



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

October 20, 2008

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Auditor of State David A. Vaudt today released an audit report on the City of Carter Lake, Iowa.

The City's receipts totaled \$4,946,396 for the year ended June 30, 2008, a less than 1 percent increase over 2007. The receipts included \$2,420,187 in property and other city tax, \$337,917 from local option sales tax, \$1,103,033 from charges for service, \$692,841 from operating grants, contributions and restricted interest, \$240,061 from capital grants, contributions and restricted interest and \$152,357 from other general receipts.

Disbursements for the year totaled \$5,195,901, a 5 percent increase over the prior year, and included \$650,395 for capital projects, \$1,097,329 for public safety and \$800,422 for culture and recreation. Also, disbursements for business type activities totaled \$832,635.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF CARTER LAKE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-26
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Required Supplementary Information – Budgetary Reporting		30
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	32-33
Schedule of Indebtedness	2	34-35
Note Maturities	3	37
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	39
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-48
Staff		49

City of Carter Lake

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Russell Kramer	Mayor	Jan 2010
Doug Wallingford	Council Member	Nov 2007
Tim Parker	Council Member	Nov 2007
Les Lundberg	Council Member	Nov 2007
Barb Hawkins	Council Member	Jan 2008
Steve Wilbur	Council Member	Jan 2010
Doreen Mowery	Clerk/Treasurer	Indefinite
Lisa Ruehle	Deputy Clerk	Indefinite
Joe Thornton	Attorney	Indefinite
(After January 2008)		
Russell Kramer	Mayor	Jan 2010
Tim Parker	Council Member	Jan 2010
Steve Wilbur	Council Member	Jan 2010
Edward Aldmeyer	Council Member	Jan 2012
Joseph Anderson	Council Member	Jan 2012
Ronald Cumberledge	Council Member	Jan 2012
Doreen Mowery	Clerk/Treasurer	Indefinite
Lisa Ruehle	Deputy Clerk	Indefinite
Joe Thornton	Attorney	Indefinite

City of Carter Lake



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Independent Auditor's 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 Carter Lake, Iowa, as of and for the year ended June 30, 2008, 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 Carter Lake'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 Carter Lake as of June 30, 2008, 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 report dated September 24, 2008 on our consideration of the City of Carter Lake'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 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carter Lake's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (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. Other 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Carter Lake provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities decreased 1%, or approximately \$35,000, from fiscal year 2007 to 2008. The total cost of all governmental activities programs and services increased 3%, or approximately \$144,000. The increase in disbursements was the result of additional funds being spent for the fire department because of grants received in fiscal year 2008.
- The City decreased property tax rates for 2008 by an average of 6.64%. The City's budgeted property tax receipts decreased approximately \$74,000 in 2008. Property tax receipts are budgeted to increase \$15,000 next year.
- The cost of all governmental activities this year was \$4.36 million compared to \$4.22 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was \$3.3 million because some of the cost was paid by those directly benefited from the programs (\$142,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$933,000).

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 nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and garbage activities. 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 Tax Increment Financing, 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer and garbage funds, which are considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$1,407,948 to \$1,393,198. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 142	144
Operating grants, contributions and restricted interest	693	459
Capital grants, contributions and restricted interest	240	327
General receipts:		
Property and other city tax	1,350	1,492
Tax increment financing	560	573
Local option sales tax	169	188
Other city tax	510	512
Grants and contributions not restricted	26	-
Unrestricted interest on investments	57	77
Other general receipts	69	79
Total receipts	<u>3,816</u>	<u>3,851</u>
Disbursements:		
Public safety	1,097	920
Public works	516	405
Health and social services	10	10
Culture and recreation	801	609
Community and economic development	579	-
General government	324	294
Debt service	386	422
Capital projects	650	1,559
Total disbursements	<u>4,363</u>	<u>4,219</u>
Change in cash basis net assets before transfers	(547)	(368)
Transfers, net	532	348
Change in cash basis net assets	(15)	(20)
Cash basis net assets beginning of year	<u>1,408</u>	<u>1,428</u>
Cash basis net assets end of year	<u>\$ 1,393</u>	<u>1,408</u>

Total governmental activities receipts for the fiscal year were \$3.816 million compared to \$3.851 million last year. This decrease was due primarily to decreases in property tax and capital grants, contributions and restricted interest offset by an increase in operating grants, contributions and restricted interest.

The cost of all governmental activities this year was \$4.363 million compared to \$4.219 million last year. This increase was due primarily to additional funds being spent for the fire department because of grants received in the fiscal year.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 420	398
Sewer	368	337
Garbage	172	165
General receipts:		
Local option sales tax	169	188
Total receipts	<u>1,129</u>	<u>1,088</u>
Disbursements:		
Water	389	320
Sewer	321	269
Garbage	122	136
Total disbursements	<u>832</u>	<u>725</u>
Change in cash basis net assets before transfers	297	363
Transfers, net	<u>(532)</u>	<u>(348)</u>
Change in cash basis net assets	(235)	15
Cash basis net assets beginning of year	<u>1,133</u>	<u>1,118</u>
Cash basis net assets end of year	<u>\$ 898</u>	<u>1,133</u>

Total business type activities charges for service receipts for the fiscal year were \$953,061 compared to \$893,239 last year. This increase was due primarily to increased sewer rates and additional water consumption.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carter Lake completed the year, its governmental funds reported a combined fund balance of approximately \$1,393,000, a decrease of approximately \$15,000 from last year's total of approximately \$1,408,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$14,447 over the prior year to \$602,462. This increase is attributed to additional receipts for the fire department and skate park and reduced property tax and use of money and property receipts.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$11,033 to \$286,339 during the fiscal year. This decrease was attributed to a decrease in collections for other city tax.
- The Special Revenue, Employees' Retirement Fund cash balance increased \$28,990 to \$138,171 during the fiscal year. This increase was attributed to a decrease in the workers compensation premium.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$44,840 to a balance of \$235,045. This decrease is attributed to an increase in disbursements due to payments to developers per development agreements. Fifty-seven percent of the funds

collected for Urban Renewal Project #2 will be distributed to the developer per the development agreement between the City and the developer. The remaining forty-three percent of the funds will be used for housing rehabilitation for low to moderate income families in Carter Lake. The Urban Revitalization projects had disbursements of \$631,469 during fiscal year 2008.

- The Capital Projects Fund cash balance decreased \$41,134 to \$18,265 during the fiscal year. This decrease was due to finishing the storm water capital project and beginning the city hall capital project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$34,135 to \$357,976, due primarily to an increase in the sale of water and additional hookup fees. Approximately \$84,000 of local option sales tax was credited to the Water Fund. The City transferred \$81,145 to the Capital Projects Fund to cover part of the costs of the storm water project.
- The Sewer Fund cash balance increased \$6,300 to \$552,073, due primarily to an increase in the rates charged to customers beginning last year and disbursements increasing due to purchasing two pieces of equipment. Approximately \$84,000 of local option sales tax was credited to the Sewer Fund. The City transferred \$126,140 to the Capital Projects Fund to cover part of the costs of the Storm Water Project.
- The Garbage Fund cash balance decreased \$275,190 to (\$11,836), due primarily to a transfer to the Capital Projects Fund for temporary funding for the city hall capital project. Garbage fees and contracted garbage rates did not increase during the 2008 year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on April 8, 2008 and resulted in a net increase of \$1,171,973 in disbursements. The increase was primarily for community and economic development.

The City's receipts were \$10,766 less than budgeted. This variance was not significant and is the result of the budget amendment increasing budgeted receipts by \$573,575, primarily due to the City receiving more in intergovernmental and miscellaneous receipts than originally anticipated.

With the amendment, total disbursements were \$87,286 less than the amended budget. The actual disbursements for the public safety, culture and recreation and general government functions were \$89,975, \$49,511 and \$51,957, respectively, less than the amended budget. The public safety function was under budget because actual disbursements for the fire department grants were not all made in fiscal year 2008. The culture and recreation function was under budget because some of the park projects were not completed as planned during the fiscal year. The general government function was under budget because legal and miscellaneous disbursements were less than anticipated. However, actual disbursements for the health and social services, community and economic development and capital projects functions were \$1,953, \$46,792 and \$106,200, respectively, more than the amended budget. The overexpenditure in the community and economic development function was due to a sidewalk replacement project and increased disbursements in Urban Renewal #2 for low to moderate income housing repairs. The overexpenditure in the capital projects function was primarily due to city hall construction project activity. The overspent amount in the remaining function was not significant.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$2,231,000 in notes and other long-term debt outstanding, compared to approximately \$2,479,000 last year, as shown below.

Outstanding Debt at Year-End		
(Expressed in Thousands)		
	June 30,	
	2008	2007
General obligation notes	\$ 1,980	2,200
Urban renewal tax increment financing revenue notes	225	265
Lease purchase agreements	26	14
Total	\$ 2,231	2,479

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 debt of approximately \$2,231,000 is significantly below its constitutional debt limit of \$5.65 million.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to the State's budget constraints.

These factors were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$1.32 million, an increase of 1.1% from the final 2008 budget. Property tax (benefiting from increases in taxable valuations) are expected to lead this increase. Budgeted disbursements are expected to decrease approximately \$1,061,000. The decrease is due to sidewalk projects, parks projects, storm water and lake projects being completed in fiscal year 2008. Since bids were received after the 2009 budget was adopted, expenditures of approximately \$3.75 million for City Hall construction were not included in the budget for fiscal year 2009. An amendment to the original adopted budget will be needed to cover those expenditures. The City has added no other new major programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$66,000 by the close of 2009.

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 Doreen Mowery, City Clerk, 950 Locust Street, Carter Lake, Iowa 51510.

Basic Financial Statements

City of Carter Lake

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,097,329	76,170	220,720	-
Public works	516,466	-	278,265	36,647
Health and social services	10,065	-	-	-
Culture and recreation	800,422	50,872	181,388	-
Community and economic development	578,678	-	-	-
General government	324,096	14,784	12,468	-
Debt service	385,815	-	-	-
Capital projects	650,395	-	-	203,414
Total governmental activities	4,363,266	141,826	692,841	240,061
Business type activities:				
Water	389,403	420,204	-	-
Sewer	320,843	368,804	-	-
Garbage	122,389	172,199	-	-
Total business type activities	832,635	961,207	-	-
Total	\$ 5,195,901	1,103,033	692,841	240,061

General Receipts:

Property and other city tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Other city tax
Grants and contributions not restricted
Unrestricted interest on investments
Miscellaneous
Transfers
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
Debt service
Tax increment financing
Capital projects
Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(800,439)	-	(800,439)
(201,554)	-	(201,554)
(10,065)	-	(10,065)
(568,162)	-	(568,162)
(578,678)	-	(578,678)
(296,844)	-	(296,844)
(385,815)	-	(385,815)
(446,981)	-	(446,981)
(3,288,538)	-	(3,288,538)
-	30,801	30,801
-	47,961	47,961
-	49,810	49,810
-	128,572	128,572
(3,288,538)	128,572	(3,159,966)
1,096,783	-	1,096,783
560,164	-	560,164
253,631	-	253,631
168,959	168,958	337,917
509,609	-	509,609
26,465	-	26,465
56,604	-	56,604
69,288	-	69,288
532,285	(532,285)	-
3,273,788	(363,327)	2,910,461
(14,750)	(234,755)	(249,505)
1,407,948	1,132,968	2,540,916
\$ 1,393,198	898,213	2,291,411
\$ 286,339	-	286,339
55,753	-	55,753
235,045	-	235,045
18,265	-	18,265
195,334	-	195,334
602,462	898,213	1,500,675
\$ 1,393,198	898,213	2,291,411

City of Carter Lake

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue			
	General	Road Use Tax	Employees' Retirement	Tax Increment Financing
Receipts:				
Property tax	\$ 804,737	-	255,066	-
Tax increment financing	-	-	-	560,164
Other city tax	569,122	118,271	1,620	-
Licenses and permits	38,214	-	-	-
Use of money and property	84,120	-	-	-
Intergovernmental	308,062	278,265	-	-
Charges for service	74,234	-	-	-
Special assessments	64,153	-	-	-
Miscellaneous	160,829	-	-	26,465
Total receipts	<u>2,103,471</u>	<u>396,536</u>	<u>256,686</u>	<u>586,629</u>
Disbursements:				
Operating:				
Public safety	923,830	-	142,901	-
Public works	118,047	398,419	-	-
Health and social services	10,065	-	-	-
Culture and recreation	741,835	-	58,587	-
Community and economic development	2,509	-	-	576,019
General government	297,888	-	26,208	-
Debt service	-	-	-	55,450
Capital projects	-	-	-	-
Total disbursements	<u>2,094,174</u>	<u>398,419</u>	<u>227,696</u>	<u>631,469</u>
Excess (deficiency) of receipts over (under) disbursements	<u>9,297</u>	<u>(1,883)</u>	<u>28,990</u>	<u>(44,840)</u>
Other financing sources (uses):				
Operating transfers in	34,150	-	-	-
Operating transfers out	(29,000)	(9,150)	-	-
Total other financing sources (uses)	<u>5,150</u>	<u>(9,150)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	14,447	(11,033)	28,990	(44,840)
Cash balances beginning of year	<u>588,015</u>	<u>297,372</u>	<u>109,181</u>	<u>279,885</u>
Cash balances end of year	<u>\$ 602,462</u>	<u>286,339</u>	<u>138,171</u>	<u>235,045</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	602,462	-	-	-
Special revenue funds	-	286,339	138,171	235,045
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ 602,462</u>	<u>286,339</u>	<u>138,171</u>	<u>235,045</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	278,610	1,338,413
-	-	560,164
-	1,556	690,569
-	-	38,214
12,784	373	97,277
92,197	-	678,524
-	-	74,234
-	-	64,153
34,280	53,109	274,683
<u>139,261</u>	<u>333,648</u>	<u>3,816,231</u>
-	30,598	1,097,329
-	-	516,466
-	-	10,065
-	-	800,422
-	150	578,678
-	-	324,096
-	330,365	385,815
650,395	-	650,395
<u>650,395</u>	<u>361,113</u>	<u>4,363,266</u>
(511,134)	(27,465)	(547,035)
552,285	91,285	677,720
(82,285)	(25,000)	(145,435)
<u>470,000</u>	<u>66,285</u>	<u>532,285</u>
(41,134)	38,820	(14,750)
59,399	74,096	1,407,948
<u>18,265</u>	<u>112,916</u>	<u>1,393,198</u>
-	55,753	55,753
-	-	602,462
-	57,163	716,718
18,265	-	18,265
<u>18,265</u>	<u>112,916</u>	<u>1,393,198</u>

Exhibit C

City of Carter Lake

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise			Total
	Water	Sewer	Garbage	
Operating receipts:				
Charges for service	\$ 412,058	368,804	172,199	953,061
Miscellaneous	8,146	-	-	8,146
Total operating receipts	420,204	368,804	172,199	961,207
Operating disbursements:				
Business type activities:				
Operations	389,403	320,843	122,389	832,635
Excess of operating receipts over operating disbursements	30,801	47,961	49,810	128,572
Non-operating receipts:				
Local option sales tax	84,479	84,479	-	168,958
Excess of receipts over disbursements	115,280	132,440	49,810	297,530
Other financing uses:				
Operating transfers out	(81,145)	(126,140)	(325,000)	(532,285)
Net change in cash balances	34,135	6,300	(275,190)	(234,755)
Cash balances beginning of year	323,841	545,773	263,354	1,132,968
Cash balances end of year	\$ 357,976	552,073	(11,836)	898,213
Cash Basis Fund Balances				
Unreserved	\$ 357,976	552,073	(11,836)	898,213

See notes to financial statements.

City of Carter Lake

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Carter Lake is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1930 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, culture and recreation 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 Carter Lake 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.

These financial statements present the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Component Unit – The Carter Lake Smoke Eaters is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds.

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 Pottawattamie County Assessor's Conference Board and the Pottawattamie County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – 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.

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 not meeting 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 not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employees’ Retirement Fund is used to account for the collection and use of tax for insurance benefits.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those 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 waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the collection and disbursement of garbage collection and landfill fees.

C. Measurement Focus and Basis of Accounting

The City of Carter Lake 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.

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, 2008, disbursements exceeded the amounts budgeted in the health and social services, community and economic development and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Notes and Other Financing Arrangements Payable

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue notes are as follows:

Year Ending June 30,	General Obligation		Urban Renewal Tax Increment Financing		Total	
	Notes		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 225,000	97,900	40,000	13,150	265,000	111,050
2010	160,000	87,482	45,000	10,850	205,000	98,332
2011	160,000	80,063	45,000	8,200	205,000	88,263
2012	170,000	72,592	45,000	5,550	215,000	78,142
2013	170,000	64,617	50,000	2,900	220,000	67,517
2014-2018	710,000	204,055	-	-	710,000	204,055
2019-2021	385,000	42,335	-	-	385,000	42,335
Total	\$1,980,000	649,044	225,000	40,650	2,205,000	689,694

The urban renewal tax increment financing revenue notes were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The notes are payable solely from the income and proceeds of the Special Revenue, Tax Increment Financing Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

- (a) The notes will only be redeemed from future tax increment financing revenues received by the City.
- (b) Sufficient monthly transfers shall be made to a separate urban renewal revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of 25% of the amount required to be deposited each month in the sinking account shall be made to an urban renewal revenue reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of making the note principal and interest payments when the sinking account balance is insufficient.

Lease-Purchase Agreements

On January 5, 2001, the City entered into a lease-purchase agreement to purchase an ambulance. The total cost was \$81,130 plus 6.295% per annum interest to be financed over a seven-year period. During the year ended June 30, 2008, the final payment of \$14,686, including interest, was paid under this agreement.

On September 10, 2007, the City entered into a lease-purchase agreement to purchase a backhoe. The total cost was \$79,938, which includes a trade-in allowance of \$18,500.

The agreement is interest free. During the year ended June 30, 2008, \$35,000 was paid under this agreement. The principal balance of \$26,438 at June 30, 2008 is due during the year ending June 30, 2009.

(4) 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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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 contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$72,956, 71,174 and \$66,685, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory 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, sick leave and compensatory time payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 39,000
Sick leave	40,000
Compensatory time	<u>5,000</u>
Total	<u>\$ 84,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of

any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$79,693.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from another insurer for coverage associated with workmans compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 25,000
	Road Use Tax	9,150
Special Revenue:		
InfoUSA CEBA Grant	General	9,000
Debt Service	Capital Projects	82,285
Capital Projects	General	20,000
	Enterprise:	
	Water	81,145
	Sewer	126,140
	Garbage	325,000
Total		<u>\$ 677,720</u>

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

(8) Development and Rebate Agreements

The City entered into three separate development and rebate agreement during the years ended June 30, 2000 and June 30, 2004 to assist in urban renewal projects. The City agreed to rebate incremental taxes paid by the developer in exchange for public improvement infrastructure constructed by the developer as set forth in the urban renewal plans.

In accordance with the first fiscal year 2000 development and rebate agreement, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements is first paid. The total amount rebated is not to exceed the actual cost of the public improvements paid for by the developer. Of the amount collected, 57% is to be paid to the developer and 43% is to be used for the development of low and moderate income housing projects. During the year ended June 30, 2008, the City paid the developer \$184,392 and paid \$168,703 for low to moderate income housing projects from the tax increment financing received.

In accordance with the second fiscal year 2000 development and rebate agreement, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of twelve years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2008, the City paid the developer \$158,952.

In accordance with the fiscal year 2004 development and rebate agreement, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period of fifteen years beginning with the tax year in which property tax on the completed value of the improvements is first paid. The total amount rebated each year shall represent 50% of the incremental property tax received

by the City, not to exceed 18% of the total projected costs up to \$360,000. During the year ended June 30, 2008, the City paid the developer \$54,030.

No bonds or notes were issued for these projects.

(9) Community Economic Betterment Account (CEBA) Loan

On October 14, 2004, the City received \$455,000 from the Iowa Department of Economic Development (Department) to promote and assist economic growth through the development and expansion of the municipal and county tax base. In accordance with the agreement, the City loaned \$455,000 to a qualified business. The loan consists of a \$297,000 forgivable loan and a \$158,000 interest-free conventional loan. Repayment of the conventional loan is to be made in monthly payments of \$2,633, with the first payment to the Department due January 1, 2005. Terms of the forgivable loan are based on the creation and retention of jobs by the qualified business. Repayments on the loan are made directly to the Department from the qualified business. Therefore, the liability for this loan is not included in the Schedule of Indebtedness (Schedule 2). The outstanding loan balance at June 30, 2008 was \$47,400.

(10) Deficit Balance

The Enterprise, Garbage Fund had a deficit balance of \$11,836 at June 30, 2008. The deficit balance was a result of transferring funds to the Capital Projects Fund. The deficit will be eliminated upon receipt of bond proceeds.

(11) Subsequent Events

In July 2008, the City issued \$540,000 of refunding general obligation bonds to refund \$430,000 of general obligation and \$110,000 of tax increment financing revenue notes, \$1,055,000 of advance refunding general obligation bonds and \$3,850,000 of local option sales and service tax revenue bonds. The \$3,850,000 issuance was for the construction of a new City Hall. The other issuances were to retire two general obligation capital loan notes and one urban renewal tax increment financing revenue note.

Required Supplementary Information

City of Carter Lake
 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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,338,413	-	-
Tax increment financing	561,720	-	-
Other city tax	689,013	168,958	-
Licenses and permits	38,214	-	-
Use of money and property	97,277	-	370
Intergovernmental	678,524	-	-
Charges for service	74,234	953,061	-
Special assessments	64,153	-	-
Miscellaneous	274,683	8,146	53,109
Total receipts	3,816,231	1,130,165	53,479
Disbursements:			
Public safety	1,097,329	-	29,113
Public works	516,466	-	-
Health and social services	10,065	-	-
Culture and recreation	800,422	-	-
Community and economic development	578,678	-	-
General government	324,096	-	-
Debt service	385,815	-	-
Capital projects	650,395	-	-
Business type activities	-	832,635	-
Total disbursements	4,363,266	832,635	29,113
Excess (deficiency) of receipts over (under) disbursements	(547,035)	297,530	24,366
Other financing sources, net	532,285	(532,285)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(14,750)	(234,755)	24,366
Balances beginning of year	1,407,948	1,132,968	-
Balances end of year	\$ 1,393,198	898,213	24,366

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,338,413	1,311,716	1,311,716	26,697
561,720	575,342	601,807	(40,087)
857,971	757,950	911,458	(53,487)
38,214	47,650	32,500	5,714
96,907	77,750	93,798	3,109
678,524	507,792	692,458	(13,934)
1,027,295	978,200	1,009,386	17,909
64,153	-	60,000	4,153
229,720	73,708	190,560	39,160
4,892,917	4,330,108	4,903,683	(10,766)
1,068,216	976,296	1,158,191	89,975
516,466	391,274	532,829	16,363
10,065	7,500	8,112	(1,953)
800,422	806,520	849,933	49,511
578,678	9,000	531,886	(46,792)
324,096	330,500	376,053	51,957
385,815	385,915	385,915	100
650,395	346,952	544,195	(106,200)
832,635	828,144	866,960	34,325
5,166,788	4,082,101	5,254,074	87,286
(273,871)	248,007	(350,391)	76,520
-	-	-	-
(273,871)	248,007	(350,391)	76,520
2,540,916	2,022,188	2,190,526	350,390
2,267,045	2,270,195	1,840,135	426,910

City of Carter Lake

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the 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 \$1,171,973. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the health and social services, community and economic development and capital projects functions.

Other Supplementary Information

City of Carter Lake

City of Carter Lake

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue					Total
	Emergency	Police Forfeiture	InfoUSA CEBA Grant	Carter Lake Smoke Eaters	Debt Service	
Receipts:						
Property tax	\$ 26,366	-	-	-	252,244	278,610
Other city tax	169	-	-	-	1,387	1,556
Use of money and property	-	3	-	370	-	373
Miscellaneous	-	-	-	53,109	-	53,109
Total receipts	<u>26,535</u>	<u>3</u>	<u>-</u>	<u>53,479</u>	<u>253,631</u>	<u>333,648</u>
Disbursements:						
Operating:						
Public safety	-	1,485	-	29,113	-	30,598
Community and economic development	-	-	150	-	-	150
Debt service	-	-	-	-	330,365	330,365
Total disbursements	<u>-</u>	<u>1,485</u>	<u>150</u>	<u>29,113</u>	<u>330,365</u>	<u>361,113</u>
Excess (deficiency) of receipts over (under) disbursements	<u>26,535</u>	<u>(1,482)</u>	<u>(150)</u>	<u>24,366</u>	<u>(76,734)</u>	<u>(27,465)</u>
Other financing sources (uses):						
Operating transfers in	-	-	9,000	-	82,285	91,285
Operating transfers out	(25,000)	-	-	-	-	(25,000)
Total other financing sources (uses)	<u>(25,000)</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>82,285</u>	<u>66,285</u>
Net change in cash balances	1,535	(1,482)	8,850	24,366	5,551	38,820
Cash balances beginning of year	801	2,921	20,172	-	50,202	74,096
Cash balances end of year	<u>\$ 2,336</u>	<u>1,439</u>	<u>29,022</u>	<u>24,366</u>	<u>55,753</u>	<u>112,916</u>
Cash Basis Fund Balances						
Reserved for debt service	\$ -	-	-	-	55,753	55,753
Unreserved:						
Special revenue funds	2,336	1,439	29,022	24,366	-	57,163
Total cash basis fund balances	<u>\$ 2,336</u>	<u>1,439</u>	<u>29,022</u>	<u>24,366</u>	<u>55,753</u>	<u>112,916</u>

See accompanying independent auditor's report.

City of Carter Lake
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan	Jun 1, 1999	4.500-5.125%	\$ 550,000
Capital loan	Dec 1, 2000	4.85-5.80	865,000
Capital loan	May 1, 2001	5.00-5.30	1,200,000
Capital loan	Jun 1, 2006	3.75-4.30	600,000
Total			
Urban renewal tax increment financing revenue notes:			
Capital loan	Feb 1, 1999	7.00%	\$ 200,000
Capital loan	Feb 1, 1999	5.00	250,000
Total			
Lease-purchase agreements:			
Ambulance	Jan 5, 2001	6.295%	\$ 81,130
Backhoe	Sep 10, 2007	-	61,438
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
145,000	-	70,000	75,000	7,145
455,000	-	35,000	420,000	25,093
1,055,000	-	55,000	1,000,000	54,642
545,000	-	60,000	485,000	22,685
\$ 2,200,000	-	220,000	1,980,000	109,565
110,000	-	15,000	95,000	8,100
155,000	-	25,000	130,000	8,150
\$ 265,000	-	40,000	225,000	16,250
13,816	-	13,816	-	870
-	61,438	35,000	26,438	-
\$ 13,816	61,438	48,816	26,438	870

City of Carter Lake

City of Carter Lake

Note Maturities

June 30, 2008

Year Ending June 30,	General Obligation Notes								
	Capital Loan Notes		Capital Loan Notes		Capital Loan Notes		Capital Loan Notes		Total
	Issued Jun 1, 1999		Issued Dec 1, 2000		Issued May 1, 2001		Issued Jun 1, 2006		
	Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2009	4.70%	\$ 75,000	5.15%	\$ 35,000	5.00%	\$ 55,000	3.90%	\$ 60,000	225,000
2010		-	5.20	35,000	5.00	60,000	5.00	65,000	160,000
2011		-	5.25	35,000	5.00	60,000	5.05	65,000	160,000
2012		-	5.30	35,000	5.00	65,000	4.10	70,000	170,000
2013		-	5.35	35,000	5.00	65,000	4.15	70,000	170,000
2014		-	5.40	35,000	5.05	70,000	4.25	75,000	180,000
2015		-	5.45	35,000	5.10	70,000	4.30	80,000	185,000
2016		-	5.50	35,000	5.15	75,000		-	110,000
2017		-	5.60	35,000	5.20	80,000		-	115,000
2018		-	5.70	35,000	5.25	85,000		-	120,000
2019		-	5.75	35,000	5.25	85,000		-	120,000
2020		-	5.80	35,000	5.30	90,000		-	125,000
2021		-		-	5.30	140,000		-	140,000
Total		<u>\$ 75,000</u>		<u>\$ 420,000</u>		<u>\$ 1,000,000</u>		<u>\$ 485,000</u>	<u>1,980,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Notes				
	Capital Loan Notes		Capital Loan Notes		Total
	Issued Feb 1, 1999		Issued Feb 1, 1999		
	Interest		Interest		
Rates	Amount	Rates	Amount		
2009	7.00%	\$ 15,000	5.00%	\$ 25,000	40,000
2010	7.00	20,000	5.00	25,000	45,000
2011	7.00	20,000	5.00	25,000	45,000
2012	7.00	20,000	5.00	25,000	45,000
2013	7.00	20,000	5.00	30,000	50,000
Total		<u>\$ 95,000</u>		<u>\$ 130,000</u>	<u>225,000</u>

See accompanying independent auditor's report.

City of Carter Lake
 Schedule of Receipts by Source and
 Disbursements By Function – All Governmental Fund Types

For the Last Eight Years

	2008	2007	2006	2005
Receipts:				
Property tax	\$ 1,338,413	1,481,188	1,289,066	1,189,795
Tax increment financing	560,164	572,962	376,635	212,667
Other city tax	690,569	711,146	497,691	428,365
Licenses and permits	38,214	41,134	46,467	62,104
Use of money and property	97,277	137,870	61,782	34,574
Intergovernmental	678,524	685,306	438,881	912,363
Charges for service	74,234	87,682	49,911	45,666
Special assessments	64,153	-	536	3,338
Miscellaneous	274,683	133,945	109,978	95,589
Total	\$ 3,816,231	3,851,233	2,870,947	2,984,461
Disbursements:				
Operating:				
Public safety	\$ 1,097,329	919,725	872,856	802,853
Public works	516,466	405,487	319,333	302,872
Health and social services	10,065	9,951	980	1,350
Culture and recreation	800,422	609,128	588,453	534,046
Community and economic development	578,678	-	-	461,828
General government	324,096	293,986	265,849	276,834
Debt service	385,815	421,965	339,194	350,693
Capital projects	650,395	1,559,200	301,409	-
Total	\$ 4,363,266	4,219,442	2,688,074	2,730,476

See accompanying independent auditor's report.

2004	2003	2002	2001
1,149,542	1,046,559	1,276,677	1,241,000
184,343	27,585	95,832	81,320
382,467	380,556	-	-
100,410	32,149	16,254	15,982
31,856	34,355	113,075	94,280
423,941	402,198	495,575	412,310
28,979	10,086	110,417	97,300
4,956	7,158	62,792	63,411
85,717	93,012	31,296	20,517
<u>2,392,211</u>	<u>2,033,658</u>	<u>2,201,918</u>	<u>2,026,120</u>
633,691	699,532	387,210	380,300
370,813	329,723	514,922	500,616
-	85	99,300	97,311
588,998	534,420	78,253	75,244
-	-	11,941	11,829
263,233	183,444	296,714	298,411
506,599	465,144	252,111	247,200
71,806	446,888	130,030	108,500
<u>2,435,140</u>	<u>2,659,236</u>	<u>1,770,481</u>	<u>1,719,411</u>

City of Carter Lake

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

City of Carter Lake



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

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 Carter Lake, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 24, 2008. 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 Carter Lake'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 the City of Carter Lake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Carter Lake'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 certain deficiencies in internal control over financial reporting we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

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 the City of Carter Lake'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 the City of Carter Lake's financial statements that is more than inconsequential will not be prevented or detected by the City of Carter Lake's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies 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 the City of Carter Lake'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, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carter Lake'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 or other matters 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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.

The City of Carter Lake'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 the City of Carter Lake'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 Carter Lake and other parties to whom the City of Carter Lake 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 Carter Lake 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 24, 2008

City of Carter Lake

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. An initial listing of receipts received in the mail is prepared by the City. However, this listing is not reviewed and compared with deposits by an independent person.

Recommendation – The City should develop procedures to have an independent person review the initial listing and compare it with deposits to ensure the accuracy of deposits.

Response – We will develop and implement the recommended procedure.

Conclusion – Response accepted.

- (B) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality. Software does not force users to change their password every 60 to 90 days.
- A disaster recovery plan.
- Requiring backup tapes to be stored offsite.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over computer based systems.

Response – We currently change passwords every 6 months. We will change that to every 3 months.

We will draft a disaster recovery plan for council action.

We are currently constructing a new City Hall. The new facility will have a new computer system. Plans for the new system include off site backup and storage of our data. Until we move into the new building, we will attempt to have a weekly backup tape stored offsite.

Conclusion – Response accepted.

City of Carter Lake

Schedule of Findings

Year ended June 30, 2008

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Carter Lake

Schedule of Findings

Year ended June 30, 2008

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the health and social services, community and economic development and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We were aware we exceeded the budgeted amounts after the deadline to prepare and publish a budget amendment. We will try to not let this happen in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) 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 the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Minutes of two Council meetings were not properly signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with Chapter 380 of the Code of Iowa and ensure minutes are properly signed.

Response – The City was aware the two sets of minutes had not been signed. At this time, both sets of minutes have been signed.

Conclusion – Response accepted.

- (7) Deposits and Investments – Deposits and investments were in compliance with Chapters 12B and 12C of the Code of Iowa and the City’s investment policy.

City of Carter Lake

Schedule of Findings

Year ended June 30, 2008

(8) Revenue Notes – No instances of noncompliance with the revenue note resolutions were noted.

(9) Notice of Public Hearing for Public Improvements – The City held a public hearing for the Sidewalks (Club Area Project). However, notice of the public hearing was not published as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – Before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the Council should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response – The notice was prepared and posted. We do not know why it did not get published. We will make every attempt to make sure this does not happen again.

Conclusion – Response accepted.

(10) Financial Condition – The Enterprise, Garbage Fund had a deficit balance at June 30, 2008 of \$11,836.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was due to transferring to the Capital Projects Fund. The deficit will be eliminated through the receipt of bond proceeds.

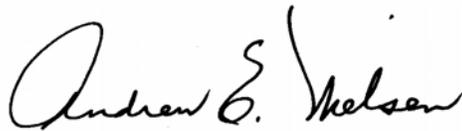
Conclusion – Response accepted.

City of Carter Lake

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Brian P. Schenkelberg, CPA, Staff Auditor
Michael D. Eckard, Assistant Auditor
Tracey L. Gerrish, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State