

CITY OF LISBON
LISBON, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

CITY OF LISBON
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CITY OF LISBON
LIST OF OFFICIALS
DECEMBER 31, 2016

CITY COUNCIL

Office

Tim Meyer
Lydell Mairs
Julie Cole
Lyle Thomason
Walter Johnson
Jerry Gemar
Robert Smith

Mayor

EMPLOYEES:

Gwen Crawford

City Auditor

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

City Council
City of Lisbon
Lisbon, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Lisbon as of and for the year ended December 31, 2016, 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 modified cash basis of accounting described in Note 1; this includes determining that the modified 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lisbon as of December 31, 2016, and the changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lisbon's basic financial statements. The Schedule of Activity is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The Schedule of Activity is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis 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 my opinion, the Schedule of Activity is fairly stated, in all material respects, in relation to the basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated November 14, 2017, on my considerations of the City's internal control over financial reporting and on my 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 my 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's internal control over financial reporting and compliance.



West Fargo, North Dakota
November 14, 2017

405 West Main Avenue Box 816 West Fargo, ND 58078 Phone (701) 281-0483 Cell 212-3908

CITY OF LISBON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash, cash equivalents and investments	3,390,556.64	2,095,013.46	5,485,570.10	77,766.68
Non-current assets:				
Capital assets (net of accumulated depreciation)	11,612,154.71	8,418,185.00	20,030,339.71	1,504,298.69
Total Assets	15,002,711.35	10,513,198.46	25,515,909.81	1,582,065.37
LIABILITIES				
Current liabilities:				
Non-current liabilities:			-	-
Due within one year:			-	-
Bonds payable	73,490.00	372,000.00	445,490.00	1,551,316.40
Notes payable			-	-
Due after one year:			-	-
Bonds payable	3,351,225.81	4,000,000.00	7,351,225.81	-
Notes payable			-	-
Total liabilities	3,424,715.81	4,372,000.00	7,796,715.81	1,551,316.40
NET POSITION				
Net investment in capital assets	8,187,438.90	4,046,185.00	12,233,623.90	(47,017.71)
Restricted for:			-	-
Capital projects	942,715.58		942,715.58	-
Debt service	242,590.70	529,230.98	771,821.68	-
Unrestricted	2,205,250.36	1,565,782.48	3,771,032.84	77,766.68
Total net position	11,577,995.54	6,141,198.46	17,719,194.00	30,748.97

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

CITY OF LISBON

STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

		Program Revenues		Revenue & Changes in Net Position	
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities	Component Units
Governmental activities:					
General government	322,338.17			(322,338.17)	-
Public safety	392,069.60			(392,069.60)	
Highways and streets	459,687.62		152,428.83	(307,258.79)	-
Economic development	161,331.26			(161,331.26)	(21,360.99)
Capital outlays	617,523.37			(617,523.37)	-
Interest expense	105,522.64			(105,522.64)	(78,399.96)
Depreciation	-			-	(35,816.63)
Total Governmental Activities	2,058,472.66	-	152,428.83	(1,906,043.83)	(135,577.58)
Business-type activities					
Water	932,920.28	922,961.41		(9,958.87)	
Sewer	45,674.37	140,569.42		94,895.05	
Garbage	264,673.13	287,668.70		22,995.57	
Debt	139,313.50	195,419.72		56,106.22	
Capital outlay	29,366.12			(29,366.12)	
Total Business-type activities	1,411,947.40	1,546,619.25	-	134,671.85	
Total	3,470,420.06	1,546,619.25	152,428.83	(1,771,371.98)	(135,577.58)
Net expense		Governmental (1,906,043.83)	Business-type 134,671.85	Total (1,771,371.98)	(135,577.58)
General Revenues					
Taxes:					
Property taxes		610,968.00		610,968.00	
Sales taxes		547,444.44		547,444.44	
Special assessments		113,476.72		113,476.72	
Licenses and permits		15,960.00		15,960.00	
Intergovernmental		2,244,862.19	150,000.00	2,394,862.19	
Interest income		23,175.94	-	23,175.94	
Other revenue		124,448.94	112,325.43	236,774.37	144,765.70
Total General Revenues		3,680,336.23	262,325.43	3,942,661.66	144,765.70
Transfers in (out)		225,000.00	(225,000.00)	-	
Change in Net Position		1,999,292.40	171,997.28	2,171,289.68	9,188.12
Net Position- January 1		9,578,703.14	5,969,201.18	15,547,904.32	21,560.85
Net Position- December 31		11,577,995.54	6,141,198.46	17,719,194.00	30,748.97

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

CITY OF LISBON
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
DECEMBER 31, 2016

	GENERAL	SALES TAX	FLOOD	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash, cash equivalents and investments	205,902.84	723,720.77	200,309.48	2,260,623.55	3,390,556.64
Due from other funds				30,839.06	30,839.06
 Total Assets	 205,902.84	 723,720.77	 200,309.48	 2,291,462.61	 3,421,395.70
LIABILITIES					
Due to other funds				30,839.06	30,839.06
 Total liabilities	 -	 -	 -	 30,839.06	 30,839.06
FUND BALANCE					
Restricte for Capital Projects			200,309.48	742,406.10	942,715.58
Restricted for Debt Service				242,590.70	242,590.70
Restricted for other purpose		723,720.77		1,306,465.81	2,030,186.58
Unassigned	205,902.84		-	(30,839.06)	175,063.78
 Total fund balance	 205,902.84	 723,720.77	 200,309.48	 2,260,623.55	 3,390,556.64
 Total liabilities and fund balance	 205,902.84	 723,720.77	 200,309.48	 2,291,462.61	 3,421,395.70

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

CITY OF LISBON
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2016

Total Fund Balances for Governmental Funds	3,390,556.64
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	14,456,805.79	
Less accumulated depreciation	2,844,651.08	
Net capital assets		11,612,154.71

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net position.

Bonds payable	(3,424,715.81)
SRF Notes payable	-
Notes payable	

Total Net Position of Governmental Activities	11,577,995.54
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The accompanying notes are an integral part of these financial statements.

CITY OF LISBON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

	GENERAL	SALES TAX	FLOOD	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	421,106.93	67,500.68		122,360.39	610,968.00
Sales taxes		493,056.80		54,387.64	547,444.44
Special Assessments				113,476.72	113,476.72
Intergovernmental	174,087.89	22,950.00	1,678,619.00	505,274.65	2,380,931.54
Interest	23,175.94			-	23,175.94
Charges for services	-			58,476.01	58,476.01
Other	46,841.91	-	-	35,091.02	81,932.93
Total Revenues	665,212.67	583,507.48	1,678,619.00	889,066.43	3,816,405.58
Current:					
General government	245,964.24			133,514.82	379,479.06
Public safety	282,178.47			80,965.42	363,143.89
Highways and streets	318,639.61			-	318,639.61
Economic development		104,922.53		56,408.73	161,331.26
Capital outlays		207,999.04	2,238,677.15	436,591.23	2,883,267.42
Debt Service					
Principal		67,500.68		1,310,389.82	1,377,890.50
Interest expense				171,357.28	171,357.28
Total Expenditures	846,782.32	380,422.25	2,238,677.15	2,189,227.30	5,655,109.02
Excess revenues (expenditures)	(181,569.65)	203,085.23	(560,058.15)	(1,300,160.87)	(1,838,703.44)
Other Financing Sources (Uses):					
Transfers in	-		-	30,000.00	30,000.00
Transfers out	(30,000.00)	(200,000.00)	-	-	(230,000.00)
Bond proceeds			527,000.00	1,268,937.50	1,795,937.50
Total other financing sources and uses	(30,000.00)	(200,000.00)	527,000.00	1,298,937.50	1,595,937.50
Net change in fund balances	(211,569.65)	3,085.23	(33,058.15)	(1,223.37)	(242,765.94)
Fund Balance- January 1	417,472.49	720,635.54	233,367.63	2,261,846.92	3,633,322.58
Fund Balance- December 31	205,902.84	723,720.77	200,309.48	2,260,623.55	3,390,556.64

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

CITY OF LISBON
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances- Total Governmental Funds (242,765.94)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	2,310,318.71	
Current year depreciation expense	141,048.01	2,169,270.70

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	(1,795,937.50)
	1,443,725.14
	425,000.00

Change in Net Position of Governmental Activities 1,999,292.40

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

CITY OF LISBON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	2,053,590.33	41,423.13	2,095,013.46
Non-current assets:			
Capital assets (net of accumulated depreciation)	8,418,185.00		8,418,185.00
Total Assets	10,471,775.33	41,423.13	10,513,198.46
LIABILITIES			
Current liabilities:			-
Accounts Payable			-
Non-current liabilities:			
Due within one year:			
Bonds payable	25,000.00		25,000.00
Notes payable	347,000.00		347,000.00
Due after one year:	-		
Bonds payable	170,000.00		170,000.00
Notes payable	3,830,000.00		3,830,000.00
Total liabilities	4,372,000.00	-	4,372,000.00
NET POSITION			
Net investment in capital assets	4,046,185.00		4,046,185.00
Restricted for:	-		
Capital projects	-		-
Debt service	-		-
Unrestricted	2,053,590.33	41,423.13	2,095,013.46
Total net position	6,099,775.33	41,423.13	6,141,198.46

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

CITY OF LISBON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	1,258,950.55	287,668.70	1,546,619.25
OPERATING EXPENSES			
Salaries	156,997.22	21,550.51	178,547.73
Employee benefits/ payroll taxes	47,900.13	18,409.72	66,309.85
Insurance	4,672.16	91.60	4,763.76
Contract services	179,548.19	217,768.48	397,316.67
Electricity	42,645.84		42,645.84
Supplies	94,553.05	-	94,553.05
Repairs and maintenance	102,968.61	-	102,968.61
Office expense	365.52	923.00	1,288.52
Contract services	12,933.75		12,933.75
Depreciation	331,333.67		331,333.67
Miscellaneous	4,676.51	5,929.82	10,606.33
	-		
Total operating expenses	978,594.65	264,673.13	1,243,267.78
Operating income (loss)	280,355.90	22,995.57	303,351.47
NON-OPERATING REVENUE (EXPENSE)			
Debt proceeds	-		-
Interest income	-		-
Grant income	150,000.00		150,000.00
Interest expense	(139,313.50)		(139,313.50)
Capital outlay	(29,366.12)	-	(29,366.12)
Other	112,325.43	-	112,325.43
Total non-operating rev (exp)	93,645.81	-	93,645.81
Income (loss) before transfers	374,001.71	22,995.57	396,997.28
Transfers in	455,752.91	-	455,752.91
Transfers out	(680,752.91)	-	(680,752.91)
Change in net position	149,001.71	22,995.57	171,997.28
Net Position- January 1	5,950,773.62	18,427.56	5,969,201.18
Net Position- December 31	6,099,775.33	41,423.13	6,141,198.46

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

CITY OF LISBON
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	1,258,950.55	287,668.70	1,546,619.25
Payments to suppliers	(490,263.76)	(243,122.62)	(733,386.38)
Payments to employees	(156,997.22)	(21,550.51)	(178,547.73)
Other receipts	262,325.43	-	262,325.43
Net cash provided by (used in) operating activities	874,015.00	22,995.57	897,010.57
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	455,752.91	-	455,752.91
Transfers from other funds	(255,752.91)	-	(255,752.91)
Net cash provided by (used in) noncapital financing activ	200,000.00	-	200,000.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(270,464.22)	-	(270,464.22)
Principal paid on capital debt	(394,000.00)	-	(394,000.00)
Interest paid on capital debt	(139,313.50)	-	(139,313.50)
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financi	(803,777.72)	-	(803,777.72)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	270,237.28	22,995.57	293,232.85
Balance- beginning of year	1,783,353.05	18,427.56	1,801,780.61
Balance- end of year	2,053,590.33	41,423.13	2,095,013.46
Reconciliation of operating income (loss) to net cash provided			
by operating activities:			
Operating income (loss)	280,355.90	22,995.57	303,351.47
Adjustments to reconcile operating income to net cash provided			
(used) by operating activities:			
Depreciation expense	331,333.67	-	331,333.67
Change in assets and liabilities:			
Grant income	150,000.00	-	150,000.00
Miscellaneous receipts (expense)	112,325.43	-	112,325.43
Net cash provided by operating activities	874,015.00	22,995.57	897,010.57

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

CITY OF LISBON
 COMBINING STATEMENT OF NET POSITION- MODIFIED CASH BASIS- COMPONENT UNITS
 DECEMBER 31, 2016

	OAKWOOD CEMETERY	HOUSING AUTHORITY	TOTAL
ASSETS			
Cash and investments		77,766.68	77,766.68
Capital assets (net of accumulated depreciation)		1,504,298.69	1,504,298.69
Total Assets	-	1,582,065.37	1,582,065.37
LIABILITIES			
Long-term liabilities:			
Due within one year:			
Bonds payable		1,551,316.40	1,551,316.40
Notes payable			
Due after one year:			
Bonds payable			
Notes payable			
Total liabilities	-	1,551,316.40	1,551,316.40
NET POSITION			
Net investment in capital assets		(47,017.71)	(47,017.71)
Restricted for:			-
Capital projects			-
Debt service			-
Unrestricted	-	77,766.68	77,766.68
Total net position	-	30,748.97	30,748.97

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

CITY OF LISBON
 COMBINING STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS- COMPONENT UNITS
 YEAR ENDED DECEMBER 31, 2016

	OAKWOOD CEMETERY	HOUSING AUTHORITY	TOTAL
Expenditures			
General government			-
Public safety			
Highways and streets			
Economic development		21,360.99	21,360.99
Other capital outlays			
Interest expense		78,399.96	78,399.96
Depreciation- Unallocated		35,816.63	35,816.63
Total Expenditures	-	135,577.58	135,577.58
Revenue			
Property taxes			
Intergovernmental			
Charges for services		143,425.00	143,425.00
Miscellaneous		1,329.29	1,329.29
Interest income		11.41	11.41
Total Revenues	-	144,765.70	144,765.70
Change in Net Position	-	9,188.12	9,188.12
Net Position- January 1		21,560.85	21,560.85
Net Position- December 31	-	30,748.97	30,748.97

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

CITY OF LISBON
LISBON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lisbon (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the City. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City 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. This criteria includes 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 financial benefits to, or impose specific financial burdens on the City.

Based on these criteria, there is one component unit:

Lisbon Housing Authority- The Housing Authority is a non-profit corporation formed for the purpose of providing funds to finance improvements on City property and for leasing property from the City. The directors of the Authority are appointed by the Mayor. The activity of the Authority are discretely presented. The Authority does not issue separate statements.

CITY OF LISBON

Notes to Financial Statements- Continued

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The City currently has no fiduciary funds.

The City reports the following fund types:

General Fund. The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Flood Control- The Flood control fund is used to record revenue received for flood control and the related expenses.

Sales tax fund. The sales tax fund is used to record the collection of sales taxes and economic development expenses.

CITY OF LISBON

Notes to Financial Statements- Continued

The City reports the following major enterprise funds:

Water and sewer- accounts for operating activities of the City's water and sewer utility services.

Sanitation- accounts for operating activities of the City's sanitation services

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

CITY OF LISBON

Notes to Financial Statements- Continued

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

CITY OF LISBON
Notes to Financial Statements- Continued

D. Budgets

Based upon available financial information and requests by the city council, the auditor prepares the City budget. The budget is prepared for the general, special revenue, and debt service funds on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

City taxes must be levied by the governing board on or before the seventh day of October. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF LISBON

Notes to Financial Statements- Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles and equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

CITY OF LISBON

Notes to Financial Statements- Continued

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The City has not set a minimum fund balancen

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

CITY OF LISBON

Notes to Financial Statements- Continued

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2016.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend the general fund budget. No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposit not covered by insurance or bonds.

CITY OF LISBON

Notes to Financial Statements- Continued

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, instrumentalities, or by any City, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At December 31, 2016, the City's carrying amount of deposits was \$5,485,570. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$4,985,570 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the City to invest in:(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.(2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

Concentration of Credit Risk

The City does not have a limit on the amount it may invest in any one issuer.

CITY OF LISBON
Notes to Financial Statements- Continued

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016:

	Balance January 1	Increases	Decreases	Balance December 31
Governmental activities				
Construction in progress	7,484,401	2,282,104		9,766,505
Infrastructure	1,937,582			1,937,582
Bldgs and Improvements	1,863,351			1,863,351
Vehicles & Equipment	861,153	28,215		889,368
Total Cap Assets	4,662,086	28,215		4,690,301
Less accumulated depreciation for:				
Buildings & Improve	1,664,085	8,947		1,673,032
Vehicles & Equip	562,179	39,329		601,508
Infrastructure	477,339	92,772		570,111
Total Accumulated Dep	2,703,603	141,048		2,844,651
Total Cap Assets, Net	1,958,482			1,845,650
Total Cap Assets, Net	9,442,884			11,612,155
Business-type activities				
Construction in progress				
Bldgs and Improvements	5,269,958			5,269,958
Infrastructure	5,697,050			5,697,050
Vehicles & Equipment	426,217	241,098		667,315
Total Cap Assets	11,393,225	241,098		11,634,323
Less accumulated depreciation for:				
Buildings & Improve	1,658,109	97,399		1,755,508
Infrastructure	1,014,755	202,951		1,271,706
Vehicles & Equip	211,940	30,984		242,924
Total Accumulated Dep	2,884,804	331,334		3,216,138
Total Cap Assets, Net	8,508,421			8,418,185

Depreciation Expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General government	7,603
Public safety	12,369
Highways and streets	<u>121,076</u>
Total	141,048

Business-type activities	
Water and sewer	331,334

CITY OF LISBON
Notes to Financial Statements- Continued

NOTE 5: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term debt:

	Payable 2015	Increases	Decreases	Payable 2016	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	3,072,503	1,812,000	1,459,787	3,424,716	192,422
SRF Notes	425,000		425,000		
TOTAL	3,497,503	1,812,000	1,884,787	3,424,716	
BUSINESS-TYPE ACTIVITIES					
Bonds Payable	215,000		20,000	195,000	25,000
SRF Notes	4,126,000	425,000	374,000	4,177,000	379,000
Lease payable					
TOTAL	4,341,000	425,000	363,000	4,372,000	

BONDS PAYABLE

Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Refunding imp bonds- 2012	05/01/2026	1.5-3.9%	1,285,000
Refunding imp bonds- 2001	07/01/2021	4.6-5.4%	75,000
Refunding imp bonds- 2016	05/01/2018	1.5%	527,000
Refunding imp bonds- 2015	05/01/2044	1.5%	867,883
Refunding imp bonds- 2015	05/01/2044	1.5%	669,833
Total special assessment bonds			3,424,716

BUSINESS-TYPE ACTIVITIES

Water system revenue	11/01/2021	5.0%	195,000
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There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions. Special Assessment bonds are paid directly from debt service sinking funds. Special assessments are certified annually in amounts sufficient to pay debt service requirements. Whenever all special assessments appropriated and collected for a special assessment district are insufficient to pay principal and interest then due on special assessment improvement bonds issued against such improvement district, the city is required to levy a deficiency levy upon all taxable property in the City.

CITY OF LISBON

Notes to Financial Statements- Continued

SRF NOTES PAYABLE

The City obtained financing from the State of North Dakota's State Revolving Loan Fund (SRF) to finance improvements to the City's utility systems. Details relative to the outstanding notes payable are shown below:

	Maturity Date	Interest Rate	Balance Outstanding
Water Treatment-1998	09/01/2019	2.5%	17,000
Water Treatment-2000	09/01/2020	2.5%	210,000
Water Treatment-2000	09/01/2020	2.5%	200,000
Water Treatment-2001	09/01/2021	2.5%	145,000
Water Treatment-2009	09/01/2023	2.5%	185,000
Water Treatment-1995	09/01/2022	2.5%	140,000
Water Treatment-2009	09/01/2029	2.5%	365,000
Water Treatment-2001	09/01/2029	2.5%	175,000
Water Treatment-2009	09/01/2028	2.5%	1,120,000
Water Treatment-2009	09/01/2028	2.5%	765,000
Water Treatment-2009	09/01/2029	2.5%	450,000
Water Treatment-2011	09/01/2029	2.5%	405,000
Total			4,177,000

The annual long-term debt service requirements for bonds payable, as of December 31, 2016, are as follows:

Year Ending	Bonds Payable		SRF Notes Payable	
December 31	Principal	Interest	Principal	Interest
2017	192,422	54,759		
2018	195,090	50,486		
2019	200,997	47,553		
2020	201,919	44,557		
2021	202,854	40,922		
2022-2026	998,799	157,497		
2027-2031	354,391	95,951		
2032-2036	381,974	68,367		
2037-2041	411,705	38,637		
2042-2045	284,564	8,208		
TOTAL	3,424,716	606,938		
2017	25,000	7,962	379,000	102,900
2018	25,000	6,937	401,000	93,400
2019	25,000	5,913	412,000	83,300
2020	30,000	4,725	427,000	72,150
2021	30,000	3,375	322,000	63,475
2022-2026	60,000	2,700	1,411,000	205,125
2027-2031			800,000	38,425
2032			25,000	500
TOTAL	195,000	31,612	4,177,000	659,275

CITY OF LISBON
Notes to Financial Statements- Continued

NOTE 6: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The County treasurer acts as and agent to collect property taxes levied in the County for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 7: PENSION PLANS
NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM (NDPERS)

The City participates in the North Dakota Public Employees Retirement System (NDPERS) - Main System. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

A. DESCRIPTION OF PENSION PLAN

NDPERS is a cost-sharing multiple-employer defined benefits pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

CITY OF LISBON

Notes to Financial Statements- Continued

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the governor, one member appointed by the Attorney General; one member appointed by the State Health Officer, three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

B. PENSION BENEFITS

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85) or at normal retirement age of (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

C. DEATH AND DISABILITY BENEFITS

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

CITY OF LISBON

Notes to Financial Statements- Continued

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

D. REFUNDS OF MEMBER ACCOUNT BALANCE

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

E. MEMBER AND EMPLOYER CONTRIBUTIONS

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service - Greater of one percent of monthly salary or \$25
13 to 25 months of service - Greater of two percent of monthly salary or \$25
25 to 36 months of service - Greater of three percent of monthly salary or \$25
Longer than 36 months of service - Greater of four percent of monthly salary or \$25

F. PENSION EXPENSE RELATED TO PENSIONS

\$56,211 reported as expense related to pensions resulting from Employer contributions for the year ended December 31, 2016.

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF LISBON
Notes to Financial Statements- Continued

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

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 of return (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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash equivalents	1%	0.00%

CITY OF LISBON

Notes to Financial Statements- Continued

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. 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 as of June 30, 2015.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 8. DESIGNATED FUND BALANCE

Fund equity in the various funds has been designated for the following purposes:

Restricted for Debt Service	\$242,591.
Restricted for Capital Projects	\$942,716

NOTE 9. FUND BALANCE DEFICITS

The following fund balances had deficits at December 31, 2016:

Levee F	13,454	Will be eliminated with grants/transfers
Levee D	17,385	Will be eliminated with grants/transfers

CITY OF LISBON
Notes to Financial Statements- Continued

NOTE 10: TRANSFERS

The City transfers operating revenues between funds. A schedule of the transfers is on page 35.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

CITY OF LISBON FUND EQUITY DECEMBER 31, 2016	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
100 GENERAL	417,472.49	665,212.67	846,782.32	(30,000.00)	205,902.84
201 HIGHWAY DISTRIBUTION	515,556.14	152,428.83			667,984.97
203 CITY SPECIALS	253,817.79	257.09	3,206.26		250,868.62
204 SPECIAL ASSESSMENT DEF	125,874.59	482.15	111,031.51		15,325.23
211 EMERGENCY	12,844.89	2,167.84	-		15,012.73
212 RECREATION	58,426.83	538.01	21,126.32		37,838.52
214 AIRPORT	119,087.62	314,529.29	383,084.86		50,532.05
215 ARMORY	75,048.97	32,316.23	9,942.13		97,423.07
216 PUBLIC BUILDINGS	(5,197.54)	263.00	3,950.43	10,000.00	1,115.03
220 CEMETERY	17,226.54	43,779.58	47,027.52		13,978.60
221 LIBRARY	20,566.38	57,405.40	51,468.42		26,503.36
230 POLICE VEHICLE RESERVE	54,704.24		57,140.89	10,000.00	7,563.35
231 FIRE DEPARTMENT	46,512.85			10,000.00	56,512.85
244 LISBON VISITORS & EVENTS BUR	36,989.46	54,387.64	56,408.73		34,968.37
245 CITY SALES TAX	396,870.12	285,972.95	16,998.73	(200,000.00)	465,844.34
246 SALES TAX RESTRUCT	123,585.09	83,819.64	87,923.80		119,480.93
250 STREET MACH & EQ RES	-				-
260 INTEREST-SUSPENSE	-		-	-	-
379 SALES TAX- FLOOD CONTROL	200,180.33	213,714.89	275,499.72	-	138,395.50
TOTAL SPECIAL REVENUE	2,052,094.30	1,242,062.54	1,124,809.32	(170,000.00)	1,999,347.52
300 CONSOLIDATED PROJECTS	90,526.62	30,608.04	(1,299.30)		122,433.96
345 W/S E-T DIST2004-2	51,908.98	2,694.24			54,603.22
352 RIVERBANK STABILIZATION	-	38,818.00	27,066.90		11,751.10
363 LEVEE IMPROVEMENT A	77,267.49	3,169.00	23,800.50		56,635.99
365 LEVEE IMPROVEMENT C	165,457.35	158,236.00	228,304.74		95,388.61
367 LEVEE IMPROVEMENT E	(8,691.80)	1,856,403.00	1,768,587.26		79,123.94
369 LEVEE IMPROVEMENT F	(665.41)	62,339.00	75,127.65		(13,454.06)
368 LEVEE IMPROVEMENT D	-	125,472.00	142,857.00		(17,385.00)
375 FLOOD IMP DIST 2011-2	556,429.10	1,351,433.57	1,365,161.96		542,700.71
AIRPORT	15,728.98	31,031.80	35,843.67		10,917.11
TOTAL CAPITAL PROJECT	947,961.31	3,660,204.65	3,665,450.38	-	942,715.58

CITY OF LISBON FUND EQUITY DECEMBER 31, 2016	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
541 S/W HBI PRIN 2001-02	117,863.48	28,286.41	18,067.00		128,082.89
355 ET- SPECIALS CITY PAID	97,931.00	16,576.81			114,507.81
TOTAL DEBT SERVICE	215,794.48	44,863.22	18,067.00	-	242,590.70
TOTAL FUND BALANCE	3,633,322.58	5,612,343.08	5,655,109.02	(200,000.00)	3,390,556.64
601 WATER	545,354.36	621,683.30	378,353.92	(54,332.12)	734,351.62
602 SEWER	266,498.23	140,809.42	81,946.87	(171,420.79)	153,939.99
603 GARBAGE	18,427.56	287,668.70	264,673.13		41,423.13
604 WATER PLANT	(40,655.18)	329,677.16	277,386.31		11,635.67
	789,624.97	1,379,838.58	1,002,360.23	(225,752.91)	941,350.41
606 WATER RESERVE	591,927.31	32,504.76			624,432.07
361 LIFT STATION	(80,322.69)	7,991.38	99,089.48	171,420.79	-
360 W/S 2000-1 SINKING	273,829.02	162,914.96	134,235.00		302,508.98
347 W/S/ST 2008-1-1	-	53,686.38	308,018.50	254,332.12	-
371 SRF RESERVE	226,722.00				226,722.00
	1,012,155.64	257,097.48	541,342.98	425,752.91	1,153,663.05
TOT RETAINED EARNINGS	1,801,780.61	1,636,936.06	1,543,703.21	200,000.00	2,095,013.46
TOTAL FB&RE	5,435,103.19	7,249,279.14	7,198,812.23	-	5,485,570.10

CITY OF LISBON
SCHEDULE OF TRANSFERS
YEAR ENDED DECEMBER 31, 2016

	TRANSFER IN	TRANSFER OUT
GENERAL		30,000.00
SOCIAL SECURITY		
ADVERTISING		
GARNISHMENT		
PUBLIC BUILDING	10,000.00	
LIBRARY	10,000.00	
POLICE VEHICLE RESERVE	10,000.00	
FIRE DEPARTMENT		
EMERGENCY		
SALES TAX		200,000.00
WATER SEWER 2009	254,332.12	
WATER		84,332.12
SEWER		171,420.79
LIFT STATION	171,420.79	
WATER PLANT	30,000.00	
 TOTAL	 485,752.91	 485,752.91

CITY OF LISBON

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2016

CITY OF LISBON
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Harold J. Rotunda

Certified Public Accountant

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*

Independent Auditor's Report

City Council
City of Lisbon
Lisbon, North Dakota

I have audited, in accordance with the 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lisbon as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated November 14, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Lisbon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2016-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lisbon's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City's Response to Findings

City of Lisbon's response to the finding identified in my audit is described in the accompanying schedule of findings. City of Lisbon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harold Rotunda, CPA

November 14, 2017

CITY OF LISBON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified not

Considered to be material weaknesses? X Yes _____ No

Noncompliance material to financial statements

Noted? _____ Yes X No

Section II- Financial Statement Findings

Finding No. 2016-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

CITY OF LISBON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Recommendation

While I recognize that the City office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the City.

Client Response

At the present time, the City has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.