

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

**JUNE 30, 2015**

# CITY OF LISBON, IOWA

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CITY OF LISBON, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Mayor and Council</u></b>		
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
<b><u>City Staff</u></b>		
Connie Meier	City Administrator/City Clerk/Treasurer	January 1, 2018
Lederer Weston Craig PLC	City Attorney	January 1, 2016

## 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, 2015, 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, 2015, 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.

## **Emphasis of a Matter**

As disclosed in Note 5 to the financial statements, the City of Lisbon, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are 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 two years ended June 30, 2014 (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, 2012, 2011, 2010, 2009 and 2008 (none of which are presented herein) were audited by other auditors and they expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The years ended June 30, 2007 and 2006 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**

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 10 and 32 through 38, 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 28, 2016 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.

*Wenkkel, Parker & Foster, CPA PC*

Iowa City, Iowa  
March 28, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lisbon, Iowa 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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 Financial Highlights

Receipts of the City's governmental activities increased approximately \$594,000 from fiscal year 2014 to 2015. Property tax increased approximately \$63,000, operating and capital grants, contributions and restricted interest increased approximately \$267,000, and receipts from tax increment financing and local option sales tax increased approximately \$10,000. Proceeds from debt financing increased approximately \$249,000 from \$80,000 in 2014.

Disbursements for governmental activities increased approximately \$259,000 from fiscal year 2014 to 2015. Public safety, public works, community and economic development, general government and capital projects increased approximately \$84,000, \$8,000, \$33,000, \$87,000 and \$312,000, respectively. Culture and recreation and debt service decreased approximately \$6,000 and \$259,000, respectively.

The City's total cash basis net position increased 17.35%, or \$188,614, from June 30, 2014 to June 30, 2015. Of this amount, governmental activities increased \$234,305 and business type activities decreased \$45,691.

### 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, the City's proportionate share of the net pension liability and a history of the City's contributions.

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 and Road Use Tax, 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>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service	\$ 110	\$ 109
Operating grants, contributions and restricted interest	402	287
Capital grants, contributions and restricted interest	163	11
General receipts:		
Property tax	957	894
Tax increment financing	150	140
Local option sales tax	272	272
Unrestricted interest on investments	2	3
Other general receipts	12	5
Sales of assets	-	2
Bond and note proceeds	<u>329</u>	<u>80</u>
Total receipts	<u>2,397</u>	<u>1,803</u>
Disbursements:		
Public safety	380	296
Public works	279	271
Culture and recreation	230	236
Community and economic development	100	67
General government	360	273
Debt service	410	669
Capital projects	<u>613</u>	<u>301</u>
Total disbursements	<u>2,372</u>	<u>2,113</u>
Change in cash basis net position before transfers	25	(310)
Transfers, net	<u>209</u>	<u>167</u>
Change in cash basis net position	234	(143)
Cash basis net position, beginning of year	<u>893</u>	<u>1,036</u>
Cash basis net position, end of year	<u>\$ 1,127</u>	<u>\$ 893</u>

The City's total receipts from governmental activities increased by 32.99%, or \$594,858. The total cost of all programs and services increased by \$259,246, or 12.27%, due to increases in public safety, general government and capital projects costs during the year.

The City property tax rates for 2015 are at \$13.33056, lower than the rates of 2014 at \$13.91839. This is a decrease of 4.4% from the 2014 rate, due to decreases in the costs of general insurance and employee benefits.

The cost of all governmental activities this year was \$2,372,725, compared to \$2,113,479 last year. As shown in the Cash Basis Statement of Activities and Net Position on pages 11 through 14, the amount taxpayers ultimately financed for these activities was only \$1,697,251 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 2015 by \$594,858 because of \$329,000 of proceeds from the sale of bonds.

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

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 291	\$ 298
Sewer	329	344
Solid waste	137	137
Utility deposits	5	6
General receipts:		
Miscellaneous	34	11
Unrestricted interest on investments	<u>1</u>	<u>1</u>
Total receipts	<u>797</u>	<u>797</u>
Disbursements:		
Water	222	240
Sewer	279	249
Solid waste	128	129
Utility deposits	<u>5</u>	<u>5</u>
Total disbursements	<u>634</u>	<u>623</u>
Change in cash basis net position before transfers	163	174
Transfers, net	<u>(209)</u>	<u>(167)</u>
Change in cash basis net position	(46)	7
Cash basis net position, beginning of year	<u>194</u>	<u>187</u>
Cash basis net position, end of year	<u>\$ 148</u>	<u>\$ 194</u>

Total business type activities receipts for the fiscal year were \$797,795, compared to \$796,652 last year. Total business type activities disbursements for the fiscal year were \$634,615, compared to \$622,803 last year. The ending cash balance decreased to \$148,255.

## **Individual Major Governmental Fund Analysis**

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$1,127,302, an increase of \$234,305 over the prior year.

- The General Fund cash balance increased \$172,035 from the prior year to a balance of \$512,891.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$4,520 from the prior year balance of \$1,956.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$90,140 from the prior year balance of \$23,227.
- The Debt Service Fund cash balance increased \$18,833 from the prior year balance of \$63,117.
- The Capital Projects, 2011 Street Project Fund cash balance decreased \$44,837 from the prior year balance of \$293,700.
- The Capital Projects, Splash Pad/Pool Project Fund cash balance increased \$133,754 as a result of bond proceeds of \$300,000, contributions of \$30,548 and expenditures of \$196,794 of this new project.
- The Capital Projects, Gillette Lane Extension Fund cash balance increased \$90,302 from the prior year balance of \$(55,872).

## **Business Type Fund Analysis**

As the City of Lisbon completed the year, its business type funds reported a combined fund balance of \$148,255, a decrease of \$45,691 over the prior year. This decrease is due primarily to transfers of \$47,138 from the Water Enterprise Fund to close out four capital project funds that were related to water projects completed in prior years.

## **Budgetary Highlights**

Over the course of the year, the City amended its budget twice. 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, 2015, the City had \$3,530,467 in bonds and other debt, compared to \$3,509,982 last year, as shown below.

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

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 2,484	\$ 2,355
Revenue notes	1,005	1,087
Bank notes	<u>41</u>	<u>68</u>
Total	<u>\$ 3,530</u>	<u>\$ 3,510</u>

Debt increased as a result of the splash pad/pool project.

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 \$2,484,000 is below its constitutional debt limit of \$6,409,562.

**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, 2015

	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	\$ 380,327	\$ 7,759	\$ 14,336	\$ -
Public works	279,430	9,196	223,770	-
Culture and recreation	230,352	32,138	35,315	-
Community and economic development	99,663	790	2,810	-
General government	360,495	60,455	126,322	-
Debt service	409,826	-	-	-
Capital projects	612,632	-	-	162,583
Total governmental activities	2,372,725	110,338	402,553	162,583
Business type activities:				
Water	221,776	291,055	-	-
Sewer	279,333	329,436	-	-
Solid Waste	128,328	137,211	-	-
Utility deposits	5,178	5,100	-	-
Total business type activities	634,615	762,802	-	-
Total	\$ 3,007,340	\$ 873,140	\$ 402,553	\$ 162,583

**General Receipts and Transfers:**

- Property tax and other levies for:
  - General purposes
  - Debt service
  - Other purposes
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Miscellaneous
- Proceeds from sale of bonds
- 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

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (358,232)	\$ -	\$ (358,232)
(46,464)	-	(46,464)
(162,899)	-	(162,899)
(96,063)	-	(96,063)
(173,718)	-	(173,718)
(409,826)	-	(409,826)
(450,049)	-	(450,049)
<u>(1,697,251)</u>	<u>-</u>	<u>(1,697,251)</u>
-	69,279	69,279
-	50,103	50,103
-	8,883	8,883
-	(78)	(78)
<u>-</u>	<u>128,187</u>	<u>128,187</u>
<u>(1,697,251)</u>	<u>128,187</u>	<u>(1,569,064)</u>
595,402	-	595,402
166,665	-	166,665
195,135	-	195,135
149,887	-	149,887
272,424	-	272,424
2,169	779	2,948
12,003	34,214	46,217
329,000	-	329,000
208,871	(208,871)	-
<u>1,931,556</u>	<u>(173,878)</u>	<u>1,757,678</u>
234,305	(45,691)	188,614
892,997	193,946	1,086,943
<u>\$ 1,127,302</u>	<u>\$ 148,255</u>	<u>\$ 1,275,557</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, 2015

Cash Basis Net Position

Restricted

Nonexpendable:

Cemetery perpetual care

Expendable:

Debt service

Police

Employee benefits

Urban renewal

Sewer projects

Other purposes

Unrestricted

Total cash basis net position

See accompanying Notes to Financial Statements.

**Exhibit A**

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ 74,087	\$ -	\$ 74,087
105,070	18,030	123,100
983	-	983
40,657	-	40,657
181,224	-	181,224
62,665	-	62,665
113,367	30,662	144,029
549,249	99,563	648,812
<u>\$ 1,127,302</u>	<u>\$ 148,255</u>	<u>\$ 1,275,557</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, 2015

	General Fund	Special Revenue	
		Road Use Tax	Local Option Sales Tax
<b>Receipts:</b>			
Property tax	\$ 554,287	\$ -	\$ -
Tax increment financing	-	-	-
Other city tax	23,823	-	272,424
Licenses and permits	27,116	-	-
Use of money and property	7,075	-	-
Intergovernmental	303,658	223,770	-
Charges for service	50,384	-	-
Special assessments	-	-	-
Miscellaneous	32,964	-	-
<b>Total receipts</b>	<b>999,307</b>	<b>223,770</b>	<b>272,424</b>
<b>Disbursements:</b>			
Operating			
Public safety	296,912	-	-
Public works	-	239,911	-
Culture and recreation	207,504	-	-
Community and economic development	49,229	-	-
General government	325,318	-	-
Debt service	-	-	-
Capital projects	-	-	-
<b>Total disbursements</b>	<b>878,963</b>	<b>239,911</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>120,344</b>	<b>(16,141)</b>	<b>272,424</b>
<b>Other financing sources (uses):</b>			
Proceeds from sale of bonds	-	-	-
Operating transfers in	61,764	30,520	-
Operating transfers (out)	(10,073)	(18,899)	(182,284)
<b>Total other financing sources (uses)</b>	<b>51,691</b>	<b>11,621</b>	<b>(182,284)</b>
Change in cash balances	172,035	(4,520)	90,140
Cash balances, beginning of year	340,856	1,956	23,227
<b>Cash balances, end of year</b>	<b>\$ 512,891</b>	<b>\$ (2,564)</b>	<b>\$ 113,367</b>

Debt Service	Capital Projects			Nonmajor Governmental Funds	Total
	2011 Street Project	Splash Pad/ Pool	Gillette Lane Extension		
\$ 155,844	\$ -	\$ -	\$ -	\$ 181,590	\$ 891,721
-	-	-	-	149,887	149,887
3,427	-	-	-	4,288	303,962
-	-	-	-	-	27,116
-	-	-	-	194	7,269
7,394	-	-	-	9,257	544,079
-	-	-	-	-	50,384
-	-	-	-	9,196	9,196
-	-	30,548	-	22,033	85,545
166,665	-	30,548	-	376,445	2,069,159
-	-	-	-	83,415	380,327
-	-	-	-	39,519	279,430
-	-	-	-	22,848	230,352
-	-	-	-	50,434	99,663
-	-	-	-	35,177	360,495
409,826	-	-	-	-	409,826
-	-	196,794	405,387	10,451	612,632
409,826	-	196,794	405,387	241,844	2,372,725
(243,161)	-	(166,246)	(405,387)	134,601	(303,566)
-	-	300,000	-	29,000	329,000
261,994	-	-	495,689	252,582	1,102,549
-	(44,837)	-	-	(637,585)	(893,678)
261,994	(44,837)	300,000	495,689	(356,003)	537,871
18,833	(44,837)	133,754	90,302	(221,402)	234,305
63,117	293,700	-	(55,872)	226,013	892,997
\$ 81,950	\$ 248,863	\$ 133,754	\$ 34,430	\$ 4,611	\$ 1,127,302

(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, 2015

	General Fund	Special Revenue	
		Road Use Tax	Local Option Sales Tax
Cash basis fund balances:			
Nonspendable			
Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Police	-	-	-
Employee benefits	-	-	-
Urban renewal	-	-	-
Sewer projects	-	-	-
Other purposes	-	-	113,367
Assigned for:			
Capital projects	-	-	-
Unassigned	512,891	(2,564)	-
Total cash basis fund balances	<u>\$ 512,891</u>	<u>\$ (2,564)</u>	<u>\$ 113,367</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects			Nonmajor Governmental Funds	Total
	2011 Street Project	Splash Pad/ Pool	Gillette Lane Extension		
\$ -	\$ -	\$ -	\$ -	\$ 74,087	\$ 74,087
81,950	-	-	-	23,120	105,070
-	-	-	-	983	983
-	-	-	-	40,657	40,657
-	-	-	-	181,224	181,224
-	-	-	-	62,665	62,665
-	-	-	-	-	113,367
-	248,863	133,754	34,430	54,206	471,253
-	-	-	-	(432,331)	77,996
<u>\$ 81,950</u>	<u>\$ 248,863</u>	<u>\$ 133,754</u>	<u>\$ 34,430</u>	<u>\$ 4,611</u>	<u>\$ 1,127,302</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, 2015

	Water	Sewer	Solid Waste	Nonmajor Fund - Utility Deposits	Total
Operating receipts:					
Charges for service	\$ 291,055	\$ 329,436	\$ 137,211	\$ 5,100	\$ 762,802
Operating disbursements:					
Business type activities	221,776	279,333	128,328	5,178	634,615
Excess (deficiency) of operating receipts over (under) operating disbursements	69,279	50,103	8,883	(78)	128,187
Non-operating receipts:					
Interest on cash investments	522	92	165	-	779
Miscellaneous	32,298	1,748	168	-	34,214
Total non-operating receipts	32,820	1,840	333	-	34,993
Excess (deficiency) of receipts over (under) disbursements	102,099	51,943	9,216	(78)	163,180
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	(126,254)	(82,617)	-	-	(208,871)
Total other financing sources (uses)	(126,254)	(82,617)	-	-	(208,871)
Change in cash balances	(24,155)	(30,674)	9,216	(78)	(45,691)
Cash balances, beginning of year	50,099	24,779	88,328	30,740	193,946
Cash balances, end of year	\$ 25,944	\$ (5,895)	\$ 97,544	\$ 30,662	\$ 148,255
					(Exhibit A)
Cash basis fund balances:					
Restricted:					
Debt service	\$ 10,990	\$ 7,040	\$ -	\$ -	\$ 18,030
Other purposes	-	-	-	30,662	30,662
Unrestricted	14,954	(12,935)	97,544	-	99,563
Total cash basis fund balances	\$ 25,944	\$ (5,895)	\$ 97,544	\$ 30,662	\$ 148,255

See accompanying Notes to Financial Statements.

# CITY OF LISBON, IOWA

## Notes to Financial Statements

June 30, 2015

### 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.

*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.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2015

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

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

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.

**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 Splash Pad/Pool Fund is used to track spending and activity relating to the construction of a new splash pad and renovations to the municipal swimming pool.

The Gillette Lane Extension Fund is used to track spending and activity relating to the construction of the extension of Gillette Lane.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2015

**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, 2015

**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, 2015, disbursements did not exceed the final amounts budgeted in all functions. Disbursements in the capital projects function exceeded the original budgeted amount from July 1, 2014 until the budget amendment on January 26, 2015.

**F Property Tax Calendar**

The City's property taxes were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable by the property owners in two installments on September 30, 2014 and March 31, 2015, 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, 2015 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, 2015, 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, 2015

**NOTE 3. BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation bonds and revenue notes at June 30, 2015 are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes	
	Principal	Interest	Principal	Interest
2016	\$ 205,000	\$ 72,758	\$ 85,000	\$ 22,265
2017	226,000	67,656	88,000	20,490
2018	236,000	62,698	90,000	18,650
2019	221,000	56,902	92,000	16,775
2020	222,000	50,984	95,000	14,853
2021-2025	708,000	185,446	443,000	43,040
2026-2030	666,000	76,471	112,000	7,710
<b>Total</b>	<b>\$ 2,484,000</b>	<b>\$ 572,915</b>	<b>\$ 1,005,000</b>	<b>\$ 143,783</b>

Year Ending June 30,	Total	
	Principal	Interest
2016	\$ 290,000	\$ 95,023
2017	314,000	88,146
2018	326,000	81,348
2019	313,000	73,677
2020	317,000	65,837
2021-2025	1,151,000	228,486
2026-2030	778,000	84,181
<b>Total</b>	<b>\$ 3,489,000</b>	<b>\$ 716,698</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, 2015, is \$684,753. The revenue notes contain certain covenants. As of June 30, 2015, the City did not meet the loan covenant requirement to maintain net revenues at a level not less than 110% of the amount of principal and interest on the bond.

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, 2015, is \$464,030. The revenue notes contain certain covenants. As of June 30, 2015, the City met the requirements of those covenants.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2015

**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 3.50% 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 note was paid in full during the year ended June 30, 2015.

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 3.50% 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, 2015 is \$6,996.66.

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 3.50% 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 3.50% per annum due June 1, 2019. The note is secured by the Ford F550 truck. The balance of the note at June 30, 2015 is \$34,470.01.

Estimated annual maturities of the notes at June 30, 2015 are as follows:

	Principal	Interest
Year ending June 30, 2016	\$ 16,869	\$ 1,451
2017	9,872	861
2018	9,873	516
2019	4,853	170
	\$ 41,467	\$ 2,998

**NOTE 5. PENSION PLAN**

*Plan Description* - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

*Pension Benefits* - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2015

**NOTE 5. PENSION PLAN (Continued)**

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payment.

*Disability and Death Benefits* - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or recalculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

*Contributions* - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rates, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$44,490.

*Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$184,681. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0046567 percent, which was a decrease of 0.0006799 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$18,770, \$11,792 and \$113,730, respectively.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2015

**NOTE 5. PENSION PLAN (Continued)**

*Actuarial Assumptions* - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation Percentage	Long-Term Expected Real Rate of Return
U.S. Equity	23%	6.31
Non-U.S. Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2015

**NOTE 5. PENSION PLAN (Continued)**

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

City's proportionate share of the net pension liability:	
1 percent decrease (6.5%)	\$ 436,461
Discount rate (7.5%)	184,681
1 percent increase (8.5%)	(27,758)

*Pension Plan Fiduciary Net Position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**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, 2015, 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 \$1,014 per month. During the year ended June 30, 2015, the City contributed \$128,129 and plan members contributed \$4,504 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, 2015, primarily relating to the General Fund, is \$36,446 for vacation and \$73,140 for sick leave. This liability has been computed based on rates of pay as of June 30, 2015.

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2015

**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, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Special Revenue Local Option Sales Tax	<u>\$ 61,764</u>
Special Revenue Road Use Tax	Special Revenue Local Option Sales Tax	<u>30,520</u>
Special Revenue Downtown Reinvestment	Special Revenue Urban Renewal Tax Increment	<u>23,892</u>
Special Revenue Brothers Market - TIF	Special Revenue Urban Renewal Tax Increment	<u>16,000</u>
Debt Service	General Fund Special Revenue Road Use Tax Urban Renewal Tax Increment Special Assessments Water Enterprise Sewer Enterprise	<u>10,073</u> <u>17,851</u> <u>52,319</u> <u>20,018</u> <u>79,116</u> <u>82,617</u> <u>261,994</u>
Capital Projects Gillette Lane Extension	Capital Projects Gillette Turn Lane	<u>495,689</u>
Capital Projects Capital Improvement	Special Revenue Road Use Tax	<u>1,048</u>
Capital Projects Water Main Improvements	Water Enterprise	<u>3,078</u>
Capital Projects South Street	Water Enterprise	<u>2,833</u>
Capital Projects Cemetery Road Water Main	Water Enterprise	<u>32,855</u>
Capital Projects Booster Station	Water Enterprise	<u>8,372</u>
Capital Projects Novak Development	Special Revenue Urban Renewal Tax Increment	<u>10,667</u>
Capital Projects Storm Water Projects	Capital Projects 2011 Street Project	<u>44,837</u>

**CITY OF LISBON, IOWA**

Notes to Financial Statements

June 30, 2015

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects City Hall Expansion	Special Revenue Local Option Sales Tax	<u>75,000</u>
Capital Projects Gillette Lane Railroad Crossing Arms	Capital Projects Railroad Project	<u>19,000</u>
Capital Projects Gillette Lane Railroad Crossing Arms	Special Revenue Local Option Sales Tax	<u>15,000</u>
		<u><u>\$ 1,102,549</u></u>

**NOTE 9. CONSTRUCTION CONTRACTS**

The City has entered into various construction contracts totaling approximately \$775,000. The unpaid contract balances at June 30, 2015 totaled approximately \$200,000, 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 April 2015 seeking damages in connection with an incident that occurred in May 2013, in which the plaintiff was injured as a result of a collision with a volunteer firefighter during a training session. No estimate of any possible loss to the City can be determined at this time.

The City is the plaintiff against two defendants in a case involving a dispute of the liability for payment of repair services at the water pump station. One of the defendants has filed a counterclaim against the City. No estimate of any possible loss to the City can be determined at this time.

**NOTE 12. LEASE COMMITMENTS**

The City has an agreement to lease a copy machine under a 60 month lease beginning May 30, 2015. Monthly rental under the agreement is \$150.10. Future minimum lease payments required under the lease as of June 30, 2015 are as follows:

Year ending June 30:	2016	\$	1,801
	2017		1,801
	2018		1,801
	2019		1,801
	2020		1,501
			<u>8,705</u>
			<u><u>\$ 8,705</u></u>

CITY OF LISBON, IOWA

Notes to Financial Statements

June 30, 2015

**NOTE 13. DEVELOPMENT AGREEMENT 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. During the year ended June 30, 2015, the City made the first payment of \$12,138 under this agreement.

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. During the year ended June 30, 2015, the City paid \$14,896 under this agreement.

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. Payments are to be made annually through June 30, 2018 as property taxes become available. During the year ended June 30, 2015, the City paid \$12,096 under this agreement. Payments made by the City since inception of this agreement are as follows:

Year ended June 30: 2014	\$	8,008
2015		12,096
	\$	<u>20,104</u>

**NOTE 14. DEFICIT BALANCES**

The following special revenue and capital projects funds had deficit balances at June 30, 2015 as a result of construction projects, property development and property rehabilitation projects:

Special Revenue:	
Road Use Tax	\$ 2,564
Novak Development	24,166
Brothers Market - TIF	136,200
Capital Projects:	
City Hall Expansion	271,965

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 Sewer Enterprise Fund had a deficit balance of \$5,895 at June 30, 2015 as a result of unexpected repairs that needed to be made to the sanitary sewer system. The deficit is expected to be covered by net operating income of the fund.

**NOTE 15. SUBSEQUENT EVENTS**

Management of the City has evaluated events through March 28, 2016, 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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 891,721	\$ -	\$ 891,721
Tax increment financing	149,887	-	149,887
Other city tax	303,962	-	303,962
Licenses and permits	27,116	-	27,116
Use of money and property	7,269	779	8,048
Intergovernmental	544,079	-	544,079
Charges for service	50,384	757,702	808,086
Special assessments	9,196	-	9,196
Miscellaneous	85,545	39,314	124,859
Total receipts	<u>2,069,159</u>	<u>797,795</u>	<u>2,866,954</u>
Disbursements:			
Public safety	380,327	-	380,327
Public works	279,430	-	279,430
Culture and recreation	230,352	-	230,352
Community and economic development	99,663	-	99,663
General government	360,495	-	360,495
Debt service	409,826	-	409,826
Capital projects	612,632	-	612,632
Business type activities	-	634,615	634,615
Total disbursements	<u>2,372,725</u>	<u>634,615</u>	<u>3,007,340</u>
Excess (deficiency) of receipts over (under) disbursements	(303,566)	163,180	(140,386)
Other financing sources (uses), net	537,871	(208,871)	329,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	234,305	(45,691)	188,614
Balances, beginning of year	892,997	193,946	1,086,943
Balances, end of year	<u>\$ 1,127,302</u>	<u>\$ 148,255</u>	<u>\$ 1,275,557</u>

There were no funds of the City not required to be budgeted during the year ended June 30, 2015.

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

Budgeted Amounts		
Original	Final	Final to Net Variance
\$ 918,638	\$ 918,638	\$ (26,917)
160,674	160,674	(10,787)
295,376	300,376	3,586
-	29,400	(2,284)
-	3,525	4,523
513,012	871,532	(327,453)
658,718	935,614	(127,528)
-	10,000	(804)
31,398	287,498	(162,639)
<u>2,577,816</u>	<u>3,517,257</u>	<u>(650,303)</u>
388,487	392,063	11,736
272,751	323,776	44,346
253,366	266,252	35,900
58,849	109,497	9,834
272,230	535,230	174,735
164,341	421,029	11,203
-	1,176,660	564,028
561,975	688,319	53,704
<u>1,971,999</u>	<u>3,912,826</u>	<u>905,486</u>
605,817	(395,569)	255,183
-	-	329,000
605,817	(395,569)	584,183
880,279	880,279	206,664
<u>\$ 1,486,096</u>	<u>\$ 484,710</u>	<u>\$ 790,847</u>

## CITY OF LISBON, IOWA

### Notes to Other Information - Budgetary Reporting

June 30, 2015

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 Special Revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing 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 \$1,772,941 and one budget amendment increased budgeted disbursements by \$167,886. The budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2015 did not exceed final budgeted amounts in all functions. Disbursements in the capital projects function exceeded the original budgeted amount from July 1, 2014 until the budget amendment on January 26, 2015.

**CITY OF LISBON, IOWA**

Schedule of the City's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year \*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.004657%
City's proportionate share of the net pension liability	\$ 184,681
City's total covered-employee payroll	
Regular	\$ 353,766
Protection occupation	<u>121,764</u>
	<u>\$ 475,530</u>
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.84%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the City will present information for those years for which information is available.

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

**CITY OF LISBON, IOWA**

Schedule of City Contributions  
Iowa Public Employees' Retirement System  
Last Ten Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution:			
Regular	\$ 29,022	\$ 31,591	\$ 29,236
Protection occupation	15,468	12,347	11,476
	<u>\$ 44,490</u>	<u>\$ 43,938</u>	<u>\$ 40,712</u>
Contributions in relation to the statutorily required contribution:			
Regular	\$ 29,022	\$ 31,591	\$ 29,236
Protection occupation	15,468	12,347	11,476
	<u>\$ 44,490</u>	<u>\$ 43,938</u>	<u>\$ 40,712</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll:			
Regular	\$ 324,989	\$ 353,766	\$ 337,206
Protection occupation	152,549	121,764	111,738
	<u>\$ 477,538</u>	<u>\$ 475,530</u>	<u>\$ 448,944</u>
Contributions as a percentage of covered-employee payroll:			
Regular	8.93%	8.93%	8.67%
Protection occupation	10.14%	10.14%	10.27%

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

2012	2011	2010	2009	2008	2007	2006
\$ 27,475	\$ 21,845	\$ 18,084	\$ 15,590	\$ 11,395	\$ 10,509	Information not available.
11,654	10,272	9,946	8,271	7,998	7,555	
<u>\$ 39,129</u>	<u>\$ 32,117</u>	<u>\$ 28,030</u>	<u>\$ 23,861</u>	<u>\$ 19,393</u>	<u>\$ 18,064</u>	
\$ 27,475	\$ 21,845	\$ 18,084	\$ 15,590	\$ 11,395	\$ 10,509	
11,654	10,272	9,946	8,271	7,998	7,555	
<u>\$ 39,129</u>	<u>\$ 32,117</u>	<u>\$ 28,030</u>	<u>\$ 23,861</u>	<u>\$ 19,393</u>	<u>\$ 18,064</u>	
<u>\$ -</u>						
\$ 340,461	\$ 314,318	\$ 271,940	\$ 245,517	\$ 188,339	\$ 182,767	
116,891	103,236	108,108	97,887	94,432	82,835	
<u>\$ 457,352</u>	<u>\$ 417,554</u>	<u>\$ 380,048</u>	<u>\$ 343,404</u>	<u>\$ 282,771</u>	<u>\$ 265,602</u>	
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	
9.97%	9.95%	9.20%	8.45%	8.47%	9.12%	

## CITY OF LISBON, IOWA

### Notes to Other Information - Pension Liability

June 30, 2015

#### Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of termination members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**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, 2015

	Special Revenue								Capital Improvement	Water Main Improvements
	Employee Benefits	Urban Renewal Tax Increment	Downtown Reinvestment	Novak Development	Police Forfeiture	Brothers Market - TIF	LMI - TIF	Special Assessments		
<b>Receipts:</b>										
Property tax	\$ 181,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	149,887	-	-	-	-	-	-	-	-
Other city tax	4,288	-	-	-	-	-	-	-	-	-
Use of money and property	-	192	-	-	2	-	-	-	-	-
Intergovernmental	9,257	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	9,196	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>195,135</b>	<b>150,079</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>9,196</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>										
<b>Operating</b>										
Public safety	83,415	-	-	-	-	-	-	-	-	-
Public works	39,519	-	-	-	-	-	-	-	-	-
Culture and recreation	22,848	-	-	-	-	-	-	-	-	-
Community and economic development	724	49,710	-	-	-	-	-	-	-	-
General government	35,177	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	8,394	-
<b>Total disbursements</b>	<b>181,683</b>	<b>49,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,394</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>13,452</b>	<b>100,369</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>9,196</b>	<b>(8,394)</b>	<b>-</b>
<b>Other financing sources (uses):</b>										
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	29,000	-
Operating transfers in	-	-	23,892	-	-	16,000	-	-	1,048	3,078
Operating transfers (out)	-	(102,878)	-	-	-	-	-	(20,018)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(102,878)</b>	<b>23,892</b>	<b>-</b>	<b>-</b>	<b>16,000</b>	<b>-</b>	<b>(20,018)</b>	<b>30,048</b>	<b>3,078</b>
<b>Change in cash balances</b>	<b>13,452</b>	<b>(2,509)</b>	<b>23,892</b>	<b>-</b>	<b>2</b>	<b>16,000</b>	<b>-</b>	<b>(10,822)</b>	<b>21,654</b>	<b>3,078</b>
<b>Cash balances, beginning of year</b>	<b>27,205</b>	<b>79,168</b>	<b>(23,892)</b>	<b>(24,166)</b>	<b>981</b>	<b>(152,200)</b>	<b>104,565</b>	<b>33,942</b>	<b>(1,048)</b>	<b>(3,078)</b>
<b>Cash balances, end of year</b>	<b>\$ 40,657</b>	<b>\$ 76,659</b>	<b>\$ -</b>	<b>\$ (24,166)</b>	<b>\$ 983</b>	<b>\$ (136,200)</b>	<b>\$ 104,565</b>	<b>\$ 23,120</b>	<b>\$ 20,606</b>	<b>\$ -</b>
<b>Cash basis fund balances:</b>										
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>										
Debt service	-	-	-	-	-	-	-	23,120	-	-
Police	-	-	-	-	983	-	-	-	-	-
Employee benefits	40,657	-	-	-	-	-	-	-	-	-
Urban renewal	-	76,659	-	-	-	-	104,565	-	-	-
Sewer projects	-	-	-	-	-	-	-	-	-	-
<b>Assigned for:</b>										
Capital projects	-	-	-	-	-	-	-	-	20,606	-
Unassigned	-	-	-	(24,166)	-	(136,200)	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 40,657</b>	<b>\$ 76,659</b>	<b>\$ -</b>	<b>\$ (24,166)</b>	<b>\$ 983</b>	<b>\$ (136,200)</b>	<b>\$ 104,565</b>	<b>\$ 23,120</b>	<b>\$ 20,606</b>	<b>\$ -</b>

See accompanying Independent Auditor's Report.

Schedule 1

Capital Projects											Permanent Cemetery Perpetual Care	Total
South Street	Cemetery Road Water Main	Novak Development	City Hall Expansion	Gillette Turn Lane	Gillette Lane Railroad Crossing Arms	Railroad Project	Storm Water Projects	Booster Station	Sewer Projects			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,590
-	-	-	-	-	-	-	-	-	-	-	-	149,887
-	-	-	-	-	-	-	-	-	-	-	-	4,288
-	-	-	-	-	-	-	-	-	-	-	-	194
-	-	-	-	-	-	-	-	-	-	-	-	9,257
-	-	-	-	-	-	-	-	-	-	-	-	9,196
-	-	21,333	-	-	-	-	-	-	-	-	-	22,033
-	-	21,333	-	-	-	-	-	-	-	-	700	376,445
-	-	-	-	-	-	-	-	-	-	-	-	83,415
-	-	-	-	-	-	-	-	-	-	-	-	39,519
-	-	-	-	-	-	-	-	-	-	-	-	22,848
-	-	-	-	-	-	-	-	-	-	-	-	50,434
-	-	-	-	-	-	-	-	-	-	-	-	35,177
-	-	-	-	-	-	-	-	-	-	2,057	-	10,451
-	-	-	-	-	-	-	-	-	-	2,057	-	241,844
-	-	21,333	-	-	-	-	-	-	-	(2,057)	700	134,601
-	-	-	-	-	-	-	-	-	-	-	-	29,000
2,833	32,855	10,667	75,000	-	34,000	-	44,837	8,372	-	-	-	252,582
-	-	-	-	(495,689)	-	(19,000)	-	-	-	-	-	(637,585)
2,833	32,855	10,667	75,000	(495,689)	34,000	(19,000)	44,837	8,372	-	-	-	(356,003)
2,833	32,855	32,000	75,000	(495,689)	34,000	(19,000)	44,837	8,372	(2,057)	-	700	(221,402)
(2,833)	(32,855)	(32,000)	(346,965)	495,689	(400)	19,000	(44,837)	(8,372)	64,722	-	73,387	226,013
\$ -	\$ -	\$ -	\$ (271,965)	\$ -	\$ 33,600	\$ -	\$ -	\$ -	\$ 62,665	\$ -	\$ 74,087	\$ 4,611
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,087	\$ 74,087
-	-	-	-	-	-	-	-	-	-	-	-	23,120
-	-	-	-	-	-	-	-	-	-	-	-	983
-	-	-	-	-	-	-	-	-	-	-	-	40,657
-	-	-	-	-	-	-	-	-	-	-	-	181,224
-	-	-	-	-	-	-	-	-	62,665	-	-	62,665
-	-	-	-	-	33,600	-	-	-	-	-	-	54,206
-	-	-	(271,965)	-	-	-	-	-	-	-	-	(432,331)
\$ -	\$ -	\$ -	\$ (271,965)	\$ -	\$ 33,600	\$ -	\$ -	\$ -	\$ 62,665	\$ -	\$ 74,087	\$ 4,611

**CITY OF LISBON, IOWA**

Schedule of Indebtedness

Year Ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
General Obligation, Series 2005	4/15/05	2.90-4.40 %	\$ 925,000
General Obligation Corporate Purpose and Refunding, Series 2011B	9/27/11	1.00-4.00	2,395,000
General Obligation, Series 2015	5/21/15	0.80-2.80	329,000
Total			
Revenue Notes:			
Sewer Improvement	5/18/04	1.75	1,200,000
Water Improvement	1/14/09	3.00	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
\$ 395,000	\$ -	\$ 70,000	\$ 325,000	\$ 16,773	\$ -
1,960,000	-	130,000	1,830,000	54,410	-
-	329,000	-	329,000	-	-
<u>\$ 2,355,000</u>	<u>\$ 329,000</u>	<u>\$ 200,000</u>	<u>\$ 2,484,000</u>	<u>\$ 71,183</u>	<u>\$ -</u>
\$ 688,000	\$ -	\$ 60,000	\$ 628,000	\$ 12,005	\$ -
399,000	-	22,000	377,000	11,970	-
<u>\$ 1,087,000</u>	<u>\$ -</u>	<u>\$ 82,000</u>	<u>\$ 1,005,000</u>	<u>\$ 23,975</u>	<u>\$ -</u>
\$ 9,647	\$ -	\$ 9,647	\$ -	\$ 353	\$ -
13,993	-	6,996	6,997	504	-
44,342	-	9,872	34,470	1,584	-
<u>\$ 67,982</u>	<u>\$ -</u>	<u>\$ 26,515</u>	<u>\$ 41,467</u>	<u>\$ 2,441</u>	<u>\$ -</u>

## CITY OF LISBON, IOWA

Schedule 3

## Bond and Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation Bonds						
	Gen. Obligation, Ser. 2005 Issued April 15, 2005		Gen. Obligation, Ser. 2011B Issued Sept. 27, 2011		Gen. Obligation, Ser. 2015 Issued May 21, 2015		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	4.15 %	\$ 70,000	1.50 %	\$ 135,000	- %	\$ -	\$ 205,000
2017	4.25	60,000	1.60	135,000	0.80	31,000	226,000
2018	4.30	65,000	1.90	140,000	1.10	31,000	236,000
2019	4.35	65,000	2.15	125,000	1.30	31,000	221,000
2020	4.40	65,000	2.35	125,000	1.55	32,000	222,000
2021	-	-	2.60	130,000	1.85	32,000	162,000
2022	-	-	3.00	95,000	1.95	33,000	128,000
2023	-	-	3.00	100,000	2.15	34,000	134,000
2024	-	-	3.20	105,000	2.40	34,000	139,000
2025	-	-	3.35	110,000	2.60	35,000	145,000
2026	-	-	3.50	110,000	2.80	36,000	146,000
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>\$ 325,000</u>		<u>\$ 1,830,000</u>		<u>\$ 329,000</u>	<u>\$ 2,484,000</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	
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>\$ 628,000</u>		<u>\$ 377,000</u>	<u>\$ 1,005,000</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Receipts:</b>				
Property tax	\$ 891,721	\$ 864,222	\$ 794,887	\$ 830,844
Tax increment financing	149,887	140,093	130,118	138,246
Other city tax	303,962	312,777	302,562	309,398
Licenses and permits	27,116	17,289	18,185	33,073
Use of money and property	7,269	10,807	10,065	8,902
Intergovernmental	544,079	254,898	248,332	244,924
Charges for service	50,384	52,866	45,696	39,985
Special assessments	9,196	12,866	12,512	12,618
Miscellaneous	85,545	55,544	66,681	40,676
<b>Total</b>	<b><u>\$ 2,069,159</u></b>	<b><u>\$ 1,721,362</u></b>	<b><u>\$ 1,629,038</u></b>	<b><u>\$ 1,658,666</u></b>
<b>Disbursements:</b>				
<b>Operating</b>				
Public safety	\$ 380,327	\$ 296,178	\$ 278,544	\$ 320,503
Public works	279,430	270,805	239,798	282,998
Culture and recreation	230,352	236,224	256,082	228,347
Community and economic development	99,663	67,342	53,433	284,611
General government	360,495	272,776	268,848	285,181
Debt service	409,826	668,815	693,845	920,507
Capital projects	612,632	301,339	1,619,313	1,405,898
<b>Total</b>	<b><u>\$ 2,372,725</u></b>	<b><u>\$ 2,113,479</u></b>	<b><u>\$ 3,409,863</u></b>	<b><u>\$ 3,728,045</u></b>

See accompanying Independent Auditor's Report.

**Schedule 4**

2011	2010	2009	2008	(Unaudited) 2007	(Unaudited) 2006
\$ 721,343	\$ 702,464	\$ 679,724	\$ 558,589	\$ 587,725	\$ 560,163
125,969	60,202	61,248	141,556	148,196	147,427
286,358	292,519	36,076	42,313	28,443	223,653
12,987	23,131	41,233	8,828	17,564	22,869
14,102	19,177	22,474	46,156	68,112	44,140
374,834	228,903	211,142	336,634	793,044	332,530
38,282	42,531	34,950	36,199	41,110	27,050
17,702	40,116	38,442	262,112	31,792	121,537
65,910	38,129	60,155	51,010	138,069	37,418
<u>\$ 1,657,487</u>	<u>\$ 1,447,172</u>	<u>\$ 1,185,444</u>	<u>\$ 1,483,397</u>	<u>\$ 1,854,055</u>	<u>\$ 1,516,787</u>
\$ 306,569	\$ 277,787	\$ 264,077	\$ 306,448	\$ 215,210	\$ 209,709
272,782	218,040	238,007	240,445	140,351	153,656
233,748	319,457	238,914	214,118	205,703	139,076
48,019	66,266	46,569	157,254	308,783	44,964
229,401	202,027	187,851	203,592	147,964	153,210
299,503	368,443	295,787	271,617	423,273	374,572
262,455	202,870	422,993	343,768	482,663	1,435,523
<u>\$ 1,652,477</u>	<u>\$ 1,654,890</u>	<u>\$ 1,694,198</u>	<u>\$ 1,737,242</u>	<u>\$ 1,923,947</u>	<u>\$ 2,510,710</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, 2015, 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 28, 2016. 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-15 and II-B-15 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, 2015 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.

*Wenkel, Parker & Foster, CPA PC*

Iowa City, Iowa  
March 28, 2016

**CITY OF LISBON, IOWA**

Schedule of Findings and Responses

Year Ended June 30, 2015

**Part I. Summary of the Independent Auditor's Results**

- (a) Unmodified 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-15 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 segregate duties to the extent possible utilizing the City Council as much as possible.

**Conclusion** - Response accepted.

**CITY OF LISBON, IOWA**

Schedule of Findings and Responses

Year Ended June 30, 2015

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

**II-B-15 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** - Financial statements are given to each department monthly and reviewed by each department supervisor.

**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, 2015

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

##### III-A-15 Certified Budget

**Comment** - Disbursements during the year ended June 30, 2015 did not exceed the final amounts budgeted in all functions. However, disbursements during the year exceeded the original amount budgeted in the capital projects function prior to the amendment of the budget on January 26, 2015. 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 a change in administration, the amendments were not done in a timely manner. Amendments were done immediately after the new administrator was hired.

**Conclusion** - Response accepted.

III-B-15 **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-15 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 **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, 2015.

III-E-15 **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-15 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 December 22, 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, 2015 do not include a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

**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 minutes of the December 22, 2014 meeting were not published in a timely manner due to the newspaper being closed over the holidays. The City will make arrangements with the newspaper so this does not happen again. Receipts are now being published monthly and will continue to be.

**Conclusion** - Response accepted.

**CITY OF LISBON, IOWA**

Schedule of Findings and Responses

Year Ended June 30, 2015

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

**III-G-15 Deposits and Investments**

**Comment** - During the year ended June 30, 2015, the City maintained a certificate of deposit at a bank that was not covered by the City's depository resolution until a new resolution was adopted on October 27, 2014.

**Recommendation** - The City's cash and investments should be deposited only with banks that are covered by the approved City resolution.

**Response** - A new depository resolution was adopted on October 27, 2014 which names all approved depositories.

**Conclusion** - Response accepted.

**III-H-15 Revenue Bonds** - The City's water and sewer revenue bond resolutions require the City to establish, impose, adjust and provide for the collection of rates to be charged to utility customers to produce net operating revenues equal to at least 110% of the principal and interest coming due in each fiscal year. The City's 2015 net sewer operating receipts were less than 110% of the sewer revenue bond principal and interest due during the year ended June 30, 2015.

**Recommendation** - We noted that the sanitary sewer system experienced unexpected higher repairs during the year. The City should review sewer rates to determine if the rates should be changed in order to provide sufficient net operating revenues. The City should also consult bond counsel to determine the disposition of this matter.

**Response** - The City is currently working with its financial advisor to increase rates effective July 1, 2016.

**Conclusion** - Response accepted.

**III-I-15 Urban Renewal Annual Report** - The urban renewal annual report for the year ended June 30, 2015 was properly approved and certified to the Iowa Department of Management on or before December 1, 2015 and no exceptions were noted.

**CITY OF LISBON, IOWA**

Schedule of Findings and Responses

Year Ended June 30, 2015

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

**III-J-15 Financial Condition**

**Comment** - At June 30, 2015, the City had deficit balances in three special revenue funds and one capital projects fund. All of these deficit balances were related to construction projects, property development projects and property rehabilitation projects. In addition, the City had a deficit in the Sewer Enterprise Fund due to unexpected repairs to the sanitary sewer system.

**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. The City should determine how the deficit in the Sewer Enterprise Fund will be covered.

**Response** - Funds of completed construction projects have been closed out with transfers.

**Conclusion** - Response accepted.