

CITY OF GARNER

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

JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		6-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	18
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	19
Notes to Financial Statements		20-30
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual (Cash Basis)-All Governmental Funds and Proprietary Funds		32
Notes to Required Supplementary Information-Budgetary Reporting		33
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Governmental Funds	1	35
Statement of Cash Receipts, Disbursements and Changes in Cash Balances-Capital Projects Funds	2	36
Schedule of Indebtedness	3	37
Bond and Note Maturities	4	38
Schedule of Receipts by Source and Disbursements by Function- All Governmental Funds	5	39
Schedule of Expenditures of Federal Awards	6	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		43-44
Schedule of Finding and Questioned Costs		45-49

CITY OF GARNER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2011, 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 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, 2011, 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 27, 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 32 through 33 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 seven years ended June 30, 2010 (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.

October 27, 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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities realized an increase of 54% or approximately \$2,274,000 from fiscal 2010 to fiscal 2011. This is due to the loan proceeds for the Wastewater Treatment Plant.
- Disbursements increased 14% or approximately \$784,000. Progress payments on the Wastewater Treatment Plant project were the primary reason for this increase.
- The City's total cash basis net assets increased approximately \$322,000 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$116,000 and the assets of the business type activities increased approximately \$206,000. The governmental activities increase was largely due to capital grant receipts in 2011 for the Rec Center. 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 an increase of 7% from \$1.6 million to \$1.7 million. The analysis to follow focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities increased approximately \$2,274,000 or 54%. The increase in receipts was primarily the result of proceeds received from the issuance of revenue bonds for the Wastewater Treatment Plant in fiscal year 2011.

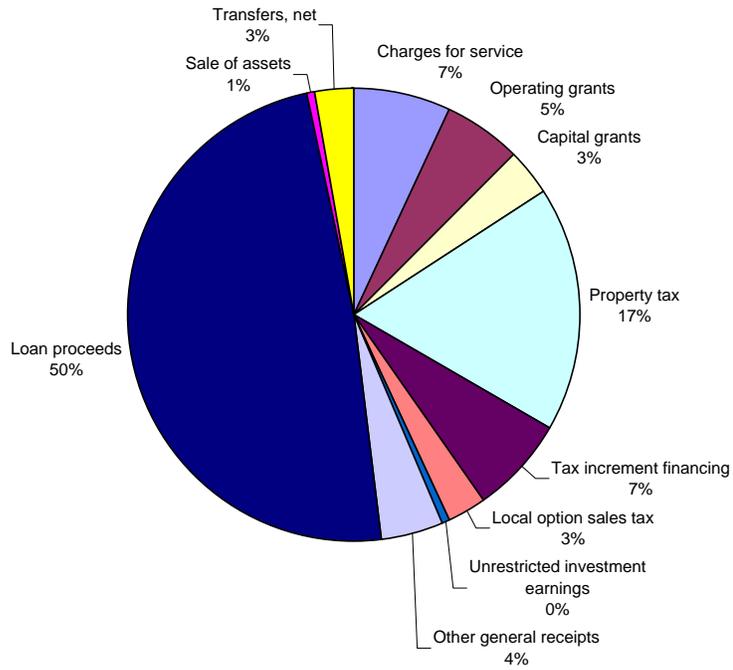
The City experienced very little change in its property tax rates for 2011 with a rate of 13.24%. While maintaining a steady rate, property tax receipts for the year showed an increase of over \$76,000. Increased property tax valuations made this increase possible.

The cost of all governmental activities this year was \$6.4 million compared to \$5.6 million last year. As shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers financed for these activities was \$5.3 million, with \$3.2 million going towards capital projects. Some of the cost was paid by those directly benefited from the programs (\$455,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$582,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2011 from approximately \$1,091,000 to \$1,037,000 due to fewer receipts of intergovernmental operating grants. The City paid for the remaining "public benefit" portion of governmental activities (\$5.4 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

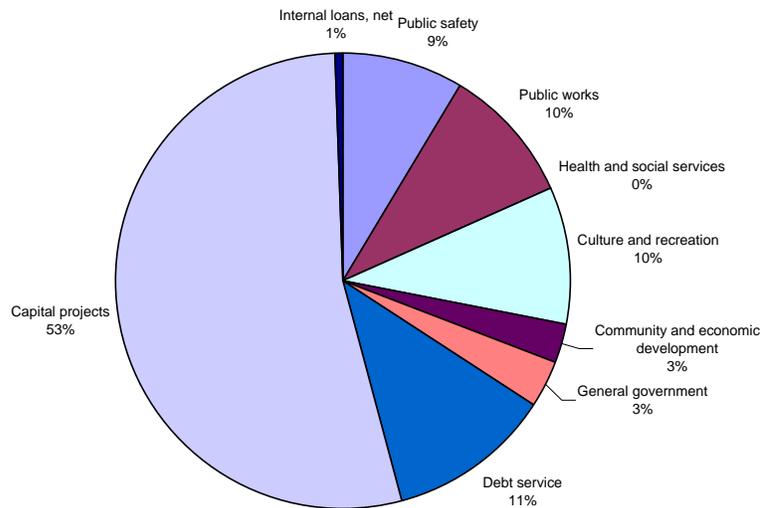
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2011	2010
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 454,899	353,231
Operating grants	357,877	737,673
Capital grants	224,552	
General receipts:		
Property tax	1,130,876	1,053,384
Tax increment financing	454,085	423,346
Local option sales tax	186,772	255,811
Unrestricted investment earnings	22,401	39,166
Other general receipts	290,108	329,254
Loan proceeds	3,160,520	812,109
Sale of assets	52,157	2,267
Transfers, net	173,109	227,755
Total receipts and transfers	6,507,356	4,233,996
Disbursements:		
Public safety	550,581	476,727
Public works	616,842	566,373
Health and social services	5,023	4,900
Culture and recreation	627,912	564,491
Community and economic development	173,249	141,902
General government	202,503	173,821
Debt service	750,337	718,247
Capital projects	3,425,143	2,936,233
Internal loans, net	40,000	25,000
Total disbursements	6,391,590	5,607,694
Increase (Decrease) in cash basis net assets	115,766	(1,373,698)
Cash basis net assets beginning of year	1,635,277	3,008,975
Cash basis net assets end of year	\$ 1,751,043	1,635,277

Receipts by Source



Disbursements by Function



Total business type activities receipts for the fiscal year were \$849,379 compared to \$867,568 last year. Total disbursements and transfers for the fiscal year decreased by 9% to a total of \$642,744. This decrease in disbursements, due in part to fewer transfers out for capital project expenditures, resulted in an increase in net assets of business type activities of \$206,635.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 216,419	221,707
Sewer	521,574	528,827
Storm sewer	59,285	59,392
Intergovernmental - operating		5,270
General receipts:		
Unrestricted investment earnings	12,101	27,372
Internal loans, net	40,000	25,000
Total receipts and transfers	<u>849,379</u>	<u>867,568</u>
Disbursements and transfers:		
Water	256,704	227,784
Sewer	164,851	193,015
Storm sewer	48,080	57,424
Transfers	173,109	227,755
Total disbursements and transfers	<u>642,744</u>	<u>705,978</u>
Increase in cash basis net assets	206,635	161,590
Cash basis net assets beginning of year	<u>1,135,162</u>	<u>973,572</u>
Cash basis net assets end of year	<u>\$ 1,341,797</u>	<u>1,135,162</u>

INDIVIDUAL MAJOR AND NON-MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Garner completed the year, its governmental funds reported a combined fund balance of \$1,751,043, an increase of over \$115,000 from last year's total of \$1,635,277. 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 \$101,351 from the prior year to \$802,786 largely due to transfers in which will fund future projects and capital expenditures.

- The Local Option Tax Fund cash balance decreased by \$10,722 to \$155,005. All monies collected, in addition to some fund balance reserves, were allocated for current and future projects.
- The Housing Revolving Loan Fund cash balance increased by \$49,570 to \$269,335 due to proceeds from lot sales in Hejlik's Subdivision.
- The Debt Service Fund cash balance decreased by \$13,880 to \$26,053 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 \$29,139 to \$47,840. This decrease was a largely due to closing out the Rec Center project with the transfer out of \$25,082 to the building maintenance fund.
- Non-major Governmental Funds increased by \$31,308 to \$439,478. This increase was due in part to Road Use Tax fund reserves being accumulated for a future railroad crossing rehab project. Additionally, the repayment of industrial and retail loans made to several businesses created an increase in the Revolving Loan funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$13,447 to \$318,367. Fund reserves were needed to help pay for the first half of painting the north water tower. The second installment will be paid in fiscal year 2012.
- The Sewer Fund cash balance increased by \$228,283 to \$967,362. Even with transfers out of \$151,109 to debt service, reserves were created to fund future projects.
- The Storm Sewer Fund cash balance decreased by \$10,295 to \$49,837. 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 twice. The amendments resulted in an increase to disbursements in several functions totaling \$306,910. \$151,500 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, 2011, the City had approximately \$7.7 million in bonds and other long-term debt, compared to approximately \$8 million last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2011	2010
General obligation notes	\$ 4,401,165	4,700,000
Urban renewal tax increment financing revenue bonds	166,560	280,627
Revenue notes	3,160,000	68,463
 Total	 \$ 7,727,725	 5,049,090

Debt increased as a result of issuing sewer revenue bonds for the wastewater treatment and sewer trunkline projects.

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 \$4,401,165 is below its constitutional debt limit of \$8,186,220.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates and fees that will be charged for various City activities. As national economic conditions gradually improve, Garner shares in the optimism with news of a 7% population increase. The 2010 census resulted in an increase of 207 residents for a total population of 3,129. Even with this news City officials cautiously look to maintain a strong financial position when addressing government spending.

In its second year, Rec Center membership sales and daily attendance remain strong. With many popular features and programming opportunities being offered the facility completes its first full fiscal year with a positive cash flow.

As the new Wastewater Treatment Plant becomes operational and adjustments to the user fees are already in place the project should not have an impact on future tax levies. With this project due to come in nearly \$400,000 under budget, more desirable loan terms will be investigated.

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 Daisy Huffman, City Clerk, 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, 2011

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 550,581		12,355		(538,226)		(538,226)
Public works	616,842	146,579	286,959		(183,304)		(183,304)
Health and social services	5,023				(5,023)		(5,023)
Culture and recreation	627,912	307,870	28,852		(291,190)		(291,190)
Community and economic development	173,249				(173,249)		(173,249)
General government	202,503	450			(202,053)		(202,053)
Debt service	750,337				(750,337)		(750,337)
Capital projects	3,425,143		29,711	224,552	(3,170,880)		(3,170,880)
Total governmental activities	6,351,590	454,899	357,877	224,552	(5,314,262)		(5,314,262)
Business type activities:							
Water	256,704	216,419				(40,285)	(40,285)
Sewer	164,851	521,574				356,723	356,723
Storm sewer	48,080	59,285				11,205	11,205
Total business type activities	469,635	797,278				327,643	327,643
Total	\$ 6,821,225	7	357,877	224,552	(5,314,262)	327,643	(4,986,619)
General Receipts:							
Property tax levied for:							
General purposes					\$ 678,993		678,993
Tax increment financing					454,085		454,085
Employee benefits and insurance					213,204		213,204
Debt service					238,679		238,679
Local option sales tax					186,772		186,772
Unrestricted interest on investments					22,401	12,101	34,502
Miscellaneous					290,108		290,108
Loan proceeds					3,160,520		3,160,520
Sale of assets					52,157		52,157
Transfers					173,109	(173,109)	
Internal loan, net					(40,000)	40,000	
Total general receipts and transfers					5,430,028	(121,008)	5,309,020
Change in cash basis net assets					115,766	206,635	322,401
Cash basis net assets beginning of year					1,635,277	1,135,162	2,770,439
Cash basis net assets end of year					\$ 1,751,043	1,341,797	3,092,840
Cash Basis Net Assets							
Restricted:							
Expendable:							
Streets					\$ 103,848		103,848
Debt service					26,053		26,053
Other purposes					807,810		807,810
Unrestricted					813,332	1,341,797	2,155,129
Total cash basis net assets					\$ 1,751,043	1,341,797	3,092,840

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, 2011

	<u>Special Revenue</u>					Nonmajor	Total
	General	Local Option Tax	Revolving Loan-Housing	Debt Service	Capital Projects		
Receipts:							
Property tax	\$ 678,993			238,679		213,204	1,130,876
Tax increment financing collections						454,085	454,085
Other city tax		186,772					186,772
Licenses and permits	32,973						32,973
Use of money and property	76,238	2,255	2,283		25	9,711	90,512
Intergovernmental	41,207				224,552	286,959	552,718
Charges for services	454,899						454,899
Special assessments	9,103						9,103
Miscellaneous	157,499		1,500		30,511	20,122	209,632
Total receipts	1,450,912	189,027	3,783	238,679	255,088	984,081	3,121,570
Disbursements:							
Operating:							
Public safety	433,414					113,666	547,080
Public works	182,072					430,221	612,293
Health and social services	5,023						5,023
Culture and recreation	564,678					59,406	624,084
Community and economic development	95,828		1,997			75,424	173,249
General government	178,240					23,419	201,659
Debt service				750,337			750,337
Capital projects					3,425,143		3,425,143
Total disbursements	1,459,255		1,997	750,337	3,425,143	702,136	6,338,868
Excess (deficiency) of receipts over (under) disbursements	(8,343)	189,027	1,786	(511,658)	(3,170,055)	281,945	(3,217,298)
Other financing sources (uses):							
Operating transfers in	145,387			497,778	5,478	166,469	815,112
Operating transfers out		(237,339)			(25,082)	(379,582)	(642,003)
Internal loan, net	(39,350)	37,590	(716)			(37,524)	(40,000)
Loan proceeds					3,160,520		3,160,520
Sale of assets	3,657		48,500				52,157
Total other financing sources (uses)	109,694	(199,749)	47,784	497,778	3,140,916	(250,637)	3,345,786
Net change in cash balances	101,351	(10,722)	49,570	(13,880)	(29,139)	31,308	128,488
Cash balances beginning of year	701,435	165,727	219,765	39,933	76,979	408,170	1,612,009
Cash balances end of year	\$ 802,786	155,005	269,335	26,053	47,840	439,478	1,740,497
Cash Basis Fund Balances							
Restricted for:							
Debt service				26,053			26,053
Streets						103,848	103,848
Other purposes		155,005	269,335		47,840	335,630	807,810
Unassigned	802,786						802,786
Total cash basis fund balances	\$ 802,786	155,005	269,335	26,053	47,840	439,478	1,740,497

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, 2011

Total governmental funds cash balances (page 16) **\$ 1,740,497**

*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.

10,546

Cash basis net assets of governmental activities (page 15) **\$ 1,751,043**

Net change in cash balances (page 16) **\$ 128,488**

*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.

(12,722)

Change in cash balance of governmental activities (page 15) **\$ 115,766**

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, 2011

	Enterprise Funds				Internal Service Funds		
	Water	Sewer	Storm Sewer	Total	Employee Health	Flex Plan	Total
Operating receipts:							
Charges for services	\$ 216,419	521,574	59,285	797,278		19,012	19,012
Total operating receipts	216,419	521,574	59,285	797,278		19,012	19,012
Operating disbursements:							
Governmental activities:							
Public safety					4,913	449	5,362
Public works					5,020	5,294	10,314
Culture and recreation					2,620	3,223	5,843
General government					272	6,108	6,380
Business type activities	257,751	165,898	48,080	471,729	1,530	422	1,952
Total operating disbursements	257,751	165,898	48,080	471,729	14,355	15,496	29,851
Excess (deficiency) of operating receipts over (under) operating disbursements	(41,332)	355,676	11,205	325,549	(14,355)	3,516	(10,839)
Non-operating receipts (disbursements):							
Interest on investments	2,885	8,716	500	12,101	212		212
Internal loan, net	25,000	15,000		40,000			
Total non-operating receipts	27,885	23,716	500	52,101	212		212
Excess (deficiency) of receipts over (under) disbursements	(13,447)	379,392	11,705	377,650	(14,143)	3,516	(10,627)
Other financing sources (uses):							
Operating transfers out		(151,109)	(22,000)	(173,109)			
Net change in cash balances	(13,447)	228,283	(10,295)	204,541	(14,143)	3,516	(10,627)
Cash balances beginning of year	331,814	739,079	60,132	1,131,025	29,443	(2,039)	27,404
Cash balances end of year	\$ 318,367	967,362	49,837	1,335,566	15,300	1,477	16,777
Cash Basis Fund Balances							
Unrestricted	\$ 318,367	967,362	49,837	1,335,566	15,300	1,477	16,777
Total cash basis fund balances	\$ 318,367	967,362	49,837	1,335,566	15,300	1,477	16,777

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, 2011

Total enterprise funds cash balances (page 18) \$ 1,335,566

*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.

6,231

Cash basis net assets of business type activities (page 15) \$ 1,341,797

Net change in cash balances (page 18) \$ 204,541

*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

2,094

Change in cash balance of business type activities (page 15) \$ 206,635

See notes to financial statements.

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

(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 the following categories/components:

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

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

June 30, 2011

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, 2011 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

June 30, 2011

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 at June 30, 2011.

The Henschen Library Trust investments at June 30, 2011 are as follows:

	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
Donated stock and stock funds	<u>\$ 151,698</u>	<u>\$ 282,157</u>

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 309,401	166,213	86,450	6,302	149,000	94,800	544,851	267,315
2013	319,983	156,571	80,110	3,204	154,000	90,330	554,093	250,105
2014	330,582	146,551			160,000	85,710	490,582	232,261
2015	341,199	134,916			165,000	80,910	506,199	215,826
2016	335,000	122,864			170,000	75,960	505,000	198,824
2016- 2020	1,770,000	422,903			789,000	304,140	2,559,000	727,043
2021- 2025	995,000	74,083			817,000	188,520	1,812,000	262,603
2026- 2030					756,000	57,600	756,000	57,600
	<u>\$ 4,401,165</u>	<u>1,224,101</u>	<u>166,560</u>	<u>9,506</u>	<u>3,160,000</u>	<u>977,970</u>	<u>7,727,725</u>	<u>2,211,577</u>

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

Revenue Notes

The City has pledged future sewer customer receipts, net of specific operating disbursements to repay \$3,268,000 of sewer revenue notes. During the fiscal year 2011, the City drew down \$3,160,520 of the revenue notes with the remaining \$107,480 to be drawn over the course of the City's sewer trunkline project. Proceeds from the notes provided financing for the construction of the wastewater treatment plant and sewer trunkline. The notes are payable solely from sewer customer net receipts and are payable through 2030. Total principal and interest remaining to be paid on the notes is \$4,137,970. For the current year, principal and interest paid and total customer receipts were \$142,890 and \$521,574, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking fund within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus fund within the Enterprise Funds. All money credited to the surplus fund shall be transferred and credited to the sinking fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the notes.

Internal Loans

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.

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

An advance of \$64,636 was made from the Revolving Loan-Industry Fund to the Touchstone-TIF Fund in order to purchase 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. The internal loans principal balance outstanding at June 30, 2011 is \$606,774.

(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 4.50% of their annual salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$60,771, \$55,314 and \$44,065 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.

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

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 \$380 for single coverage and \$1,168 for family coverage for medical/prescription drug benefits and \$36 for single coverage and \$121 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$168,956 and plan members eligible for benefits contributed \$4,989 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, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2011</u>
Vacation	\$ 38,130
Comp	<u>4,771</u>
	\$ <u>42,901</u>

This liability has been computed based on rates of pay as of June 30, 2011.

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 25,082
	Special Revenue:	
	Local Option	<u>120,305</u>
		<u>145,387</u>
Special Revenue: Tax Increment RUT	Enterprise:	
	Sewer	<u>4,144</u>
	Special Revenue:	
	Local Option	96,086
	I Jobs	28,291
	Enterprise:	
	Storm Sewer	<u>22,000</u>
		<u>146,377</u>
Employee Benefits	Special Revenue:	
	Local Option	<u>15,948</u>
Capital Project	Special Revenue:	
	Local Option	5,000
	Enterprise:	
	Sewer	<u>478</u>
		<u>5,478</u>
Debt Service	Special Revenue:	
	Tax Increment	351,291
	Enterprise:	
	Sewer	<u>146,487</u>
		<u>497,778</u>
Total		\$ <u>815,112</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, 2011, totaling \$130.

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

(9) Local Government Risk Pool

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 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 150 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, 2011 were \$73,070.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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, 2011, 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, 2011

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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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, 2011 is \$9,438.

(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, 2011 is \$-0-.

(12) Commitments

The City has entered into construction contracts totaling \$3,306,748 for the waste water treatment facility. As of June 30, 2011 \$2,786,788 had been paid on the contract leaving a balance of \$202,122.

(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 \$1,123,199 is outstanding at June 30, 2011. The bond principal and interest do not constitute liabilities of the City.

CITY OF GARNER

Notes to Financial Statements

June 30, 2011

(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.

(15) Subsequent Events

The City had a state investigation into the alleged misuse of funds. The results of this case is unknown and possible losses and restitution is undeterminable.

The City has a lawsuit currently pending against them for which the outcome cannot be reasonable 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. The matter has been turned over to the City's insurance carrier for handling.

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, 2011

	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	\$ 1,130,876			1,130,876	1,103,970	1,103,970	26,906
Tax increment financing collections	454,085			454,085	448,157	448,157	5,928
Other city tax	186,772			186,772	229,543	229,543	(42,771)
Licenses and permits	32,973			32,973	30,905	30,905	2,068
Use of money and property	90,512	12,313	8,246	94,579	124,418	124,418	(29,839)
Intergovernmental	552,718			552,718	319,983	359,883	192,835
Charges for services	454,899	816,290	19,012	1,252,177	1,230,264	1,245,264	6,913
Special assessments	9,103			9,103	5,600	5,600	3,503
Miscellaneous	209,632			209,632	180,009	185,009	24,623
Total receipts	3,121,570	828,603	27,258	3,922,915	3,672,849	3,732,749	190,166
Disbursements:							
Public safety	547,080	5,362	5,362	547,080	487,594	550,494	3,414
Public works	612,293	10,314	10,314	612,293	657,805	661,005	48,712
Health and social services	5,023			5,023	4,900	5,100	77
Culture and recreation	624,084	5,843	13,779	616,148	573,148	606,258	(9,890)
Community and economic development	173,249			173,249	277,877	277,877	104,628
General government	201,659	6,380	6,380	201,659	169,329	205,329	3,670
Debt service	750,337			750,337	599,178	750,678	341
Capital projects	3,425,143			3,425,143	3,900,000	3,900,000	474,857
Business type activities		473,681	1,952	471,729	503,602	523,602	51,873
Total disbursements	6,338,868	501,580	37,787	6,802,661	7,173,433	7,480,343	677,682
Excess (deficiency) of receipts over (under) disbursements	(3,441,850)	327,023	(10,529)	(3,104,298)	(3,500,584)	(3,747,594)	867,848
Other financing sources, net	3,345,786	(133,109)		3,212,677	3,516,000	3,701,000	(488,323)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	128,488	193,914	(10,529)	332,931	15,416	(46,594)	379,525
Balances beginning of year	1,612,009	1,158,429	179,178	2,591,260	2,878,563	2,615,010	(23,750)
Cash balances end of year	\$ 1,740,497	1,352,343	168,649	2,924,191	2,893,979	2,568,416	355,775

See accompanying independent auditor's report.

City of Garner

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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, two budget amendments increased budgeted disbursements by \$306,910. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation function.

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, 2011

	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		213,204					213,204
Tax increment financing collections			454,085				454,085
Use of money and property				1,391	286	8,034	9,711
Intergovernmental	\$ 286,959						286,959
Miscellaneous	2,757			10,383	6,982		20,122
Total receipts	289,716	213,204	454,085	11,774	7,268	8,034	984,081
Disbursements:							
Operating:							
Public safety		113,666					113,666
Public works	383,812	46,409					430,221
Culture and recreation		51,470				7,936	59,406
Community and economic development			69,414		6,010		75,424
General government		23,419					23,419
Total disbursements	383,812	234,964	69,414		6,010	7,936	702,136
Excess (deficiency) of receipts over (under) disbursements	(94,096)	(21,760)	384,671	11,774	1,258	98	281,945
Other financing sources (uses):							
Operating transfers in	146,377	15,948	4,144				166,469
Operating transfers out	(28,291)		(351,291)				(379,582)
Internal loans, net			(37,524)				(37,524)
Total other financing sources (uses):	118,086	15,948	(384,671)				(250,637)
Net change in cash balances	23,990	(5,812)		11,774	1,258	98	31,308
Cash balances beginning of year	79,858	8,428		138,733	29,377	151,774	408,170
Cash balances end of year	\$ 103,848	2,616		150,507	30,635	151,872	439,478
Cash Basis Fund Balances							
Restricted for other purposes	103,848	2,616		150,507	30,635	151,872	439,478
Total cash basis fund balances	\$ 103,848	2,616		150,507	30,635	151,872	439,478

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, 2011

	Rec Center	SW Trunkline	Pool Shelter	Wastewater Facility	Total
Receipts:					
Use of money and property	\$ 25				25
Intergovernmental		224,552			224,552
Miscellaneous	29,711	800			30,511
Total receipts	<u>29,736</u>	<u>225,352</u>			<u>255,088</u>
Disbursements:					
Capital projects	76,633	443,495		2,905,015	3,425,143
Total disbursements	<u>76,633</u>	<u>443,495</u>		<u>2,905,015</u>	<u>3,425,143</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(46,897)</u>	<u>(218,143)</u>		<u>(2,905,015)</u>	<u>(3,170,055)</u>
Other financing sources (uses):					
Operating transfers in			5,000	478	5,478
Operating transfers out	(25,082)				(25,082)
Loan proceeds		255,983		2,904,537	3,160,520
Total other financing sources (uses):	<u>(25,082)</u>	<u>255,983</u>	<u>5,000</u>	<u>2,905,015</u>	<u>3,140,916</u>
Net change in cash balances	(71,979)	37,840	5,000		(29,139)
Cash balances beginning of year	71,979		5,000		76,979
Cash balances end of year	<u>\$ -</u>	<u>37,840</u>	<u>10,000</u>		<u>47,840</u>

See accompanying independent auditor's report.

City of Garner

Schedule of Indebtedness

Year ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Rate of Interest</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation notes:								
Aquatic Center	7-12-06	4.15 - 4.30	2,200,000	\$ 1,920,000		100,000	1,820,000	81,077
REC-Aquatic Center	12-1-06	0.00	300,000	210,000		30,000	180,000	
Recreation Center	5-1-08	3.00 - 4.00	2,750,000	2,470,000		150,000	2,320,000	91,400
Fire Truck	9-1-09	3.00	100,000	100,000		18,835	81,165	3,750
Total				4,700,000		298,835	4,401,165	176,227
Tax increment financing:								
Touchstone TIF	7-1-03	0.00	209,438	49,438		40,000	9,438	
Hejlik 2nd subdivision TIF	6-1-06	4.00	500,000	231,189		74,067	157,122	9,248
Total				280,627		114,067	166,560	9,248
Revenue notes:								
Sewer-WWTP	1-13-10	3.00	2,973,000	68,463	2,904,537	108,000	2,865,000	34,392
Sewer-Trunkline	3-31-11	3.00	295,000		255,983		255,983	498
Total				68,463	3,160,520	108,000	3,120,983	34,890
Internal loans:								
Urban Renewal Area I	11-23-09		250,000	217,931		15,948	201,983	
Hejlik water TIF	7-16-04		125,000	125,000		25,000	100,000	
Hejlik sewer TIF	7-16-04		100,000	75,000		15,000	60,000	
Touchstone TIF	11-26-08		60,000	64,636			64,636	
Rec Center	9-30-09	6.00	215,000	203,171		27,160	176,011	12,190
Kadrlik/Touchstone-TIF	5-25-10	6.00	4,144	4,144			4,144	
Total				689,882		83,108	606,774	12,190
Total				\$ 5,738,972	3,160,520	604,010	8,295,482	232,555

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2011

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	
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>1,820,000</u>		<u>180,000</u>		<u>2,320,000</u>		<u>81,165</u>	<u>4,401,165</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	
2012	0.00%	9,438	4.00%	77,012	86,450
2013	0.00		4.00	80,110	80,110
Total		<u>9,438</u>		<u>157,122</u>	<u>166,560</u>

Revenue Notes

Year Ending June 30,	Sewer				Total
	Issued January 13, 2010		Issued March 31, 2011		
	Interest Rates	Amount	Interest Rates	Amount	
2012	3.00%	\$ 111,000	3.00%	38,000	149,000
2013	3.00	115,000	3.00	39,000	154,000
2014	3.00	119,000	3.00	41,000	160,000
2015	3.00	123,000	3.00	42,000	165,000
2016	3.00	127,000	3.00	43,000	170,000
2017	3.00	131,000	3.00	45,000	176,000
2018	3.00	135,000	3.00	47,000	182,000
2019	3.00	139,000			139,000
2020	3.00	144,000			144,000
2021	3.00	148,000			148,000
2022	3.00	153,000			153,000
2023	3.00	158,000			158,000
2024	3.00	163,000			163,000
2025	3.00	169,000			169,000
2026	3.00	174,000			174,000
2027	3.00	180,000			180,000
2028	3.00	186,000			186,000
2029	3.00	192,000			192,000
2030	3.00	198,000			198,000
Total		<u>\$ 2,865,000</u>		<u>295,000</u> (A)	<u>3,160,000</u>

(A) Only \$255,983 of the total has been advanced at June 30, 2011.

See accompanying independent auditor's report.

City of Garner

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

For the Last Eight Years

	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:								
Property tax	\$ 1,130,876	1,053,384	1,029,615	1,091,666	979,610	870,989	810,442	864,044
Tax increment financing	454,085	423,346	333,998	108,444	48,580	45,191	260,283	130,248
Other city tax	186,772	255,811	232,625	183,394	192,254	203,647	176,170	181,168
Licenses and permits	32,973	31,151	35,564	36,202	36,033	35,631	33,532	30,005
Use of money and property	90,512	93,316	122,137	105,527	176,676	83,390	128,433	44,325
Intergovernmental	552,718	737,673	285,561	338,246	284,303	285,702	295,118	309,126
Charges for service	454,899	353,231	237,516	247,509	219,975	169,488	172,796	166,334
Special assessments	9,103	9,770	8,221	7,721	7,757	358	1,048	5,110
Miscellaneous	209,632	241,537	546,459	628,386	1,008,284	996,231	787,150	206,533
Total	\$ 3,121,570	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	\$ 547,080	473,861	501,027	454,291	479,561	466,120	436,599	374,743
Public works	612,293	563,040	551,037	591,630	584,958	419,539	619,378	325,712
Health and social services	5,023	4,900	4,900	4,900	4,900	4,500	10,350	3,200
Culture and recreation	624,084	573,737	431,344	421,964	303,752	279,907	271,278	245,806
Community and economic development	173,249	141,902	256,082	429,624	602,993	967,255	662,327	18,721
General government	201,659	175,581	169,296	168,744	164,152	173,741	165,577	154,725
Debt service	750,337	718,247	757,950	724,680	595,861	462,407	815,124	488,979
Capital projects	3,425,143	2,936,233	1,861,183	456,654	3,302,859	655,797	37,943	488,046
Total	\$ 6,338,868	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, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
Environmental Protection Agency:			
Wastewater Infrastructure Project	66.202		\$ <u>224,552</u>
Total Direct			<u>224,552</u>
Indirect:			
Environmental Protection Agency:			
State Revolving Fund:			
ARRA – Capitalization Grants for Clean Water			
State Revolving Funds	66.458	CS-192405-01	<u>679,781</u>
Total Indirect			<u>679,781</u>
Total			\$ <u>904,333</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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 27, 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-11 and II-B-11 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, 2011 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.

October 27, 2011

Renner & Birchem, P.C.

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on 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 Garner, Iowa's, compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Garner's major federal program for the year ended June 30, 2011. Garner's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. 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, 2011.

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-11 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 and Questioned Cost. 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.

October 27, 2011

Renner & Birchem, P.C.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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, 2011

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

II-A-11 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-11 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 noted.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part III: Findings For Federal Awards:

Instances of Non-Compliance

No matters were noted.

Internal Control Deficiencies:

CFDA Number 66.458: Capitalization Grants for Clean Water
Federal Award Year: 2011
Environmental Protection Agency

III-A-11 Segregation of Duties See Item II-A-11

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

Prior federal audit findings regarding segregation of duties has not been resolved due to limited number of employees.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part V: Other Findings Related to Statutory Reporting:

V-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted, in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in 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.

V-B-11 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.

V-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

V-D-11 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	\$ 130

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the council member do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

V-E-11 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.

V-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Garner

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

V-G-11 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.

V-H-11 Revenue Note – The City has not complied with the revenue note provisions. Required Sewer Revenue Bond Sinking Fund has not been created.

Recommendation – The City should create the required funds and make required transfers.

Response – We will create funds and make required transfers.

Conclusion - Response accepted.