CITY OF GARNER

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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CITY OF GARNER

OFFICIALS

Name	Title	Term Expires
Ken Mick	Mayor	Jan 2010
Karl Bauer	Mayor Pro tem	Jan 2008
Deb Schmidt	Council Member	Jan 2008
Dick Voortmann	Council Member	Jan 2010
Gerald Pedersen	Council Member	Jan 2010
Denny Drabek	Council Member	Jan 2010
Daisy Huffman	City Clerk	Indefinite
Brent Hinson	City Administrator	Indefinite
Philip Garland	Attorney	Indefinite

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 Garner, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Garner'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 that 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 Garner as of June 30, 2007, 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 October 3, 2007 on our consideration of the City of Garner'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 6 through 13 and 29 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 Garner'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 four years ended June 30, 2006 (none of which are 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.

October 3, 2007 Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Garner 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 55.2% or approximately $2,000,000 from fiscal 2006 to fiscal 2007. Aquatic Center bond proceeds of nearly $2,200,000 account for this increase.

- Disbursements increased 76.1% or approximately $2,600,000. Payments on the Aquatic Center project were the primary reason for this increase.

- The City's total cash basis net assets decreased approximately $241,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately $182,000 and the assets of the business type activities decreased approximately $59,000. Both decreases were due in part to the use of reserves to help fund Capital Projects.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the 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, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and other general receipts finance most of these activities.

- Business Type Activities include the waterworks, sanitary sewer and storm sewer systems. 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: A) the General Fund, B) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, C) the Debt Service Fund, D) the Capital Projects Fund and E) the Permanent 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 and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the

water, sewer, and storm sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

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 shows a slight decrease of 8% from $2.2 million to $2.1 million. The analysis to follow focuses on the changes in cash balances for governmental activities.

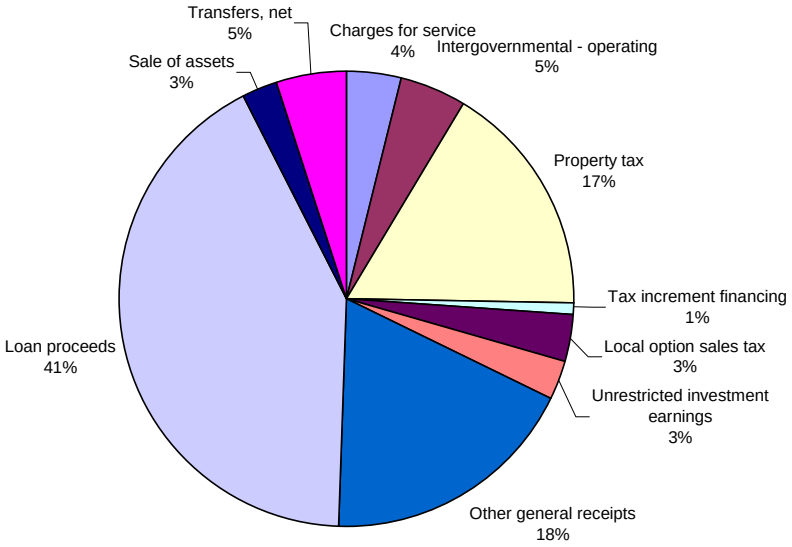
The City's total receipts for governmental activities increased approximately $2,000,000 or 55.2%. The significant increase in receipts was primarily the result of proceeds received from the issuance of general obligation bonds.

The City recognized a slight decrease in its property tax rates for 2007 by an average of 1.2 percent. Even with this decrease, property tax receipts for the year increased over $110,000. This is due largely to an increase in total assessed valuation, created by state mandated valuation increase orders, 10% for residential properties and 15% for commercial properties.

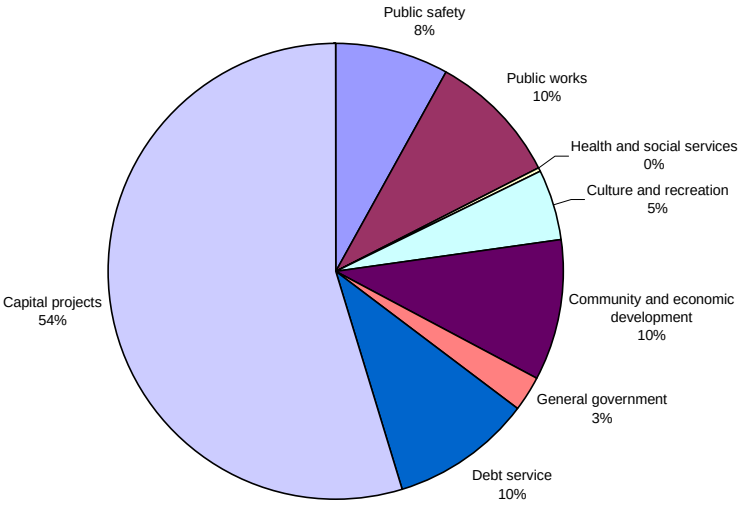
The cost of all governmental activities this year was $6 million compared to $3.4 million last year. However, as shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was only $5.5 million because some of the cost was paid by those directly benefited from the programs ($210,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest ($284,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately $455,000 to $494,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately $5.4 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements. Over $2,450,000 of bond proceeds account for 45 percent of these receipts.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	$ 219,975	169,488
Intergovernmental - operating	284,303	285,702
General receipts:		
Property tax	979,610	870,989
Tax increment financing	48,580	45,191
Local option sales tax	192,254	203,647
Unrestricted investment earnings	162,224	67,715
Other general receipts	1,066,526	1,047,895
Loan proceeds	2,453,800	822,000
Sale of assets	147,310	179,000
Transfers, net	299,709	79,588
Total receipts and transfers	5,854,291	3,771,215
Disbursements:		
Public safety	478,636	467,124
Public works	585,422	419,742
Health and social services	4,900	4,500
Culture and recreation	303,068	279,407
Community and economic development	602,993	967,255
General government	162,300	172,330
Debt service	595,861	462,407
Capital projects	3,302,859	655,797
Total disbursements	6,036,039	3,428,562
Increase in cash basis net assets	-181,748	342,653
Cash basis net assets beginning of year	2,280,893	1,938,240
Cash basis net assets end of year	$ 2,099,145	2,280,893

Receipts by Source



Disbursements by Function



Total business type activities receipts for the fiscal year were $588,991 compared to $581,293 last year. Total disbursements and transfers for the fiscal year increased by 51% to a total of $647,868. Even with transfers out of nearly $300,000, the cash balance decreased by only 5.8% or approximately $59,000.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	$ 229,301	244,203
Sewer	240,820	214,275
Storm sewer	57,904	57,947
General receipts:		
Unrestricted investment earnings	55,743	33,554
Other general receipts	5,223	31,314
Total receipts and transfers	588,991	581,293
Disbursements and transfers:		
Water	193,319	188,294
Sewer	133,987	154,612
Storm sewer	20,853	7,771
Transfers	299,709	79,588
Total disbursements and transfers	647,868	430,265
Decrease in cash basis net assets	-58,877	151,028
Cash basis net assets beginning of year	1,019,240	868,212
Cash basis net assets end of year	$ 960,363	1,019,240

INDIVIDUAL MAJOR AND NON-MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Garner completed the year, its governmental funds reported a combined fund balance of $2,099,145, a decrease of nearly $182,000 from last year's total of $2,280,893. The following are the reasons for the changes in fund balances of the major and non-major funds from the prior year.

- The General Fund cash balance increased $37,955 from the prior year to $556,865. The receipt of additional interest income was the largest single factor attributing to this increase.

- The Road Use Tax Fund cash balance decreased by $44,753 to $97,208 during the fiscal year. Capital expenditures, which consumed cash reserves, accounted for most of this decrease.

- The combined Urban Renewal Tax Increment Funds cash balances totaled $4,600, a decrease of a mere $30 from the previous year.

- The Debt Service Fund cash balance decreased by $171,466 to $175,884 during the fiscal year. This decrease was due to the use of prior year transfers to the fund to offset debt payments in order to keep the debt service levy constant.

- The Capital Projects Fund cash balance decreased by $129,619 to $215,162 due to the timing of project receipts against project expenditures.

- Non-major Governmental Funds increased by $123,138 to $1,026,212. Lot sales receipted into the Housing Fund contributed to the largest share of this increase.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by $39,616 to $624,309. This decrease in fund balance was recognized due to the transfer of funds to Hejlik's Second Subdivision Capital Project.

- The Sewer Fund cash balance increased by $30,611 to $245,160. These are normal reserves created to fund future projects.

- The Storm Sewer Fund cash balance decreased by $50,956 to $83,085. This decrease was created by a combination of transfers out to the Capital Projects Fund and the Debt Service Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 22, 2007 and resulted in an increase to several functions totaling $440,000. The most notable being to debt service in the amount of $200,000 to cover the first year payments on Hejlik's Second Subdivision and the Aquatic Center. Culture and recreation was increased by $100,000 to cover the costs of the aquatic center opening, which was not previously budgeted for.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately $3.8 million in bonds and other long-term debt, compared to approximately $1.7 million last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2007	2006
General obligation notes	$ 2,858,384	627,256
Urban renewal tax increment financing revenue bonds	693,809	837,123
Revenue notes	214,286	257,143
Total	$ 3,766,479	1,721,522

Debt increased as a result of issuing a general obligation bond for the aquatic center project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $3,375,071 is below its constitutional debt limit of $6,343,128.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2007 budget and tax rates. One of those factors is the strong housing market. During fiscal year 2007, twenty new homes were built. Most of these were constructed in Hejlik's First and Second Subdivisions, which were developed by the city.

Fiscal year 2008 is a planning year for a Recreation Center and a Wastewater Treatment Plant upgrade. Each of these projects is expected to cost the city over $3 million. With the use of tax increment financing for the Recreation Center and increased user fees for the Wastewater Treatment Plant, neither project should have an impact on future tax levies.

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 Brent Hinson, City Administrator, 135 West 5th Street, Garner, Iowa.

BASIC FINANCIAL STATEMENTS

City of Garner

Exhibit A

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:						
Governmental activities:						
Public safety	$ 478,636		12,497	(466,139)		(466,139)
Public works	585,422	135,527	243,534	(206,361)		(206,361)
Health and social services	4,900			(4,900)		(4,900)
Culture and recreation	303,068	84,298	28,272	(190,498)		(190,498)
Community and economic development	602,993			(602,993)		(602,993)
General government	162,300	150		(162,150)		(162,150)
Debt service	595,861			(595,861)		(595,861)
Capital projects	3,302,859			(3,302,859)		(3,302,859)
Total governmental activities	6,036,039	219,975	284,303	(5,531,761)		(5,531,761)
Business type activities:						
Water	193,319	229,301			35,982	35,982
Sewer	133,987	240,820			106,833	106,833
Storm sewer	20,853	57,904			37,051	37,051
Total business type activities	348,159	528,025			179,866	179,866
Total	$ 6,384,198	748,000	284,303	(5,531,761)	179,866	(5,351,895)
General Receipts:						
Property tax levied for:						
General purposes				$ 585,093		585,093
Tax increment financing				48,580		48,580
Employee benefits and insurance				176,323		176,323
Debt service				218,194		218,194
Local option sales tax				192,254		192,254
Unrestricted interest on investments				162,224	55,743	217,967
Miscellaneous				1,066,526	5,223	1,071,749
Loan proceeds				2,453,800		2,453,800
Sale of assets				147,310		147,310
Transfers				299,709	(299,709)	
Total general receipts and transfers				5,350,013	(238,743)	5,111,270
Change in cash basis net assets				(181,748)	(58,877)	(240,625)
Cash basis net assets beginning of year				2,280,893	1,019,240	3,300,133
Cash basis net assets end of year				$ 2,099,145	960,363	3,059,508
Cash Basis Net Assets						
Restricted:						
Streets				$ 97,208		97,208
Urban renewal purposes				4,600		4,600
Debt service				175,884		175,884
Other purposes				1,236,774		1,236,774
Unrestricted				584,679	960,363	1,545,042
Total cash basis net assets				$ 2,099,145	960,363	3,059,508

See notes to financial statements.

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

As of and for the year ended June 30, 2007

		Special Revenue				
	General	Road Use Tax	Debt Service	Capital Projects	Nonmajor	Total
Receipts:						
Property tax	$ 585,093		218,194		176,323	979,610
Tax increment financing collections					48,580	48,580
Other city tax					192,254	192,254
Licenses and permits	36,033					36,033
Use of money and property	69,098	542		57,982	49,054	176,676
Intergovernmental	40,769	243,534				284,303
Charges for services	219,975					219,975
Special assessments	7,757					7,757
Miscellaneous	592,026	17,008		362,804	36,446	1,008,284
Total receipts	**1,550,751**	**261,084**	**218,194**	**420,786**	**502,657**	**2,953,472**
Disbursements:						
Operating:						
Public safety	392,788				86,773	479,561
Public works	164,568	377,199			43,191	584,958
Health and social services	4,900					4,900
Culture and recreation	269,110				34,642	303,752
Community and economic development	578,228				24,765	602,993
General government	138,377				25,775	164,152
Debt service			595,861			595,861
Capital projects				3,302,859		3,302,859
Total disbursements	**1,547,971**	**377,199**	**595,861**	**3,302,859**	**215,146**	**6,039,036**
Excess (deficiency) of receipts over (under) disbursements	**2,780**	**(116,115)**	**(377,667)**	**(2,882,073)**	**287,511**	**(3,085,564)**
Other financing sources (uses):						
Operating transfers in	33,175	71,362	206,201	298,654		609,392
Operating transfers out					(309,683)	(309,683)
Bond proceeds				2,453,800		2,453,800
Sale of assets	2,000				145,310	147,310
Total other financing sources (uses)	**35,175**	**71,362**	**206,201**	**2,752,454**	**(164,373)**	**2,900,819**
Net change in cash balances	**37,955**	**(44,753)**	**(171,466)**	**(129,619)**	**123,138**	**(184,745)**
Cash balances beginning of year	**518,910**	**141,961**	**347,350**	**344,781**	**903,074**	**2,256,076**
Cash balances end of year	**$ 556,865**	**97,208**	**175,884**	**215,162**	**1,026,212**	**2,071,331**
Cash Basis Fund Balances						
Reserved for debt service			175,884			175,884
Unreserved:						
General fund	$ 556,865					556,865
Special revenue funds		97,208			874,480	971,688
Capital projects fund				215,162		215,162
Permanent fund					151,732	151,732
Total cash basis fund balances	**$ 556,865**	**97,208**	**175,884**	**215,162**	**1,026,212**	**2,071,331**

See notes to financial statements.

Exhibit C

City of Garner

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2007

Total governmental funds cash balances (page 16)	**$**	**2,071,331**
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:		
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.		27,814
Cash basis net assets of governmental activities (page 15)	**$**	**2,099,145**
Net change in cash balances (page 16)	**$**	**(184,745)**
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:		
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		2,997
Change in cash balance of governmental activities (page 15)	**$**	**(181,748)**

See notes to financial statements.

Exhibit D

City of Garner

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

As of and for the year ended June 30, 2007

	Enterprise Funds				Internal Service Funds		
	Water	Sewer	Storm Sewer	Total	Employee Health	Flex Plan	Total
Operating receipts:							
Charges for services	$ 229,301	240,820	57,904	528,025	4,800	8,360	13,160
Total operating receipts	229,301	240,820	57,904	528,025	4,800	8,360	13,160
Operating disbursements:							
Governmental activities:							
Public safety					1,000	80	1,080
Public works					1,400	6,135	7,535
General government					700	232	932
Business type activities	193,861	134,529	20,853	349,243	700	581	1,281
Total operating disbursements	193,861	134,529	20,853	349,243	3,800	7,028	10,828
Excess (deficiency) of operating receipts over (under) operating disbursements	35,440	106,291	37,051	178,782	1,000	1,332	2,332
Non-operating receipts (disbursements):							
Special assessments			5,223	5,223			
Interest on investments	35,304	13,507	6,932	55,743	1,749		1,749
Total non-operating receipts	35,304	13,507	12,155	60,966	1,749		1,749
Excess (deficiency) of receipts over (under) disbursements	70,744	119,798	49,206	239,748	2,749	1,332	4,081
Operating transfers in (out)	(110,360)	(89,187)	(100,162)	(299,709)			
Net change in cash balances	(39,616)	30,611	(50,956)	(59,961)	2,749	1,332	4,081
Cash balances beginning of year	663,925	214,549	134,041	1,012,515	32,155	(614)	31,541
Cash balances end of year	$ 624,309	245,160	83,085	952,554	34,904	718	35,622
Cash Basis Fund Balances							
Unreserved	$ 624,309	245,160	83,085	952,554	34,904	718	35,622
Total cash basis fund balances	$ 624,309	245,160	83,085	952,554	34,904	718	35,622

See notes to financial statements.

Exhibit E

City of Garner

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2007

Total enterprise funds cash balances (page 18)	**$**	**952,554**
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:		
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.		7,809
Cash basis net assets of business type activities (page 15)	**$**	**960,363**
Net change in cash balances (page 18)	**$**	**(59,961)**
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:		
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities		1,084
Change in cash balance of business type activities (page 15)	**$**	**(58,877)**

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Garner is a political subdivision of the State of Iowa located in Hancock 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, culture and recreation, community and economic development and general government services. The City of Garner also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Garner 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 also 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: Landfill of North Iowa Board, Hancock County Assessor's Conference Board and Hancock County Economic Development Corporation.

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.

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

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

The City reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Garner 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.

(2) Cash and Investments

The City's deposits in banks at June 30, 2007 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.

(2) Cash and Investments (con't)

The Henschen Library Trust investments at June 30, 2007 are as follows:

	Carrying Amount	Market Value
Donated stock and stock funds	$ 151,698	$ 308,797

The donated stock and stock funds are included in the Trust Fund-Henschen Library Trust. The stock was bequested to the City in 1969 under the stipulation that the income is only to be used for the general purposes of the Garner Public Library for a period of fifty years. Part of the stock originally received was sold on February 22, 1996 and the entire proceeds were reinvested in mutual funds in accordance with the terms of the original bequest. All of the investments are registered in the name of the Garner Public Library. The Public Library Board has control over the funds, First Citizens Trust Company, N.A. is the trustee.

(3) Bonds and Notes Payable

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

Year Ending	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Revenue Notes		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 400,723	106,311	145,799	19,242	42,857	8,273	589,379	133,826
2009	202,661	91,001	148,479	15,408	42,857	6,600	393,997	113,009
2010	125,000	85,020	111,218	12,096	42,857	4,950	279,075	102,066
2011	130,000	81,078	114,067	9,248	42,857	3,300	286,924	93,626
2012	135,000	76,877	94,135	6,302	42,858	1,654	271,993	84,833
2013-2017	750,000	314,038	80,111	3,204			830,111	317,242
2018-2022	760,000	175,228					760,000	175,228
2023-2024	355,000	23,005					355,000	23,005
Total	$ 2,858,384	952,558	693,809	65,500	214,286	24,777	3,766,479	1,042,835

In addition Homeward, Inc. loan balance outstanding at June 30, 2007 is $120,000. Payments on these loan advances are made as the payments are received by the City with no set determined schedule of payments.

The City Council directed that $125,000 be advanced to the Tax Increment Fund from the Water Utility Fund, and that $100,000 be advanced to the Tax Increment Fund from the Sewer Utility Fund in order to pay the costs of the streets and utilities improvements within the Garner Urban Renewal Area 2005-1. This advance shall be treated as a loan (the “Loan”) to the Tax Increment Fund and shall be repaid to the Water and Sewer Utility Funds out of incremental tax revenues received with respect to the Urban Renewal Area.

(3) Bonds and Notes Payable (con't)

Payments on the loan are subject to annual appropriation by the City Council and to the Council's determination that there are incremental tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund.

Once appropriated, payments shall be made on the Loan on June 1 of each year to the extent there are incremental tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund. The right is hereby reserved to issue additional obligations, or to enter into additional loans, payable from the Tax Increment fund, which may either rank on a parity with the loan or may have a priority over the loan with respect to the revenues in the Tax Increment Fund.

(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 3.70% of their annual salary and the City is required to contribute 5.75% 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, 2007, 2006 and 2005 were $40,149, $37,591, and $35,674 respectively, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. Comp time hours are accumulated for subsequent use and are not paid upon termination or retirement. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned vacation termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2007
Vacation	$ 15,390
Comp	3,301
	$ 18,691

This liability has been computed based on rates of pay as of June 30, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option	$ 33,175
Special Revenue:		
RUT	Local Option	71,362
Capital Project	Special Revenue:	
	Local Option	56,750
	Revolving Loan- Housing	64,952
		121,702
	Enterprise:	
	Water	110,360
	Sewer	36,430
	Storm Sewer	30,162
		176,952
Debt Service	Special Revenue:	
	Tax Increment	48,000
	Revolving Loan-Housing	35,444
		83,444
	Enterprise:	
	Storm Sewer	70,000
	Sewer	52,757
		122,757
Total		$ 609,392

(7) Related Party Transactions

The City had no business transactions between the City and City officials, during the year ended June 30, 2007.

(8) Local Government Risk Pool

The City of Garner 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 556 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.

(8) Local Government Risk Pool (con't)

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 the cash basis, the Pool's general and administrative expenses, claims, claim 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 of the 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 of Garner's annual contributions to the Pool for the year ended June 30, 2007 were $51,384.

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 $5,000,000 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 that 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 that a series of casualty claims exhausts total member's 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, 2007, settled claims have not exceeded the risk pool or reinsurance company 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.

(8) Local Government Risk Pool (con't)

The City of Garner also carries commercial insurance purchased from other insurers for surety bond coverage. The City assumes liability for any deductibles and claims in excess of coverage limitations. There have not been any claims from this risk in any of the past three fiscal years.

(9) Cooperative TIF Bond

Prairie Energy Cooperative and Corn Belt Power Cooperative, (Cooperatives), provided financing to cover a portion of the cost of infrastructure development in the Touchstone Energy Park, Garner Urban Renewal Area 1999-1. The Cooperatives TIF Bond is subordinate to the TIF note with payments on the bond to begin after payments on the note are satisfied.

(10) Homeward, Inc. Loan

In October 2005 the City entered into an agreement with Homeward, Inc., an Iowa non-profit corporation, agreeing to borrow up to a total of $360,000. The loans are for the sole purpose of allowing the City to make subsequent loans to developers and builders in order to promote the availability of affordable housing in the Garner area. Each advance shall be in the amount of no more than $60,000, for a term not to exceed two years, and shall be paid in full upon completion of construction and sale of home financed with proceeds of the note. The loans are full faith and credit obligations of the City. The balance outstanding at June 30, 2007 is $120,000.

(11) Subsequent Events

The City was served a Notice of Intent to Sue for Violations of the Clean Water Act by the Sierra Club and the Iowa Environmental Council on August 29, 2007. The City has moved forward working with the Department of Natural Resources on resolving the issues addressed. The outcome of this notice of intent is unable to be determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION

City of Garner

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
Receipts:							
Property tax	$ 979,610			979,610	942,498	942,498	37,112
Tax increment financing collections	48,580			48,580	62,394	62,394	(13,814)
Other city tax	192,254			192,254	198,072	198,072	(5,818)
Licenses and permits	36,033			36,033	28,085	28,085	7,948
Use of money and property	176,676	57,492	6,309	227,859	86,750	86,750	141,109
Intergovernmental	284,303			284,303	280,877	280,877	3,426
Charges for services	219,975	541,185	13,160	748,000	688,445	688,445	59,555
Special assessments	7,757	5,223		12,980	6,000	6,000	6,980
Miscellaneous	1,008,284			1,008,284	1,249,425	1,249,425	(241,141)
Total receipts	2,953,472	603,900	19,469	3,537,903	3,542,546	3,542,546	(4,643)
Disbursements:							
Public safety	479,561	1,080	1,080	479,561	430,739	500,739	21,178
Public works	584,958	7,535	7,535	584,958	576,473	601,473	16,515
Health and social services	4,900			4,900	5,000	5,000	100
Culture and recreation	303,752		4,602	299,150	258,514	358,514	59,364
Community and economic development	602,993			602,993	622,905	647,905	44,912
General government	164,152	932	932	164,152	171,290	191,290	27,138
Debt service	595,861			595,861	429,907	629,907	34,046
Capital projects	3,302,859			3,302,859	4,068,000	4,068,000	765,141
Business type activities		350,524	1,281	349,243	475,995	475,995	126,752
Total disbursements	6,039,036	360,071	15,430	6,383,677	7,038,823	7,478,823	1,095,146
Excess (deficiency) of receipts over (under) disbursements	(3,085,564)	243,829	4,039	(2,845,774)	(3,496,277)	(3,936,277)	1,090,503
Other financing sources, net	2,900,819	(299,709)		2,601,110	3,160,000	3,160,000	(558,890)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(184,745)	(55,880)	4,039	(244,664)	(336,277)	(776,277)	531,613
Balances beginning of year	2,256,076	1,044,056	183,315	3,116,817	3,116,819	3,116,819	(2)
Cash balances end of year	$ 2,071,331	988,176	187,354	2,872,153	2,780,542	2,340,542	531,611

See accompanying independent auditor's report.

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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 $440,000. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

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

As of and for the year ended June 30, 2007

	Special Revenue						Permanent	
	Housing Fund	Employee Benefits	Local Option Sales Tax	Industrial Revolving Loan	Retail Revolving Loan	Urban Renewal Tax Increment	Henschen Library Trust	Total
Receipts:								
Property tax		176,323						176,323
Tax increment financing						48,580		48,580
Other city tax			192,254					192,254
Use of money and property	$ 21,964		12,211	9,024	1,295		4,560	49,054
Miscellaneous	26,504			8,710	1,232			36,446
Total receipts	48,468	176,323	204,465	17,734	2,527	48,580	4,560	502,657
Disbursements:								
Operating:								
Public safety		86,773						86,773
Public works		43,191						43,191
Culture and recreation		30,040					4,602	34,642
Community and economic development	4,115				20,040	610		24,765
General government		25,775						25,775
Total disbursements	4,115	185,779			20,040	610	4,602	215,146
Excess (deficiency) of receipts over (under) disbursements	44,353	(9,456)	204,465	17,734	(17,513)	47,970	(42)	287,511
Other financing sources (uses):								
Operating transfers out	(100,396)		(161,287)			(48,000)		(309,683)
Sale of assets	145,310							145,310
Total other financing sources (uses):	44,914		(161,287)			(48,000)		(164,373)
Net change in cash balances	89,267	(9,456)	43,178	17,734	(17,513)	(30)	(42)	123,138
Cash balances beginning of year	324,125	35,131	198,002	156,377	33,035	4,630	151,774	903,074
Cash balances end of year	$ 413,392	25,675	241,180	174,111	15,522	4,600	151,732	1,026,212
Cash Basis Fund Balances								
Unreserved:								
Special revenue funds	$ 413,392	25,675	241,180	174,111	15,522	4,600		874,480
Permanent fund							151,732	151,732
Total cash basis fund balances	$ 413,392	25,675	241,180	174,111	15,522	4,600	151,732	1,026,212

See accompanying independent auditor's report.

Schedule 2

City of Garner

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Essential corporate purpose	2-1-98	4.00 - 4.70%	$ 1,695,000	400,000		195,000	205,000	18,605
REC loan	3-1-00	0.00	330,000	109,998		36,666	73,332	
Essential corporate purpose	3-1-00	4.97	272,274	117,258		37,206	80,052	5,828
Homeward, Inc.	10-26-04	Variable		300,000	180,000	360,000	120,000	
Aquatic Center	7-12-06	4.15 - 4.30	2,200,000	22,000	2,178,000		2,200,000	82,140
REC-Aquatic Center	12-1-06	4.15 - 4.30	2,200,000		300,000		300,000	
Total				949,256	2,658,000	628,872	2,978,384	106,573
Tax increment financing:								
Touchstone TIF	7-1-03	0.00	217,123	217,123		40,000	177,123	
Hejlik 1st subdivision TIF	7-15-04	2.87	200,000	120,000		40,000	80,000	3,444
Hejlik 2nd subdivision TIF	6-1-06	4.00	500,000	500,000		63,314	436,686	20,000
Total				837,123		143,314	693,809	23,444
Revenue notes:								
Sewer	7-15-05	3.85	300,000	257,143		42,857	214,286	9,900
Internal loans:								
Hejlik water TIF			125,000	125,000			125,000	
Hejlik sewer TIF			100,000	100,000			100,000	
Total				225,000			225,000	
Total				$ 2,268,522	2,658,000	815,043	4,111,479	139,917

See accompanying independent auditor's report.

Note and Bond Maturities

June 30, 2007

General Obligation Bonds and Notes

Year Ending June 30,	Essential Corporate Purpose Issued Feb 1, 1998 Interest Rates	Amount	Fire Equipment Issued Mar 1, 2000 Interest Rates	Amount	Municipal Building Issued Mar 1, 2000 Interest Rates	Amount	Aquatic Center Issued July 12, 2006 Interest Rates	Amount	REC - Aquatic Center Issued December 1, 2006 Interest Rates	Amount	Total
2008	4.70%	$ 205,000	0.00%	36,667	4.97%	39,056	4.15%	90,000	0.00%	30,000	400,723
2009			0.00	36,665	4.97	40,996	4.15	95,000	0.00	30,000	202,661
2010							4.15	95,000	0.00	30,000	125,000
2011							4.20	100,000	0.00	30,000	130,000
2012							4.20	105,000	0.00	30,000	135,000
2013							4.20	110,000	0.00	30,000	140,000
2014							4.20	115,000	0.00	30,000	145,000
2015							4.20	120,000	0.00	30,000	150,000
2016							4.20	125,000	0.00	30,000	155,000
2017							4.20	130,000	0.00	30,000	160,000
2018							4.20	140,000			140,000
2019							4.20	145,000			145,000
2020							4.20	150,000			150,000
2021							4.20	160,000			160,000
2022							4.25	165,000			165,000
2023							4.30	175,000			175,000
2024							4.30	180,000			180,000
Total		$ 205,000		73,332		80,052		2,200,000		300,000	2,858,384

Urban Renewal Tax

Year Ending June 30,	Hejliks 1st Subdivision Issued July 15, 2004 Interest Rates	Amount	Touchstone TIF Issued July 1, 2003 Interest Rates	Amount	Hejliks 2nd Subdivision Issued June 1, 2006 Interest Rates	Amount	Total
2008	2.87%	$ 40,000	0.00%	40,000	4.00%	65,799	145,799
2009	2.87	40,000	0.00	40,000	4.00	68,479	148,479
2010			0.00	40,000	4.00	71,218	111,218
2011			0.00	40,000	4.00	74,067	114,067
2012			0.00	17,123	4.00	77,012	94,135
2013			0.00		4.00	80,111	80,111
Total		$ 80,000		177,123		436,686	693,809

Revenue Notes

Year Ending June 30,	Sewer Issued July 15, 2005 Interest Rates	Amount
2008	3.85%	$ 42,857
2009	3.85	42,857
2010	3.85	42,857
2011	3.85	42,857
2012	3.85	42,858
Total		$ 214,286

See accompanying independent auditor's report.

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Four Years

		2007	2006	2005	2004
Receipts:					
Property tax	$	979,610	870,989	810,442	864,044
Tax increment financing		48,580	45,191	260,283	130,248
Other city tax		192,254	203,647	176,170	181,168
Licenses and permits		36,033	35,631	33,532	30,005
Use of money and property		176,676	83,390	128,433	44,325
Intergovernmental		284,303	285,702	295,118	309,126
Charges for service		219,975	169,488	172,796	166,334
Special assessments		7,757	358	1,048	5,110
Miscellaneous		1,008,284	996,231	787,150	206,533
Total	$	2,953,472	2,690,627	2,664,972	1,936,893
Disbursements:					
Operating:					
Public safety	$	479,561	466,120	436,599	374,743
Public works		584,958	419,539	619,378	325,712
Health and social services		4,900	4,500	10,350	3,200
Culture and recreation		303,752	279,907	271,278	245,806
Community and economic development		602,993	967,255	662,327	18,721
General government		164,152	173,741	165,577	154,725
Debt service		595,861	462,407	815,124	488,979
Capital projects		3,302,859	655,797	37,943	488,046
Total	$	6,039,036	3,429,266	3,018,576	2,099,932

See accompanying independent auditor's report.

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 Garner, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 3, 2007. 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 Garner'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 Garner's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Garner's internal control over financial reporting.

Our consideration of the 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 that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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 Garner'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 Garner's financial statements that is more than inconsequential will not be prevented or detected by the City of Garner's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in the 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 Garner'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 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 items I-A-07 and I-C-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Garner'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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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 Garner'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 Garner's responses and, accordingly, we express no opinion of 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 Garner and other parties to whom the City of Garner may report including federal awarding agencies and pass-through entities. 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 Garner 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.

October 3, 2007 Renner & Birchem, P.C.

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-07 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts and the disbursements, investments, and payroll under ideal conditions would be segregated.

Recommendation - We realize that with a limited number of employees segregation of duties is difficult. The City has implemented certain procedures to improve internal control. However, the City should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this and continue to implement procedures where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-07 Information Systems – The City has recently incorporated in its personnel policy manual written policies for its' computer based systems.

Recommendation – Although the City has taken steps to improve computer controls, the City should continue to monitor the written policies addressing the computer system issues such as; security, password changes, computer and internet usage, backup procedures and responsibility off-site storage and disaster plan.

Response – The City will continue to address this concern and monitor written policies.

Conclusion – Response accepted.

I-C-07 Utility Billings – During the audit, we identified certain customers that were being under billed for sewer usage. This occurred when system was updated for rate increase.

Recommendation – Procedures should be put in place and followed if rates or systems are updated to ensure everything is correct.

Response – We have corrected this problem.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were reported.

City of Garner

Schedule of Findings

Year Ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.

II-B-07 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 or that were not properly documented. The City has established written policies and procedures, including the requirements for proper documentation.

II-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions – No business transactions between the City and City officials were noted.

II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-07 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-07 Revenue Note – The City has complied with the revenue note resolutions.