

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

JUNE 30, 2014

CITY OF LISBON, IOWA

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CITY OF LISBON, IOWA

Officials

Name	<u>Title</u>	<u>Term Expires</u>
<u>Mayor and Council</u>		
Through December 31, 2013		
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
Beginning January 1, 2014		
Beryl O'Connor	Mayor	December 2015
Doug O'Connor	Mayor Pro-Tem	December 2015
Lance Zerbe	Council Member	December 2015
Tyler Light	Council Member	December 2017
Joe Nelson	Council Member	December 2017
Nathan Smith	Council Member	December 2017
<u>City Staff</u>		
Chris Yancey	City Administrator (through April 21, 2014)	
Connie Meier	Interim City Administrator (appointed June 9, 2014)	***
Tawnia Kakacek	City Clerk/Treasurer (through January 17, 2014)	
Beth Brincks	City Clerk/Treasurer (February 10, 2014 through May 5, 2014)	
Connie Meier	Interim City Clerk/Treasurer (beginning May 6, 2014)	***
Lederer Weston Craig PLC	City Attorney	January 1, 2015

*** Connie Meier was appointed as City Administrator and City Clerk/Treasurer on July 14, 2014, term expires January 31, 2015.

**P****Winkel, Parker
& Foster, CPA PC**

Certified Public Accountants & Consultants

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, 2014, 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

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, 2014, 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. 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 29 through 31 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 March 20, 2015 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
March 20, 2015

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 Financial Highlights

Receipts of the City's governmental activities increased approximately \$173,386 from fiscal year 2013 to 2014. Property tax increased approximately \$66,000 and receipts from tax increment financing and local option sales tax increased approximately \$24,000. Proceeds from bank loan financing increased approximately \$80,000 from none in 2013.

Disbursements for governmental activities decreased approximately \$1,296,384 from fiscal year 2013 to 2014. Public safety, public works, community and economic development, and general government increased approximately \$18,000, \$31,000, \$14,000, and \$4,000, respectively. Culture and recreation, debt service and capital projects decreased approximately \$20,000, \$25,000 and \$1,318,000, respectively.

The City's total cash basis net position decreased 11.1%, or \$136,329, from June 30, 2013 to June 30, 2014. Of this amount, governmental activities decreased \$142,644 and business type activities increased \$6,315.

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)

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service	\$ 109	\$ 106
Operating grants, contributions and restricted interest	287	267
Capital grants, contributions and restricted interest	11	24
General receipts:		
Property tax	894	828
Tax increment financing	140	130
Local option sales tax	272	258
Unrestricted interest on investments	3	5
Other general receipts	5	11
Sales of assets	2	1
Bond and note proceeds	<u>80</u>	<u>0</u>
Total receipts	<u>1,803</u>	<u>1,630</u>
Disbursements:		
Public safety	296	278
Public works	271	240
Culture and recreation	236	256
Community and economic development	67	53
General government	273	269
Debt service	669	694
Capital projects	<u>301</u>	<u>1619</u>
Total disbursements	<u>2,113</u>	<u>3,409</u>
Change in cash basis net position before transfers	(310)	(1,779)
Transfers, net	<u>167</u>	<u>338</u>
Change in cash basis net position	(143)	(1,441)
Cash basis net position, beginning of year	<u>1,036</u>	<u>2,477</u>
Cash basis net position, end of year	<u>\$ 893</u>	<u>\$ 1,036</u>

The City's total receipts from governmental activities increased by 10.6%, or \$173,386. The total cost of all programs and services decreased by \$1,296,384, or 38.0%, due to a significant decrease in capital projects costs in the year.

The City property tax rates for 2014 are at \$13.91839, higher than the rates of 2013 at \$13.54138. This is an increase of 2.8% from the 2013 rate due to increases in the costs of general insurance and employee benefits.

The cost of all governmental activities this year was \$2,113,479, compared to \$3,409,863 last year. 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 \$1,706,337 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, increased in 2014 by \$173,386 because of proceeds of \$80,224 from bank loan financing.

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

	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 307	\$ 292
Sewer	346	334
Solid waste	137	136
Utility deposits	6	6
General receipts:		
Unrestricted interest on investments	1	1
Total receipts	797	769
Disbursements:		
Water	240	244
Sewer	249	265
Solid waste	129	124
Utility deposits	5	9
Total disbursements	623	642
Change in cash basis net position before transfers	174	127
Transfers, net	(167)	(338)
Change in cash basis net position	7	(211)
Cash basis net position, beginning of year	187	398
Cash basis net position, end of year	\$ 194	\$ 187

Total business type activities receipts for the fiscal year were \$796,652, compared to \$769,372 last year. The increase was due primarily to a small increase in water and sewer usage. The ending cash balance increased to \$193,946.

Individual Major Governmental Fund Analysis

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$892,997, a decrease of \$142,644 over the prior year.

- The General Fund cash balance decreased \$14,361 from the prior year to a balance of \$340,856.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$21,194 from the prior year balance of \$2,033.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$40,095 from the prior year balance of \$42,041.
- The Special Revenue, LMI – TIF Fund cash balance of \$104,565 remained unchanged from 2013.
- The Debt Service Fund cash balance increased \$20,620 from the prior year balance of \$42,497.
- The Capital Projects, 2011 Street Project Fund cash balance decreased \$14,004 from the prior year balance of \$307,704.
- The Capital Projects, Gillette Turn Lane Fund cash balance decreased \$17,496 from the prior year balance of \$513,185 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 \$193,946, an increase of \$6,315 over the prior year. This increase is due primarily to a small increase in utility 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 with some being offset by an increase in budgeted charges for service for the year.

Debt Administration

As of June 30, 2014, the City had \$3,509,982 in bonds and other debt, compared to \$3,975,293 last year, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
General obligation capital loan notes	\$ 2,355	\$ 2,790
Revenue notes	1,087	1,166
Bank notes	<u>68</u>	<u>19</u>
Total	<u>\$ 3,510</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 \$2,355,000 is below its constitutional debt limit of \$5,792,171.

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 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, 2014

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 296,178	\$ 6,026	\$ 15,661	\$ -
Public works	270,805	12,866	214,885	-
Culture and recreation	236,224	38,300	26,861	-
Community and economic development	67,342	200	30,102	-
General government	272,776	51,574	-	-
Debt service	668,815	-	-	-
Capital projects	301,339	-	-	10,667
Total governmental activities	2,113,479	108,966	287,509	10,667
Business type activities:				
Water	240,115	306,724	-	-
Sewer	248,781	346,023	-	-
Solid Waste	129,266	136,686	-	-
Utility deposits	4,641	6,157	-	-
Total business type activities	622,803	795,590	-	-
Total	\$ 2,736,282	\$ 904,556	\$ 287,509	\$ 10,667

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
- Proceeds from bank loan financing
- 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
\$ (274,491)	\$ -	\$ (274,491)
(43,054)	-	(43,054)
(171,063)	-	(171,063)
(37,040)	-	(37,040)
(221,202)	-	(221,202)
(668,815)	-	(668,815)
(290,672)	-	(290,672)
<u>(1,706,337)</u>	<u>-</u>	<u>(1,706,337)</u>
-	66,609	66,609
-	97,242	97,242
-	7,420	7,420
-	1,516	1,516
-	<u>172,787</u>	<u>172,787</u>
<u>(1,706,337)</u>	<u>172,787</u>	<u>(1,533,550)</u>
560,620	-	560,620
162,844	-	162,844
170,124	-	170,124
140,093	-	140,093
272,207	-	272,207
2,747	1,062	3,809
5,585	-	5,585
80,224	-	80,224
1,715	-	1,715
167,534	(167,534)	-
<u>1,563,693</u>	<u>(166,472)</u>	<u>1,397,221</u>
<u>(142,644)</u>	<u>6,315</u>	<u>(136,329)</u>
<u>1,035,641</u>	<u>187,631</u>	<u>1,223,272</u>
<u>\$ 892,997</u>	<u>\$ 193,946</u>	<u>\$ 1,086,943</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, 2014

Cash Basis Net Position

Restricted

Nonexpendable:

Cemetery perpetual care

Expendable:

Streets

Urban renewal

Debt service

Employee benefits

Sewer projects

Police

Other purposes

Unrestricted

Total cash basis net position

See accompanying Notes to Financial Statements.

Exhibit A

Governmental Activities	Business Type Activities	Total
\$ 73,387	\$ -	\$ 73,387
1,956	-	1,956
183,733	-	183,733
97,059	11,714	108,773
27,205	-	27,205
64,722	-	64,722
981	-	981
23,227	30,740	53,967
420,727	151,492	572,219
<u>\$ 892,997</u>	<u>\$ 193,946</u>	<u>\$ 1,086,943</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, 2014

	General Fund	Special Revenue		
		Road Use Tax	Local Option Sales Tax	LMI - TIF
Receipts:				
Property tax	\$ 541,996	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Other city tax	29,828	-	272,207	-
Licenses and permits	17,289	-	-	-
Use of money and property	10,805	-	-	-
Intergovernmental	40,013	214,885	-	-
Charges for service	52,866	-	-	-
Special assessments	-	-	-	-
Miscellaneous	43,577	-	-	-
Total receipts	736,374	214,885	272,207	-
Disbursements:				
Operating				
Public safety	241,440	-	-	-
Public works	294	235,669	-	-
Culture and recreation	214,643	-	-	-
Community and economic development	43,276	-	-	-
General government	242,467	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	742,120	235,669	-	-
Excess (deficiency) of receipts over (under) disbursements	(5,746)	(20,784)	272,207	-
Other financing sources (uses):				
Sale of capital assets	1,715	-	-	-
Proceeds from bank loan financing	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	(10,330)	(19,311)	(251,013)	-
Total other financing sources (uses)	(8,615)	(19,311)	(251,013)	-
Change in cash balances	(14,361)	(40,095)	21,194	-
Cash balances, beginning of year	355,217	42,051	2,033	104,565
Cash balances, end of year	\$ 340,856	\$ 1,956	\$ 23,227	\$ 104,565

Exhibit B

Debt Service	Capital Projects		Nonmajor Governmental Funds	Total
	2011 Street Project	Gillette Turn Lane		
\$ 157,776	\$ -	\$ -	\$ 164,450	\$ 864,222
-	-	-	140,093	140,093
5,068	-	-	5,674	312,777
-	-	-	-	17,289
-	-	-	2	10,807
-	-	-	-	254,898
-	-	-	-	52,866
-	-	-	12,866	12,866
-	-	-	11,967	55,544
162,844	-	-	335,052	1,721,362
-	-	-	54,738	296,178
-	-	-	34,842	270,805
-	-	-	21,581	236,224
-	-	-	24,066	67,342
-	-	-	30,309	272,776
668,815	-	-	-	668,815
-	14,004	17,496	269,839	301,339
668,815	14,004	17,496	435,375	2,113,479
(505,971)	(14,004)	(17,496)	(100,323)	(392,117)
-	-	-	-	1,715
-	-	-	80,224	80,224
526,591	-	-	10,890	537,481
-	-	-	(89,293)	(369,947)
526,591	-	-	1,821	249,473
20,620	(14,004)	(17,496)	(98,502)	(142,644)
42,497	307,704	513,185	(331,611)	1,035,641
\$ 63,117	\$ 293,700	\$ 495,689	\$ (430,113)	\$ 892,997

(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, 2014

	General Fund	Special Revenue		
		Road Use Tax	Local Option Sales Tax	LMI - TIF
Cash basis fund balances:				
Nonspendable				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Streets	-	1,956	-	-
Debt service	-	-	-	-
Police	-	-	-	-
Employee benefits	-	-	-	-
Urban renewal	-	-	-	104,565
Sewer projects	-	-	-	-
Other purposes	-	-	23,227	-
Assigned for:				
Capital projects	-	-	-	-
Railroad project	-	-	-	-
Unassigned	340,856	-	-	-
Total cash basis fund balances	<u>\$ 340,856</u>	<u>\$ 1,956</u>	<u>\$ 23,227</u>	<u>\$ 104,565</u>

See accompanying Notes to Financial Statements.

Exhibit B

<u>Debt Service</u>	<u>2011 Street Project</u>	<u>Gillette Turn Lane</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 73,387	\$ 73,387
-	-	-	-	1,956
63,117	-	-	33,942	97,059
-	-	-	981	981
-	-	-	27,205	27,205
-	-	-	79,168	183,733
-	-	-	64,722	64,722
-	-	-	-	23,227
-	293,700	495,689	-	789,389
-	-	-	19,000	19,000
-	-	-	(728,518)	(387,662)
<u>\$ 63,117</u>	<u>\$ 293,700</u>	<u>\$ 495,689</u>	<u>\$ (430,113)</u>	<u>\$ 892,997</u>

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, 2014

	Water	Sewer	Solid Waste	Nonmajor Fund - Utility Deposits	Total
Operating receipts:					
Charges for service	\$ 298,269	\$ 344,275	\$ 136,458	\$ -	\$ 779,002
Miscellaneous	8,455	1,748	228	6,157	16,588
Total operating receipts	306,724	346,023	136,686	6,157	795,590
Operating disbursements:					
Business type activities	240,115	248,781	129,266	4,641	622,803
Excess of operating receipts over operating disbursements	66,609	97,242	7,420	1,516	172,787
Non-operating receipts:					
Interest on cash investments	809	128	125	-	1,062
Excess of receipts over disbursements	67,418	97,370	7,545	1,516	173,849
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	(73,717)	(93,817)	-	-	(167,534)
Net operating transfers	(73,717)	(93,817)	-	-	(167,534)
Change in cash balances	(6,299)	3,553	7,545	1,516	6,315
Cash balances, beginning of year	56,398	21,226	80,783	29,224	187,631
Cash balances, end of year	\$ 50,099	\$ 24,779	\$ 88,328	\$ 30,740	\$ 193,946
					(Exhibit A)
Cash basis fund balances:					
Restricted:					
Debt service	\$ 10,987	\$ 727	\$ -	\$ -	\$ 11,714
Other purposes	-	-	-	30,740	30,740
Unrestricted	39,112	24,052	88,328	-	151,492
Total cash basis fund balances	\$ 50,099	\$ 24,779	\$ 88,328	\$ 30,740	\$ 193,946

See accompanying Notes to Financial Statements.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

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, 2014

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 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.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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.

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.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements in the public works and debt service functions exceeded the final amounts budgeted.

F. Property Tax Calendar

The City's property taxes were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable by the property owners in two installments on September 30, 2013 and March 31, 2014, 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, 2014 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, 2014, 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, 2014

NOTE 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue notes at June 30, 2014 are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes	
	Principal	Interest	Principal	Interest
2015	\$ 200,000	\$ 71,182	\$ 82,000	\$ 23,975
2016	205,000	66,398	85,000	22,265
2017	195,000	61,467	88,000	20,490
2018	205,000	56,758	90,000	18,650
2019	190,000	51,302	92,000	16,775
2020-2024	620,000	186,908	508,000	53,633
2025-2029	600,000	97,263	142,000	11,970
2030-2034	140,000	5,600	-	-
Total	\$ 2,355,000	\$ 596,878	\$ 1,087,000	\$ 167,758

Year Ending June 30,	Total	
	Principal	Interest
2015	\$ 282,000	\$ 95,157
2016	290,000	88,663
2017	283,000	81,957
2018	295,000	75,408
2019	282,000	68,077
2020-2024	1,128,000	240,541
2025-2029	742,000	109,233
2030-2034	140,000	5,600
Total	\$ 3,442,000	\$ 764,636

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, 2014, is \$756,758. The revenue notes contain certain covenants. As of June 30, 2014, 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, 2014, is \$498,000. The revenue notes contain certain covenants. As of June 30, 2014, the City met the requirements of those covenants.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 3. BONDS AND NOTES PAYABLE (Continued)

Interest Rate Reduction

During the year ended June 30, 2014, the interest rate on the Sewer Improvement Revenue bonds was reduced from 3.0% to 1.75% effective June 1, 2014. The State Revolving Fund (SRF) offers the new interest rate on all existing SRF loans that are at least ten years old. The amount of the interest savings is \$49,113 and the economic gain (difference between the present value of the old and new interest payments) for the bonds is approximately \$46,000.

NOTE 4. INSTALLMENT NOTES 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, 2014 is \$9,646.26.

The City financed the purchase of a broom sweeper with a note payable to Hills Bank and Trust Company, dated July 5, 2013, in the amount of \$20,990.00. The note is due in annual installments of \$6,996.67, plus interest at a rate of 3.5% per annum, on June 1 of each year, the first installment due June 1, 2014, with final payment due June 1, 2016. The note is secured by the broom sweeper. The balance of the note at June 30, 2014 is \$13,993.33.

The City financed the purchase of a Ford F550 truck with a note payable to Hills Bank and Trust Company, dated July 5, 2013, in the amount of \$59,234.00. The note is due in annual installments of \$9,872.33, plus interest at a rate of 3.5% per annum, on June 1 of each year through June 1, 2018, the first installment due June 1, 2014, with final payment of principal of \$4,853.02, plus interest at a rate of 3.5% per annum due June 1, 2019. The note is secured by the Ford F550 truck. The balance of the note at June 30, 2014 is \$44,342.34.

Estimated annual maturities of the notes at June 30, 2014 are as follows:

	Principal	Interest
Year ending December 31, 2015	\$ 26,516	\$ 2,379
2016	16,869	1,451
2017	9,872	861
2018	9,872	516
2019	4,853	170
	<u>\$ 67,982</u>	<u>\$ 5,377</u>

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

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 5.95% of their annual covered compensation and the City is required to contribute 8.93% 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, 2014, 2013, and 2012 were \$43,938, \$40,711 and \$26,090, 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, 2014, the City contributed 95% of the premium and the employee was responsible for 5% of the premium. The most recent premium cost per member is \$929.20 per month. During the year ended June 30, 2014, the City contributed \$96,554 and plan members contributed \$5,082 to the plan.

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, 2014, primarily relating to the General Fund, is \$39,100 for vacation and \$72,196 for sick leave. This liability has been computed based on rates of pay as of June 30, 2014.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

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, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	General Fund	\$ 10,330
	Special Revenue	
	Road Use Tax	19,311
	Local Option Sales Tax	251,013
	Urban Renewal Tax	
	Increment	52,917
	Special Assessments	20,467
	Capital Projects	
	Capital Improvement	5,019
	Water Enterprise	73,717
	Sewer Enterprise	93,817
	<u>526,591</u>	
Capital Projects	Special Revenue	
Novak Development	Novak Development	<u>10,890</u>
		<u>\$ 537,481</u>

NOTE 9. CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$490,000. The unpaid contract balances at June 30, 2014 totaled approximately \$420,000, 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 is a defendant in a case brought by a citizen in June 2014 seeking damages in connection with an incident that occurred in June 2012, in which the plaintiff was injured by falling construction equipment at City Hall during the City Hall construction project. No estimate of any possible loss to the City can be determined at this time.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

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 2014 and are to be made semiannually through June 1, 2024 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, 2022.

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 2014 and are to be made semiannually through June 1, 2019 as property taxes become available.

The City entered into an agreement with Casey's General Stores, Inc. to make economic development tax increment payments in an amount not to exceed \$159,698 in total. The first payment was made in June 2014 in the amount of \$8,008. Payments are to be made annually through June 30, 2018 as property taxes become available.

The City has an agreement to lease a photocopier. Future minimum lease payments required under the lease as of June 30, 2014 are as follows:

Year ending June 30, 2015	<u>\$ 3,416</u>
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NOTE 13. DEFICIT BALANCES

The following special revenue and capital projects funds had deficit balances at June 30, 2014 as a result of construction projects, property development and property rehabilitation projects:

Special Revenue:	
Downtown Reinvestment	\$ 23,892
Novak Development	24,166
Brothers Market - TIF	152,200
Capital Projects:	
Capital Improvement	1,048
Water Main Improvements	3,078
South Street	2,833
Cemetery Road Water Main	32,855
Novak Development	32,000
City Hall Expansion	346,965
Gillette Lane Extension	55,872
Gillette Lane Railroad Crossing Arms	400
Storm Water Projects	44,837
Booster Station	8,372

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.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2014

NOTE 14. PROSPECTIVE ACCOUNTING CHANGE

The Government Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

NOTE 15. SUBSEQUENT EVENTS

Management of the City has evaluated events through March 20, 2015, 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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 864,222	\$ -	\$ 864,222
Tax increment financing	140,093	-	140,093
Other city tax	312,777	-	312,777
Licenses and permits	17,289	-	17,289
Use of money and property	10,807	1,062	11,869
Intergovernmental	254,898	-	254,898
Charges for service	52,866	779,002	831,868
Special assessments	12,866	-	12,866
Miscellaneous	55,544	16,588	72,132
Total receipts	1,721,362	796,652	2,518,014
Disbursements:			
Public safety	296,178	-	296,178
Public works	270,805	-	270,805
Culture and recreation	236,224	-	236,224
Community and economic development	67,342	-	67,342
General government	272,776	-	272,776
Debt service	668,815	-	668,815
Capital projects	301,339	-	301,339
Business type activities	-	622,803	622,803
Total disbursements	2,113,479	622,803	2,736,282
Excess (deficiency) of receipts over (under) disbursements	(392,117)	173,849	(218,268)
Other financing sources (uses), net	249,473	(167,534)	81,939
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(142,644)	6,315	(136,329)
Balances, beginning of year	1,035,641	187,631	1,223,272
Balances, end of year	\$ 892,997	\$ 193,946	\$ 1,086,943

There were no funds of the City not required to be budgeted during the year ended June 30, 2014.

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>
\$ 872,181	\$ 872,181	\$ (7,959)
174,536	174,536	(34,443)
334,606	334,606	(21,829)
26,425	26,425	(9,136)
7,975	7,975	3,894
448,868	448,868	(193,970)
816,918	827,417	4,451
2,500	12,500	366
35,843	35,843	36,289
<u>2,719,852</u>	<u>2,740,351</u>	<u>(222,337)</u>
355,444	368,696	72,518
247,296	252,296	(18,509)
254,777	257,067	20,843
79,069	95,284	27,942
265,423	273,179	403
647,020	647,020	(21,795)
200,000	643,624	342,285
633,344	645,011	22,208
<u>2,682,373</u>	<u>3,182,177</u>	<u>445,895</u>
37,479	(441,826)	223,558
<u>-</u>	<u>-</u>	<u>81,939</u>
37,479	(441,826)	305,497
<u>480,778</u>	<u>480,778</u>	<u>742,494</u>
<u>\$ 518,257</u>	<u>\$ 38,952</u>	<u>\$ 1,047,991</u>

CITY OF LISBON, IOWA

Notes to Other Information - Budgetary Reporting

June 30, 2014

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 \$499,804. The budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2014 exceeded final budgeted amounts in the public works and debt service functions. Disbursements in the capital projects function exceeded the original budgeted amount prior to amendment on May 27, 2014.

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, 2014

	Special Revenue								Capital Improvement	Water Main Improvements
	Employee Benefits	Urban Renewal Tax Increment	Downtown Reinvestment	Novak Development	Police Forfeiture	Brothers Market - TIF	Special Assessments			
Receipts:										
Property tax	\$ 164,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	140,093	-	-	-	-	-	-	-	-
Other city tax	5,674	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	2	-	-	-	-	-
Special assessments	-	-	-	-	-	-	12,866	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total receipts	170,124	140,093	-	-	2	-	12,866	-	-	-
Disbursements:										
Operating										
Public safety	54,738	-	-	-	-	-	-	-	-	-
Public works	34,842	-	-	-	-	-	-	-	-	-
Culture and recreation	21,581	-	-	-	-	-	-	-	-	-
Community and economic development	436	8,008	15,622	-	-	-	-	-	-	-
General government	30,309	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	76,253	51,987	-
Total disbursements	141,906	8,008	15,622	-	-	-	-	76,253	51,987	-
Excess (deficiency) of receipts over (under) disbursements	28,218	132,085	(15,622)	-	2	-	12,866	(76,253)	(51,987)	-
Other financing sources (uses):										
Proceeds from bank loan financing	-	-	-	-	-	-	-	80,224	-	-
Operating transfers in	-	-	-	-	-	-	-	-	-	-
Operating transfers (out)	-	(52,917)	-	(10,890)	-	-	(20,467)	(5,019)	-	-
Total other financing sources (uses)	-	(52,917)	-	(10,890)	-	-	(20,467)	75,205	-	-
Change in cash balances	28,218	79,168	(15,622)	(10,890)	2	-	(7,601)	(1,048)	(51,987)	-
Cash balances, beginning of year	(1,013)	-	(8,270)	(13,276)	979	(152,200)	41,543	-	48,909	-
Cash balances, end of year	\$ 27,205	\$ 79,168	\$ (23,892)	\$ (24,166)	\$ 981	\$ (152,200)	\$ 33,942	\$ (1,048)	\$ (3,078)	-
Cash basis fund balances:										
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:										
Debt service	-	-	-	-	-	-	33,942	-	-	-
Police	-	-	-	-	981	-	-	-	-	-
Employee benefits	27,205	-	-	-	-	-	-	-	-	-
Urban renewal	-	79,168	-	-	-	-	-	-	-	-
Sewer projects	-	-	-	-	-	-	-	-	-	-
Assigned for:										
Railroad project	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(23,892)	(24,166)	-	(152,200)	-	(1,048)	(3,078)	-
Total cash basis fund balances	\$ 27,205	\$ 79,168	\$ (23,892)	\$ (24,166)	\$ 981	\$ (152,200)	\$ 33,942	\$ (1,048)	\$ (3,078)	-

See accompanying Independent Auditor's Report.

Capital Projects										Permanent	
South Street	Cemetery Road Water Main	Novak Development	City Hall Expansion	Gillette Lane Extension	Gillette Lane Railroad Crossing Arms	Railroad Project	Storm Water Projects	Booster Station	Sewer Projects	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,450
-	-	-	-	-	-	-	-	-	-	-	140,093
-	-	-	-	-	-	-	-	-	-	-	5,674
-	-	-	-	-	-	-	-	-	-	-	2
-	-	10,667	-	-	-	-	-	-	-	-	12,866
-	-	-	-	-	-	-	-	-	-	1,300	11,967
-	-	10,667	-	-	-	-	-	-	-	1,300	335,052
-	-	-	-	-	-	-	-	-	-	-	54,738
-	-	-	-	-	-	-	-	-	-	-	34,842
-	-	-	-	-	-	-	-	-	-	-	21,581
-	-	-	-	-	-	-	-	-	-	-	24,066
-	-	-	-	-	-	-	-	-	-	-	30,309
2,833	32,855	-	6,349	55,872	400	-	-	8,372	34,918	-	269,839
2,833	32,855	-	6,349	55,872	400	-	-	8,372	34,918	-	435,375
(2,833)	(32,855)	10,667	(6,349)	(55,872)	(400)	-	-	(8,372)	(34,918)	1,300	(100,323)
-	-	-	-	-	-	-	-	-	-	-	80,224
-	-	10,890	-	-	-	-	-	-	-	-	10,890
-	-	-	-	-	-	-	-	-	-	-	(89,293)
-	-	10,890	-	-	-	-	-	-	-	-	1,821
(2,833)	(32,855)	21,557	(6,349)	(55,872)	(400)	-	-	(8,372)	(34,918)	1,300	(98,502)
-	-	(53,557)	(340,616)	-	-	19,000	(44,837)	-	99,640	72,087	(331,611)
\$ (2,833)	\$ (32,855)	\$ (32,000)	\$ (346,965)	\$ (55,872)	\$ (400)	\$ 19,000	\$ (44,837)	\$ (8,372)	\$ 64,722	\$ 73,387	\$ (430,113)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,387	\$ 73,387
-	-	-	-	-	-	-	-	-	-	-	33,942
-	-	-	-	-	-	-	-	-	-	-	981
-	-	-	-	-	-	-	-	-	-	-	27,205
-	-	-	-	-	-	-	-	-	-	-	79,168
-	-	-	-	-	-	-	-	-	64,722	-	64,722
-	-	-	-	-	-	19,000	-	-	-	-	19,000
(2,833)	(32,855)	(32,000)	(346,965)	(55,872)	(400)	-	(44,837)	(8,372)	-	-	(728,518)
\$ (2,833)	\$ (32,855)	\$ (32,000)	\$ (346,965)	\$ (55,872)	\$ (400)	\$ 19,000	\$ (44,837)	\$ (8,372)	\$ 64,722	\$ 73,387	\$ (430,113)

CITY OF LISBON, IOWA

Schedule of Indebtedness

Year Ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
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			
Revenue Notes:			
Sewer Improvement	5/18/04	1.75	1,200,000
Water Improvement	1/14/09	3.0	519,000
Total			
Bank Installment Notes:			
Police vehicle	2/13/13	3.50	28,939
Sweeper	7/5/13	3.50	20,990
Ford F550 truck	7/5/13	3.50	59,234

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
\$ 460,000	\$ -	\$ 65,000	\$ 395,000	\$ 19,340	\$ -
245,000	-	245,000	-	5,512	-
2,085,000	-	125,000	1,960,000	55,973	-
<u>\$ 2,790,000</u>	<u>\$ -</u>	<u>\$ 435,000</u>	<u>\$ 2,355,000</u>	<u>\$ 80,825</u>	<u>\$ -</u>
\$ 746,000	\$ -	\$ 58,000	\$ 688,000	\$ 22,320	\$ -
420,000	-	21,000	399,000	12,600	-
<u>\$ 1,166,000</u>	<u>\$ -</u>	<u>\$ 79,000</u>	<u>\$ 1,087,000</u>	<u>\$ 34,920</u>	<u>\$ -</u>
\$ 19,293	\$ -	\$ 9,646	\$ 9,647	\$ 684	\$ -
-	20,990	6,997	13,993	675	-
-	59,234	14,892	44,342	1,767	-
<u>\$ 19,293</u>	<u>\$ 80,224</u>	<u>\$ 31,535</u>	<u>\$ 67,982</u>	<u>\$ 3,126</u>	<u>\$ -</u>

CITY OF LISBON, IOWA

Schedule 3

Bond and Note Maturities

June 30, 2014

General Obligation Bonds					
Year Ending June 30,	Gen. Obligation, Ser. 2005 Issued April 15, 2005		Gen. Obligation, Ser. 2011B Issued Sept. 27, 2011		Total
	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 395,000</u>		<u>\$ 1,960,000</u>	<u>\$ 2,355,000</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	
2015	1.75 %	\$ 60,000	3.00 %	\$ 22,000	\$ 82,000
2016	1.75	62,000	3.00	23,000	85,000
2017	1.75	64,000	3.00	24,000	88,000
2018	1.75	66,000	3.00	24,000	90,000
2019	1.75	67,000	3.00	25,000	92,000
2020	1.75	69,000	3.00	26,000	95,000
2021	1.75	72,000	3.00	27,000	99,000
2022	1.75	74,000	3.00	28,000	102,000
2023	1.75	76,000	3.00	29,000	105,000
2024	1.75	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>\$ 688,000</u>		<u>\$ 399,000</u>	<u>\$ 1,087,000</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 864,222	\$ 794,887	\$ 830,844	\$ 721,343
Tax increment financing	140,093	130,118	138,246	125,969
Other city tax	312,777	302,562	309,398	286,358
Licenses and permits	17,289	18,185	33,073	12,987
Use of money and property	10,807	10,065	8,902	14,102
Intergovernmental	254,898	248,332	244,924	374,834
Charges for service	52,866	45,696	39,985	38,282
Special assessments	12,866	12,512	12,618	17,702
Miscellaneous	55,544	66,681	40,676	65,910
	<u>\$ 1,721,362</u>	<u>\$ 1,629,038</u>	<u>\$ 1,658,666</u>	<u>\$ 1,657,487</u>
Disbursements:				
Operating				
Public safety	\$ 296,178	\$ 278,544	\$ 320,503	\$ 306,569
Public works	270,805	239,798	282,998	272,782
Culture and recreation	236,224	256,082	228,347	233,748
Community and economic development	67,342	53,433	284,611	48,019
General government	272,776	268,848	285,181	229,401
Debt service	668,815	693,845	920,507	299,503
Capital projects	301,339	1,619,313	1,405,898	262,455
	<u>\$ 2,113,479</u>	<u>\$ 3,409,863</u>	<u>\$ 3,728,045</u>	<u>\$ 1,652,477</u>

See accompanying Independent Auditor's Report.

Schedule 4

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>(Unaudited) 2007</u>	<u>(Unaudited) 2006</u>	<u>2005</u>
\$ 702,464	\$ 679,724	\$ 558,589	\$ 587,725	\$ 560,163	\$ 548,523
60,202	61,248	141,556	148,196	147,427	130,893
292,519	36,076	42,313	28,443	223,653	245,892
23,131	41,233	8,828	17,564	22,869	5,849
19,177	22,474	46,156	68,112	44,140	21,842
228,903	211,142	336,634	793,044	332,530	191,636
42,531	34,950	36,199	41,110	27,050	23,067
40,116	38,442	262,112	31,792	121,537	64,308
38,129	60,155	51,010	138,069	37,418	25,715
<u>\$ 1,447,172</u>	<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>
\$ 277,787	\$ 264,077	\$ 306,448	\$ 215,210	\$ 209,709	\$ 248,620
218,040	238,007	240,445	140,351	153,656	141,293
319,457	238,914	214,118	205,703	139,076	128,650
66,266	46,569	157,254	308,783	44,964	373,325
202,027	187,851	203,592	147,964	153,210	145,303
368,443	295,787	271,617	423,273	374,572	256,924
202,870	422,993	343,768	482,663	1,435,523	1,421,452
<u>\$ 1,654,890</u>	<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>

**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, 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 *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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2015. Our report expressed unmodified opinions on the financial statements which were 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.

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-14 and II-B-14 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, 2014 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
March 20, 2015

CITY OF LISBON, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

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-14 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 - The City will take all possible actions to segregate the duties by utilizing the Mayor and Mayor Pro-Tem to provide additional control over financial transactions. All financial reports will be reviewed by the City Council.

Conclusion - Response accepted.

CITY OF LISBON, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

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

II-B-14 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 will take the steps necessary to make sure management has sufficient knowledge of the City's financial position, transactions and internal control policies and procedures.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE

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

CITY OF LISBON, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

Part III. Other Findings Related to Required Statutory Reporting

III-A-14 **Certified Budget**

Comment - Disbursements during the year ended June 30, 2014 exceeded the final amounts budgeted in the public works and debt service functions. Disbursements during the year exceeded the original amount budgeted in the capital projects function prior to the amendment of the budget on May 27, 2014. 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 - Due to the loss of the City Administrator and the City Clerk at the time the budget amendments were due, the City did the best with the information available to complete the budget amendment. The City will assure that the budget is properly and timely amended in the future.

Conclusion - Response accepted.

III-B-14 **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-14 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 **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, 2014.

III-E-14 **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-14 **Publication of Minutes**

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. The publication of the minutes of the Council meeting of March 3, 2014 tested by us were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa. We noted that the published minutes of the Council meetings during the year ended June 30, 2014 do not include a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. We also noted that two publications tested by us included a list of claims but did not include a summary by fund of the claims as required by Chapter 372.13(6) of the Code of Iowa.

CITY OF LISBON, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

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

Recommendation - All minutes of the Council meetings should be published within 15 days as required. 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, including but not limited to summaries of receipts and summaries of claims by fund, is included in the file being sent to the newspaper.

Response - The City will make sure that all publications are timely made and include all information required by the Code of Iowa.

Conclusion - Response accepted.

III-G-14 **Deposits and Investments**

Comment - During the year ended June 30, 2014, the City maintained a certificate of deposit at a bank that is not covered by the City's depository resolution.

Recommendation - The City should adopt a new depository resolution authorizing the bank as an approved depository of City funds.

Response - A new depository resolution was adopted on October 27, 2014.

Conclusion - Response accepted.

III-H-14 **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-14 **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, 2013 and no exceptions were noted.

III-J-14 **Financial Condition**

Comment - At June 30, 2014, the City had deficit balances in thirteen special revenue and capital projects funds. All of these deficit balances were related to construction projects, property development projects and property rehabilitation projects.

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.

CITY OF LISBON, IOWA

Schedule of Findings and Responses

Year Ended June 30, 2014

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

Response - Several of the project funds have been closed out with proper funds transferred by resolution on November 24, 2014.

Conclusion - Response accepted.

III-K-14 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 notes for the purchases of a broom sweeper and a Ford F550 truck. 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 - The City will issue public notice and hold a public hearing for all future issuances of debt.

Conclusion - Response accepted.