

CITY OF GARNER

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

JUNE 30, 2009

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CITY OF GARNER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2009, 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, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2009 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 30 through 31 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, 2008 (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 5 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, 2009

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities realized a decreased of 48% or approximately \$2,740,000 from fiscal 2008 to fiscal 2009. This is largely due to the receipt of loan proceeds for the Rec Center project in fiscal 2008.
- Disbursements increased 39.3% or approximately \$1,280,000. Progress payments on the Rec Center project were the primary reason for this increase.
- The City's total cash basis net assets decreased approximately \$1,270,000 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$1,550,000 and the assets of the business type activities increased approximately \$280,000. The governmental activities decrease was largely due to bond proceeds received in 2008. Business type activities increase was a continued creation of fund reserves for future 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 decrease of 34% from \$4.6 million to \$3 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 \$2,740,000 or 48%. The decrease in receipts was primarily the result of proceeds received from the issuance of general obligation bonds for the Rec Center in fiscal year 2008.

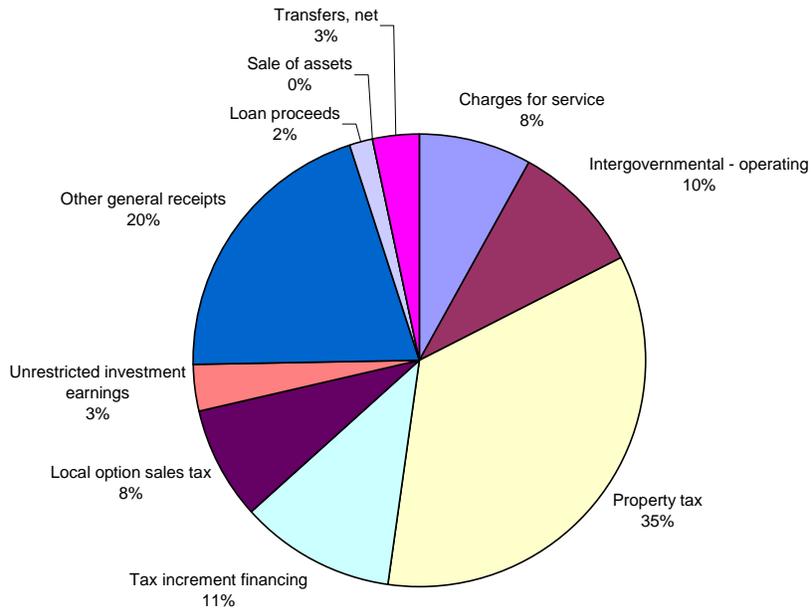
The City recognized a slight decrease in its property tax rates for 2009 by an average of .3%. With this decrease, property tax receipts for the year were reduced by over \$62,000. This is due largely to the residential rollback reaching an all-time low of 44.0773% in fiscal year 2009 from 45.5596% in 2008 which reduced property tax receipts by nearly \$48,000. A reduction in the Debt Service levy would account for the remaining \$14,000 decrease.

The cost of all governmental activities this year was \$4.5 million compared to \$3.3 million last year. As shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers financed for these activities was \$4 million, with \$1.9 million going towards capital projects. Some of the cost was paid by those directly benefited from the programs (\$238,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$286,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$586,000 to \$523,000. The City paid for the remaining "public benefit" portion of governmental activities (\$2.5 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

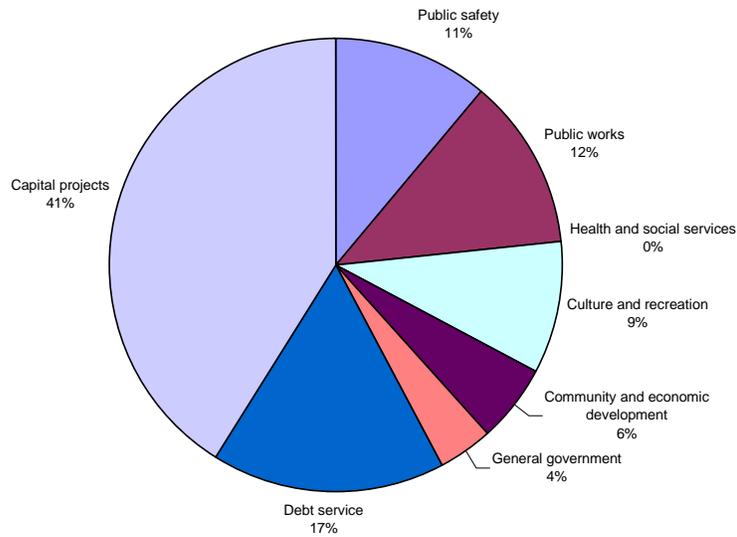
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2009	2008
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 237,516	247,509
Intergovernmental - operating	285,561	338,246
General receipts:		
Property tax	1,029,615	1,091,666
Tax increment financing	333,998	108,444
Local option sales tax	232,624	183,394
Unrestricted investment earnings	99,895	46,793
Other general receipts	603,830	731,042
Loan proceeds	49,849	2,725,250
Sale of assets	500	103,165
Transfers, net	100,340	139,240
Total receipts and transfers	2,973,728	5,714,749
Disbursements:		
Public safety	504,697	454,810
Public works	550,543	592,170
Health and social services	4,900	4,900
Culture and recreation	423,746	420,935
Community and economic development	256,083	429,624
General government	169,530	166,242
Debt service	757,950	724,680
Capital projects	1,861,183	456,654
Total disbursements	4,528,632	3,250,015
Increase(decrease) in cash basis net assets	(1,554,904)	2,464,734
Cash basis net assets beginning of year	4,563,879	2,099,145
Cash basis net assets end of year	\$ 3,008,975	4,563,879

Receipts by Source



Disbursements by Function



Total business type activities receipts for the fiscal year were \$828,560 compared to \$620,457 last year. Total disbursements and transfers for the fiscal year decreased by 39% to a total of \$542,618. This decrease in disbursements, due largely to completion of a citywide water meter replacement project in fiscal year 2008, resulted in increase in net assets of business type activities of \$285,942.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 228,310	223,209
Sewer	438,441	292,901
Storm sewer	59,053	60,536
Intergovernmental - operating	85,266	
General receipts:		
Unrestricted investment earnings	17,490	39,930
Other general receipts		3,881
Total receipts and transfers	828,560	620,457
Disbursements and transfers:		
Water	188,662	588,591
Sewer	171,281	147,723
Storm sewer	82,335	17,636
Transfers	100,340	139,240
Total disbursements and transfers	542,618	893,190
Increase(decrease) in cash basis net assets	285,942	(272,733)
Cash basis net assets beginning of year	687,630	960,363
Cash basis net assets end of year	\$ 973,572	687,630

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 \$3,008,975, a decrease of over \$1,500,000 from last year's total of \$4,563,879. 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 \$112,218 from the prior year to \$667,099 due largely to repayment of an internal loan.

- The Urban Renewal Tax Increment Fund cash balance decreased by \$218,384 creating \$0 for an ending fund balance. All TIF monies collected were expended.
- The Housing Revolving Loan Fund cash balance decreased by \$117,614 to \$314,604 which is due to transfers out of the fund. The largest share being a contribution to the Rec Center project of \$86,514.
- The Debt Service Fund cash balance decreased by \$60,095 to \$52,082 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 \$1,204,982 to \$1,413,308. This decrease was a result of Rec Center project costs.
- Non-major Governmental Funds decreased by \$61,577 to \$536,067. An internal loan from the Industrial Revolving Loan Fund for the purchase of additional development land contributed to the largest share of this decrease.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$46,510 to \$328,675. These are normal reserves created to fund future projects.
- The Sewer Fund cash balance increased by \$210,009 to \$561,711. Even with transfers out of \$67,360 to debt service and capital projects, reserves were created to fund future projects.
- The Storm Sewer Fund cash balance increased by \$30,196 to \$76,082. This increase is due to FEMA and Community Disaster Grant monies received as a result of the June 2008 flooding.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 26, 2009 and resulted in an increase to several functions totaling \$80,500 for equipment and projects expected to be purchased or completed prior to year end.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$5.5 million in bonds and other long-term debt, compared to approximately \$6.1 million last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2009	2008
General obligation notes	\$ 4,930,000	5,347,461
Urban renewal tax increment financing revenue bonds	399,530	548,010
Revenue notes	128,571	171,429
 Total	 \$ 5,458,101	 6,066,900

Debt decreased as a result of scheduled bond payments.

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 \$4,930,000 is below its constitutional debt limit of \$7,548,932.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for various City activities. The national economic crisis has not spared Garner. Unemployment hit double digits with the downsizing of many area businesses. City officials remain very cautious when addressing government spending.

During fiscal year 2010 the excitement of opening the Rec Center in the midst of continued local and national economic challenges will have staff working harder than ever to create an atmosphere within the facility that will encourage attendance while displaying fiscal responsibility. Construction of the Wastewater Treatment Plant will begin in 2010 with increased user fees already in place the project should not 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, 2009

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Operating Grants, Contributions and Restricted		Governmental Activities	Business Type Activities	Total
		Charges for Service	Interest			
Functions / Programs:						
Governmental activities:						
Public safety	\$ 504,697		13,601	(491,096)		(491,096)
Public works	550,543	142,431	242,438	(165,674)		(165,674)
Health and social services	4,900			(4,900)		(4,900)
Culture and recreation	423,746	94,635	29,522	(299,589)		(299,589)
Community and economic development	256,083			(256,083)		(256,083)
General government	169,530	450		(169,080)		(169,080)
Debt service	757,950			(757,950)		(757,950)
Capital projects	1,861,183			(1,861,183)		(1,861,183)
Total governmental activities	4,528,632	237,516	285,561	(4,005,555)		(4,005,555)
Business type activities:						
Water	188,662	228,310			39,648	39,648
Sewer	171,281	438,441			267,160	267,160
Storm sewer	82,335	59,053	85,266		(61,984)	(61,984)
Total business type activities	442,278	725,804	85,266		368,792	368,792
Total	\$ 4,970,910	963,320	370,827	(4,005,555)	368,792	(3,636,763)
General Receipts:						
Property tax levied for:						
General purposes				\$ 608,612		608,612
Tax increment financing				333,998		333,998
Employee benefits and insurance				186,634		186,634
Debt service				234,369		234,369
Local option sales tax				232,624		232,624
Unrestricted interest on investments				99,895	17,490	117,385
Miscellaneous				603,830		603,830
Loan proceeds				49,849		49,849
Sale of assets				500		500
Transfers				100,340	(100,340)	
Total general receipts and transfers				2,450,651	(82,850)	2,367,801
Change in cash basis net assets				(1,554,904)	285,942	(1,268,962)
Cash basis net assets beginning of year				4,563,879	687,630	5,251,509
Cash basis net assets end of year				\$ 3,008,975	973,572	3,982,547
Cash Basis Net Assets						
Restricted:						
Streets				\$ 60,818		60,818
Debt service				52,082		52,082
Other purposes				2,203,889		2,203,889
Unrestricted				692,186	973,572	1,665,758
Total cash basis net assets				\$ 3,008,975	973,572	3,982,547

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, 2009

	<u>Special Revenue</u>					Total	
	General	Urban Renewal Tax Increment	Revolving Loan-Housing	Debt Service	Capital Projects		Nonmajor
Receipts:							
Property tax	\$ 608,612			234,369		186,634	1,029,615
Tax increment financing collections		333,998					333,998
Other city tax						232,625	232,625
Licenses and permits	35,564						35,564
Use of money and property	45,139		9,320		47,753	19,925	122,137
Intergovernmental	43,123					242,438	285,561
Charges for services	237,516						237,516
Special assessments	8,221						8,221
Miscellaneous	203,804		53,349		272,789	16,517	546,459
Total receipts	1,181,979	333,998	62,669	234,369	320,542	698,139	2,831,696
Disbursements:							
Operating:							
Public safety	409,209					93,038	502,247
Public works	147,679					402,138	549,817
Health and social services	4,900						4,900
Culture and recreation	376,942					54,402	431,344
Community and economic development	130,404	98,933	26,745				256,082
General government	147,253					22,043	169,296
Debt service		6,450		751,500			757,950
Capital projects					1,861,183		1,861,183
Total disbursements	1,216,387	105,383	26,745	751,500	1,861,183	571,621	4,532,819
Excess (deficiency) of receipts over (under) disbursements	(34,408)	228,615	35,924	(517,131)	(1,540,641)	126,518	(1,701,123)
Other financing sources (uses):							
Operating transfers in	84,535	10,147		457,036	285,810	112,151	949,679
Operating transfers out	(38,409)	(302,146)	(153,538)			(355,246)	(849,339)
Internal loan, net	100,000	(155,000)				55,000	
Loan proceeds					49,849		49,849
Sale of assets	500						500
Total other financing sources (uses)	146,626	(446,999)	(153,538)	457,036	335,659	(188,095)	150,689
Net change in cash balances	112,218	(218,384)	(117,614)	(60,095)	(1,204,982)	(61,577)	(1,550,434)
Cash balances beginning of year	554,881	218,384	432,218	112,177	2,618,290	597,644	4,533,594
Cash balances end of year	\$ 667,099		314,604	52,082	1,413,308	536,067	2,983,160
Cash Basis Fund Balances							
Reserved for debt service				52,082			52,082
Unreserved:							
General fund	\$ 667,099						667,099
Special revenue funds			314,604			384,058	698,662
Capital projects fund					1,413,308		1,413,308
Permanent fund						152,009	152,009
Total cash basis fund balances	\$ 667,099		314,604	52,082	1,413,308	536,067	2,983,160

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, 2009

Total governmental funds cash balances (page 16) **\$ 2,983,160**

*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.

25,815

Cash basis net assets of governmental activities (page 15) **\$ 3,008,975**

Net change in cash balances (page 16) **\$ (1,550,434)**

*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.

(4,470)

Change in cash balance of governmental activities (page 15) **\$ (1,554,904)**

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, 2009

	Enterprise Funds				Internal Service Funds		
	Water	Sewer	Storm Sewer	Total	Employee Health	Flex Plan	Total
Operating receipts:							
Intergovernmental			85,266	85,266			
Charges for services	\$ 228,310	438,441	59,053	725,804	2,500	16,123	18,623
Total operating receipts	228,310	438,441	144,319	811,070	2,500	16,123	18,623
Operating disbursements:							
Governmental activities:							
Public safety					3,404	600	4,004
Public works					1,200	4,651	5,851
Culture and recreation					700	3,341	4,041
General government					700	7,958	8,658
Business type activities	188,275	170,895	82,335	441,505	1,038	1,040	2,078
Total operating disbursements	188,275	170,895	82,335	441,505	7,042	17,590	24,632
Excess (deficiency) of operating receipts over (under) operating disbursements	40,035	267,546	61,984	369,565	(4,542)	(1,467)	(6,009)
Non-operating receipts (disbursements):							
Interest on investments	6,475	9,823	1,192	17,490	764		764
Total non-operating receipts	6,475	9,823	1,192	17,490	764		764
Excess (deficiency) of receipts over (under) disbursements	46,510	277,369	63,176	387,055	(3,778)	(1,467)	(5,245)
Operating transfers in (out)		(67,360)	(32,980)	(100,340)			
Net change in cash balances	46,510	210,009	30,196	286,715	(3,778)	(1,467)	(5,245)
Cash balances beginning of year	282,165	351,702	45,886	679,753	38,478	(315)	38,163
Cash balances end of year	\$ 328,675	561,711	76,082	966,468	34,700	(1,782)	32,918
Cash Basis Fund Balances							
Unreserved	\$ 328,675	561,711	76,082	966,468	34,700	(1,782)	32,918
Total cash basis fund balances	\$ 328,675	561,711	76,082	966,468	34,700	(1,782)	32,918

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, 2009

Total enterprise funds cash balances (page 18) **\$ 966,468**

*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.

7,104

Cash basis net assets of business type activities (page 15) **\$ 973,572**

Net change in cash balances (page 18) **\$ 286,715**

*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

(773)

Change in cash balance of business type activities (page 15) **\$ 285,942**

See notes to financial statements.

CITY OF GARNER

Notes to Financial Statements

June 30, 2009

(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.

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2009

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

The Revolving Loan-Housing Fund is used to account for development activities for housing projects.

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, 2009

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, 2009, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

(2) Cash and Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City 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, 2009

(2) Cash and Investments (con't)

The Henschen Library Trust investments at June 30, 2009 are as follows:

	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
Donated stock and stock funds	\$ 151,698	\$ 228,196

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
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	80,110	3,204			380,110	157,922
2014	310,000	145,298					310,000	145,298
2015-2019	1,685,000	551,752					1,685,000	551,752
2020-2024	<u>1,735,000</u>	<u>202,377</u>					<u>1,735,000</u>	<u>202,377</u>
Total	\$ <u>4,870,000</u>	<u>1,571,170</u>	<u>399,530</u>	<u>30,850</u>	<u>128,572</u>	<u>9,904</u>	<u>5,398,102</u>	<u>1,611,924</u>

In addition Homeward, Inc. loan balance outstanding at June 30, 2009 is \$60,000. 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.

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2009

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

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.

An advance of \$60,000 was made from Industrial Revolving Loan Fund to the Tax Increment Fund in order to pay the cost of land. This advance shall be treated as a loan (the "Loan") to the Tax Increment Fund and shall be repaid to the Industry Revolving Loan 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 4.10% of their annual salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$44,065, \$40,779, and \$40,149 respectively, equal to the required contribution for the year.

CITY OF GARNER

Notes to Financial Statements

June 30, 2009

(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 liability for earned vacation and comp time payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2009</u>
Vacation	\$ 26,200
Comp	<u>2,823</u>
	\$ <u>29,023</u>

This liability has been computed based on rates of pay as of June 30, 2009.

(6) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option	\$ 84,055
	Enterprise: Storm Sewer	<u>480</u>
		<u>84,535</u>
Special Revenue: Tax Increment RUT	Special Revenue: Revolving Loan - TIF	<u>10,147</u>
	Special Revenue: Local Option	79,651
	Enterprise: Storm Sewer	<u>32,500</u>
		<u>112,151</u>
Capital Project	Special Revenue: Local Option	181,393
	Revolving Loan-Housing	86,514
	Enterprise: Sewer	<u>17,903</u>
		<u>285,810</u>
Debt Service	General	<u>38,409</u>
	Special Revenue: Tax Increment	302,146
	Revolving Loan-Housing	<u>67,024</u>
		<u>369,170</u>
	Enterprise: Sewer	<u>49,457</u>
		<u>457,036</u>
Total		\$ <u>949,679</u>

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

CITY OF GARNER

Notes to Financial Statements

June 30, 2009

(7) Related Party Transactions

The City had business transactions between the City and City officials, during the year ended June 30, 2009, totaling \$340.

(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 577 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, 2009 were \$66,345.

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, 2009, 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, 2009

(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, 2009 is \$97,123.

(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, 2009 is \$60,000.

(11) Commitments

The City has entered into construction contracts totaling \$3,096,116 for the recreation center project. As of June 30, 2009 \$1,547,821 had been paid on the contract leaving a balance of \$1,548,295. Subsequent to June 30, 2009 contracts totaling \$386,968 were entered into for asbestos removal, parking lot and site improvements.

(12) Industrial Development Revenue Bonds

The City has issued a total of \$2,500,000 of industrial development revenue bonds to Steller Industries under provisions of Chapter 419 of the Code of Iowa, of which \$2,278,916 is outstanding at June 30, 2009. The bond principal and interest do not constitute liabilities of the City.

CITY OF GARNER

Notes to Financial Statements

June 30, 2009

(13) Deficit Fund Balance

The Flex Plan Fund had a deficit balance of \$1,782 at June 30, 2009. The deficit balance was a result of costs incurred prior to availability of funds.

(14) Deferred Compensation Agreements

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements. The City does not make any contributions under the agreement.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,029,615			1,029,615	1,000,412	1,000,412	29,203
Tax increment financing collections	333,998			333,998	352,320	352,320	(18,322)
Other city tax	232,625			232,625	217,544	217,544	15,081
Licenses and permits	35,564			35,564	27,625	27,625	7,939
Use of money and property	122,137	18,254	8,858	131,533	161,925	161,925	(30,392)
Intergovernmental	285,561			285,561	1,054,550	1,054,550	(768,989)
Charges for services	237,516	829,693	18,623	1,048,586	1,189,848	1,196,848	(148,262)
Special assessments	8,221			8,221	5,300	5,300	2,921
Miscellaneous	546,459			546,459	677,975	695,975	(149,516)
Total receipts	2,831,696	847,947	27,481	3,652,162	4,687,499	4,712,499	(1,060,337)
Disbursements:							
Public safety	501,027	4,004	4,004	501,027	474,794	489,794	(11,233)
Public works	551,037	5,851	5,851	551,037	568,656	588,656	37,619
Health and social services	4,900			4,900	5,000	5,000	100
Culture and recreation	431,344	4,041	12,697	422,688	422,926	442,426	19,738
Community and economic development	256,082			256,082	669,499	669,499	413,417
General government	169,296	8,658	8,658	169,296	179,815	182,815	13,519
Debt service	757,950			757,950	729,433	752,433	(5,517)
Capital projects	1,861,183			1,861,183	3,605,743	3,605,743	1,744,560
Business type activities		443,583	2,078	441,505	689,215	689,215	247,710
Total disbursements	4,532,819	466,137	33,288	4,965,668	7,345,081	7,425,581	2,459,913
Excess (deficiency) of receipts over (under) disbursements	(1,701,123)	381,810	(5,807)	(1,313,506)	(2,657,582)	(2,713,082)	1,399,576
Other financing sources, net	150,689	(100,340)		50,349	64,000	64,000	(13,651)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,550,434)	281,470	(5,807)	(1,263,158)	(2,593,582)	(2,649,082)	1,385,925
Balances beginning of year	4,533,594	717,916	190,734	5,060,776	4,640,140	4,640,140	420,636
Cash balances end of year	\$ 2,983,160	999,386	184,927	3,797,618	2,046,558	1,991,058	1,806,561

See accompanying independent auditor's report.

City of Garner

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise 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 \$80,500 and increased budgeted revenues by \$25,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety and debt service 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, 2009

	Special Revenue					Permanent	Total
	Road Use Tax	Employee Benefits	Local Option Sales Tax	Industrial Revolvin g Loan	Retail Revolvin g Loan	Henschen Library Trust	
Receipts:							
Property tax		186,634					186,634
Other city tax			232,625				232,625
Use of money and property			8,153	3,411	267	8,094	19,925
Intergovernmental	\$ 242,438						242,438
Miscellaneous	2,910			5,370	8,237		16,517
Total receipts	245,348	186,634	240,778	8,781	8,504	8,094	698,139
Disbursements:							
Operating:							
Public safety		93,038					93,038
Public works	361,015	41,123					402,138
Culture and recreation		45,746				8,656	54,402
General government		22,043					22,043
Total disbursements	361,015	201,950				8,656	571,621
Excess (deficiency) of receipts over (under) disbursements	(115,667)	(15,316)	240,778	8,781	8,504	(562)	126,518
Other financing sources (uses):							
Operating transfers in	112,151						112,151
Operating transfers out			(345,099)	(10,147)			(355,246)
Internal loan, net			115,000	(60,000)			55,000
Total other financing sources (uses):	112,151		(230,099)	(70,147)			(188,095)
Net change in cash balances	(3,516)	(15,316)	10,679	(61,366)	8,504	(562)	(61,577)
Cash balances beginning of year	63,606	29,803	154,863	190,317	6,484	152,571	597,644
Cash balances end of year	\$ 60,090	14,487	165,542	128,951	14,988	152,009	536,067
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ 60,090	14,487	165,542	128,951	14,988		384,058
Permanent fund						152,009	152,009
Total cash basis fund balances	\$ 60,090	14,487	165,542	128,951	14,988	152,009	536,067

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, 2009

	Rec Center	SW Trunkline	Pool Shelter	Wastewater Facility	Fire Truck	Total
Receipts:						
Use of money and property	\$ 47,753					47,753
Miscellaneous	272,789					272,789
Total receipts	320,542					320,542
Disbursements:						
Capital projects	1,725,100	17,902		41,019	77,162	1,861,183
Total disbursements	1,725,100	17,902		41,019	77,162	1,861,183
Excess (deficiency) of receipts over (under) disbursements	(1,404,558)	(17,902)		(41,019)	(77,162)	(1,540,641)
Other financing sources (uses):						
Operating transfers in	186,613	17,902	4,133		77,162	285,810
Loan proceeds				49,849		49,849
Total other financing sources (uses):	186,613	17,902	4,133	49,849	77,162	335,659
Net change in cash balances	(1,217,945)		4,133	8,830		(1,204,982)
Cash balances beginning of year	2,680,478		(4,133)	(58,055)		2,618,290
Cash balances end of year	\$ 1,462,533			(49,225)		1,413,308

See accompanying independent auditor's report.

City of Garner

Schedule of Indebtedness

Year ended June 30, 2009

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:								
REC loan	3-1-00	0.00	\$ 330,000	36,665		36,665		
Essential corporate purpose	3-1-00	4.97	272,274	40,996		40,996		2,038
Homeward, Inc.	10-26-04	Variable		139,800	40,200	120,000	60,000	
Aquatic Center	7-12-06	4.15 - 4.30	2,200,000	2,110,000		95,000	2,015,000	88,962
REC-Aquatic Center	12-1-06	0.00	300,000	270,000		30,000	240,000	
Recreation Center	5-1-08	3.00 - 4.00	2,750,000	2,750,000		135,000	2,615,000	108,117
Total				<u>5,347,461</u>	<u>40,200</u>	<u>457,661</u>	<u>4,930,000</u>	<u>199,117</u>
Tax increment financing:								
Touchstone TIF	7-1-03	0.00	217,123	137,123		40,000	97,123	
Hejlik 1st subdivision TIF	7-15-04	2.87	200,000	40,000		40,000		1,148
Hejlik 2nd subdivision TIF	6-1-06	4.00	500,000	370,887		68,480	302,407	14,835
Total				<u>548,010</u>		<u>148,480</u>	<u>399,530</u>	<u>15,983</u>
Revenue notes:								
Sewer	7-15-05	3.85	300,000	171,429		42,858	128,571	6,600
Internal loans:								
Urban Renewal Area I	11-23-09		250,000	250,000			250,000	
Hejlik water TIF	7-16-04		125,000	125,000			125,000	
Hejlik sewer TIF	7-16-04		100,000	100,000			100,000	
Recreation Center	11-27-07		215,000	215,000		215,000		6,450
Touchstone TIF	11-26-08		60,000		60,000		60,000	
Total				<u>690,000</u>	<u>60,000</u>	<u>215,000</u>	<u>535,000</u>	<u>6,450</u>
Total				<u>\$ 6,756,900</u>	<u>100,200</u>	<u>863,999</u>	<u>5,993,101</u>	<u>228,150</u>

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2009

General Obligation Bonds and Notes

Year Ending June 30,	Aquatic Center		REC-Aquatic Center		Recreation Center		Total
	Issued July 12, 2006		Issued December 1, 2006		Issued May 12, 2008		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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>2,015,000</u>		<u>240,000</u>		<u>2,615,000</u>	<u>4,870,000</u>

Urban Renewal Tax

Year Ending June 30,	Touchstone TIF		Hejliks 2nd Subdivision		Total
	Issued July 1, 2003		Issued June 1, 2006		
	Interest Rates	Amount	Interest Rates	Amount	
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	80,110	80,110
Total		<u>97,123</u>		<u>302,407</u>	<u>399,530</u>

Revenue Notes

Year Ending June 30,	Sewer	
	Issued July 15, 2005	
	Interest Rates	Amount
2010	3.85%	\$ 42,857
2011	3.85	42,857
2012	3.85	42,858
Total		<u>\$ 128,572</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 Six Years

	2009	2008	2007	2006	2005	2004
Receipts:						
Property tax	\$ 1,029,615	1,091,666	979,610	870,989	810,442	864,044
Tax increment financing	333,998	108,444	48,580	45,191	260,283	130,248
Other city tax	232,625	183,394	192,254	203,647	176,170	181,168
Licenses and permits	35,564	36,202	36,033	35,631	33,532	30,005
Use of money and property	122,137	105,527	176,676	83,390	128,433	44,325
Intergovernmental	285,561	338,246	284,303	285,702	295,118	309,126
Charges for service	237,516	247,509	219,975	169,488	172,796	166,334
Special assessments	8,221	7,721	7,757	358	1,048	5,110
Miscellaneous	546,459	628,386	1,008,284	996,231	787,150	206,533
Total	\$ 2,831,696	2,747,095	2,953,472	2,690,627	2,664,972	1,936,893
Disbursements:						
Operating:						
Public safety	\$ 501,027	454,291	479,561	466,120	436,599	374,743
Public works	551,037	591,630	584,958	419,539	619,378	325,712
Health and social services	4,900	4,900	4,900	4,500	10,350	3,200
Culture and recreation	431,344	421,964	303,752	279,907	271,278	245,806
Community and economic development	256,082	429,624	602,993	967,255	662,327	18,721
General government	169,296	168,744	164,152	173,741	165,577	154,725
Debt service	757,950	724,680	595,861	462,407	815,124	488,979
Capital projects	1,861,183	456,654	3,302,859	655,797	37,943	488,046
Total	\$ 4,532,819	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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 29, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of 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-09 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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, 2009

Renner & Birchem, P.C.

City of Garner

Schedule of Findings

Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-09 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.

Instances of Non-Compliance:

No matters were reported.

City of Garner

Schedule of Findings

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public safety and debt service 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-09 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, as part of their adopted administrative policies.

II-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions – 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	\$ 340

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-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Garner

Schedule of Findings

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-H-09 Revenue Note – The City has complied with the revenue note resolutions.

II-I-09 Financial Condition – The Flex Plan Fund had a deficit balance at June 30, 2009 of \$1,782.

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.