development	661	15,868	3,784	-	-	-	-
General government	30,251	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>155,883</b>	<b>15,868</b>	<b>3,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	(11,875)	114,250	(3,784)	-	2	-	12,512
Other financing sources (uses):							
Operating transfers in	-	-	15,001	50,724	-	12,000	-
Operating transfers (out)	-	(162,721)	-	-	-	-	(17,555)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(162,721)</b>	<b>15,001</b>	<b>50,724</b>	<b>-</b>	<b>12,000</b>	<b>(17,555)</b>
Change in cash balances	(11,875)	(48,471)	11,217	50,724	2	12,000	(5,043)
Cash balances, beginning of year, as restated	10,862	48,471	(19,487)	(64,000)	977	(164,200)	46,586
Cash balances, end of year	\$ (1,013)	\$ -	\$ (8,270)	\$ (13,276)	\$ 979	\$ (152,200)	\$ 41,543
Cash basis fund balances:							
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Debt service	-	-	-	-	-	-	41,543
Police	-	-	-	-	979	-	-
Assigned for:							
Railroad project	-	-	-	-	-	-	-
Sewer project	-	-	-	-	-	-	-
Unassigned	(1,013)	-	(8,270)	(13,276)	-	(152,200)	-
<b>Total cash basis fund balances</b>	<b>\$ (1,013)</b>	<b>\$ -</b>	<b>\$ (8,270)</b>	<b>\$ (13,276)</b>	<b>\$ 979</b>	<b>\$ (152,200)</b>	<b>\$ 41,543</b>

See accompanying Independent Auditor's Report.

Capital Projects											Permanent Cemetery Perpetual Care	Total
Capital Improvement	Alger Estates	Novak Development	City Hall Expansion	Highway 30 Turn Lanes	Highway 30 Expansion	Railroad Project	Storm Water Projects	Booster Station	2011 Sewer Project			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,123
-	-	-	-	-	-	-	-	-	-	-	-	130,118
-	-	-	-	-	-	-	-	-	-	-	-	5,885
-	-	-	-	-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	-	-	-	-	12,512
-	-	16,000	4,521	-	-	-	-	-	-	-	500	21,021
-	-	16,000	4,521	-	-	-	-	-	-	-	500	307,661
-	-	-	-	-	-	-	-	-	-	-	-	63,626
-	-	-	-	-	-	-	-	-	-	-	-	41,652
-	-	-	-	-	-	-	-	-	-	-	-	19,693
-	-	-	-	-	-	-	-	-	-	-	-	20,313
-	-	-	-	-	-	-	-	-	-	-	-	30,251
108,995	-	-	262,227	-	-	-	42,193	162,068	360	-	-	575,843
108,995	-	-	262,227	-	-	-	42,193	162,068	360	-	-	751,378
(108,995)	-	16,000	(257,706)	-	-	-	(42,193)	(162,068)	(360)	500	-	(443,717)
108,995	1,523	-	600	734	24,184	-	-	182,366	-	-	-	396,127
-	-	-	-	-	-	-	-	-	-	-	-	(180,276)
108,995	1,523	-	600	734	24,184	-	-	182,366	-	-	-	215,851
-	1,523	16,000	(257,106)	734	24,184	-	(42,193)	20,298	(360)	500	-	(227,866)
-	(1,523)	(69,557)	(83,510)	(734)	(24,184)	19,000	(2,644)	(20,298)	100,000	71,587	-	(152,654)
\$ -	\$ -	\$ (53,557)	\$ (340,616)	\$ -	\$ -	\$ 19,000	\$ (44,837)	\$ -	\$ 99,640	\$ 72,087	\$ -	\$ (380,520)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,087	\$ -	\$ 72,087
-	-	-	-	-	-	-	-	-	-	-	-	41,543
-	-	-	-	-	-	-	-	-	-	-	-	979
-	-	-	-	-	-	19,000	-	-	-	-	-	19,000
-	-	-	-	-	-	-	-	-	99,640	-	-	99,640
-	-	(53,557)	(340,616)	-	-	-	(44,837)	-	-	-	-	(613,769)
\$ -	\$ -	\$ (53,557)	\$ (340,616)	\$ -	\$ -	\$ 19,000	\$ (44,837)	\$ -	\$ 99,640	\$ 72,087	\$ -	\$ (380,520)

**CITY OF LISBON, IOWA**

Schedule of Indebtedness

Year Ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General Obligation Bonds:</b>			
General Obligation, Series 2005	4/15/05	2.9-4.4 %	\$ 925,000
General Obligation Local Option Sales Tax, Series 2011A	9/7/11	2.25	735,000
General Obligation Corporate Purpose and Refunding, Series 2011B	9/27/11	1.0-4.0	2,395,000
Total			
<b>Revenue Notes:</b>			
Sewer Improvement	5/18/04	3.0	1,200,000
Water Improvement	1/14/09	3.0	519,000
Water Improvement	9/16/09	-	39,053
Total			
<b>Bank Installment Note:</b>			
Police vehicle	2/13/13	3.50	28,939

See accompanying Independent Auditor's Report.

**Schedule 2**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 520,000	\$ -	\$ 60,000	\$ 460,000	\$ 21,680	\$ -
490,000	-	245,000	245,000	11,025	-
2,215,000	-	130,000	2,085,000	57,273	-
<b>\$ 3,225,000</b>	<b>\$ -</b>	<b>\$ 435,000</b>	<b>\$ 2,790,000</b>	<b>\$ 89,978</b>	<b>\$ -</b>
\$ 803,000	\$ -	\$ 57,000	\$ 746,000	\$ 24,030	\$ -
441,000	-	21,000	420,000	13,230	-
39,053	-	39,053	-	-	-
<b>\$ 1,283,053</b>	<b>\$ -</b>	<b>\$ 117,053</b>	<b>\$ 1,166,000</b>	<b>\$ 37,260</b>	<b>\$ -</b>
\$ -	\$ 28,939	\$ 9,646	\$ 19,293	\$ 304	\$ -

CITY OF LISBON, IOWA

Schedule 3

Bond and Note Maturities

June 30, 2013

General Obligation Bonds

Year Ending June 30,	Gen. Obligation, Ser. 2005 Issued April 15, 2005		Gen. Obligation, Ser. 2011A Issued Sept. 7, 2011		Gen. Obligation, Ser. 2011B Issued Sept. 27, 2011		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	3.95 %	\$ 65,000	2.25 %	\$ 245,000	1.25 %	\$ 125,000	\$ 435,000
2015	4.05	70,000	-	-	1.50	130,000	200,000
2016	4.15	70,000	-	-	1.50	135,000	205,000
2017	4.25	60,000	-	-	1.60	135,000	195,000
2018	4.30	65,000	-	-	1.90	140,000	205,000
2019	4.35	65,000	-	-	2.15	125,000	190,000
2020	4.40	65,000	-	-	2.35	125,000	190,000
2021	-	-	-	-	2.60	130,000	130,000
2022	-	-	-	-	3.00	95,000	95,000
2023	-	-	-	-	3.00	100,000	100,000
2024	-	-	-	-	3.20	105,000	105,000
2025	-	-	-	-	3.35	110,000	110,000
2026	-	-	-	-	3.50	110,000	110,000
2027	-	-	-	-	3.65	120,000	120,000
2028	-	-	-	-	3.75	125,000	125,000
2029	-	-	-	-	3.85	135,000	135,000
2030	-	-	-	-	4.00	140,000	140,000
Total		<u>\$ 460,000</u>		<u>\$ 245,000</u>		<u>\$ 2,085,000</u>	<u>\$ 2,790,000</u>

Revenue Notes

Year Ending June 30,	Sewer Improvement Issued May 18, 2004		Water Improvement Issued Jan. 14, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	
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	15,000	15,000
Total		<u>\$ 746,000</u>		<u>\$ 420,000</u>	<u>\$ 1,166,000</u>

See accompanying Independent Auditor's Report.

**CITY OF LISBON, IOWA**

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Receipts:</b>				
Property tax	\$ 794,887	\$ 830,844	\$ 721,343	\$ 702,464
Tax increment financing	130,118	138,246	125,969	60,202
Other city tax	302,562	309,398	286,358	292,519
Licenses and permits	18,185	33,073	12,987	23,131
Use of money and property	10,065	8,902	14,102	19,177
Intergovernmental	248,332	244,924	374,834	228,903
Charges for service	45,696	39,985	38,282	42,531
Special assessments	12,512	12,618	17,702	40,116
Miscellaneous	66,681	40,676	65,910	38,129
<b>Total</b>	<b><u>\$ 1,629,038</u></b>	<b><u>\$ 1,658,666</u></b>	<b><u>\$ 1,657,487</u></b>	<b><u>\$ 1,447,172</u></b>
<b>Disbursements:</b>				
Operating				
Public safety	\$ 278,544	\$ 320,503	\$ 306,569	\$ 277,787
Public works	239,798	282,998	272,782	218,040
Culture and recreation	256,082	228,347	233,748	319,457
Community and economic development	53,433	284,611	48,019	66,266
General government	268,848	285,181	229,401	202,027
Debt service	693,845	920,507	299,503	368,443
Capital projects	1,619,313	1,405,898	262,455	202,870
<b>Total</b>	<b><u>\$ 3,409,863</u></b>	<b><u>\$ 3,728,045</u></b>	<b><u>\$ 1,652,477</u></b>	<b><u>\$ 1,654,890</u></b>

See accompanying Independent Auditor's Report.

**Schedule 4**

<u>2009</u>	<u>2008</u>	<u>(Unaudited) 2007</u>	<u>(Unaudited) 2006</u>	<u>2005</u>	<u>2004</u>
\$ 679,724	\$ 558,589	\$ 587,725	\$ 560,163	\$ 548,523	\$ 530,740
61,248	141,556	148,196	147,427	130,893	122,886
36,076	42,313	28,443	223,653	245,892	76,749
41,233	8,828	17,564	22,869	5,849	4,322
22,474	46,156	68,112	44,140	21,842	15,575
211,142	336,634	793,044	332,530	191,636	198,177
34,950	36,199	41,110	27,050	23,067	21,729
38,442	262,112	31,792	121,537	64,308	82,403
60,155	51,010	138,069	37,418	25,715	40,879
<u>\$ 1,185,444</u>	<u>\$ 1,483,397</u>	<u>\$ 1,854,055</u>	<u>\$ 1,516,787</u>	<u>\$ 1,257,725</u>	<u>\$ 1,093,460</u>
\$ 264,077	\$ 306,448	\$ 215,210	\$ 209,709	\$ 248,620	\$ 130,346
238,007	240,445	140,351	153,656	141,293	133,261
238,914	214,118	205,703	139,076	128,650	108,870
46,569	157,254	308,783	44,964	373,325	46,096
187,851	203,592	147,964	153,210	145,303	125,774
295,787	271,617	423,273	374,572	256,924	224,467
422,993	343,768	482,663	1,435,523	1,421,452	476,781
<u>\$ 1,694,198</u>	<u>\$ 1,737,242</u>	<u>\$ 1,923,947</u>	<u>\$ 2,510,710</u>	<u>\$ 2,715,567</u>	<u>\$ 1,245,595</u>

**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  
City of Lisbon  
Lisbon, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 17, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Lisbon, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lisbon, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items II-A-13, II-B-13 and II-C-13 to be material weaknesses.

## **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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance and other matters which are described in Part III of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City of Lisbon, Iowa's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures during our audit of the financial statements of the City of Lisbon, Iowa. Since our audit was based on tests and samples, not all transactions that might have 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 Findings**

The City of Lisbon, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Lisbon, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

*Winkel, Parker & Foster, CPA PC*

Iowa City, Iowa  
January 17, 2014

# CITY OF LISBON, IOWA

## Schedule of Findings and Responses

Year Ended June 30, 2013

### 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.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

### Part II. Findings Related to the Financial Statements

#### *INTERNAL CONTROL DEFICIENCIES*

#### II-A-13 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 transactions.

**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** - We realize segregation of duties is difficult with a limited number of office employees. The City should review its control procedures to obtain the maximum internal control under the circumstances. The City should segregate duties to the extent possible with existing personnel and consider utilizing other administrative personnel and City Council members to provide additional control through review of financial transactions and reports.

**Response** - With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has implemented 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.

# CITY OF LISBON, IOWA

## Schedule of Findings and Responses

Year Ended June 30, 2013

### Part II. Findings Related to the Financial Statements (Continued)

#### II-B-13 Financial Statement Preparation

**Criteria** - The City Council and management share the ultimate responsibility for the City's financial statements and disclosures.

**Condition** - The City Clerk possesses sufficient knowledge to be able to understand the City's financial statements, but does not have the level of training or the reference materials and review aids to be able to prepare the notes to the financial statements. The City has implemented procedures to review the draft financial statements and the notes to the financial statements. The City does not have the resources to employ additional accounting staff to prepare financial statements and the accompanying notes in accordance with applicable accounting principles, and therefore relies on the independent auditor to prepare the draft financial statements and the notes to the financial statements.

**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 provide assurance that the financial statements and disclosures are not materially misstated and contain all necessary disclosures.

**Recommendation** - Management is responsible for the preparation and fair presentation of the financial statements, including the notes to the financial statements. The City should ensure that management personnel who are responsible for reviewing and approving the draft financial statements and notes to the financial statements have sufficient knowledge of, but not limited to, the City's financial position, transactions and internal control policies and procedures.

**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 in the financial statements.

**Conclusion** - Response accepted.

#### II-C-13 Utility Billing Rates

**Criteria** - Utility billing rates should be applied in accordance with the rates established by City Council resolution.

**Condition** - It was noted from our testing of utility billings that the billing rates for water and sewer consumption that are used in the computer software are not applied consistent with the rate structure approved by resolution of the City Council. When a utility customer's usage falls between increments of 1,000 gallons used, the billing rates used by the software are in increments of 100 gallons. The resolution approved by the City Council states rates that are to be applied in increments of 1,000 gallons.

## CITY OF LISBON, IOWA

### Schedule of Findings and Responses

Year Ended June 30, 2013

#### Part II. Findings Related to the Financial Statements (Continued)

##### II-C-13 Utility Billing Rates (Continued)

**Effect** - As a result of this condition, there is a higher risk that residents are not billed the correct amount for utility consumption and utility revenues may not be sufficient to pay for the costs of operating the utilities.

**Cause** - The billing rates in the computer software have not been matched to the rates established by City Council resolution.

**Recommendation** - The City should consult with legal counsel to determine the proper action to take in order to resolve this inconsistency between approved and applied billing rates.

**Response** - The City is consulting with legal counsel to determine a course of action to correct this inconsistency.

**Conclusion** - Response accepted.

##### *INSTANCES OF NONCOMPLIANCE*

There were no matters which were required to be reported in accordance with *Government Auditing Standards*.

#### Part III. Other Findings Related to Required Statutory Reporting

##### III-A-13 Certified Budget

**Comment** - Disbursements during the year ended June 30, 2013 did not exceed the final amounts budgeted for all functions. Disbursements during the year exceeded the original amount budgeted in the capital projects function prior to the amendment of the budget on May 28, 2013. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

**Recommendation** - The budget should have been amended in sufficient amounts and in a timely manner to ensure expenditures did not exceed the amounts budgeted, in accordance with the Code of Iowa.

**Response** - The City will review the current publication procedures with staff to ensure that all requirements per the Code of Iowa are met.

**Conclusion** - Response accepted.

# CITY OF LISBON, IOWA

## Schedule of Findings and Responses

Year Ended June 30, 2013

### Part III. Other Findings Related to Required Statutory Reporting (Continued)

III-B-13 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-13 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-13 **Business Transactions with City Officials and Employees** - We noted no business transactions between the City and City officials or employees during the year ended June 30, 2013.

III-E-13 **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

#### III-F-13 **Publication of Minutes**

**Comment** - No transactions were found that we believe should have been approved in the Council minutes but were not. Publications of Council meeting minutes tested by us were published within 15 days as required by Chapter 372.13(6) of the Code of Iowa. We noted that none of the published minutes of the Council meetings during the year ended June 30, 2013 included a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

**Recommendation** - Prior to submitting the minutes for publication, the minutes file should be reviewed by appropriate staff to ensure that all required information for publication per Chapter 372.13(6) of the Code of Iowa is included in the file being sent to the newspaper.

**Response** - The City is aware of this and will make sure that a monthly summary of receipts is timely published in accordance with the provisions of the Code of Iowa.

**Conclusion** - Response accepted.

#### III-G-13 **Deposits and Investments**

**Comment** - During the year ended June 30, 2013, the City purchased a certificate of deposit at a bank that was not covered by the depository resolution in effect at the time the certificate of deposit was purchased.

**Recommendation** - Prior to the purchase of the certificate of deposit, the City should have adopted a new depository resolution authorizing the bank as an approved depository of City funds.

**Response** - The City will review staff procedures to ensure all depository resolutions are kept up to date.

**Conclusion** - Response accepted.

# CITY OF LISBON, IOWA

## Schedule of Findings and Responses

Year Ended June 30, 2013

### Part III. Other Findings Related to Required Statutory Reporting (Continued)

**III-H-13 Revenue Bonds** - No instances of noncompliance with the water and sewer revenue bond resolutions were noted. The City complied with the provisions that the net operating revenues, as defined in the resolutions, were at least 110% of the principal and interest on the water and sewer revenue bonds coming due during the year.

**III-I-13 Urban Renewal Annual Report** - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2012 and no exceptions were noted.

#### **III-J-13 Financial Condition**

**Comment** - At June 30, 2013, the City had deficit balances in seven special revenue and capital projects funds. Six of these deficit balances were related to construction projects, property development projects and property rehabilitation projects. The deficit balance of \$1,013 in the Employee Benefits Special Revenue Fund at June 30, 2013 arose because the qualifying employee benefit costs paid through June 30, 2013 exceeded property taxes levied and received by the City. This deficit will be covered by the July 2013 receipt of property taxes levied for this purpose.

**Recommendation** - It is common for the costs of construction projects and activities to be expended prior to the availability of certain funds. The City should make sure that there are adequate available City funds or other revenues, grants or other financing sources to cover these deficits in order to return the funds to a sound financial position.

**Response** - The City will ensure that there are adequate funds available to cover City expenses through revenues, grants and other financing sources.

**Conclusion** - Response accepted.

#### **III-K-13 Public Notice and Public Hearing for Issuance of Debt**

**Comment** - The City did not issue proper public notice and hold a public hearing, as required by Chapters 384.24A and 384.25 of the Code of Iowa, in connection with the bank installment note for the purchase of a police department vehicle. All issuances of indebtedness of the City are required to comply with these chapters of the Code of Iowa.

**Recommendation** - The City should issue public notice and hold a public hearing in accordance with the Code of Iowa for all issuances of debt.

**Response** - Management has reviewed with staff the proper procedures for public notice and public hearing for bank installment notes.

**Conclusion** - Response accepted.