

CITY OF GARNER

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

JUNE 30, 2008

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CITY OF GARNER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
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
(After January 2008)		
Ken Mick	Mayor	Jan 2010
Karl Bauer	Mayor Pro tem	Jan 2012
Dick Voortmann	Council Member	Jan 2010
Gerald Pedersen	Council Member	Jan 2010
Denny Drabek	Council Member	Jan 2010
Deb Schmidt	Council Member	Jan 2012
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, 2008, 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, 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 October 29, 2008 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 five years ended June 30, 2007 (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 29, 2008

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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities realized a slight decrease of 2.4% or approximately \$140,000 from fiscal 2007 to fiscal 2008.
- Disbursements decreased 46.2% or approximately \$2,800,000. Final payments on the Aquatic Center project were the primary reason for this decrease.
- The City's total cash basis net assets increased approximately \$2,190,000 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$2,460,000 and the assets of the business type activities decreased approximately \$270,000. The governmental activities increase was due to the receipt of the Rec Center bond proceeds of \$2,725,250. Business type activities decrease was due largely to a city wide water meter replacement project totaling nearly \$350,000.

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 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 an increase of 117% from \$2.1 million to \$4.6 million. The analysis to follow focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities decreased approximately \$140,000 or 2.4%. The decrease in receipts was primarily the result of less proceeds received from the issuance of general obligation bonds for the Aquatic Center in fiscal year 2007 than for the Rec Center in fiscal year 2008.

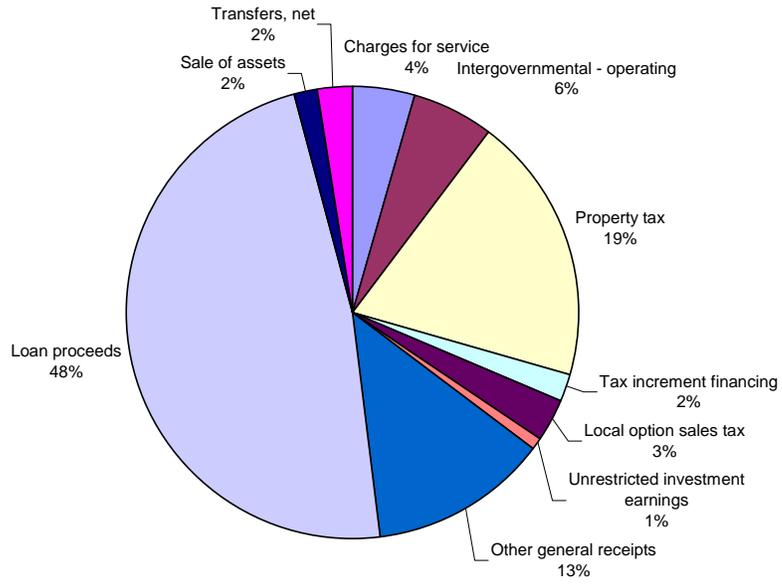
The City recognized a slight decrease in its property tax rates for 2008 by an average of 1.2%. Even with this decrease, property tax receipts for the year increased over \$110,000. This is due largely to an increase in total assessed valuation, created by residential and commercial revaluations in Garner.

The cost of all governmental activities this year was \$3.250 million compared to \$6 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 \$2.7 million because some of the cost was paid by those directly benefited from the programs (\$248,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$338,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2008 from approximately \$504,000 to \$586,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5.1 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements. \$2,725,250 of bond proceeds account for 53.1% of these receipts.

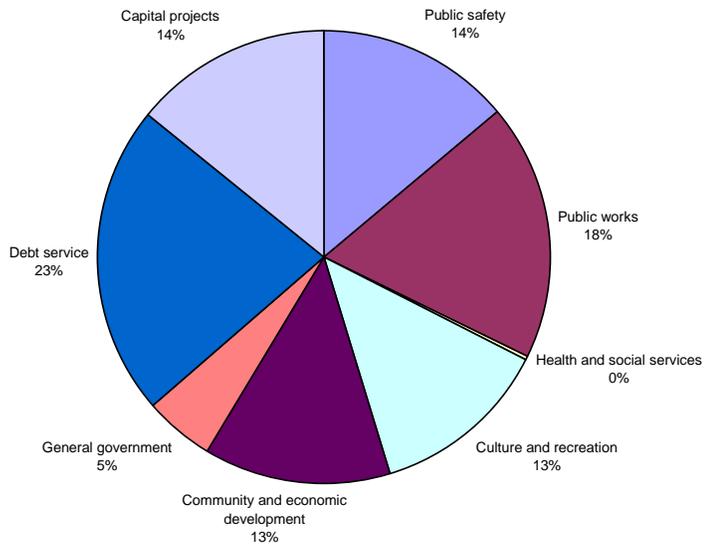
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 247,509	219,975
Intergovernmental - operating	338,246	284,303
General receipts:		
Property tax	1,091,666	979,610
Tax increment financing	108,444	48,580
Local option sales tax	183,394	192,254
Unrestricted investment earnings	46,793	162,224
Other general receipts	731,042	1,066,526
Loan proceeds	2,725,250	2,453,800
Sale of assets	103,165	147,310
Transfers, net	139,240	299,709
Total receipts and transfers	5,714,749	5,854,291
Disbursements:		
Public safety	454,810	478,636
Public works	592,170	585,422
Health and social services	4,900	4,900
Culture and recreation	420,935	303,068
Community and economic development	429,624	602,993
General government	166,242	162,300
Debt service	724,680	595,861
Capital projects	456,654	3,302,859
Total disbursements	3,250,015	6,036,039
Increase in cash basis net assets	2,464,734	-181,748
Cash basis net assets beginning of year	2,099,145	2,280,893
Cash basis net assets end of year	\$ 4,563,879	2,099,145

Receipts by Source



Disbursements by Function



Total business type activities receipts for the fiscal year were \$620,457 compared to \$588,991 last year. Total disbursements and transfers for the fiscal year increased by 38% to a total of \$893,190. This increase in disbursements, due largely to the water meter replacement project, resulted in decrease in net assets of business type activities of \$272,733.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 223,209	229,301
Sewer	292,901	240,820
Storm sewer	60,536	57,904
General receipts:		
Unrestricted investment earnings	39,930	55,743
Other general receipts	3,881	5,223
Total receipts and transfers	<u>620,457</u>	<u>588,991</u>
Disbursements and transfers:		
Water	588,591	193,319
Sewer	147,723	133,987
Storm sewer	17,636	20,853
Transfers	139,240	299,709
Total disbursements and transfers	<u>893,190</u>	<u>647,868</u>
Decrease in cash basis net assets	-272,733	-58,877
Cash basis net assets beginning of year	<u>960,363</u>	<u>1,019,240</u>
Cash basis net assets end of year	<u>\$ 687,630</u>	<u>960,363</u>

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 \$4,563,879, an increase of nearly \$2,500,000 from last year's total of \$2,099,145. 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 decreased \$1,984 from the prior year to \$554,881.

- The Road Use Tax Fund cash balance decreased by \$33,602 to \$63,606 during the fiscal year. This decrease is a result of State funding growing at a rate less than the increase in operating expenditures.
- The Debt Service Fund cash balance decreased by \$63,708 to \$112,176 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 increased by \$2,403,128 to \$2,618,290. This increase was a result of issuing a general obligation bond for the rec center project.
- Non-major Governmental Funds increased by \$158,428 to \$1,184,640. An internal loan for the rec center project received into the Urban Renewal Tax Increment Fund contributed to the largest share of this increase.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$342,144 to \$282,165. This decrease in fund balance was a result of the water meter replacement project.
- The Sewer Fund cash balance increased by \$106,542 to \$351,702. These are normal reserves created to fund future projects.
- The Storm Sewer Fund cash balance decreased by \$37,199 to \$45,886. 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 27, 2008 and resulted in an increase to several functions totaling \$320,500. The most notable being to the business type function in the amount of \$200,000 to complete the water meter replacement project. Public works was increased by \$100,000 to cover the costs of the 2008 overlay project, which was projected to be completed prior to year end.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$6.1 million in bonds and other long-term debt, compared to approximately \$3.8 million last year, as shown below.

	Outstanding Debt at Year-End	
	Year ended June 30,	
	2008	2007
General obligation notes	\$ 5,347,461	2,978,384
Urban renewal tax increment financing revenue bonds	548,010	693,809
Revenue notes	171,429	214,286
Total	\$ 6,066,900	3,886,479

Debt increased as a result of issuing a general obligation bond for the rec 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 \$5,347,461 is below its constitutional debt limit of \$7,277,767.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates and fees that will be charged for various City activities. One of those factors is the strong housing market. During fiscal year 2008 seventeen new homes were built, which included a 4-plex and a tri-home.

During fiscal year 2009 construction of the Rec Center will take center stage. This \$3.8 million project will fill a niche that the citizens of Garner showed their overwhelming approval at the November 2007 regular election with 70% voting in favor of the project. Planning also continues on the Wastewater Treatment Plant upgrades with a target of 2010 for a project construction start date. By 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

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

	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	\$ 454,810		11,417	(443,393)		(443,393)
Public works	592,170	141,074	250,336	(200,760)		(200,760)
Health and social services	4,900			(4,900)		(4,900)
Culture and recreation	420,935	105,535	28,945	(286,455)		(286,455)
Community and economic development	429,624			(429,624)		(429,624)
General government	166,242	900		(165,342)		(165,342)
Debt service	724,680			(724,680)		(724,680)
Capital projects	456,654		47,548	(409,106)		(409,106)
Total governmental activities	3,250,015	247,509	338,246	(2,664,260)		(2,664,260)
Business type activities:						
Water	588,591	223,209			(365,382)	(365,382)
Sewer	147,723	292,901			145,178	145,178
Storm sewer	17,636	60,536			42,900	42,900
Total business type activities	753,950	576,646			(177,304)	(177,304)
Total	\$ 4,003,965	824,155	338,246	(2,664,260)	(177,304)	(2,841,564)
General Receipts:						
Property tax levied for:						
General purposes				\$ 657,298		657,298
Tax increment financing				108,444		108,444
Employee benefits and insurance				185,187		185,187
Debt service				249,181		249,181
Local option sales tax				183,394		183,394
Unrestricted interest on investments				46,793	39,930	86,723
Miscellaneous				731,042	3,881	734,923
Loan proceeds				2,725,250		2,725,250
Sale of assets				103,165		103,165
Transfers				139,240	(139,240)	
Total general receipts and transfers				5,128,994	(95,429)	5,033,565
Change in cash basis net assets				2,464,734	(272,733)	2,192,001
Cash basis net assets beginning of year				2,099,145	960,363	3,059,508
Cash basis net assets end of year				\$ 4,563,879	687,630	5,251,509
Cash Basis Net Assets						
Restricted:						
Streets				\$ 64,146		64,146
Urban renewal purposes				218,384		218,384
Debt service				112,176		112,176
Other purposes				3,584,546		3,584,546
Unrestricted				584,627	687,630	1,272,257
Total cash basis net assets				\$ 4,563,879	687,630	5,251,509

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, 2008

	<u>Special Revenue</u>					<u>Total</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	
Receipts:						
Property tax	\$ 657,298		249,181		185,187	1,091,666
Tax increment financing collections					108,444	108,444
Other city tax					183,394	183,394
Licenses and permits	36,202					36,202
Use of money and property	52,461			7,301	45,765	105,527
Intergovernmental	40,362	250,336		47,548		338,246
Charges for services	247,509					247,509
Special assessments	7,721					7,721
Miscellaneous	456,231	4,768		113,033	54,354	628,386
Total receipts	1,497,784	255,104	249,181	167,882	577,144	2,747,095
Disbursements:						
Operating:						
Public safety	371,476				82,815	454,291
Public works	165,400	385,943			40,287	591,630
Health and social services	4,900					4,900
Culture and recreation	376,231				45,733	421,964
Community and economic development	411,797				17,827	429,624
General government	148,402				20,342	168,744
Debt service			724,680			724,680
Capital projects				456,654		456,654
Total disbursements	1,478,206	385,943	724,680	456,654	207,004	3,252,487
Excess (deficiency) of receipts over (under) disbursements	19,578	(130,839)	(475,499)	(288,772)	370,140	(505,392)
Other financing sources (uses):						
Operating transfers in	133,504	97,237	426,791	36,649	219,058	913,239
Operating transfers out	(156,731)		(15,000)	(69,999)	(532,270)	(774,000)
Bond proceeds				2,725,250		2,725,250
Sale of assets	1,665				101,500	103,165
Total other financing sources (uses)	(21,562)	97,237	411,791	2,691,900	(211,712)	2,967,654
Net change in cash balances	(1,984)	(33,602)	(63,708)	2,403,128	158,428	2,462,262
Cash balances beginning of year	556,865	97,208	175,884	215,162	1,026,212	2,071,331
Cash balances end of year	\$ 554,881	63,606	112,176	2,618,290	1,184,640	4,533,593
Cash Basis Fund Balances						
Reserved for debt service			112,176			112,176
Unreserved:						
General fund	\$ 554,881					554,881
Special revenue funds		63,606			1,032,069	1,095,675
Capital projects fund				2,618,290		2,618,290
Permanent fund					152,571	152,571
Total cash basis fund balances	\$ 554,881	63,606	112,176	2,618,290	1,184,640	4,533,593

See notes to financial statements.

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, 2008

Total governmental funds cash balances (page 16) **\$ 4,533,593**

*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.

30,286

Cash basis net assets of governmental activities (page 15) **\$ 4,563,879**

Net change in cash balances (page 16) 2,462,262

*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.

2,472

Change in cash balance of governmental activities (page 15) **\$ 2,464,734**

See notes to financial statements.

City of Garner

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

As of and for the year ended June 30, 2008

	Enterprise Funds				Internal Service Funds		
	Water	Sewer	Storm Sewer	Total	Employee Health	Flex Plan	Total
Operating receipts:							
Charges for services	\$ 223,209	292,901	60,536	576,646	4,900	11,874	16,774
Total operating receipts	223,209	292,901	60,536	576,646	4,900	11,874	16,774
Operating disbursements:							
Governmental activities:							
Public safety					1,400	1,420	2,820
Public works					700	6,703	7,403
Culture and recreation						270	270
General government						3,762	3,762
Business type activities	588,625	147,757	17,636	754,018	700	752	1,452
Total operating disbursements	588,625	147,757	17,636	754,018	2,800	12,907	15,707
Excess (deficiency) of operating receipts over (under) operating disbursements	(365,416)	145,144	42,900	(177,372)	2,100	(1,033)	1,067
Non-operating receipts (disbursements):							
Special assessments			3,881	3,881			
Interest on investments	23,272	12,528	4,130	39,930	1,474		1,474
Total non-operating receipts	23,272	12,528	8,011	43,811	1,474		1,474
Excess (deficiency) of receipts over (under) disbursements	(342,144)	157,672	50,911	(133,561)	3,574	(1,033)	2,541
Operating transfers in (out)		(51,130)	(88,110)	(139,240)			
Net change in cash balances	(342,144)	106,542	(37,199)	(272,801)	3,574	(1,033)	2,541
Cash balances beginning of year	624,309	245,160	83,085	952,554	34,904	718	35,622
Cash balances end of year	\$ 282,165	351,702	45,886	679,753	38,478	(315)	38,163
Cash Basis Fund Balances							
Unreserved	\$ 282,165	351,702	45,886	679,753	38,478	(315)	38,163
Total cash basis fund balances	\$ 282,165	351,702	45,886	679,753	38,478	(315)	38,163

See notes to financial statements.

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, 2008

Total enterprise funds cash balances (page 18) **\$ 679,753**

*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.

7,877

Cash basis net assets of business type activities (page 15) **\$ 687,630**

Net change in cash balances (page 18) **\$ (272,801)**

*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

68

Change in cash balance of business type activities (page 15) **\$ (272,733)**

See notes to financial statements.

CITY OF GARNER

Notes to Financial Statements

June 30, 2008

(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:

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2008

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.

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2008

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. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

(2) Cash and 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.

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2008

(2) Cash and Investments (con't)

The Henschen Library Trust investments at June 30, 2008 are as follows:

	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
Donated stock and stock funds	<u>\$ 151,698</u>	<u>\$ 287,624</u>

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 June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 337,661	199,117	148,479	15,408	42,857	6,600	528,997	221,125
2010	270,000	180,770	111,218	12,096	42,857	4,950	424,075	197,816
2011	280,000	172,477	114,067	9,248	42,857	3,300	436,924	185,025
2012	290,000	163,778	94,135	6,302	42,858	1,654	426,993	171,734
2013	300,000	154,718	80,111	3,204			380,111	157,922
2014-2017	1,645,000	611,775					1,645,000	611,775
2019-2022	1,905,000	270,113					1,905,000	270,113
2024-2024	<u>180,000</u>	<u>17,540</u>					<u>180,000</u>	<u>17,540</u>
Total	\$ <u>5,207,661</u>	<u>1,770,288</u>	<u>548,010</u>	<u>46,258</u>	<u>171,429</u>	<u>16,504</u>	<u>5,927,100</u>	<u>1,833,050</u>

In addition Homeward, Inc. loan balance outstanding at June 30, 2008 is \$139,800. 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.

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2008

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

The City Council directed that \$100,000 be advanced to the Rec Center Tax Increment Fund from the General Fund, and that \$115,000 be advanced to the Rec Center Tax Increment Fund from the Local Option Fund in order to provide initial funds to proceed with Rec Center Capital Project. These advances shall be treated as loans to the Tax Increment Fund and shall be repaid to the General and Local Option Funds out of incremental tax revenues received with respect to the Urban Renewal Area.

An advance of \$250,000 was made from the Local Option Fund to the Tax Increment Fund in order to pay the costs of improvements in the Garner Urban Renewal Area 1999-1. This advance shall be treated as a loan (the "Loan") to the Tax Increment Fund and shall be repaid to the Local Option Fund.

Payments on the loans 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 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 3.90% of their annual 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 contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$40,779, \$40,149, and \$37,591 respectively, equal to the required contribution for the year.

CITY OF GARNER

Notes to Financial Statements

June 30, 2008

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. 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, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2008</u>
Vacation	\$ 22,574
Comp	<u>4,390</u>
	\$ <u>26,964</u>

This liability has been computed based on rates of pay as of June 30, 2008.

(6) 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	Debt Service	\$ 15,000
	Capital Projects	69,999
	Special Revenue:	
	Local Option	<u>48,505</u>
		<u>133,504</u>
Special Revenue:		
	RUT	<u>97,237</u>
Tax Increment	General	<u>100,000</u>
	Special Revenue:	
	Local Option	115,000
	Revolving Loan - Housing	<u>4,058</u>
		<u>119,058</u>
		<u>219,058</u>
Capital Project	Special Revenue:	
	Local Option	18,539
	Enterprise:	
	Storm Sewer	<u>18,110</u>
		<u>36,649</u>
Debt Service	General	<u>56,731</u>
	Special Revenue:	
	Tax Increment	113,232
	Revolving Loan-Housing	<u>135,698</u>
		<u>248,930</u>
	Enterprise:	
	Storm Sewer	70,000
Sewer	<u>51,130</u>	
	<u>121,130</u>	
		<u>426,791</u>
Total		\$ <u>913,239</u>

CITY OF GARNER

Notes to Financial Statements

June 30, 2008

(7) Related Party Transactions

The City had business transactions between the City and City officials, during the year ended June 30, 2008, totaling \$799.

(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 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 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 200 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, 2008 were \$60,877.

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 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, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

CITY OF GARNER

Notes to Financial Statements

June 30, 2008

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

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 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 balance at June 30, 2008 is \$137,123.

(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, 2008 is \$139,800.

(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, 2008. 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.

The City has entered into construction contracts totaling \$3,095,116 for the recreation center project. The City also entered into a contract totaling \$56,179 for tornado siren improvements with the majority financed through local option tax.

CITY OF GARNER

Notes to Financial Statements

June 30, 2008

(12) Industrial Development Revenue Bonds

The City has issued a total of \$2,500,000 of industrial development revenue bonds under provisions of Chapter 419 of the Code of Iowa, of which \$2,278,916 is outstanding at June 30, 2008. The bond principal and interest do not constitute liabilities of the City

(13) Deficit Fund Balance

The Flex Plan Fund had a deficit balance of \$315 at June 30, 2008. The deficit balance was a result of costs incurred prior to availability of funds.

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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,091,666			1,091,666	1,061,712	1,061,712	29,954
Tax increment financing collections	108,444			108,444	113,232	113,232	(4,788)
Other city tax	183,394			183,394	211,637	211,637	(28,243)
Licenses and permits	36,202			36,202	28,125	28,125	8,077
Use of money and property	105,527	41,404	10,431	136,500	124,800	124,800	11,700
Intergovernmental	338,246			338,246	301,308	301,308	36,938
Charges for services	247,509	593,420	16,774	824,155	789,815	789,815	34,340
Special assessments	7,721	3,881		11,602	3,000	3,000	8,602
Miscellaneous	628,386			628,386	665,496	665,496	(37,110)
Total receipts	2,747,095	638,705	27,205	3,358,595	3,299,125	3,299,125	59,470
Disbursements:							
Public safety	454,291	2,820	2,820	454,291	485,803	485,803	31,512
Public works	591,630	7,403	7,403	591,630	609,074	709,074	117,444
Health and social services	4,900			4,900	5,000	5,000	100
Culture and recreation	421,964	270	8,388	413,846	373,034	393,034	(20,812)
Community and economic development	429,624			429,624	632,315	632,315	202,691
General government	168,744	3,762	3,762	168,744	168,631	168,631	(113)
Debt service	724,680			724,680	724,581	725,081	401
Capital projects	456,654			456,654	2,840,000	2,840,000	2,383,346
Business type activities		755,470	1,452	754,018	542,701	742,701	(11,317)
Total disbursements	3,252,487	769,725	23,825	3,998,387	6,381,139	6,701,639	2,703,252
Excess (deficiency) of receipts over (under) disbursements	(505,392)	(131,020)	3,380	(639,792)	(3,082,014)	(3,402,514)	2,762,722
Other financing sources, net	2,967,654	(139,240)		2,828,414	2,600,000	2,600,000	228,414
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,462,262	(270,260)	3,380	2,188,622	(482,014)	(802,514)	2,991,136
Balances beginning of year	2,071,331	988,176	187,354	2,872,153	2,790,472	2,790,472	81,681
Cash balances end of year	\$ 4,533,593	717,916	190,734	5,060,775	2,308,458	1,987,958	3,072,817

See accompanying independent auditor's report.

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 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 \$320,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation, general government and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

City of Garner

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

As of and for the year ended June 30, 2008

	Special Revenue					Urban	Permanent	Total
	Housing Fund	Employee Benefits	Local Option Sales Tax	Industrial Revolvin g Loan	Retail Revolvin g Loan	Renewal Tax Increment	Henschen Library Trust	
Receipts:								
Property tax		185,187						185,187
Tax increment financing						108,444		108,444
Other city tax			183,394					183,394
Use of money and property	\$ 19,027		9,570	7,801	410		8,957	45,765
Miscellaneous	40,356			8,405	5,593			54,354
Total receipts	59,383	185,187	192,964	16,206	6,003	108,444	8,957	577,144
Disbursements:								
Operating:								
Public safety		82,815						82,815
Public works		40,287						40,287
Culture and recreation		37,615					8,118	45,733
Community and economic development	2,301				15,040	486		17,827
General government		20,342						20,342
Total disbursements	2,301	181,059			15,040	486	8,118	207,004
Excess (deficiency) of receipts over (under) disbursements	57,082	4,128	192,964	16,206	(9,037)	107,958	839	370,140
Other financing sources (uses):								
Operating transfers in						219,058		219,058
Operating transfers out	(139,757)		(279,281)			(113,232)		(532,270)
Sale of assets	101,500							101,500
Total other financing sources (uses):	(38,257)		(279,281)			105,826		(211,712)
Net change in cash balances	18,825	4,128	(86,317)	16,206	(9,037)	213,784	839	158,428
Cash balances beginning of year	413,392	25,675	241,180	174,111	15,522	4,600	151,732	1,026,212
Cash balances end of year	\$ 432,217	29,803	154,863	190,317	6,485	218,384	152,571	1,184,640
Cash Basis Fund Balances								
Unreserved:								
Special revenue funds	\$ 432,217	29,803	154,863	190,317	6,485	218,384		1,032,069
Permanent fund							152,571	152,571
Total cash basis fund balances	\$ 432,217	29,803	154,863	190,317	6,485	218,384	152,571	1,184,640

See accompanying independent auditor's report.

City of Garner

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Capital Projects Funds

As of and for the year ended June 30, 2008

	Pool	E. 5th Storm Sewer	Pool Shelter	Cardinal Storm Sewer	Rec Center	Wastewater Facility	Pool Park	Total
Receipts:								
Use of money and property	\$ 2,577				4,724			7,301
Intergovernmental	47,548							47,548
Miscellaneous	43,633				64,400		5,000	113,033
Total receipts	93,758				69,124		5,000	167,882
Disbursements:								
Capital projects	257,187		527	6,032	112,009	57,360	23,539	456,654
Total disbursements	257,187		527	6,032	112,009	57,360	23,539	456,654
Excess (deficiency) of receipts over (under) disbursements	(163,429)		(527)	(6,032)	(42,885)	(57,360)	(18,539)	(288,772)
Other financing sources (uses):								
Operating transfers in		7,697		10,413			18,539	36,649
Operating transfers out	(69,999)							(69,999)
Bond proceeds					2,725,250			2,725,250
Total other financing sources (uses):	(69,999)	7,697		10,413	2,725,250		18,539	2,691,900
Net change in cash balances	(233,428)	7,697	(527)	4,381	2,682,365	(57,360)		2,403,128
Cash balances beginning of year	233,428	(7,697)	(3,606)	(4,381)	(1,887)	(695)		215,162
Cash balances end of year			(4,133)		2,680,478	(58,055)		2,618,290

See accompanying independent auditor's report.

City of Garner

Schedule of Indebtedness

Year ended June 30, 2008

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	205,000		205,000		9,635
REC loan	3-1-00	0.00	330,000	73,332		36,667	36,665	
Essential corporate purpose	3-1-00	4.97	272,274	80,052		39,056	40,996	3,979
Homeward, Inc.	10-26-04	Variable		120,000	199,800	180,000	139,800	
Aquatic Center	7-12-06	4.15 - 4.30	2,200,000	2,200,000		90,000	2,110,000	92,698
REC-Aquatic Center	12-1-06	0.00	300,000	300,000		30,000	270,000	
Recreation Center	5-1-08	3.00 - 4.00	2,750,000		2,750,000		2,750,000	
Total				<u>2,978,384</u>	<u>2,949,800</u>	<u>580,723</u>	<u>5,347,461</u>	<u>106,312</u>
Tax increment financing:								
Touchstone TIF	7-1-03	0.00	217,123	177,123		40,000	137,123	
Hejlik 1st subdivision TIF	7-15-04	2.87	200,000	80,000		40,000	40,000	2,302
Hejlik 2nd subdivision TIF	6-1-06	4.00	500,000	436,686		65,799	370,887	17,515
Total				<u>693,809</u>		<u>145,799</u>	<u>548,010</u>	<u>19,817</u>
Revenue notes:								
Sewer	7-15-05	3.85	300,000	214,286		42,857	171,429	8,273
Internal loans:								
Urban Renewal Area I			250,000	250,000			250,000	
Hejlik water TIF			125,000	125,000			125,000	
Hejlik sewer TIF			100,000	100,000			100,000	
REC center			215,000		215,000		215,000	
Total				<u>475,000</u>	<u>215,000</u>		<u>690,000</u>	
Total				<u>\$ 4,361,479</u>	<u>3,164,800</u>	<u>769,379</u>	<u>6,756,900</u>	<u>134,402</u>

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2008

General Obligation Bonds and Notes

Year Ending June 30,	Fire Equipment		Municipal Building		Aquatic Center		REC - Aquatic Center		Recreation Center		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009	0.00%	36,665	4.97%	40,996	4.15%	95,000	0.00%	30,000	3.00%	135,000	337,661
2010					4.15	95,000	0.00	30,000	3.00	145,000	270,000
2011					4.20	100,000	0.00	30,000	3.00	150,000	280,000
2012					4.20	105,000	0.00	30,000	3.00	155,000	290,000
2013					4.20	110,000	0.00	30,000	3.00	160,000	300,000
2014					4.20	115,000	0.00	30,000	3.75	165,000	310,000
2015					4.20	120,000	0.00	30,000	3.75	170,000	320,000
2016					4.20	125,000	0.00	30,000	3.75	180,000	335,000
2017					4.20	130,000	0.00	30,000	3.75	185,000	345,000
2018					4.20	140,000			3.75	195,000	335,000
2019					4.20	145,000			3.75	205,000	350,000
2020					4.20	150,000			4.00	210,000	360,000
2021					4.20	160,000			4.00	220,000	380,000
2022					4.25	165,000			4.00	230,000	395,000
2023					4.30	175,000			4.00	245,000	420,000
2024					4.30	180,000					180,000
Total		<u>36,665</u>		<u>40,996</u>		<u>2,110,000</u>		<u>270,000</u>		<u>2,750,000</u>	<u>5,207,661</u>

Urban Renewal Tax

Year Ending June 30,	Hejliks 1st Subdivision		Touchstone TIF		Hejliks 2nd Subdivision		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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		<u>\$ 40,000</u>		<u>137,123</u>		<u>370,887</u>	<u>548,010</u>

Revenue Notes

Year Ending June 30,	Sewer	
	Interest Rates	Amount
2009	3.85%	\$ 42,857
2010	3.85	42,857
2011	3.85	42,857
2012	3.85	42,858
Total		<u>\$ 171,429</u>

See accompanying independent auditor's report.

City of Garner

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

For the Last Five Years

	2008	2007	2006	2005	2004
Receipts:					
Property tax	\$ 1,091,666	979,610	870,989	810,442	864,044
Tax increment financing	108,444	48,580	45,191	260,283	130,248
Other city tax	183,394	192,254	203,647	176,170	181,168
Licenses and permits	36,202	36,033	35,631	33,532	30,005
Use of money and property	105,527	176,676	83,390	128,433	44,325
Intergovernmental	338,246	284,303	285,702	295,118	309,126
Charges for service	247,509	219,975	169,488	172,796	166,334
Special assessments	7,721	7,757	358	1,048	5,110
Miscellaneous	628,386	1,008,284	996,231	787,150	206,533
Total	\$ 2,747,095	2,953,472	2,690,627	2,664,972	1,936,893
Disbursements:					
Operating:					
Public safety	\$ 454,291	479,561	466,120	436,599	374,743
Public works	591,630	584,958	419,539	619,378	325,712
Health and social services	4,900	4,900	4,500	10,350	3,200
Culture and recreation	421,964	303,752	279,907	271,278	245,806
Community and economic development	429,624	602,993	967,255	662,327	18,721
General government	168,744	164,152	173,741	165,577	154,725
Debt service	724,680	595,861	462,407	815,124	488,979
Capital projects	456,654	3,302,859	655,797	37,943	488,046
Total	\$ 3,252,487	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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 29, 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 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 item I-A-08 is a material weakness.

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, 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 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 29, 2008

Renner & Birchem, P.C.

City of Garner

Schedule of Findings

Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-08 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-08 Information Systems – The City has 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 must 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.

Instances of Non-Compliance:

No matters were reported.

City of Garner

Schedule of Findings

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the culture and recreation, general government and business type activities functions. Chapter 384.20 of the Code of Iowa state, 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-08 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-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dick Voortmann, Council Member Owner Dick’s Auto Body	Vehicle Repair	\$ 799

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year

II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-08 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.

City of Garner

Schedule of Findings

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-H-08 Revenue Note – The City has complied with the revenue note resolutions.

II-I-08 Financial Condition – The Flex Plan Fund had a deficit balance at June 30, 2008 of \$315.

Recommendation – The City should investigate alternatives to eliminate the deficit.

Response – The deficit was due to costs incurred prior to receipt of funds.

Conclusion – Response accepted.