

CITY OF GARNER

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

JUNE 30, 2010

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CITY OF GARNER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
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
(After January 2010)		
Ken Mick	Mayor	Jan 2014
Karl Bauer	Mayor Pro tem	Jan 2012
Deb Schmidt	Council Member	Jan 2012
Dick Voortmann	Council Member	Jan 2014
George Smith	Council Member	Jan 2014
Denny Drabek	Council Member	Jan 2014
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, 2010, 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, 2010, 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 March 16, 2011 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 on 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 six years ended June 30, 2009 (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, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

March 16, 2011

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities realized an increase of 42% or approximately \$1,260,000 from fiscal 2009 to fiscal 2010. This is due to the receipt of intergovernmental operating grants for the Rec Center project and loan proceeds for the Wastewater Treatment Plant project both received in fiscal 2010.
- Disbursements increased 24% or approximately \$1,080,000. Progress payments on the Rec Center project and Wastewater Treatment Plant project were the primary reasons for this increase.
- The City's total cash basis net assets decreased approximately \$1,210,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$1,370,000 and the assets of the business type activities increased approximately \$160,000. The governmental activities decrease was largely due to capital project expenditures in 2010. 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 and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, 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 45% from \$3 million to \$1.6 million. The analysis to follow focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities increased approximately \$1,260,000 or 42%. The increase in receipts was primarily the result of proceeds received from the issuance of general obligation bonds for the Wastewater Treatment Plant in fiscal year 2010.

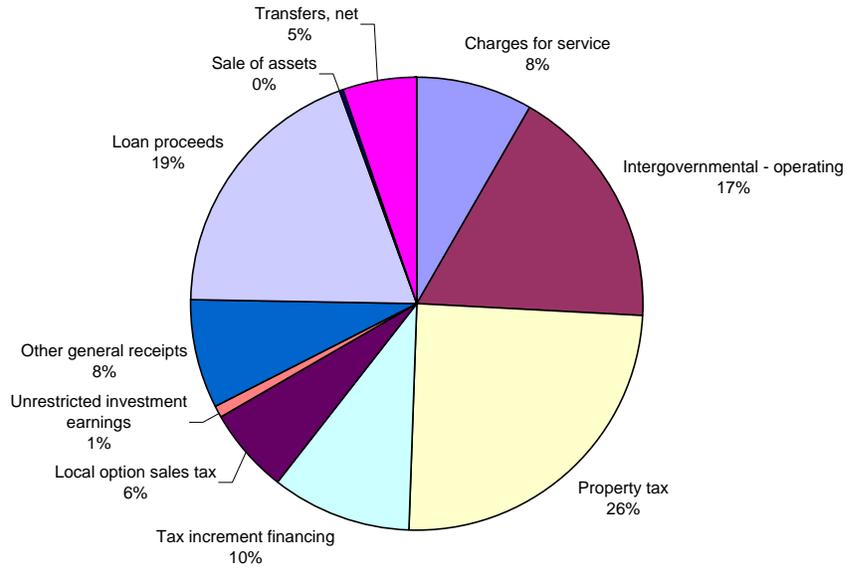
The City recognized a very slight decrease in its property tax rates for 2010 by an average of .2%. Even with this decrease, property tax receipts for the year showed a marginal increase of almost \$24,000. Increased property tax valuations made this increase possible.

The cost of all governmental activities this year was \$5.6 million compared to \$4.5 million last year. As shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers financed for these activities was \$4.5 million, with \$2.5 million going towards capital projects. Some of the cost was paid by those directly benefited from the programs (\$353,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$738,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2010 from approximately \$523,000 to \$1,091,000 due largely to the receipt of intergovernmental operating grants. The City paid for the remaining "public benefit" portion of governmental activities (\$3.1 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

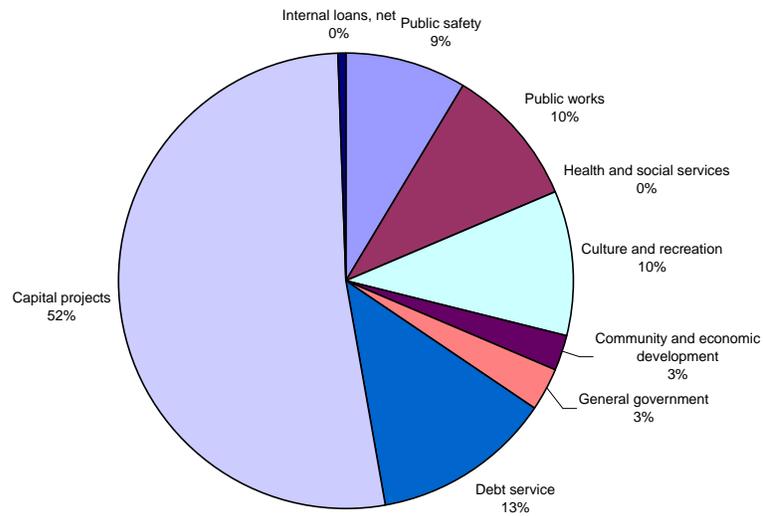
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 353,231	237,516
Intergovernmental - operating	737,673	285,561
General receipts:		
Property tax	1,053,384	1,029,615
Tax increment financing	423,346	333,998
Local option sales tax	255,811	232,624
Unrestricted investment earnings	39,166	99,895
Other general receipts	329,254	603,830
Loan proceeds	812,109	49,849
Sale of assets	2,267	500
Transfers, net	227,755	100,340
Total receipts and transfers	4,233,996	2,973,728
Disbursements:		
Public safety	476,727	504,697
Public works	566,373	550,543
Health and social services	4,900	4,900
Culture and recreation	564,491	423,746
Community and economic development	141,902	256,083
General government	173,821	169,530
Debt service	718,247	757,950
Capital projects	2,936,233	1,861,183
Internal loans, net	25,000	
Total disbursements	5,607,694	4,528,632
(Decrease) in cash basis net assets	(1,373,698)	(1,554,904)
Cash basis net assets beginning of year	3,008,975	4,563,879
Cash basis net assets end of year	\$ 1,635,277	3,008,975

Receipts by Source



Disbursements by Function



Total business type activities receipts for the fiscal year were \$867,568 compared to \$828,560 last year. Total disbursements and transfers for the fiscal year increased by 30% to a total of \$705,978. This increase in disbursements, due largely to transfers out for capital project expenditures, resulted in a increase in net assets of business type activities of \$161,590.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 221,707	228,310
Sewer	528,827	438,441
Storm sewer	59,392	59,053
Intergovernmental - operating	5,270	85,266
General receipts:		
Unrestricted investment earnings	27,372	17,490
Internal loans, net	25,000	
Total receipts and transfers	867,568	828,560
Disbursements and transfers:		
Water	227,784	188,662
Sewer	193,015	171,281
Storm sewer	57,424	82,335
Transfers	227,755	100,340
Total disbursements and transfers	705,978	542,618
Increase in cash basis net assets	161,590	285,942
Cash basis net assets beginning of year	973,572	687,630
Cash basis net assets end of year	\$ 1,135,162	973,572

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 \$1,635,277, a decrease of over \$1,370,000 from last year's total of \$3,008,975. 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 \$34,336 from the prior year to \$701,435 due to the allocation of fund reserves for future projects.
- The Local Option Tax Fund cash balance increased by \$185 to \$165,727. Nearly all monies collected were allocated for current and future projects.

- The Housing Revolving Loan Fund cash balance decreased by \$94,839 to \$219,765 which is due to an internal loan to the Rec Center project.
- The Debt Service Fund cash balance decreased by \$12,149 to \$39,933 during the fiscal year. This decrease was due to the use of prior year transfers to the fund to offset current debt payments.
- The Capital Projects Fund cash balance decreased by \$1,336,329 to \$76,979. This decrease was a result of Rec Center project expenditures.
- Non-major Governmental Funds increased by \$37,645 to \$408,170. This increase was due in part to the receipt of \$12,762 from I-Jobs into the Road Use Tax fund which was not yet expended. Repayment of industrial and retail loans made to several businesses along with a \$10,000 transfer in from the Local Option Tax fund allocating monies for the VIP facade program created an increase in the Revolving Loan funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$3,139 to \$331,814. These are normal reserves created to fund future projects.
- The Sewer Fund cash balance increased by \$177,368 to \$739,079. Even with transfers out of \$202,755 to debt service and capital projects, reserves were created to fund future projects.
- The Storm Sewer Fund cash balance decreased by \$15,950 to \$60,132. This decrease is due to the transfer out of funds to the Road Use Tax fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 25, 2010 and resulted in an increase to several functions totaling \$239,793. \$115,215 would be for additional debt service payments the balance would largely represent equipment and projects expected to be purchased or completed prior to year end.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$8 million in bonds and other long-term debt, compared to approximately \$5.5 million last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2010	2009
General obligation notes	\$ 4,700,000	4,930,000
Urban renewal tax increment financing revenue bonds	288,312	399,530
Revenue notes	2,973,000	128,571
 Total	 \$ 7,961,312	 5,458,101

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 \$4,700,000 is below its constitutional debt limit of \$7,802,933.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates and fees that will be charged for various City activities. The national economic crisis has not spared Garner. Rebounding from double digit unemployment rates many area businesses have begun to rebuild their employee base. City officials remain very cautious but optimistic when addressing government spending.

Opening of the Rec Center in October 2010 garnered huge support from the whole community. Membership sales and daily attendance started strong and remain steady. Add this to additional programming opportunities being offered the facility is expected to maintain a positive cash flow. Completion of the Wastewater Treatment Plant is scheduled for spring 2011. 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, 2010

	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	\$ 476,727		31,366	(445,361)		(445,361)
Public works	566,373	138,729	271,050	(156,594)		(156,594)
Health and social services	4,900			(4,900)		(4,900)
Culture and recreation	564,491	214,127	29,507	(320,857)		(320,857)
Community and economic development	141,902			(141,902)		(141,902)
General government	173,821	375		(173,446)		(173,446)
Debt service	718,247			(718,247)		(718,247)
Capital projects	2,936,233		405,750	(2,530,483)		(2,530,483)
Total governmental activities	5,582,694	353,231	737,673	(4,491,790)		(4,491,790)
Business type activities:						
Water	227,784	221,707			(6,077)	(6,077)
Sewer	193,015	528,827			335,812	335,812
Storm sewer	57,424	59,392	5,270		7,238	7,238
Total business type activities	478,223	809,926	5,270		336,973	336,973
Total	\$ 6,060,917	1,163,157	742,943	(4,491,790)	336,973	(4,154,817)
General Receipts:						
Property tax levied for:						
General purposes				\$ 622,065		622,065
Tax increment financing				423,346		423,346
Employee benefits and insurance				209,395		209,395
Debt service				221,924		221,924
Local option sales tax				255,811		255,811
Unrestricted interest on investments				39,166	27,372	66,538
Miscellaneous				329,254		329,254
Loan proceeds				812,109		812,109
Sale of assets				2,267		2,267
Transfers				227,755	(227,755)	
Internal loan, net				(25,000)	25,000	
Total general receipts and transfers				3,118,092	(175,383)	2,942,709
Change in cash basis net assets				(1,373,698)	161,590	(1,212,108)
Cash basis net assets beginning of year				3,008,975	973,572	3,982,547
Cash basis net assets end of year				\$ 1,635,277	1,135,162	2,770,439
Cash Basis Net Assets						
Restricted:						
Expendable:						
Streets				\$ 83,191		83,191
Debt service				39,933		39,933
Other purposes				790,782		790,782
Unrestricted				721,371	1,135,162	1,856,533
Total cash basis net assets				\$ 1,635,277	1,135,162	2,770,439

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, 2010

	Special Revenue						Total
	General	Local Option Tax	Revolving Loan-Housing	Debt Service	Capital Projects	Nonmajor	
Receipts:							
Property tax	\$ 622,065			221,924		209,395	1,053,384
Tax increment financing collections						423,346	423,346
Other city tax		255,811					255,811
Licenses and permits	31,151						31,151
Use of money and property	66,205	4,713	5,725		5,874	10,799	93,316
Intergovernmental	60,873				405,750	271,050	737,673
Charges for services	353,231						353,231
Special assessments	9,770						9,770
Miscellaneous	114,053		16,496		95,133	15,855	241,537
Total receipts	1,257,348	260,524	22,221	221,924	506,757	930,445	3,199,219
Disbursements:							
Operating:							
Public safety	372,665					101,196	473,861
Public works	195,940					367,100	563,040
Health and social services	4,900						4,900
Culture and recreation	518,592					55,145	573,737
Community and economic development	87,406		2,294			52,202	141,902
General government	151,596					23,985	175,581
Debt service				718,247			718,247
Capital projects					2,936,233		2,936,233
Total disbursements	1,331,099		2,294	718,247	2,936,233	599,628	5,587,501
Excess (deficiency) of receipts over (under) disbursements	(73,751)	260,524	19,927	(496,323)	(2,429,476)	330,817	(2,388,282)
Other financing sources (uses):							
Operating transfers in	138,570	32,904		484,174	66,873	82,189	804,710
Operating transfers out	(10,000)	(200,756)	(3)		(835)	(365,361)	(576,955)
Internal loan, net	(22,750)	(92,487)	(114,763)		215,000	(10,000)	(25,000)
Loan proceeds					812,109		812,109
Sale of assets	2,267						2,267
Total other financing sources (uses)	108,087	(260,339)	(114,766)	484,174	1,093,147	(293,172)	1,017,131
Net change in cash balances	34,336	185	(94,839)	(12,149)	(1,336,329)	37,645	(1,371,151)
Cash balances beginning of year	667,099	165,542	314,604	52,082	1,413,308	370,525	2,983,160
Cash balances end of year	\$ 701,435	165,727	219,765	39,933	76,979	408,170	1,612,009
Cash Basis Fund Balances							
Reserved for debt service				39,933			39,933
Unreserved:							
General fund	\$ 701,435						701,435
Special revenue funds		165,727	219,765			256,396	641,888
Capital projects fund					76,979		76,979
Permanent fund						151,774	151,774
Total cash basis fund balances	\$ 701,435	165,727	219,765	39,933	76,979	408,170	1,612,009

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, 2010

Total governmental funds cash balances (page 16) **\$ 1,612,009**

*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.

23,268

Cash basis net assets of governmental activities (page 15) **\$ 1,635,277**

Net change in cash balances (page 16) **\$ (1,371,151)**

*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.

(2,547)

Change in cash balance of governmental activities (page 15) **\$ (1,373,698)**

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, 2010

	Enterprise Funds				Internal Service Funds		
	Water	Sewer	Storm Sewer	Total	Employee Health	Flex Plan	Total
Operating receipts:							
Intergovernmental			5,270	5,270			
Charges for services	\$ 221,707	528,827	59,392	809,926	3,900	19,887	23,787
Total operating receipts	221,707	528,827	64,662	815,196	3,900	19,887	23,787
Operating disbursements:							
Governmental activities:							
Public safety					3,441	1,961	5,402
Public works					4,064	5,744	9,808
Culture and recreation					220	414	634
General government					1,420	4,945	6,365
Business type activities	226,300	191,532	57,424	475,256	737	7,080	7,817
Total operating disbursements	226,300	191,532	57,424	475,256	9,882	20,144	30,026
Excess (deficiency) of operating receipts over (under) operating disbursements	(4,593)	337,295	7,238	339,940	(5,982)	(257)	(6,239)
Non-operating receipts (disbursements):							
Interest on investments	7,732	17,828	1,812	27,372	725		725
Internal loan, net		25,000		25,000			
Total non-operating receipts	7,732	42,828	1,812	52,372	725		725
Excess (deficiency) of receipts over (under) disbursements	3,139	380,123	9,050	392,312	(5,257)	(257)	(5,514)
Operating transfers in (out)		(202,755)	(25,000)	(227,755)			
Net change in cash balances	3,139	177,368	(15,950)	164,557	(5,257)	(257)	(5,514)
Cash balances beginning of year	328,675	561,711	76,082	966,468	34,700	(1,782)	32,918
Cash balances end of year	\$ 331,814	739,079	60,132	1,131,025	29,443	(2,039)	27,404
Cash Basis Fund Balances							
Unreserved	\$ 331,814	739,079	60,132	1,131,025	29,443	(2,039)	27,404
Total cash basis fund balances	\$ 331,814	739,079	60,132	1,131,025	29,443	(2,039)	27,404

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, 2010

Total enterprise funds cash balances (page 18) **\$ 1,131,025**

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.

4,137

Cash basis net assets of business type activities (page 15) **\$ 1,135,162**

Net change in cash balances (page 18) **\$ 164,557**

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

(2,967)

Change in cash balance of business type activities (page 15) **\$ 161,590**

See notes to financial statements.

CITY OF GARNER

Notes to Financial Statements

June 30, 2010

(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, Garner Area Community Betterment Association 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, 2010

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. 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 Local Option Fund is used to account for local option tax receipts and disbursements.

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.

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2010

The City reports the following major proprietary funds:

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

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

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

The City reports the following additional proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Garner maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Investments

The City's deposits in banks at June 30, 2010 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.

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2010

(2) Cash and Investments (con't)

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.

The Henschen Library Trust investments at June 30, 2010 are as follows:

	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
Donated stock and stock funds	\$ 151,698	\$ 244,341

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
2011	\$ 298,835	176,227	114,067	9,248	108,000	57,632	520,902	243,107
2012	309,401	166,213	94,135	6,302	111,000	85,950	514,536	258,465
2013	319,983	156,571	80,110	3,204	115,000	82,620	515,093	242,395
2014	330,582	146,551			119,000	79,170	449,582	225,721
2015	341,199	134,916			123,000	75,600	464,199	210,516
2016-2020	1,725,000	488,970			676,000	320,250	2,401,000	809,220
2021-2025	1,375,000	130,880			791,000	212,250	2,166,000	343,130
2026-2030					930,000	85,500	930,000	85,500
	<u>\$ 4,700,000</u>	<u>1,400,328</u>	<u>288,312</u>	<u>18,754</u>	<u>2,973,000</u>	<u>998,972</u>	<u>7,961,312</u>	<u>2,418,054</u>

CITY OF GARNER

Notes to Financial Statements (continued)

June 30, 2010

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

In addition Homeward, Inc. loan balance outstanding at June 30, 2010 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.

An advance of \$115,000 was made from the Local Option Fund to the Capital Projects Fund in order to pay the costs of construction for rehabilitation clinic for Hancock County Memorial Hospital. This advance shall be treated as a loan (the "Loan") to the Capital Project Fund and shall be repaid to the Local Option Fund.

An advance of \$250,000 was made from the Local Option Fund to the Touchstone-TIF Fund in order to pay for infrastructure. This advance shall be treated as a loan (the "Loan") to the Touchstone-TIF Fund and shall be repaid to the Local Option Fund.

An advance of \$64,636 was made from the Revolving Loan-Industry Fund to the Touchstone-TIF Fund in order to pay 64.5 acres of land. This advance shall be treated as a loan (the "Loan") to the Touchstone-TIF Fund and shall be repaid to the Revolving Loan-Industry Fund.

An advance of \$100,000 was made from Housing Revolving Loan Fund to the Capital Projects Fund in order to pay the cost of construction for rehabilitation clinic for Hancock County Memorial Hospital. This advance shall be treated as a loan (the "Loan") to the Capital Projects Fund and shall be repaid to the Housing 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.

CITY OF GARNER

Notes to Financial Statements

June 30, 2010

(4) Pension and Retirement Benefits (continued)

Most regular plan members are required to contribute 4.30% of their annual salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$55,314, \$44,065, and \$40,779 respectively, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 16 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

The dental benefits are provided through a fully-insured plan with True North Companies/Blue Dental. Retirees pay the same premium for dental benefits as active employees.

Funding Policy – the contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$370.63 for single coverage and \$1,137.45 for family coverage for medical/prescription drug benefits and \$31.39 for single coverage and \$106.83 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$166,999 and plan members eligible for benefits contributed \$4,862 to the plan.

(6) 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, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2010</u>
Vacation	\$ 33,614
Comp	<u>4,540</u>
	\$ <u>38,154</u>

This liability has been computed based on rates of pay as of June 30, 2010.

CITY OF GARNER
Notes to Financial Statements

June 30, 2010

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option	<u>\$138,570</u>
Special Revenue: Tax Increment RUT	Special Revenue: Revolving Loan - Housing Special Revenue: Local Option Enterprise: Storm Sewer	<u>3</u> 47,186 <u>25,000</u> <u>72,186</u>
Local Option	General Special Revenue: Tax Increment Capital Projects	10,000 22,069 <u>835</u> <u>32,904</u>
Revolving Loan-Retail	Special Revenue: Local Option	<u>10,000</u>
Capital Project	Special Revenue: Local Option Enterprise: Sewer	5,000 <u>61,873</u> <u>66,873</u>
Debt Service	Special Revenue: Tax Increment Enterprise: Sewer	<u>343,293</u> <u>140,881</u> <u>484,174</u>
Total		<u>\$ 804,710</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials, during the year ended June 30, 2010, totaling \$2,212.

CITY OF GARNER

Notes to Financial Statements

June 30, 2010

(9) 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, 2010 were \$69,729.

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, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years

CITY OF GARNER

Notes to Financial Statements

June 30, 2010

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

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.

(10) 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, 2010 is \$57,123.

(11) 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, 2010 is \$-0-.

(12) Commitments

The City has entered into construction contracts totaling \$3,403,034 for the waste water treatment facility. As of June 30, 2010 \$519,960 had been paid on the contract leaving a balance of \$2,883,074.

(13) 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 \$1,529,815 is outstanding at June 30, 2010. The bond principal and interest do not constitute liabilities of the City.

(14) Deficit Fund Balance

The Flex Plan Fund had a deficit balance of \$2,039 at June 30, 2010. The deficit balance was a result of costs incurred prior to availability of funds.

CITY OF GARNER

Notes to Financial Statements

June 30, 2010

(15) 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.

(16) Subsequent Events

The City is currently undertaking an investigation into the possible misuse of funds. The results of this investigation are unknown and possible losses are undeterminable.

The City has a lawsuit currently pending against them for which the outcome cannot be reasonably determined at this time. There is a possibility of a loss regarding the lawsuit; however the City believes its' insurance would cover the majority of any potential damages.

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, 2010

	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	\$ 1,053,384			1,053,384	1,024,111	1,024,111	29,273
Tax increment financing collections	423,346			423,346	397,115	397,115	26,231
Other city tax	255,811			255,811	217,824	217,824	37,987
Licenses and permits	31,151			31,151	35,955	35,955	(4,804)
Use of money and property	93,316	28,097	7,844	113,569	133,561	133,561	(19,992)
Intergovernmental	737,673	5,270		742,943	298,550	303,550	439,393
Charges for services	353,231	833,713	23,787	1,163,157	1,261,329	1,263,829	(100,672)
Special assessments	9,770			9,770	5,100	5,100	4,670
Miscellaneous	241,537			241,537	202,763	228,313	13,224
Total receipts	3,199,219	867,080	31,631	4,034,668	3,576,308	3,609,358	425,310
Disbursements:							
Public safety	473,861	5,402	5,402	473,861	458,473	475,973	2,112
Public works	563,040	9,808	9,808	563,040	532,886	598,251	35,211
Health and social services	4,900			4,900	5,000	5,000	100
Culture and recreation	573,737	634	7,988	566,383	587,964	619,677	53,294
Community and economic development	141,902			141,902	198,617	198,617	56,715
General government	175,581	6,365	6,365	175,581	185,462	185,462	9,881
Debt service	718,247			718,247	622,692	737,907	19,660
Capital projects	2,936,233			2,936,233	3,950,000	3,950,000	1,013,767
Business type activities		483,073	7,817	475,256	520,269	530,269	55,013
Total disbursements	5,587,501	505,282	37,380	6,055,403	7,061,363	7,301,156	1,245,753
Excess (deficiency) of receipts over (under) disbursements	(2,388,282)	361,798	(5,749)	(2,020,735)	(3,485,055)	(3,691,798)	1,671,063
Other financing sources, net	1,017,131	(202,755)		814,376	1,366,000	1,366,000	(551,624)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,371,151)	159,043	(5,749)	(1,206,359)	(2,119,055)	(2,325,798)	1,119,439
Balances beginning of year	2,983,160	999,386	184,927	3,797,619	3,769,175	3,797,619	
Cash balances end of year	\$ 1,612,009	1,158,429	179,178	2,591,260	1,650,120	1,471,821	1,119,439

See accompanying independent auditor's report.

City of Garner

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 \$239,793 and increased budgeted revenues by \$33,050. The budget amendment is reflected in the final budgeted amounts.

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, 2010

	Special Revenue					Permanent	Total
	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Industrial Revolvin g Loan	Retail Revolvin g Loan	Henschen Library Trust	
Receipts:							
Property tax		209,395					209,395
Tax increment financing collections			423,346				423,346
Use of money and property				3,208	472	7,119	10,799
Intergovernmental	\$ 271,050						271,050
Miscellaneous	1,150			6,620	8,085		15,855
Total receipts	<u>272,200</u>	<u>209,395</u>	<u>423,346</u>	<u>9,828</u>	<u>8,557</u>	<u>7,119</u>	<u>930,445</u>
Disbursements:							
Operating:							
Public safety		101,196					101,196
Public works	324,618	42,482					367,100
Culture and recreation		47,791				7,354	55,145
Community and economic development			47,988	46	4,168		52,202
General government		23,985					23,985
Total disbursements	<u>324,618</u>	<u>215,454</u>	<u>47,988</u>	<u>46</u>	<u>4,168</u>	<u>7,354</u>	<u>599,628</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(52,418)</u>	<u>(6,059)</u>	<u>375,358</u>	<u>9,782</u>	<u>4,389</u>	<u>(235)</u>	<u>330,817</u>
Other financing sources (uses):							
Operating transfers in	72,186		3		10,000		82,189
Operating transfers out			(365,361)				(365,361)
Internal loan, net			(10,000)				(10,000)
Total other financing sources (uses):	<u>72,186</u>		<u>(375,358)</u>		<u>10,000</u>		<u>(293,172)</u>
Net change in cash balances	19,768	(6,059)		9,782	14,389	(235)	37,645
Cash balances beginning of year	<u>60,090</u>	<u>14,487</u>		<u>128,951</u>	<u>14,988</u>	<u>152,009</u>	<u>370,525</u>
Cash balances end of year	<u>\$ 79,858</u>	<u>8,428</u>		<u>138,733</u>	<u>29,377</u>	<u>151,774</u>	<u>408,170</u>
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ 79,858	8,428		138,733	29,377		256,396
Permanent fund						151,774	151,774
Total cash basis fund balances	<u>\$ 79,858</u>	<u>8,428</u>		<u>138,733</u>	<u>29,377</u>	<u>151,774</u>	<u>408,170</u>

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, 2010

	Rec Center	SW Trunkline	Pool Shelter	Wastewater Facility	Fire Truck	Total
Receipts:						
Use of money and property	\$ 5,874					5,874
Miscellaneous	500,883					500,883
Total receipts	506,757					506,757
Disbursements:						
Capital projects	2,112,311	22,188		702,569	99,165	2,936,233
Total disbursements	2,112,311	22,188		702,569	99,165	2,936,233
Excess (deficiency) of receipts over (under) disbursements	(1,605,554)	(22,188)		(702,569)	(99,165)	(2,429,476)
Other financing sources (uses):						
Operating transfers in		22,188	5,000	39,685		66,873
Operating transfers out					(835)	(835)
Internal loan, net	215,000					215,000
Loan proceeds				712,109	100,000	812,109
Total other financing sources (uses):	215,000	22,188	5,000	751,794	99,165	1,093,147
Net change in cash balances	(1,390,554)		5,000	49,225		(1,336,329)
Cash balances beginning of year	1,462,533			(49,225)		1,413,308
Cash balances end of year	\$ 71,979		5,000			76,979

See accompanying independent auditor's report.

City of Garner

Schedule of Indebtedness

Year ended June 30, 2010

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:								
Homeward, Inc.	Various	Variable		\$ 60,000		60,000		
Aquatic Center	7-12-06	4.15 - 4.30	2,200,000	2,015,000		95,000	1,920,000	85,020
REC-Aquatic Center	12-1-06	0.00	300,000	240,000		30,000	210,000	
Recreation Center	5-1-08	3.00 - 4.00	2,750,000	2,615,000		145,000	2,470,000	95,750
Fire Truck	9-1-09	3.00	100,000		100,000		100,000	
Total				<u>4,930,000</u>	<u>100,000</u>	<u>330,000</u>	<u>4,700,000</u>	<u>180,770</u>
Tax increment financing:								
Touchstone TIF	7-1-03	0.00	217,123	97,123		40,000	57,123	
Hejlik 2nd subdivision TIF	6-1-06	4.00	500,000	302,407		71,218	231,189	12,096
Total				<u>399,530</u>		<u>111,218</u>	<u>288,312</u>	<u>12,096</u>
Revenue notes:								
Sewer-2005 Rehab	7-15-05	3.85	300,000	128,571		128,571		4,950
Sewer-WWTP	1-13-10	3.00	2,973,000		2,973,000		2,973,000	2,409
Total				<u>128,571</u>	<u>2,973,000</u>	<u>128,571</u>	<u>2,973,000</u>	<u>7,359</u>
Internal loans:								
Urban Renewal Area I	11-23-09		250,000	250,000		32,069	217,931	
Hejlik water TIF	7-16-04		125,000	125,000			125,000	
Hejlik sewer TIF	7-16-04		100,000	100,000		25,000	75,000	
Touchstone TIF	11-26-08		60,000	60,000	4,636		64,636	
Rec Center	9-30-09	6.00	215,000		215,000	11,829	203,171	10,921
Kadrlik/Touchstone-TIF	5-25-10	6.00	4,144		4,144		4,144	
Total				<u>535,000</u>	<u>223,780</u>	<u>68,898</u>	<u>689,882</u>	<u>10,921</u>
Total				<u>\$ 5,993,101</u>	<u>3,296,780</u>	<u>638,687</u>	<u>8,651,194</u>	<u>211,146</u>

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2010

General Obligation Bonds and Notes

Year Ending June 30,	Aquatic Center		REC-Aquatic Center		Recreation Center		Fire Truck		Total
	Issued July 12, 2006		Issued December 1, 2006		Issued May 12, 2008		Issued September 1, 2009		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	4.20%	\$ 100,000	0.00%	30,000	3.00%	150,000	3.00%	18,835	298,835
2012	4.20	105,000	0.00	30,000	3.00	155,000	3.00	19,401	309,401
2013	4.20	110,000	0.00	30,000	3.00	160,000	3.00	19,983	319,983
2014	4.20	115,000	0.00	30,000	3.75	165,000	3.00	20,582	330,582
2015	4.20	120,000	0.00	30,000	3.75	170,000	3.00	21,199	341,199
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>1,920,000</u>		<u>210,000</u>		<u>2,470,000</u>		<u>100,000</u>	<u>4,700,000</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	
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>57,123</u>		<u>231,189</u>	<u>288,312</u>

Revenue Notes

Year Ending June 30,	Sewer	
	Issued January 13, 2010	
	Interest Rates	Amount
2011	3.00%	\$ 108,000
2012	3.00	111,000
2013	3.00	115,000
2014	3.00	119,000
2015	3.00	123,000
2016	3.00	127,000
2017	3.00	131,000
2018	3.00	135,000
2019	3.00	139,000
2020	3.00	144,000
2021	3.00	148,000
2022	3.00	153,000
2023	3.00	158,000
2024	3.00	163,000
2025	3.00	169,000
2026	3.00	174,000
2027	3.00	180,000
2028	3.00	186,000
2029	3.00	192,000
2030	3.00	198,000
Total		<u>\$ 2,973,000</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 Seven Years

	2010	2009	2008	2007	2006	2005	2004
Receipts:							
Property tax	\$ 1,053,384	1,029,615	1,091,666	979,610	870,989	810,442	864,044
Tax increment financing	423,346	333,998	108,444	48,580	45,191	260,283	130,248
Other city tax	255,811	232,625	183,394	192,254	203,647	176,170	181,168
Licenses and permits	31,151	35,564	36,202	36,033	35,631	33,532	30,005
Use of money and property	93,316	122,137	105,527	176,676	83,390	128,433	44,325
Intergovernmental	737,673	285,561	338,246	284,303	285,702	295,118	309,126
Charges for service	353,231	237,516	247,509	219,975	169,488	172,796	166,334
Special assessments	9,770	8,221	7,721	7,757	358	1,048	5,110
Miscellaneous	241,537	546,459	628,386	1,008,284	996,231	787,150	206,533
Total	\$ 3,199,219	2,831,696	2,747,095	2,953,472	2,690,627	2,664,972	1,936,893
Disbursements:							
Operating:							
Public safety	\$ 473,861	501,027	454,291	479,561	466,120	436,599	374,743
Public works	563,040	551,037	591,630	584,958	419,539	619,378	325,712
Health and social services	4,900	4,900	4,900	4,900	4,500	10,350	3,200
Culture and recreation	573,737	431,344	421,964	303,752	279,907	271,278	245,806
Community and economic development	141,902	256,082	429,624	602,993	967,255	662,327	18,721
General government	175,581	169,296	168,744	164,152	173,741	165,577	154,725
Debt service	718,247	757,950	724,680	595,861	462,407	815,124	488,979
Capital projects	2,936,233	1,861,183	456,654	3,302,859	655,797	37,943	488,046
Total	\$ 5,587,501	4,532,819	3,252,487	6,039,036	3,429,266	3,018,576	2,099,932

See accompanying independent auditor's report.

City of Garner

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
Environmental Protection Agency State Revolving Fund ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-192405-01	\$ <u>582,219</u>
Total			\$ <u>582,219</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Garner and is presented in conformity with another comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 16, 2011. 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Garner's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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 and Questioned Costs. 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.

March 16, 2011

Renner & Birchem, P.C.

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of Garner, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. Garner's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Garner's management. Our responsibility is to express an opinion on City of Garner's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Garner's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Garner's compliance with those requirements.

In our opinion City of Garner complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010

Internal Control Over Compliance

The management of City of Garner is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Garner's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Garner's internal control over compliance.

Our consideration of the internal control over compliance was for the limit purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

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 on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Garner and other parties to whom the City of Garner may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

March 16, 2011

Renner & Birchem, P.C.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursement, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major federal program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.458 – Capitalization Grants for Clean Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Garner did not qualify as a low-risk auditee.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

II-A-10 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.

II-B-10 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for the governmental entity similar in population to the City of Garner. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City’s management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

Instances of Non-Compliance:

No matters were reported.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part III: Findings For Federal Awards:

Instances of Non-Compliance

No matters were reported.

Internal Control Deficiencies:

CFDA Number 66.458: Capitalization Grants for Clean Water
Federal Award Year: 2010
Environmental Protection Agency

III-A-10 Segregation of Duties See Item II-A-10

Part IV: Summary of Prior Federal Audit Findings and Questioned Costs:

No prior federal audit findings, initial single audit.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

IV-B-10 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.

IV-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 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	\$ 2,212

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member may represent a conflict of interest since a competitive bidding process was not utilized and total of the transaction was in excess of \$1,500.

Recommendation – The City should use a competitive bidding process when practicable.

Response – The transactions were normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 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 and Questioned Costs

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-H-10 Revenue Note – The City has complied with the revenue note resolutions.

IV-I-10 Financial Condition – The Flex Plan Fund had a deficit balance at June 30, 2010 of \$2,039.

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.