

**CITY OF CARSON**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2009**

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**City of Carson**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lyndon Taylor	Mayor	January 2010
Bruce Damgaard	Mayor Pro-Tem	January 2012
Don Hendricks	Council Member	January 2010
Clifford Pracht	Council Member	January 2010
Joseph Riddle	Council Member	January 2010
Eric Weuve	Council Member	January 2012
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Richard Heininger	City Attorney	Indefinite



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

September 29, 2009

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

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 Carson, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Carson's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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 Carson as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 29, 2009 on our consideration of the City of Carson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Independent Auditor's Report  
City of Carson

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. The financial statements for the four years ended June 30, 2008 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schroer & Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the City of Carson, we offer readers of the City of Carson's financial statements this narrative overview and analysis of the financial activities of the City of Carson for the fiscal year ending June 30, 2009. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

### **2009 Financial Highlights**

- Receipts of the City's governmental activities decreased by 51.6% or approximately \$768,000 from fiscal 2008 to fiscal 2009. Property tax decreased approximately \$48,000. Note proceeds decreased approximately \$706,000.
- Disbursements decreased 50.4%, or approximately \$735,000, from fiscal 2008 to fiscal 2009. Debt service decreased approximately \$345,000 and capital projects decreased approximately \$433,000.
- The City's total cash basis net assets decreased by \$59,875 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$4,712 and the assets of the business type activities decreased by \$55,073.

### **USING THIS ANNUAL REPORT**

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

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

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

## **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 U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water distribution, the sanitary sewer system, and solid waste removal. 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 Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects 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 statements for governmental funds include 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 three Enterprise Funds to provide separate information for the water, sewer and garbage funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$4,712 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 60,961	57,667
Operating grants, contributions and restricted interest	166,278	94,718
Capital grants, contributions and restricted interest	13,414	100,454
General receipts:		
Property tax	354,404	402,444
Local option sales tax	82,083	69,871
Grants and contributions not restricted to specific purpose	478	-
Unrestricted interest on investments	216	475
Bond and note proceeds	50,000	756,410
Miscellaneous	-	4,719
Total receipts	<u>718,834</u>	<u>1,486,758</u>
Disbursements:		
Public safety	108,359	113,791
Public works	58,435	70,266
Culture and recreation	56,821	59,434
Community and economic development	132,414	79,866
General government	55,949	46,178
Debt service	283,035	627,966
Capital projects	28,533	461,501
Total disbursements	<u>723,546</u>	<u>1,459,002</u>
Change in cash basis net assets before transfers	(4,712)	27,756
Transfers, net	-	-
Change in cash basis net assets	(4,712)	27,756
Cash basis net assets beginning of year	<u>17,587</u>	<u>(10,169)</u>
Cash basis net assets end of year	<u>\$ 12,875</u>	<u>17,587</u>

The total receipts for governmental activities decreased \$767,924. The total cost of all programs and services decreased by \$735,456. The significant decrease in receipts was due to the issuance of note proceeds in the prior year and the receipt of capital grants for projects in the prior year.

The City property tax collections decreased by \$48,040 from the prior year.

The cost of all governmental activities this year was \$723,546 compared to \$1,459,002 last year. There were no major capital projects in 2009 as compared to 2008.

As shown in the statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$482,893, due to costs paid by those directly benefited from the programs (\$60,961) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$166,728) and by a capital grant received (\$13,414).

	Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 125,735	110,398
Sewer	114,174	115,495
Garbage	61,327	59,521
General receipts:		
Unrestricted interest on investments	-	18
Bond and note proceeds	-	96,000
Total receipts	<u>301,236</u>	<u>381,432</u>
Disbursements:		
Water	129,346	118,552
Sewer	163,613	171,267
Garbage	63,350	53,980
Total disbursements	<u>356,309</u>	<u>343,799</u>
Change in cash basis net assets before transfers	(55,073)	37,633
Transfers, net	<u>-</u>	<u>-</u>
Change in cash basis net assets	(55,073)	37,633
Cash basis net assets beginning of year	<u>77,673</u>	<u>40,040</u>
Cash basis net assets end of year	<u>\$ 22,600</u>	<u>77,673</u>

Total business type activities receipts for the fiscal year were \$301,236 compared to \$381,432 last year. This decrease was due primarily to revenue notes of \$96,000 received in 2008. The cash balance decreased by \$55,073. The City will be reviewing sewer rates to adequately cover the cost of operations and debt service. Total disbursements for the fiscal year increased \$12,510.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Carson completed the year, its governmental funds reported a combined fund balance of \$12,875, a decrease of \$4,712 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was (\$74,296), an increase of \$52,006 from prior year primarily due to the transfer of Local Option Sales Tax receipts.
- The Road Use Tax Fund balance at the end of the fiscal year was \$12,516, a decrease of \$2,296.
- The Urban Renewal Tax Increment Fund balance at the end of the fiscal year was \$258,730, a decrease of \$450,792 from the previous year. The decrease was due to transfers made to other funds.
- The Employee Benefit Fund balance was \$3,282, an increase of \$98.
- The Debt Service Fund balance was \$156,209, a decrease of \$20,299 from the prior year.
- The Capital Projects Fund at the end of the fiscal year was (\$43,962), an increase of \$416,473 due to the transfers from other funds.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund balance decreased \$3,611 to \$161,782.
- The Sewer Fund balance decreased by \$49,439 to (\$69,029) due to debt service payments.
- The Garbage Fund balance decreased by \$2,023 to \$70,153.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City budget was amended by \$154,114 for receipts and \$239,228 for disbursements. City receipts were approximately \$170,000 less than budgeted primarily due to receiving less in TIF collections than anticipated. After the budget amendment, total disbursements were approximately \$204,000 less than anticipated primarily due to spending less on economic development projects.

## DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$2,100,000 in bonds and other long-term debt, compared to approximately \$2,329,000 last year as shown below:

	Outstanding Debt at Year End (Expressed in Thousands)	
	Year ended June 30,	
	2009	2008
General obligation notes and bonds	\$ 812	\$ 983
Urban renewal tax increment financing bonds	240	295
Revenue bonds	998	1,051
Anticipatory notes	50	-
	<u>\$2,100</u>	<u>\$2,329</u>

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 and TIF debt of \$1,052,000 is below its constitutional debt limit of approximately \$1,800,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Carson's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities.

The City is in hopes to maintain the current tax levy. The tax base and valuations continue to increase even in the slow housing market. The City foresees a need to raise sewer rates to cover the current operation expenses as well as for upcoming revenue notes to be issued for an upcoming waste water plant e-coli disinfection system project.

## 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 financial information, contact Brianne Duede, City Clerk, 316 South Commercial Street, Carson, Iowa.

**City of Carson**

**City of Carson**  
**Basic Financial Statements**

City of Carson  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2009

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 108,359	29,218	25,605
Public works	58,435	368	56,139
Culture and recreation	56,821	31,075	-
Community and economic development	132,414	-	61,250
General government	55,949	300	23,284
Debt service	283,035	-	-
Capital projects	28,533	-	-
Total governmental activities	<u>723,546</u>	<u>60,961</u>	<u>166,278</u>
Business type activities:			
Water	129,346	125,735	-
Sewer	163,613	114,174	-
Garbage	63,350	61,327	-
Total business type activities	<u>356,309</u>	<u>301,236</u>	<u>-</u>
Total	<u>\$ 1,079,855</u>	<u>362,197</u>	<u>166,278</u>

**General Receipts:**

Property tax levied for:  
  General purposes  
  Debt service  
Tax increment financing  
Local option sales tax  
Grants and contributions not restricted to specific purpose  
Unrestricted interest on investments  
Anticipatory note proceeds  
    Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets:**

Restricted:  
  Streets  
  Urban renewal purposes  
  Employee benefits  
  Disaster assistance  
Unrestricted

    Total cash basis net assets

See notes to financial statements.

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(53,536)	-	(53,536)
-	(1,928)	-	(1,928)
-	(25,746)	-	(25,746)
-	(71,164)	-	(71,164)
-	(32,365)	-	(32,365)
-	(283,035)	-	(283,035)
13,414	(15,119)	-	(15,119)
<u>13,414</u>	<u>(482,893)</u>	<u>-</u>	<u>(482,893)</u>
-	-	(3,611)	(3,611)
-	-	(49,439)	(49,439)
-	-	(2,023)	(2,023)
-	-	<u>(55,073)</u>	<u>(55,073)</u>
<u>13,414</u>	<u>(482,893)</u>	<u>(55,073)</u>	<u>(537,966)</u>
\$	80,704	-	80,704
	126,826	-	126,826
	137,874	-	137,874
	82,083	-	82,083
	478	-	478
	216	-	216
	50,000	-	50,000
	<u>478,181</u>	<u>-</u>	<u>478,181</u>
	(4,712)	(55,073)	(59,785)
	<u>17,587</u>	<u>77,673</u>	<u>95,260</u>
\$	<u>12,875</u>	<u>22,600</u>	<u>35,475</u>
\$	12,516	-	12,516
	258,730	-	258,730
	3,282	-	3,282
	12,814	-	12,814
	<u>(274,467)</u>	<u>22,600</u>	<u>(251,867)</u>
\$	<u>12,875</u>	<u>22,600</u>	<u>35,475</u>

City of Carson  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2009

	General	Road Use Tax	Urban Renewal Tax Increment	Special Employee Benefits
<b>Receipts</b>				
Property tax	\$ 77,365	-	-	98
Tax increment financing collections	-	-	137,874	-
Other city tax	3,241	-	-	-
Licenses and permits	1,471	-	-	-
Use of money and property	8,445	-	-	-
Intergovernmental	29,988	55,424	-	-
Charges for service	50,893	-	-	-
Special assessments	368	-	-	-
Miscellaneous	17,763	715	61,250	-
Total receipts	<u>189,534</u>	<u>56,139</u>	<u>199,124</u>	<u>98</u>
<b>Disbursements</b>				
Operating:				
Public safety	108,359	-	-	-
Public works	-	58,435	-	-
Culture and recreation	56,821	-	-	-
Community and economic development	-	-	132,414	-
General government	54,349	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>219,529</u>	<u>58,435</u>	<u>132,414</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(29,995)	(2,296)	66,710	98
<b>Other financing sources (uses):</b>				
Anticipatory warrants issued	-	-	50,000	-
Operating transfers in	82,083	-	-	-
Operating transfers out	(82)	-	(567,502)	-
Total other financing sources (uses)	<u>82,001</u>	<u>-</u>	<u>(517,502)</u>	<u>-</u>
Net change in cash balances	52,006	(2,296)	(450,792)	98
Cash balances beginning of year	<u>(126,302)</u>	<u>14,812</u>	<u>709,522</u>	<u>3,184</u>
Cash balances end of year	<u>\$ (74,296)</u>	<u>12,516</u>	<u>258,730</u>	<u>3,282</u>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	(74,296)	-	-	-
Special revenue funds	-	12,516	258,730	3,282
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ (74,296)</u>	<u>12,516</u>	<u>258,730</u>	<u>3,282</u>

See notes to financial statements.

Revenue					
Local Option Sales Tax	Tort	FEMA	Debt Service	Capital Projects	Total
-	-	-	123,344	-	200,807
-	-	-	-	-	137,874
82,083	-	-	3,482	-	88,806
-	-	-	-	-	1,471
-	-	-	-	190	8,635
-	-	1,616	-	-	87,028
-	-	-	-	-	50,893
-	-	-	-	-	368
-	-	-	-	13,224	92,952
<u>82,083</u>	<u>-</u>	<u>1,616</u>	<u>126,826</u>	<u>13,414</u>	<u>668,834</u>
-	-	-	-	-	108,359
-	-	-	-	-	58,435
-	-	-	-	-	56,821
-	-	-	-	-	132,414
-	-	1,600	-	-	55,949
-	-	-	283,035	-	283,035
-	-	-	-	28,533	28,533
<u>-</u>	<u>-</u>	<u>1,600</u>	<u>283,035</u>	<u>28,533</u>	<u>723,546</u>
82,083	-	16	(156,209)	(15,119)	(54,712)
-	-	-	-	-	50,000
-	82	-	135,910	431,592	649,667
<u>(82,083)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(649,667)</u>
<u>(82,083)</u>	<u>82</u>	<u>-</u>	<u>135,910</u>	<u>431,592</u>	<u>50,000</u>
-	82	16	(20,299)	416,473	(4,712)
<u>-</u>	<u>(82)</u>	<u>12,798</u>	<u>(135,910)</u>	<u>(460,435)</u>	<u>17,587</u>
<u>-</u>	<u>-</u>	<u>12,814</u>	<u>(156,209)</u>	<u>(43,962)</u>	<u>12,875</u>
-	-	-	(156,209)	-	(156,209)
-	-	-	-	-	(74,296)
-	-	12,814	-	-	287,342
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,962)</u>	<u>(43,962)</u>
<u>-</u>	<u>-</u>	<u>12,814</u>	<u>(156,209)</u>	<u>(43,962)</u>	<u>12,875</u>

City of Carson  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2009

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 107,603	113,463	60,169	281,235
Special assessment	250	216	86	552
Miscellaneous	17,882	495	1,072	19,449
Total operating receipts	<u>125,735</u>	<u>114,174</u>	<u>61,327</u>	<u>301,236</u>
Operating disbursements:				
Business type activities	<u>114,918</u>	<u>92,083</u>	<u>63,350</u>	<u>270,351</u>
Total operating disbursements	<u>114,918</u>	<u>92,083</u>	<u>63,350</u>	<u>270,351</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	10,817	22,091	(2,023)	30,885
Non-operating disbursements:				
Debt service	<u>(14,428)</u>	<u>(71,530)</u>	-	<u>(85,958)</u>
Total non-operating disbursements	<u>(14,428)</u>	<u>(71,530)</u>	-	<u>(85,958)</u>
Net change in cash balances	(3,611)	(49,439)	(2,023)	(55,073)
Cash balances beginning of year	<u>165,393</u>	<u>(19,590)</u>	<u>(68,130)</u>	<u>77,673</u>
Cash balances end of year	<u>161,782</u>	<u>(69,029)</u>	<u>(70,153)</u>	<u>22,600</u>
<b>Cash Basis Fund Balances</b>				
Unreserved	\$ <u>161,782</u>	<u>(69,029)</u>	<u>(70,153)</u>	<u>22,600</u>

See notes to financial statements.

City of Carson  
Notes to Financial Statements  
June 30, 2009

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

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

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

**Jointly Governed Organizations**

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 no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, and the Pottawattamie County Emergency Management Commission.

**B. Basis of Presentation**

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

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

Special Revenue - Continued:

The Employee Benefit Fund accounts for the tax levy to support City employee benefits.

The Local Option Sales Tax Fund accounts for the local option sales tax received, and transferred to the General Fund for property tax relief.

The Tort Fund accounts for the tax levy to support the City's insurance.

The FEMA Fund accounts for federal assistance received as a result of natural disasters.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

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

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 sanitary sewer system.

The Garbage Fund accounts for the operation of the City's solid waste disposal.

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

The City of Carson 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 U.S. generally accepted accounting principles.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (1) Summary of Significant Accounting Policies - Continued**

C. Measurement Focus and Basis of Accounting - Continued

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007, to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Pottawattamie 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, 2009 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.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$35,475.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (2) Cash and Pooled Investments - Continued**

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds Principal	Urban Renewal Tax Increment Financing Revenue Bonds Principal	Revenue Bonds Principal	Total Principal
2010	\$ 175,000	55,000	53,000	283,000
2011	185,000	55,000	54,000	294,000
2012	100,000	55,000	56,000	211,000
2013	92,163	15,000	58,000	165,163
2014	80,000	20,000	59,000	159,000
2015-2019	180,000	20,000	312,000	512,000
2020-2024	-	20,000	313,000	333,000
2025-2027	-	-	93,000	93,000
Total	\$ 812,163	240,000	998,000	2,050,163

Year Ending June 30,	General Obligation Bonds Interest	Urban Renewal Tax Increment Financing Revenue Bonds Interest	Revenue Bonds Interest	Total Interest
2010	39,325	10,660	31,268	81,253
2011	30,155	8,188	29,567	67,910
2012	20,434	5,640	27,828	53,902
2013	15,583	3,038	26,017	44,638
2014	11,258	2,460	24,138	37,856
2015-2019	12,470	1,660	89,838	103,968
2020-2024	-	840	42,720	43,560
2025-2027	-	-	3,630	3,630
Total	129,225	32,486	275,006	436,717

Interest costs paid during the year ended June 30, 2009 totaled \$95,645.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (3) Bonds and Notes Payable - Continued**

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,800,000 which was not exceeded during the year ended June 30, 2009.

Urban Renewal Tax increment Financing Revenue Bonds

The City issued \$355,000 in November 2001, and \$165,000 in August 2005, for the purpose of defraying a portion of the costs of carrying out urban renewal projects, including street improvements for the Wilbur and Tibbles subdivisions. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitations of the City. Total principal and interest remaining on the bonds is \$272,486, payable through June 2020. For the current year, total bond and interest payments and total TIF receipts were \$68,058, and \$137,874, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$100,000 in water revenue notes issued in November 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$14,428 and \$10,817, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in September 2004, \$250,000 in sewer revenue notes issued in October 2006, and \$59,000 in sewer revenue notes issued in June 2007. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$36,492. For the current year, principal and interest paid and total customer net receipts were \$71,530 and \$22,091, respectively.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (3) Bonds and Notes Payable - Continued**

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sewer revenue charges must be established at a level which produces and maintains net receipts at a level no less than 110% of principal and interest falling due in the same year.

Sewer revenue charges are insufficient to meet the debt resolution provision.

**NOTE (4) Lease Agreement**

The City lease a copy machine under an operating lease agreement. Rent expense for the year ended June 30, 2009 was \$360. The future minimum required minimum lease payments are as follows:

Year ending June 30,	Amount
2010	\$1,440
2011	1,440
2012	1,440
2013	1,080
	<u>\$5,400</u>

**NOTE (5) Loan Anticipation Notes**

The City issued \$50,000 in loan anticipation notes, at 3.80% interest per annum, for the acquisition of park land. The notes are payable June 2010, with interest payable semiannually and the maturity date.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (6) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$10,305, \$9,998, and \$9,352 respectively, equal to the required contributions for each year.

**NOTE (7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2009, primarily relating to the General Fund is \$4,961. This liability is computed on rates of pay effective as of June 30, 2009.

**NOTE (8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 82,083
Special Revenue: Tort	General	82
Debt Service	Special Revenue: Urban Renewal Tax Increment	135,910
Capital Projects	Special Revenue: Urban Renewal Tax Increment	<u>431,592</u>
		<u>\$ 649,667</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (9) Related Party Transactions**

The City had business transactions between the City and relatives of City officials totaling \$38,575 during the year ended June 30, 2009.

**NOTE (10) Risk Management**

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

**NOTE (11) Deficit Fund Balances**

At June 30, 2009, the City had the following deficit fund balances:

General Fund	\$	74,296
Debt Service		156,209
Capital Projects		43,962
Proprietary, Sewer Fund		69,029
Proprietary, Garbage Fund		70,153
Total	\$	<u>413,649</u>

The General Fund has had a deficit balance for the past five years. Efforts to reduce the deficit included improved collections for ambulance calls and paying salaries for the City Clerk and City Treasurer from the proprietary funds. The Capital Projects deficits will be eliminated upon receipts of grants and other financing sources. The Debt Service Fund deficit will be eliminated upon transfer of funds. The Garbage and Sewer Fund deficits will be eliminated by fees for services.

**NOTE (12) Urban Renewal**

Carson Urban Renewal Area

On September 13, 1999, the City established the Carson Urban Renewal Area which included the entire area within the corporate boundaries of the City except for four agricultural properties. The objectives of the plan included the stimulation of new residential development, the efficient construction of street, water, storm sewer and sanitary sewer improvements to support housing development and an increase in affordable housing units in the City. The area principally served by the plan is the Wilbur Subdivision.

On September 12, 2005, the City adopted Amendment No. 1 to the Carson Urban Renewal Area. The amendment determined an area of the City to be blighted and provided for its rehabilitation, conservation, redevelopment, and development as in the interest of the public health, safety or welfare of the residents of the City.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (12) Urban Renewal - Continued**

Lewis/Lariviere Urban Renewal Area

In June 2004, the City established the Lewis/Lariviere Urban Renewal Area and designated the area as an economic development district. In December 2004, the area was expanded to include a parcel of the commercial district by the adoption of Amendment No. 1. The objectives of the plan are commercial and residential development south of Highway 92.

Tibbles Urban Renewal Area

On April 11, 2005, the City established the Tibbles Urban Renewal Area and designated the Tibbles Subdivision as an economic development district to promote new residential development. The Tibbles subdivision is located west of the Nishnabotna River.

**NOTE (13) Commitments**

Billing Services Agreement

On February 19, 2007, the City renewed an agreement with Physician's Claims Company, Inc. The Billing Service provides medical billings for the ambulance calls for a monthly fee of 10% of the gross amount collected on the City's behalf during the preceding month, or 30% of the gross amount collected on any aged accounts. The initial term of the agreement was for two years and automatically will renew for successive one-year terms. Either party may terminate with 30 days notice.

Garbage Collection Service Agreement

On November 13, 2006, the City renewed an agreement with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from November 13, 2006 to November 13, 2009. Beginning July 1, 2009, the contracted amount per residential unit for up to four, 32-gallon containers per week is \$12.96 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.62 and \$.75 per unit per month for recyclables.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2009. The contract is payable in four installments of \$2,923 on July 1 and October 1, 2009, and January 1 and April 1, 2010.

Engineering Contract

In May 2009, the City entered into an engineering contract not to exceed \$19,800 for a 2009 Water Improvement Project.

City of Carson  
Notes to Financial Statements  
June 30, 2009

**NOTE (14) Franchise Agreement**

On August 13, 2007, the City passed an ordinance granting to Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a natural gas system in the City of Carson, and to furnish and sell natural gas to the City and its inhabitants for a period of twenty-five years. The City also passed an ordinance granting Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a system for the transmission and distribution of electric energy and communications signals to the City and its inhabitants for a period of twenty-five years. The franchises will expire in 2032.

**NOTE (15) Subsequent Events**

In July 2009, the City authorized the issuance of \$82,000 in general obligation capital loan notes for the purpose of constructing water improvements and extensions.

In August 2009, the City awarded a contract for \$83,482 for the water improvement project.

**Required Supplementary Information**

City of Carson  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Actual</u>
<b>Receipts</b>			
Property tax	\$ 200,807	-	200,807
Tax increment financing collections	137,874	-	137,874
Other city tax	88,806	-	88,806
Licenses and permits	1,471	-	1,471
Use of money and property	8,635	-	8,635
Intergovernmental	87,028	-	87,028
Charges for service	50,893	281,235	332,128
Special assessments	368	552	920
Miscellaneous	92,952	19,449	112,401
Total receipts	<u>668,834</u>	<u>301,236</u>	<u>970,070</u>
<b>Disbursements</b>			
Public safety	108,359	-	108,359
Public works	58,435	-	58,435
Culture and recreation	56,821	-	56,821
Community and economic development	132,414	-	132,414
General government	55,949	-	55,949
Debt service	283,035	-	283,035
Capital projects	28,533	-	28,533
Business type activities	-	356,309	356,309
Total disbursements	<u>723,546</u>	<u>356,309</u>	<u>1,079,855</u>
Excess (deficiency) of receipts over (under) disbursements	(54,712)	(55,073)	(109,785)
Other financing sources, net	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(4,712)	(55,073)	(59,785)
Balances beginning of year	<u>17,587</u>	<u>77,673</u>	<u>95,260</u>
Balances end of year	<u>\$ 12,875</u>	<u>22,600</u>	<u>35,475</u>

See accompanying independent auditors' report.

Original Budgeted Amounts	Final Budgeted Amounts	Budget to Actual Variance
201,682	201,780	(973)
282,129	282,129	(144,255)
75,874	75,874	12,932
2,725	2,725	(1,254)
39,750	39,650	(31,015)
80,240	146,981	(59,953)
347,097	372,633	(40,505)
-	-	920
6,145	17,984	94,417
<u>1,035,642</u>	<u>1,139,756</u>	<u>(169,686)</u>
117,428	125,028	16,669
62,865	68,065	9,630
63,747	72,867	16,046
126,038	261,498	129,084
41,327	57,449	1,500
283,493	283,493	458
7,000	56,050	27,517
342,919	359,595	3,286
<u>1,044,817</u>	<u>1,284,045</u>	<u>204,190</u>
(9,175)	(144,289)	34,504
-	50,000	-
(9,175)	(94,289)	34,504
<u>95,260</u>	<u>95,260</u>	-
<u>86,085</u>	<u>971</u>	<u>34,504</u>

City of Carson  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2009

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary 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 \$239,228. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amended amounts budgeted.

**Other Supplementary Information**

City of Carson  
Schedule of Indebtedness  
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Ambulance	Sep 1, 2002	4.45 - 4.80 %	\$ 140,000
Fire truck	Dec 11, 2003	5.90 - 6.50 %	150,000
Community Center	Mar 29, 2006	5.75 %	375,000
Street/Storm Sewer	Nov 15, 2006	4.05 - 4.50 %	135,000
Essential Corporate Purpose	Nov 30, 2007	4.10 - 4.75 %	495,000
Urban renewal tax increment financing (TIF) revenue bonds:			
Wilbur/TIF Subdivision	Nov 1, 2001	4.85 - 5.10 %	\$ 355,000
Tibbles/TIF Subdivision	Aug 1, 2005	3.55 - 4.20 %	165,000
Revenue notes:			
Sewer	Sep 29, 2004	3.00 %	\$ 750,000
Sewer	Oct 5, 2006	3.00 %	250,000
Sewer	Jun 28, 2007	3.00 %	59,000
Water	Nov 30, 2007	4.10 - 4.75 %	100,000
Lease Purchase Agreement:			
Tractor, Loader & Mower	Nov 17, 2004	4.75 %	\$ 26,910
Loan Anticipation notes:			
Park acquisition	Aug 18, 2008	3.80 %	\$ 50,000

See accompanying independent auditors' report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
75,000	-	15,000	60,000	3,428	-
62,279	-	15,116	47,163	3,691	-
240,000	-	75,000	165,000	13,800	-
125,000	-	10,000	115,000	5,312	-
475,000	-	50,000	425,000	21,630	-
<u>977,279</u>	<u>-</u>	<u>165,116</u>	<u>812,163</u>	<u>47,861</u>	<u>-</u>
160,000	-	40,000	120,000	7,860	-
135,000	-	15,000	120,000	5,198	-
<u>295,000</u>	<u>-</u>	<u>55,000</u>	<u>240,000</u>	<u>13,058</u>	<u>-</u>
663,000	-	31,000	632,000	19,890	-
231,000	-	10,000	221,000	6,930	-
57,000	-	2,000	55,000	1,710	-
100,000	-	10,000	90,000	4,428	-
<u>1,051,000</u>	<u>-</u>	<u>53,000</u>	<u>998,000</u>	<u>32,958</u>	<u>-</u>
<u>5,631</u>	<u>-</u>	<u>5,631</u>	<u>-</u>	<u>273</u>	<u>-</u>
<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>1,494</u>	<u>-</u>

City of Carson  
Bond and Note Maturities  
June 30, 2009

Year Ending June 30,	<b>General Obligation</b>					
	Ambulance Issued Sept 1, 2002		Fire Truck Issued Dec 11, 2003		Community Center Issued Mar 29, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	4.45 %	\$ 15,000	5.90 %	\$ 15,000	5.75 %	\$ 80,000
2011	4.60 %	15,000	6.10 %	15,000	5.75 %	85,000
2012	4.70 %	15,000	6.25 %	15,000	-	-
2013	4.80 %	15,000	6.50 %	2,163	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
		<u>\$ 60,000</u>		<u>\$ 47,163</u>		<u>\$ 165,000</u>

Year Ending June 30,	<b>Urban Renewal Tax Increment (TIF) Revenue Bonds</b>					
	Wilbur TIF Subdivision Issued Nov 1, 2001		Tibbles TIF Subdivision Issued Aug 1, 2005		Total	
	Interest Rates	Amount	Interest Rates	Amount		
2010	4.85 %	\$ 40,000	3.55 %	\$ 15,000	\$ 55,000	
2011	5.00 %	40,000	3.65 %	15,000	55,000	
2012	5.10 %	40,000	3.75 %	15,000	55,000	
2013	-	-	3.85 %	15,000	15,000	
2014	-	-	4.00 %	20,000	20,000	
2015	-	-	4.10 %	20,000	20,000	
2016	-	-	4.20 %	20,000	20,000	
		<u>\$ 120,000</u>		<u>\$ 120,000</u>	<u>\$ 240,000</u>	

See accompanying independent auditors' report.

**Bonds**

Street/Storm Sewer Issued Nov 15, 2006		Essential Corporate Purpose Issued Nov 30, 2007		Total
Interest Rates	Amount	Interest Rates	Amount	
4.05 %	\$ 10,000	4.75 %	\$ 55,000	\$ 175,000
4.10 %	15,000	4.75 %	55,000	185,000
4.15 %	15,000	4.70 %	55,000	100,000
4.25 %	15,000	4.70 %	60,000	92,163
4.30 %	15,000	4.70 %	65,000	80,000
4.35 %	15,000	4.10 %	65,000	80,000
4.40 %	15,000	4.15 %	70,000	85,000
4.50 %	15,000	-	-	15,000
	<u>\$ 115,000</u>		<u>\$ 425,000</u>	<u>\$ 812,163</u>

**Revenue Notes**

Year Ending June 30,	Sewer Issued Sept 29, 2004		Sewer Issued Oct 5, 2006		Sewer Issued Jun 28, 2007		Water Issued Nov 30, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	3.00 %	\$ 31,000	3.00 %	\$ 10,000	3.00 %	\$ 2,000	4.10 %	\$ 10,000	\$ 53,000
2011	3.00 %	32,000	3.00 %	10,000	3.00 %	2,000	4.20 %	10,000	54,000
2012	3.00 %	33,000	3.00 %	11,000	3.00 %	2,000	4.30 %	10,000	56,000
2013	3.00 %	34,000	3.00 %	11,000	3.00 %	3,000	4.40 %	10,000	58,000
2014	3.00 %	35,000	3.00 %	11,000	3.00 %	3,000	4.50 %	10,000	59,000
2015	3.00 %	36,000	3.00 %	12,000	3.00 %	3,000	4.60 %	10,000	61,000
2016	3.00 %	38,000	3.00 %	12,000	3.00 %	3,000	4.70 %	15,000	68,000
2017	3.00 %	39,000	3.00 %	13,000	3.00 %	3,000	4.75 %	15,000	70,000
2018	3.00 %	40,000	3.00 %	13,000	3.00 %	3,000	-	-	56,000
2019	3.00 %	41,000	3.00 %	13,000	3.00 %	3,000	-	-	57,000
2020	3.00 %	42,000	3.00 %	14,000	3.00 %	3,000	-	-	59,000
2021	3.00 %	43,000	3.00 %	14,000	3.00 %	3,000	-	-	60,000
2022	3.00 %	45,000	3.00 %	15,000	3.00 %	3,000	-	-	63,000
2023	3.00 %	46,000	3.00 %	15,000	3.00 %	3,000	-	-	64,000
2024	3.00 %	48,000	3.00 %	15,000	3.00 %	4,000	-	-	67,000
2025	3.00 %	49,000	3.00 %	16,000	3.00 %	4,000	-	-	69,000
2026	-	-	3.00 %	16,000	3.00 %	4,000	-	-	20,000
2027	-	-	-	-	3.00 %	4,000	-	-	4,000
		<u>\$ 632,000</u>		<u>\$ 221,000</u>		<u>\$ 55,000</u>		<u>\$ 90,000</u>	<u>\$ 998,000</u>

**Bonds**

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**Revenue Notes**

Year Ending June 30,	Sewer Issued Sept 29, 2004		Sewer Issued Oct 5, 2006		Sewer Issued Jun 28, 2007		Water Issued Nov 30, 2007		Total
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2027	-	-	-	-	3.00 %	4,000	-	-	4,000
		<u>\$ 632,000</u>		<u>\$ 221,000</u>		<u>\$ 55,000</u>		<u>\$ 90,000</u>	<u>\$ 998,000</u>

City of Carson  
 Schedule of Receipts By Source and Disbursements By Function -  
 All Governmental Funds  
 For the Last Five Years

	2009	2008	2007	2006	2005
<b>Receipts</b>					
Property tax	\$ 200,807	146,409	149,263	112,198	115,291
Tax increment financing collections	137,874	256,035	214,341	237,576	222,747
Other city tax	88,806	69,871	77,705	83,583	67,769
Licenses and permits	1,471	2,848	1,987	1,852	2,666
Use of money and property	8,635	13,888	20,084	5,695	862
Intergovernmental	87,028	179,779	597,304	968,980	154,309
Charges for service	50,893	35,074	56,147	22,888	12,962
Special assessments	368	-	-	-	-
Miscellaneous	92,952	26,444	348,173	84,182	59,867
<b>Total</b>	<b>\$ 668,834</b>	<b>730,348</b>	<b>1,465,004</b>	<b>1,516,954</b>	<b>636,473</b>
<b>Disbursements</b>					
<b>Operating:</b>					
Public safety	\$ 108,359	113,791	114,071	129,467	116,961
Public works	58,435	70,266	70,489	78,928	51,922
Culture and recreation	56,821	59,434	20,793	30,897	32,607
Community and economic development	132,414	79,866	205,412	205,902	159,736
General government	55,949	46,178	58,873	84,268	60,152
Debt service	283,035	627,966	74,340	57,224	91,263
Capital projects	28,533	461,501	2,230,688	1,751,328	429,624
<b>Total</b>	<b>\$ 723,546</b>	<b>1,459,002</b>	<b>2,774,666</b>	<b>2,338,014</b>	<b>942,265</b>

See accompanying independent auditors' report.

**City of Carson**



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

September 29, 2009

Independent Auditors' 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:

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 Carson, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 29 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Carson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Carson's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a control deficiency in internal control over financial reporting that we consider to be significant deficiency and a material weakness.

Continued...

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City of Carson  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Carson's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Carson's financial statements that is more than inconsequential will not be prevented or detected by City of Carson's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Carson's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Carson's responses and, accordingly, we express no opinion on them.

City of Carson  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carson and other parties to whom the City of Carson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson 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.

*Schroer & Associates, P.C.*

City of Carson  
Schedule of Findings  
Year Ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

I-A-09 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, reconciling and reporting, are at times all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Treasurer does a monthly review of the bank statements and bank reconciliations.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Carson  
Schedule of Findings  
Year Ended June 30, 2009

**Part II: Other Findings Related to Statutory Reporting:**

II-A-09 Certified Budget

Disbursements during the year ended June 30, 2009 did not exceed the amended budgeted amounts.

II-B-09 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions

Comment – Business transactions between the City and City officials, employees or relatives of City officials are detailed as follows:

James Taylor, Son of Mayor, Consultant	Consulting and web hosting fees	\$	5,037
Andrew Taylor, Son of Mayor, Laborer	Contract work		320
Rick Taylor, Brother of Mayor Owner of Davis-Taylor Insurance	Insurance per bid		<u>33,218</u>
		\$	<u>38,575</u>

The transaction with the brother of the Mayor does not appear to represent a conflict of interest since it was entered into through a competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa. The transactions with the Mayor's son may appear to represent a conflict of interest since transactions exceeded \$2,500 during the year. Chapter 362.5(11) states that transactions with a council person in excess of that amount does appear to represent a conflict of interest.

Recommendation – The City should seek legal advice on this matter.

Response – We will do this.

Conclusion – Response accepted.

II-E-09 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 insure that the coverage is adequate for current operations.

City of Carson  
Schedule of Findings  
Year Ended June 30, 2009

**Part II: Other Findings Related to Statutory Reporting (Continued):**

II-F-09 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-09 Revenue Note

Comment – The City has a deficit fund balance in the Sewer Fund which violates the provision of the sewer revenue bond resolution.

Recommendation – The City needs to establish rates which will generate user fees sufficient to service the revenue debt and the operations of the City's sanitary sewer system.

Response – We will review our user fees.

Conclusion – Response accepted.

II-I-09 Excess Balances

Comment – The cash balance in the Enterprise Fund, Water Account at June 30, 2009 was in excess of the disbursements made from the fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance.

Response – The excess balance is considered necessary for the payment of future project costs.

Conclusion – Response accepted.

City of Carson  
Schedule of Findings  
Year Ended June 30, 2009

**Part II: Other Findings Related to Statutory Reporting (Continued):**

II-J-09 Financial Condition

At June 30, 2009, the City had the following deficit fund balances:

General Fund	\$	74,296
Debt Service		156,209
Capital Projects		43,962
Proprietary, Sewer Fund		69,029
Proprietary, Garbage Fund		70,153
Total	\$	<u>413,649</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition. Transfers should be made to the Debt Service Fund for the payments made in the past to service tax increment financing debt. User fees for sewer and garbage need to be adjusted to service operations and revenue debt. The City needs to control spending within corresponding revenue sources.

Response – We will monitor these funds closely and consider options to restore the deficits.

Conclusion – Response accepted.

II-K-09 Tax Increment Financing Debt

Comment – Tax Increment Financing Bond payments were made by the Debt Service Fund.

Recommendation – In accordance with Chapter 403.19(2) of the Code of Iowa, Tax Increment Financing Bond debt payments should be paid from the Tax Increment Financing account.

Response – We will do this in the future.

Conclusion – Response accepted.

II-L-09 Mileage Reimbursements

Comment – Mileage reimbursements rates were not adjusted to the lower rate January – June 2009.

Recommendation – Mileage reimbursements should not exceed the allowable amount provided by the IRS as provided by Chapter 70A.9 of the Code of Iowa. The City should be aware of changes in rates that are made.

Response – We will adjust our rate reimbursement to the amount allowed.

Conclusion – Response accepted.