

CITY OF CARSON

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

JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		4-5
Management's Discussion and Analysis		6-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-29
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		31-32
Notes to Other Information – Budgetary Reporting		33
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	35
Schedule of Indebtedness	2	36-37
Bond and Note Maturities	3	38-39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	40-41
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 <i>Government Auditing Standards</i>		43-44
Schedule of Findings		45-48

City of Carson

Officials

<u>Name</u>	<u>Title</u> (Before January 2012)	<u>Term Expires</u>
Lyndon Taylor	Mayor	January 2012
Eric Weuve	Council Member	January 2012
Bruce Damgaard	Council Member	January 2012
Sue Jones	Council Member	January 2014
Charles Strong	Council Member	January 2014
Patrick White	Council Member	January 2014

<u>Name</u>	<u>Title</u> (After January 2012)	<u>Term Expires</u>
Eric Weuve	Mayor	January 2014
Sue Jones	Council Member	January 2014
Charles Strong	Council Member	January 2014
Patrick White	Council Member	(Resigned February 2012)
Richelle Alff	Council Member	January 2014
Troy Graves	Council Member	January 2016
Callie Kallsen	Council Member	January 2016

Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Rick Kimble	City Attorney	Indefinite



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

October 5, 2012

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, 2012, 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, 2012, 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.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

Independent Auditors' Report
City of Carson

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 5, 2012 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the four years ended June 30, 2008 (which are not 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. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Carson's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11, and 31 through 33, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2012 Financial Highlights

- Receipts of the City's governmental activities increased by 90.3%, or approximately \$674,000 from fiscal 2011 to fiscal 2012. Receipts include capital grants of \$129,894 and note proceeds of \$516,632.
- Disbursements increased 90%, or approximately \$606,000 from 2011 to 2012. Public safety increased approximately \$101,000, public works increased approximately \$314,000, and capital projects increased approximately \$159,000.
- The City's total cash basis net assets increased by \$190,767 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased \$140,197, and the assets of the business type activities increased by \$50,570.

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.

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

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

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 increased \$140,197 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,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 41,253	40,809
Operating grants, contributions and restricted interest	156,610	131,413
Capital grants, contributions and restricted interest	129,894	-
General receipts:		
Property tax	221,852	217,101
Tax increment financing	262,909	268,517
Local option sales tax	90,591	84,166
Grants and contributions not restricted to specific purpose	868	478
Unrestricted interest on investments	153	242
Note proceeds	516,632	-
Total receipts	<u>1,420,762</u>	<u>746,726</u>
Disbursements:		
Public safety	230,651	125,205
Public works	388,379	74,126
Culture and recreation	115,703	69,682
Community and economic development	102,488	204,974
General government	82,276	53,097
Debt service	157,194	102,441
Capital projects	203,874	44,481
Total disbursements	<u>1,280,565</u>	<u>674,006</u>
Change in cash basis net assets	140,197	72,720
Cash basis net assets beginning of year	<u>248,996</u>	<u>176,276</u>
Cash basis net assets end of year	<u>\$ 389,193</u>	<u>248,996</u>

The total receipts for governmental activities increased \$674,036. The total cost of all programs and services increased by \$606,559. The significant increase in receipts was due to note proceeds of \$516,632 and capital grants of \$129,894.

The cost of all governmental activities this year was \$1,280,656 compared to \$674,006 last year. The increase was due to the purchase of new capital equipment (fire trucks/backhoe), South Mildred Street construction project, RAGBRAI event, and the wastewater plant E-coli disinfection project.

As shown in the statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$952,808, due to costs paid by those directly benefited from the programs (\$41,253) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$286,504).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 149,838	140,334
Sewer	177,138	161,264
Garbage	66,218	80,943
Capital grants	-	49,717
Total receipts	<u>393,194</u>	<u>432,258</u>
Disbursements:		
Water	140,400	241,378
Sewer	139,938	163,819
Garbage	62,286	56,819
Total disbursements	<u>342,624</u>	<u>462,016</u>
Change in cash basis net assets	50,570	(29,758)
Cash basis net assets beginning of year	<u>(79,861)</u>	<u>(50,103)</u>
Cash basis net assets end of year	<u>\$ (29,291)</u>	<u>(79,861)</u>

Total business type activities receipts for the fiscal year were \$393,194 compared to \$432,258 last year. This decrease was due to capital grants of \$50,000 received in 2011. The cash balance increased by \$50,570. Total disbursements for the fiscal year decreased \$119,392 primarily due to a water improvement project paid the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carson completed the year, its governmental funds reported a combined fund balance of \$389,193, an increase of \$140,197 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 (\$98,674), an increase of \$14,679 from prior year primarily due to slight increases in property tax receipts, local option sales tax receipts, permit receipts, township intergovernmental receipts, emergency fund levy receipts, and a decrease in ambulance employee salaries.
- The Road Use Tax Fund balance at the end of the fiscal year was \$14,888, an increase of \$18,713 primarily due to an increase in road use receipts.
- The Urban Renewal Tax Increment Fund balance at the end of the fiscal year was \$457,834, an increase of \$113,916 from the previous year. The increase was due to establishing the required low/moderate income balance.

- The Debt Service Fund balance was \$72,029, an increase of \$6,784 from the prior year due to new additional debt certified for equipment purchases and street project.
- The Capital Projects Fund balance was (\$75,464), a decrease of \$11,980 from the prior year due to costs for the wastewater treatment plant project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund balance increased \$9,438 to \$96,135 due to a significant decrease in expenses.
- The Sewer Fund balance increased by \$37,200 to (\$89,093) due to conservative spending throughout the year.
- The Garbage Fund balance increased by \$3,932 to (\$36,333) due to conservative spending throughout the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended one time for a total increase of \$295,697 for disbursements. City receipts were approximately \$17,000 less than budgeted. After the budget amendments, total disbursements were approximately \$222,000 less than anticipated. Culture and recreation as well as miscellaneous income were increased to accommodate the 2011 Ragbrai event. Capital projects and intergovernmental revenues were decreased due to the bid for the wastewater Ecoli disinfection project coming in lower than projected. Public safety and public works were increased to accommodate for the purchase of new capital equipment (2 fire trucks and city backhoe.) Other financing sources were increased to reflect loan proceeds for equipment purchases and capital projects.

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$1,822,000 in bonds and other long-term debt, compared to approximately \$1,534,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
General obligation notes and bonds	\$ 912	513
Urban renewal tax increment financing bonds	75	130
Revenue bonds	835	891
	\$ 1,822	1,534

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 \$987,000 is below its constitutional debt limit of approximately \$1,900,000.

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 2013 budget, tax rates, and fees that will be charged for various City activities.

The city utilizes a strategic plan when planning future fiscal responsibilities. The City is currently amending its urban renewal plan in compliance with the new legislation of TIF Urban Renewal that took effect July 1, 2012. The plan amendment will include roadway improvement projects and low/moderate income projects with the TIF Urban Renewal district.

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, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 230,651	14,394	24,571
Public works	388,379	-	77,460
Culture and recreation	115,703	26,251	46,020
Community and economic development	102,488	-	-
General government	82,276	608	8,559
Debt service	157,194	-	-
Capital projects	203,874	-	-
Total governmental activities	<u>1,280,565</u>	<u>41,253</u>	<u>156,610</u>
Business type activities:			
Water	140,400	149,838	-
Sewer	139,938	177,138	-
Garbage	62,286	66,218	-
Total business type activities	<u>342,624</u>	<u>393,194</u>	<u>-</u>
Total	<u>\$ 1,623,189</u>	<u>434,447</u>	<u>156,610</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
Note proceeds
Advanced debt refunding
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:

Expendable:
 Streets
 Urban renewal purposes
 Debt service
 Other purposes

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
-	(191,686)	-	(191,686)
-	(310,919)	-	(310,919)
-	(43,432)	-	(43,432)
-	(102,488)	-	(102,488)
-	(73,109)	-	(73,109)
-	(157,194)	-	(157,194)
129,894	(73,980)	-	(73,980)
<u>129,894</u>	<u>(952,808)</u>	<u>-</u>	<u>(952,808)</u>
-	-	9,438	9,438
-	-	37,200	37,200
-	-	3,932	3,932
-	-	<u>50,570</u>	<u>50,570</u>
<u>129,894</u>	<u>(952,808)</u>	<u>50,570</u>	<u>(902,238)</u>
\$	104,379	-	104,379
	117,473	-	117,473
	262,909	-	262,909
	90,591	-	90,591
	868	-	868
	153	-	153
	516,632	62,000	578,632
	-	(62,000)	(62,000)
	<u>1,093,005</u>	<u>-</u>	<u>1,093,005</u>
	140,197	50,570	190,767
	<u>248,996</u>	<u>(79,861)</u>	<u>169,135</u>
\$	<u>389,193</u>	<u>(29,291)</u>	<u>359,902</u>
\$	14,888	-	14,888
	457,834	-	457,834
	72,029	-	72,029
	18,580	-	18,580
	<u>(174,138)</u>	<u>(29,291)</u>	<u>(203,429)</u>
\$	<u>389,193</u>	<u>(29,291)</u>	<u>359,902</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, 2012

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts				
Property tax	\$ 84,067	-	-	-
Tax increment financing collections	-	-	-	262,909
Other city tax	3,842	-	90,591	-
Licenses and permits	1,453	-	-	-
Use of money and property	8,858	-	-	-
Intergovernmental	20,340	77,019	-	-
Charges for service	31,095	-	-	-
Miscellaneous	58,824	441	-	-
Total receipts	<u>208,479</u>	<u>77,460</u>	<u>90,591</u>	<u>262,909</u>
Disbursements				
Operating:				
Public safety	230,651	-	-	-
Public works	-	114,979	-	-
Culture and recreation	115,703	-	-	-
Community and economic development	-	-	-	102,488
General government	63,037	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>409,391</u>	<u>114,979</u>	<u>-</u>	<u>102,488</u>
Excess (deficiency) of receipts over (under) disbursements	(200,912)	(37,519)	90,591	160,421
Other financing sources (uses):				
Note proceeds	125,000	56,232	-	-
Operating transfers in	90,591	-	-	-
Operating transfers out	-	-	(90,591)	(46,505)
Total other financing sources (uses)	<u>215,591</u>	<u>56,232</u>	<u>(90,591)</u>	<u>(46,505)</u>
Net change in cash balances	14,679	18,713	-	113,916
Cash balances beginning of year	<u>(113,353)</u>	<u>(3,825)</u>	<u>-</u>	<u>343,918</u>
Cash balances end of year	\$ <u>(98,674)</u>	<u>14,888</u>	<u>-</u>	<u>457,834</u>
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	14,888	-	-
Urban renewal purposes	-	-	-	457,834
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	(98,674)	-	-	-
Total cash basis fund balances	\$ <u>(98,674)</u>	<u>14,888</u>	<u>-</u>	<u>457,834</u>

See notes to financial statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
114,786	-	15,751	214,604
-	-	-	262,909
2,687	-	719	97,839
-	-	-	1,453
-	-	854	9,712
-	129,894	-	227,253
-	-	-	31,095
-	-	-	59,265
<u>117,473</u>	<u>129,894</u>	<u>17,324</u>	<u>904,130</u>
-	-	-	230,651
-	273,400	-	388,379
-	-	-	115,703
-	-	-	102,488
-	-	19,239	82,276
157,194	-	-	157,194
-	203,874	-	203,874
<u>157,194</u>	<u>477,274</u>	<u>19,239</u>	<u>1,280,565</u>
(39,721)	(347,380)	(1,915)	(376,435)
-	335,400	-	516,632
46,505	-	-	137,096
-	-	-	(137,096)
<u>46,505</u>	<u>335,400</u>	<u>-</u>	<u>516,632</u>
6,784	(11,980)	(1,915)	140,197
<u>65,245</u>	<u>(63,484)</u>	<u>20,495</u>	<u>248,996</u>
<u>72,029</u>	<u>(75,464)</u>	<u>18,580</u>	<u>389,193</u>
-	-	-	14,888
-	-	-	457,834
72,029	-	-	72,029
-	-	18,580	18,580
-	(75,464)	-	(174,138)
<u>72,029</u>	<u>(75,464)</u>	<u>18,580</u>	<u>389,193</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, 2012

	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 132,469	176,766	64,551	373,786
Special assessment	833	372	641	1,846
Miscellaneous	16,536	-	1,026	17,562
Total operating receipts	<u>149,838</u>	<u>177,138</u>	<u>66,218</u>	<u>393,194</u>
Operating disbursements:				
Business type activities	<u>127,202</u>	<u>68,438</u>	<u>62,286</u>	<u>257,926</u>
Total operating disbursements	<u>127,202</u>	<u>68,438</u>	<u>62,286</u>	<u>257,926</u>
Excess of operating receipts over operating disbursements	22,636	108,700	3,932	135,268
Non-operating disbursements:				
Debt service	<u>(13,198)</u>	<u>(71,500)</u>	-	<u>(84,698)</u>
Total non-operating disbursements	<u>(13,198)</u>	<u>(71,500)</u>	-	<u>(84,698)</u>
Excess of receipts over disbursements	9,438	37,200	3,932	50,570
Other financing sources (uses):				
Note proceeds	-	62,000	-	62,000
Advance debt refunding	<u>-</u>	<u>(62,000)</u>	<u>-</u>	<u>(62,000)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	9,438	37,200	3,932	50,570
Cash balances beginning of year	<u>86,697</u>	<u>(126,293)</u>	<u>(40,265)</u>	<u>(79,861)</u>
Cash balances end of year	<u>\$ 96,135</u>	<u>(89,093)</u>	<u>(36,333)</u>	<u>(29,291)</u>
Cash Basis Fund Balances				
Unrestricted	<u>\$ 96,135</u>	<u>(89,093)</u>	<u>(36,333)</u>	<u>(29,291)</u>

See notes to financial statements.

City of Carson
Notes to Financial Statements
June 30, 2012

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, Pottawattamie County Emergency Management Commission and the Iowa Waste Systems Association.

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, 2012

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 the following categories/components:

Expendable 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for the collection of local option sales taxes to be spent for property tax relief per referendum.

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

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

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.

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.

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from 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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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 \$359,902.

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
2013	\$ 156,000	15,000	58,000	229,000
2014	165,000	20,000	59,000	244,000
2015	148,500	20,000	61,000	229,500
2016	155,000	20,000	68,000	243,000
2017	86,500	-	70,000	156,500
2018-2023	201,000	-	295,000	496,000
2024-2027	-	-	224,000	224,000
Total	\$ 912,000	75,000	835,000	1,822,000

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (3) Bonds and Notes Payable - Continued

Year Ending June 30,	General Obligation Bonds Interest	Urban Renewal Tax Increment Financing Revenue Bonds Interest	Revenue Bonds Interest	Total Interest
2013	\$ 32,399	3,038	26,017	61,454
2014	26,372	2,460	24,138	52,970
2015	20,382	1,660	22,217	44,259
2016	15,237	840	20,228	36,305
2017	9,752	-	17,932	27,684
2018-2023	13,902	-	60,660	74,562
2024-2027	-	-	15,150	15,150
Total	\$ 118,044	7,998	186,342	312,384

Interest costs paid during the year ended June 30, 2012 totaled \$67,566.

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 \$1,900,000 which was not exceeded during the year ended June 30, 2012.

Urban Renewal Tax increment Financing Revenue Bonds

The City issued \$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 Tibbles subdivision. 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 \$82,998, payable through June 2016. For the current year, total bond and interest payments and total TIF receipts were \$60,640 and \$262,909, 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. The total principal and interest remaining to be paid on the notes is \$69,103. For the current year, principal and interest paid and total customer net receipts were \$13,198 and \$22,636, respectively.

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (3) Bonds and Notes Payable - Continued

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 \$952,239. For the current year, principal and interest paid and total customer net receipts were \$71,500 and \$108,700, respectively.

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 have been insufficient to meet the debt resolution provision.

NOTE (4) Lease Agreement

The City leases a copy machine under an operating lease agreement. Rent expense for the year ended June 30, 2012 was \$1,440. The future minimum required minimum lease payments are as follows:

Year ending June 30,	Amount
2013	\$ <u>1,200</u>

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011, and 2010 were \$14,922, \$14,166, and \$12,218 respectively, equal to the required contributions for each year.

NOTE (6) Other Postemployment Benefits (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$915 for single coverage and \$1,315 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, there were no plan members eligible for benefits.

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, 2012, primarily relating to the General Fund is \$1,122. This liability is computed on rates of pay effective as of June 30, 2012.

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 90,591
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>46,505</u>
		<u>\$ 137,096</u>

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

NOTE (9) Related Party Transactions

The City had business transactions between the City and relatives of City officials totaling \$32,632 during the year ended June 30, 2012.

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, 2012, the City had the following deficit fund balances:

General Fund	\$ 98,674
Capital Projects	75,464
Proprietary, Sewer Fund	89,093
Proprietary, Garbage Fund	<u>36,333</u>
Total	<u>\$ 299,564</u>

The General Fund has had a deficit balance for the past five years. Property tax collections should improve when tax increment financing taxes are reduced. The Capital Projects deficits will be eliminated upon receipts of grants and other financing sources. The Garbage and Sewer Fund deficits will be eliminated by a prior year increase in fees for services.

City of Carson
Notes to Financial Statements
June 30, 2012

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.

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 October 1, 2010, 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 net collections on the City's behalf during the preceding month. The initial term of the agreement was for three years and automatically will renew for successive one-year terms. Either party may terminate with 90 days notice.

City of Carson
Notes to Financial Statements
June 30, 2012

NOTE (13) Commitments - Continued

Garbage Collection Service Agreement

On May 14, 2012, the City amended its agreement with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs to December 31, 2022. The contracted amount per residential unit for up to four 32-gallon containers per week is \$10.50 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.00, and \$1.00 per unit per month for recyclables. The City paid \$47,673 on the contract during fiscal year 2012.

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, 2012. The contract is payable in four installments of \$3,553 during fiscal year 2013.

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) Contingent Liability

The City was notified in September 2010, by Iowa Waste Systems Association that the City is required to have all their solid waste hauled to the IWS Site per its 28 E agreement. The Association has proposed a 25 year contract which the City is considering. Currently, the City has a contract with a hauler who uses another landfill. The City has taken the position of waiting to see what the other communities are going to do about the matter. The economic impact of the City's course of action is uncertain.

Other 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, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 214,604	-	214,604
Tax increment financing collections	262,909	-	262,909
Other city tax	97,839	-	97,839
Licenses and permits	1,453	-	1,453
Use of money and property	9,712	-	9,712
Intergovernmental	227,253	-	227,253
Charges for service	31,095	373,786	404,881
Special assessments	-	1,846	1,846
Miscellaneous	59,265	17,562	76,827
Total receipts	<u>904,130</u>	<u>393,194</u>	<u>1,297,324</u>
Disbursements			
Public safety	230,651	-	230,651
Public works	388,379	-	388,379
Culture and recreation	115,703	-	115,703
Community and economic development	102,488	-	102,488
General government	82,276	-	82,276
Debt service	157,194	-	157,194
Capital projects	203,874	-	203,874
Business type activities	-	342,624	342,624
Total disbursements	<u>1,280,565</u>	<u>342,624</u>	<u>1,623,189</u>
Excess (deficiency) of receipts over (under) disbursements	(376,435)	50,570	(325,865)
Other financing sources, net	<u>516,632</u>	<u>-</u>	<u>516,632</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	140,197	50,570	190,767
Balances beginning of year	<u>248,996</u>	<u>(79,861)</u>	<u>169,135</u>
Balances end of year	<u>\$ 389,193</u>	<u>(29,291)</u>	<u>359,902</u>

See accompanying independent auditors' report.

<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Budget to Actual Variance</u>
216,305	216,305	(1,701)
257,719	257,719	5,190
85,915	87,354	10,485
2,075	1,950	(497)
27,575	29,475	(19,763)
582,111	282,883	(55,630)
355,656	388,458	16,423
-	-	1,846
5,100	50,490	26,337
<u>1,532,456</u>	<u>1,314,634</u>	<u>(17,310)</u>
117,695	247,544	16,893
60,015	390,162	1,783
55,366	121,285	5,582
168,267	140,455	37,967
77,744	84,371	2,095
206,269	246,646	89,452
533,564	256,225	52,351
330,690	358,619	15,995
<u>1,549,610</u>	<u>1,845,307</u>	<u>222,118</u>
(17,154)	(530,673)	204,808
<u>44,564</u>	<u>516,632</u>	<u>-</u>
27,410	(14,041)	204,808
<u>202,073</u>	<u>202,073</u>	<u>(32,938)</u>
<u>229,483</u>	<u>188,032</u>	<u>171,870</u>

City of Carson
Notes to Other Information – Budgetary Reporting
June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds 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 \$295,697. The budget amendment is reflected in the final budgeted amounts.

Supplementary Information

City of Carson
 Schedule of Cash Receipts, Disbursements and Changes in
 Cash Balances – Nonmajor Governmental Funds
 As of and for the year ended June 30, 2012

	Special Revenue			Total
	Employee Benefits	Insurance	FEMA	
Receipts:				
Property tax	\$ 6,375	9,376	-	15,751
Other City tax	291	428	-	719
Intergovernmental	-	-	854	854
	<u>6,666</u>	<u>9,804</u>	<u>854</u>	<u>17,324</u>
Disbursements:				
Operating:				
General government	6,439	10,000	2,800	19,239
	<u>6,439</u>	<u>10,000</u>	<u>2,800</u>	<u>19,239</u>
Net change in cash balances	227	(196)	(1,946)	(1,915)
Cash balances beginning of year	<u>3,516</u>	<u>431</u>	<u>16,548</u>	<u>20,495</u>
Cash balances end of year	<u>\$ 3,743</u>	<u>235</u>	<u>14,602</u>	<u>18,580</u>
Cash Basis Fund Balances				
Restricted for other purposes	<u>\$ 3,743</u>	<u>235</u>	<u>14,602</u>	<u>18,580</u>

See accompanying independent auditors' report.

City of Carson
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Ambulance	Sep 1, 2002	4.80 %	\$ 140,000
Fire truck	Dec 11, 2003	6.10 %	150,000
Street/Storm Sewer	Nov 15, 2006	4.25 - 4.50 %	135,000
Essential Corporate Purpose	Nov 30, 2007	4.10 - 4.70 %	495,000
Water improvement	Jul 1, 2009	3.80 %	82,000
Fire truck and backhoe	Jul 1, 2011	3.00 - 3.90 %	181,000
Street improvement	Jul 25, 2011	1.60 - 3.00 %	280,000
Sewer improvement	May 30, 2012	3.00 - 3.75 %	62,000
Urban renewal tax increment financing (TIF) revenue bonds:			
Wilbur/TIF Subdivision	Nov 1, 2001	5.10 %	\$ 355,000
Tibbles/TIF Subdivision	Aug 1, 2005	3.85 - 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	4.40 - 4.75 %	100,000
Sewer	Mar 14, 2012	3.00 %	62,000

See accompanying independent auditors' report.

Schedule 2

<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>
30,000	-	15,000	15,000	1,425	-
12,000	-	12,000	-	710	-
90,000	-	15,000	75,000	3,893	-
315,000	-	55,000	260,000	14,030	-
63,000	-	24,000	39,000	1,668	-
-	181,000	-	181,000	5,890	-
-	280,000	-	280,000	5,712	-
-	62,000	-	62,000	-	-
<u>510,000</u>	<u>523,000</u>	<u>121,000</u>	<u>912,000</u>	<u>33,328</u>	<u>-</u>
40,000	-	40,000	-	2,040	-
90,000	-	15,000	75,000	3,600	-
<u>130,000</u>	<u>-</u>	<u>55,000</u>	<u>75,000</u>	<u>5,640</u>	<u>-</u>
569,000	-	33,000	536,000	17,070	-
201,000	-	11,000	190,000	6,030	-
51,000	-	2,000	49,000	1,530	-
70,000	-	10,000	60,000	3,198	-
-	62,000	62,000	-	770	-
<u>891,000</u>	<u>62,000</u>	<u>118,000</u>	<u>835,000</u>	<u>28,598</u>	<u>-</u>

City of Carson
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation					
	Ambulance Issued Sept 1, 2002		Street/Storm Sewer Issued Nov 15, 2006		Essential Corporate Purpose Issued Nov 30, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	4.80 %	\$ 15,000	4.25 %	\$ 15,000	4.70 %	\$ 60,000
2014	-	-	4.30 %	15,000	4.70 %	65,000
2015	-	-	4.35 %	15,000	4.10 %	65,000
2016	-	-	4.40 %	15,000	4.15 %	70,000
2017	-	-	4.50 %	15,000	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
		\$ 15,000		\$ 75,000		\$ 260,000

Year Ending June 30,	Urban Renewal Tax Increment (TIF) Revenue Bonds	
	Tibbles TIF Subdivision Issued Aug 1, 2005	
	Interest Rates	Amount
2013	3.85 %	\$ 15,000
2014	4.00 %	20,000
2015	4.10 %	20,000
2016	4.20 %	20,000
		\$ 75,000

See accompanying independent auditors' report.

Schedule 3

Bonds

Water Improvement Issued Jul 1, 2009		Fire Truck/Backhoe Issued Jul 1, 2011		Street Improvement Issued Jul 25, 2011		Sewer Improvement Issued May 30, 2012		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.80 %	\$ 19,000	3.00 %	\$ 17,000	1.60 %	\$ 30,000	3.00 %	\$ 10,000	\$ 156,000
3.80 %	20,000	3.00 %	25,000	1.60 %	30,000	3.50 %	12,500	165,000
-	-	3.50 %	26,000	1.60 %	30,000	3.60 %	13,000	148,500
-	-	3.60 %	27,000	1.60 %	30,000	3.75 %	13,500	155,000
-	-	3.75 %	28,000	3.00 %	30,000	3.75 %	13,000	86,500
-	-	3.80 %	29,000	3.00 %	30,000	-	-	72,000
-	-	3.90 %	29,000	3.00 %	30,000	-	-	59,000
-	-	-	-	3.00 %	35,000	-	-	35,000
-	-	-	-	3.00 %	35,000	-	-	35,000
	<u>\$ 39,000</u>		<u>\$ 181,000</u>		<u>\$ 280,000</u>		<u>\$ 62,000</u>	<u>\$ 912,000</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	
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>\$ 536,000</u>		<u>\$ 190,000</u>		<u>\$ 49,000</u>		<u>\$ 60,000</u>	<u>\$ 835,000</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts			
Property tax	\$ 214,604	210,116	145,189
Tax increment financing collections	262,909	268,517	442,782
Other city tax	97,839	92,151	80,103
Licenses and permits	1,453	776	1,651
Use of money and property	9,712	7,361	11,539
Intergovernmental	227,253	92,521	95,813
Charges for service	31,095	32,914	43,739
Special assessments	-	-	685
Miscellaneous	59,265	42,370	11,444
Total	\$ <u>904,130</u>	<u>746,726</u>	<u>832,945</u>
Disbursements			
Operating:			
Public safety	\$ 230,651	125,205	142,444
Public works	388,379	74,126	75,846
Culture and recreation	115,703	69,682	59,873
Community and economic development	102,488	204,974	53,636
General government	82,276	53,097	43,519
Debt service	157,194	102,441	287,139
Capital projects	203,874	44,481	7,087
Total	\$ <u>1,280,565</u>	<u>674,006</u>	<u>669,544</u>

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
200,807	146,409	149,263	112,198	115,291
137,874	256,035	214,341	237,576	222,747
88,806	69,871	77,705	83,583	67,769
1,471	2,848	1,987	1,852	2,666
8,635	13,888	20,084	5,695	862
87,028	179,779	597,304	968,980	154,309
50,893	35,074	56,147	22,888	12,962
368	-	-	-	-
92,952	26,444	348,173	84,182	59,867
<u>668,834</u>	<u>730,348</u>	<u>1,465,004</u>	<u>1,516,954</u>	<u>636,473</u>
108,359	113,791	114,071	129,467	116,961
58,435	70,266	70,489	78,928	51,922
56,821	59,434	20,793	30,897	32,607
132,414	79,866	205,412	205,902	159,736
55,949	46,178	58,873	84,268	60,152
283,035	627,966	74,340	57,224	91,263
28,533	461,501	2,230,688	1,751,328	429,624
<u>723,546</u>	<u>1,459,002</u>	<u>2,774,666</u>	<u>2,338,014</u>	<u>942,265</u>

See accompanying independent auditors' report.

City of Carson



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

October 5, 2012

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 5, 2012. 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

The management of the City of Carson is responsible for establishing and maintaining effective 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 and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

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

A deficiency in internal control 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 material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Carson's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-11 to be 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, 2012 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.

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.

Schraer & Associates, P.C.

City of Carson
Schedule of Findings
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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, 2012

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget

Disbursements during the year ended June 30, 2012 did not exceed the amended budgeted amounts.

II-B-12 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-12 Travel Expense

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

II-D-12 Business Transactions

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

Rick Taylor, Brother of Mayor Owner of Davis-Taylor Insurance	Insurance per bid	\$ 31,927
Sue Jones, Council Member Owner of Garden Chic Design	Ragbrai Street decorations	<u>705</u>
		<u>\$ 32,632</u>

The transaction with the Council Member does not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the year.

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.

II-E-12 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.

II-F-12 Council Minutes

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

City of Carson
Schedule of Findings
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting - Continued:

II-G-12 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-12 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 should 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 have increased our fees during the prior fiscal year and will monitor the fund balances.

Conclusion – Response acknowledged. The City may need to consider an additional increase in the user fees.

II-I-12 Financial Condition

Comment – At June 30, 2012, the City had the following deficit fund balances:

General Fund	\$	98,674
Capital Projects		75,464
Proprietary, Sewer Fund		89,093
Proprietary, Garbage Fund		36,333
Total	\$	<u>299,564</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition. User fees for sewer and garbage should be adjusted to service operations and revenue debt. The City should control spending within corresponding revenue sources.

Response – We will monitor these funds closely and have made increases in sewer and garbage fees.

Conclusion – Response acknowledged. The City may need to consider an additional increase in the user fees.

City of Carson
Schedule of Findings
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting - Continued:

II-J-12 Debt Service Fund

Comment – The Debt Service Fund had a balance of \$72,209 at June 30, 2012 which may be excessive when compared to the annual debt service requirements and the amounts levied annually to cover these requirements. The balance is partially attributable to budget errors made during the years ended June 30, 2011 and June 30, 2012 related to the Series 2006 general obligation street/storm sewer bonds. The City levied debt service for the bonds but also certified and received tax increment financing (TIF) receipts for the bonds which were transferred from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund.

Recommendation – The City should review the Debt Service Fund activity and balances for the current and prior years and determine whether a reduction in the debt service levy is appropriate to reduce the fund balance.

Response – We will do this.

Conclusion – Response accepted.

II-K-12 Urban Renewal Tax Increment Fund

Comment – The City has three urban renewal areas with low to moderate income set aside requirements. The set aside amounts are not segregated for accountability.

Recommendation – For better accountability, the City should segregate the low to moderate income set aside funds within the Urban Renewal Tax Increment Fund. In addition, any debt incurred internally should be documented as debt before it is certified. The remainder of interest due on outstanding loans should be totally certified.

Response – We will do this.

Conclusion – Response accepted.