

CITY OF GARNER

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

JUNE 30, 2012

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CITY OF GARNER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
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
(After January 2012)		
Ken Mick	Mayor	Jan 2014
Deb Schmidt	Mayor Pro tem	Jan 2016
Lynn Smith	Council Member	Jan 2016
Dick Voortmann	Council Member	Jan 2014
George Smith	Council Member	Jan 2014
Denny Drabek	Council Member	Jan 2014
Daisy Huffman	City Clerk	Indefinite
Randy Lansing	City Administrator	Indefinite
Philip Garland	Attorney	Indefinite



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DENNIS L. RENNER, CPA
MICHAEL J. BIRCHEM, CPA, CFP®

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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, 2012, 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, 2012, 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 January 9, 2013 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.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 32 through 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

January 9, 2013



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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities realized a decrease of 24% or approximately \$1,581,000 from fiscal 2011 to fiscal 2012. This is due to the loan proceeds for the Wastewater Treatment Plant being received in 2011.
- Disbursements decreased 49% or approximately \$3,155,000. Primary completion of the Wastewater Treatment Plant project in 2011 and fewer capital projects in 2012 were the primary reasons for this decrease.
- The City's total cash basis net assets increased approximately \$1,653,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$1,690,000 and the assets of the business type activities decreased approximately \$37,000. The governmental activities increase was largely due to bond proceeds received in 2012 for the refinancing of the pool. The decrease in business type activities cash was due to the use of fund reserves to purchase capital equipment.

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 97% from \$1.75 million to \$3.4 million. The analysis to follow focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities decreased approximately \$1,581,000 or 24%. The decrease in receipts was primarily the result of proceeds received from the issuance of revenue bonds for the Wastewater Treatment Plant and Sewer Trunkline Rehab projects in fiscal year 2011 of \$3,161,000 verses only receiving \$1,550,000 of GO Refunding Bonds in 2012 for refinancing the pool debt.

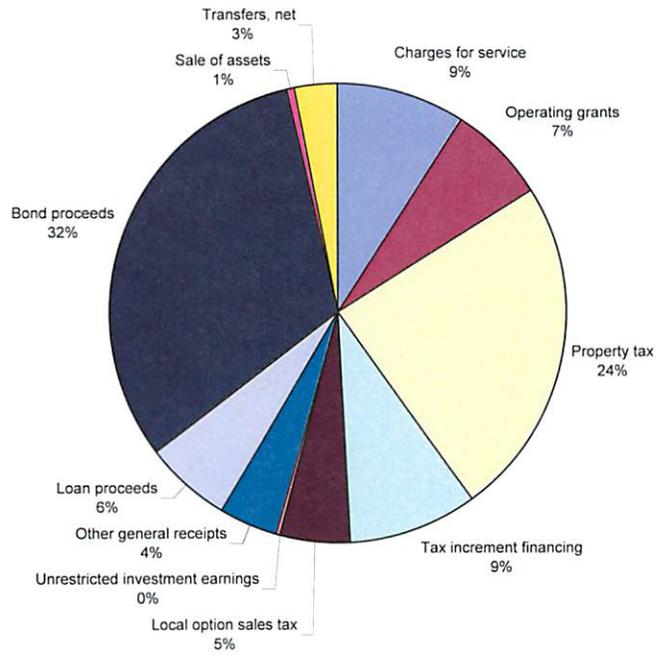
The City experienced no change in its property tax rates for 2012 at a rate of 13.24%. While maintaining a steady rate, property tax receipts for the year showed an increase of nearly \$50,000. Increased property tax valuations made this increase possible.

The cost of all governmental activities this year was \$3.2 million compared to \$6.4 million last year. As shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers financed for these activities was \$2.4 million. Some of the cost was paid by those directly benefited from the programs (\$456,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$341,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2012 from approximately \$1,037,000 to \$796,000 due to no intergovernmental operating grant receipts. The City paid for the remaining "public benefit" portion of governmental activities (\$4.1 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

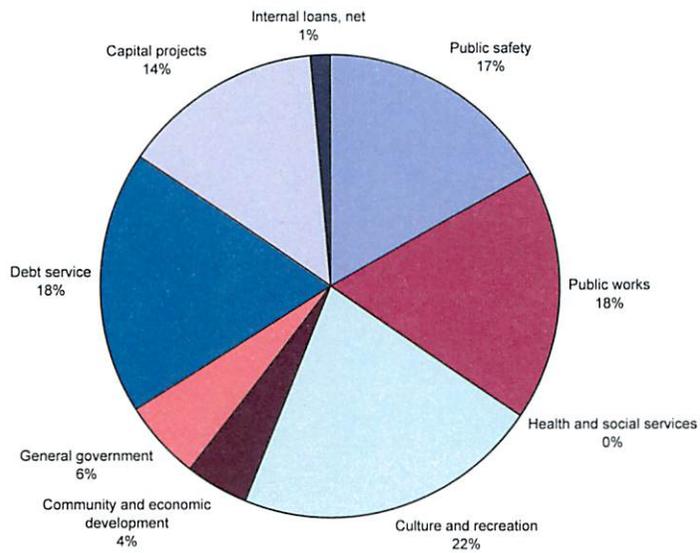
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2012	2011
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 455,640	454,899
Operating grants	340,715	357,877
Capital grants	0	224,552
General receipts:		
Property tax	1,180,724	1,130,876
Tax increment financing	441,712	454,085
Local option sales tax	247,293	186,772
Unrestricted investment earnings	19,630	22,401
Other general receipts	195,991	290,108
Loan proceeds	309,264	3,160,520
Bond proceeds	1,551,375	0
Sale of assets	36,525	52,157
Transfers, net	147,849	173,109
Total receipts and transfers	4,926,718	6,507,356
 Disbursements:		
Public safety	545,738	550,581
Public works	567,523	616,842
Health and social services	5,145	5,023
Culture and recreation	697,786	627,912
Community and economic development	145,571	173,249
General government	180,640	202,503
Debt service	593,636	750,337
Capital projects	458,628	3,425,143
Internal loans, net	42,056	40,000
Total disbursements	3,236,723	6,391,590
 Increase in cash basis net assets	 1,689,995	 115,766
 Cash basis net assets beginning of year	 1,751,043	 1,635,277
 Cash basis net assets end of year	 \$ 3,441,038	 1,751,043

Receipts by Source



Disbursements by Function



Total business type activities receipts for the fiscal year were \$992,542 compared to \$849,379 last year. Total disbursements and transfers for the fiscal year increased by 60% to a total of \$1,029,576. This increase in disbursements, due in part to the first full year of bond payments and operational expenses for the new wastewater treatment plant and also capital equipment purchases, resulted in a decrease in net assets of business type activities of \$37,034.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 379,672	216,419
Sewer	498,201	521,574
Storm sewer	59,635	59,285
Intergovernmental - operating		
General receipts:		
Unrestricted investment earnings	12,978	12,101
Internal loans, net	42,056	40,000
Total receipts and transfers	<u>992,542</u>	<u>849,379</u>
Disbursements and transfers:		
Water	305,490	256,704
Sewer	547,536	164,851
Storm sewer	28,701	48,080
Transfers	147,849	173,109
Total disbursements and transfers	<u>1,029,576</u>	<u>642,744</u>
Increase (Decrease) in cash basis net assets	(37,034)	206,635
Cash basis net assets beginning of year	<u>1,341,797</u>	<u>1,135,162</u>
Cash basis net assets end of year	<u>\$ 1,304,763</u>	<u>1,341,797</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 \$3,441,038, an increase of \$1,689,995 from last year's total of \$1,751,043. 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 \$136,623 from the prior year to \$939,409 largely due to transfers in which will fund future projects and capital expenditures.
- The Local Option Tax Fund cash balance decreased by \$7,803 to \$147,202. 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 \$31,177 to \$300,512 due to proceeds from lot sales in Hejlik's Subdivision.
- The Debt Service Fund cash balance increased by \$1,514,274 to \$1,540,327 during the fiscal year. This increase was due to receipt of GO Refunding Bonds to refinance the pool debt.
- The Capital Projects Fund cash balance decreased by \$32,840 to \$15,000. This decrease was due to closing out the Sewer Trunkline Rehab project with a transfer from the sewer fund.
- Non-major Governmental Funds increased by \$51,435 to \$490,913. This increase was largely due to Road Use Tax fund reserves being accumulated for a future railroad crossing rehab project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$70,658 to \$389,025. Accumulation of fund reserves will be used for future equipment purchase and capital projects.
- The Sewer Fund cash balance decreased by \$113,503 to \$853,859. This decrease was due to the first full year of bond payments and operational expenses for the new wastewater treatment plant and also capital equipment purchases.
- The Storm Sewer Fund cash balance realized a small increase of \$6,562 to \$56,399.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment resulted in an increase to disbursements in several functions totaling \$295,500. Business Type expenditures were increased to reflect debt service payments being paid directly from the sewer fund and various Governmental Fund program amendments were made due to increased operating and project expenses.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$8,412,874 in bonds and other long-term debt, compared to approximately \$7,727,725 last year, as shown below.

	Outstanding Debt at Year-End	
	Year ended June 30,	
	2012	2011
General obligation notes	\$ 5,666,764	4,401,165
Urban renewal tax increment financing revenue bonds	80,110	166,560
Revenue notes	2,666,000	3,160,000
Total	\$ 8,412,874	7,727,725

Debt increased as a result of issuing GO Refunding Bonds to refinance the pool.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,666,764 is below its constitutional debt limit of \$8,338,798.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates and fees that will be charged for various City activities. As state and national economic conditions continue to improve, Garner shares in the optimism. With an unemployment rate of 5.1%, well below the national level of level of 8.2%, the local economy remains steady. City officials continue to be cautious looking to maintain a strong financial position when addressing government spending and yet were able to maintain the same tax rate of 13.24% for fiscal year 2013.

Even with no change in the tax rate, a couple of larger capital projects have been planned, the Country Club water main looping and the biosolids removal from the old lagoon system. Additionally, progress on the conceptual design for the library remodeling project continues into fiscal year 2013.

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, 2012

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:						
Governmental activities:						
Public safety	\$ 545,738		15,276	(530,462)		(530,462)
Public works	567,523	156,578	296,789	(114,156)		(114,156)
Health and social services	5,145			(5,145)		(5,145)
Culture and recreation	697,786	298,162	28,650	(370,974)		(370,974)
Community and economic development	145,571			(145,571)		(145,571)
General government	180,640	900		(179,740)		(179,740)
Debt service	593,636			(593,636)		(593,636)
Capital projects	458,628			(458,628)		(458,628)
Total governmental activities	3,194,667	455,640	340,715	(2,398,312)		(2,398,312)
Business type activities:						
Water	305,490	379,672			74,182	74,182
Sewer	547,536	498,201			(49,335)	(49,335)
Storm sewer	28,701	59,635			30,934	30,934
Total business type activities	881,727	937,508			55,781	55,781
Total	\$ 4,076,394	1,393,148	340,715	(2,398,312)	55,781	(2,342,531)
General Receipts:						
Property tax levied for:						
General purposes				\$ 710,851		710,851
Tax increment financing				441,712		441,712
Employee benefits and insurance				235,896		235,896
Debt service				233,977		233,977
Local option sales tax				247,293		247,293
Unrestricted interest on investments				19,630	12,978	32,608
Miscellaneous				195,991		195,991
Loan proceeds				309,264		309,264
Bond proceeds				1,551,375		1,551,375
Sale of assets				36,525		36,525
Transfers				147,849	(147,849)	
Internal loan, net				(42,056)	42,056	
Total general receipts and transfers				4,088,307	(92,815)	3,995,492
Change in cash basis net assets				1,689,995	(37,034)	1,652,961
Cash basis net assets beginning of year				1,751,043	1,341,797	3,092,840
Cash basis net assets end of year				\$ 3,441,038	1,304,763	4,745,801
Cash Basis Net Assets						
Restricted:						
Expendable:						
Streets				\$ 146,439		146,439
Debt service				1,540,327	252,650	1,792,977
Other purposes				807,188		807,188
Unrestricted				947,084	1,052,113	1,999,197
Total cash basis net assets				\$ 3,441,038	1,304,763	4,745,801

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, 2012

	Special Revenue					Nonmajor	Total
	General	Local Option Tax	Revolving Loan-Housing	Debt Service	Capital Projects		
Receipts:							
Property tax	\$ 710,851			233,977		235,896	1,180,724
Tax increment financing collections						441,712	441,712
Other city tax		247,293					247,293
Licenses and permits	37,530						37,530
Use of money and property	74,376	2,565	2,600			9,734	89,275
Intergovernmental	43,926					296,789	340,715
Charges for services	455,640						455,640
Special assessments	9,989						9,989
Miscellaneous	52,031		10,665		6,241	9,890	78,827
Total receipts	1,384,343	249,858	13,265	233,977	6,241	994,021	2,881,705
Disbursements:							
Operating:							
Public safety	420,489					121,527	542,016
Public works	187,157					380,590	567,747
Health and social services	5,145						5,145
Culture and recreation	634,457					61,172	695,629
Community and economic development	36,607		7,950			101,014	145,571
General government	159,696					23,728	183,424
Debt service				593,636			593,636
Capital projects						458,628	458,628
Total disbursements	1,443,551		7,950	593,636	458,628	688,031	3,191,796
Excess (deficiency) of receipts over (under) disbursements	(59,208)	249,858	5,315	(359,659)	(452,387)	305,990	(310,091)
Other financing sources (uses):							
Operating transfers in	242,541			322,558	110,283	86,071	761,453
Operating transfers out	(11,569)	(279,477)				(322,558)	(613,604)
Internal loan, net	(39,666)	21,816	(6,138)			(18,068)	(42,056)
Loan proceeds					309,264		309,264
Bond proceeds, discount of \$23,625				1,551,375			1,551,375
Sale of assets	4,525		32,000				36,525
Total other financing sources (uses)	195,831	(257,661)	25,862	1,873,933	419,547	(254,555)	2,002,957
Net change in cash balances	136,623	(7,803)	31,177	1,514,274	(32,840)	51,435	1,692,866
Cash balances beginning of year	802,786	155,005	269,335	26,053	47,840	439,478	1,740,497
Cash balances end of year	\$ 939,409	147,202	300,512	1,540,327	15,000	490,913	3,433,363
Cash Basis Fund Balances							
Restricted for:							
Debt service				1,540,327			1,540,327
Streets						146,439	146,439
Other purposes		147,202	300,512		15,000	344,474	807,188
Unassigned	939,409						939,409
Total cash basis fund balances	\$ 939,409	147,202	300,512	1,540,327	15,000	490,913	3,433,363

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, 2012

Total governmental funds cash balances (page 16) **\$ 3,433,363**

*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.

7,675

Cash basis net assets of governmental activities (page 15)

\$ 3,441,038

Net change in cash balances (page 16)

\$ 1,692,866

*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.

(2,871)

Change in cash balance of governmental activities (page 15)

\$ 1,689,995

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, 2012

	Enterprise Funds				Internal Service Funds		
	Water	Sewer	Storm Sewer	Total	Employee Health	Flex Plan	Total
Operating receipts:							
Charges for services	\$ 379,672	498,201	59,635	937,508	11,900	7,192	19,092
Total operating receipts	379,672	498,201	59,635	937,508	11,900	7,192	19,092
Operating disbursements:							
Governmental activities:							
Public safety					6,613	1,879	8,492
Public works					1,530	3,178	4,708
Culture and recreation					3,220	807	4,027
General government					110	2,245	2,355
Business type activities	305,114	297,709	28,701	631,524	2,720	560	3,280
Total operating disbursements	305,114	297,709	28,701	631,524	14,193	8,669	22,862
Excess (deficiency) of operating receipts over (under) operating disbursements	74,558	200,492	30,934	305,984	(2,293)	(1,477)	(3,770)
Non-operating receipts (disbursements):							
Interest on investments	2,919	9,431	628	12,978	148		148
Internal loan, net	27,056	15,000		42,056			
Total non-operating receipts	29,975	24,431	628	55,034	148		148
Excess (deficiency) of receipts over (under) disbursements	104,533	224,923	31,562	361,018	(2,145)	(1,477)	(3,622)
Other financing sources (uses):							
Operating transfers out	(33,875)	(88,974)	(25,000)	(147,849)			
Debt service repayment		(249,452)		(249,452)			
Total other financing sources (uses)	(33,875)	(338,426)	(25,000)	(397,301)			
Net change in cash balances	70,658	(113,503)	6,562	(36,283)	(2,145)	(1,477)	(3,622)
Cash balances beginning of year	318,367	967,362	49,837	1,335,566	15,300	1,477	16,777
Cash balances end of year	\$ 389,025	853,859	56,399	1,299,283	13,155		13,155
Cash Basis Fund Balances							
Restricted for debt service		252,650		252,650			
Unrestricted	\$ 389,025	601,209	56,399	1,046,633	13,155		13,155
Total cash basis fund balances	\$ 389,025	853,859	56,399	1,299,283	13,155		13,155

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, 2012

Total enterprise funds cash balances (page 18) **\$ 1,299,283**

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.

5,479

Cash basis net assets of business type activities (page 15)

\$ 1,304,762

Net change in cash balances (page 18)

\$ (36,283)

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

(751)

Change in cash balance of business type activities (page 15)

\$ (37,034)

See notes to financial statements.

CITY OF GARNER

Notes to Financial Statements

June 30, 2012

(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 Emergency Management Commission, 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, 2012

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, 2012

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. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation activities function.

(2) Cash and Investments

The City's deposits in banks at June 30, 2012 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, 2012

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.

At June 30, 2012 the City had investments in U.S. Government Obligations with a carrying amount and fair market value of \$1,527,304.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The Henschen Library Trust investments at June 30, 2012 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Donated stock and stock funds	\$ 151,698	\$ 272,652

The donated stock and stock funds are included in the Trust Fund-Henschen Library Trust. The stock was bequeathed 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
2013	\$ 319,983	181,796	80,110	3,204	166,000	79,985	566,093	264,985
2014	330,582	168,646			172,000	75,000	502,582	243,646
2015	501,199	157,011			178,000	69,840	679,199	226,851
2016	495,000	143,919			183,000	64,500	678,000	208,419
2017	505,000	130,640			189,000	59,010	694,000	189,650
2018-2022	2,665,000	421,648			843,000	214,860	3,508,000	636,508
2023-2027	850,000	39,793			935,000	85,950	1,785,000	125,743
	<u>\$ 5,666,764</u>	<u>1,243,453</u>	<u>80,110</u>	<u>3,204</u>	<u>2,666,000</u>	<u>649,145</u>	<u>8,412,874</u>	<u>1,895,802</u>

CITY OF GARNER

Notes to Financial Statements

June 30, 2012

General Obligation Refunding Bonds

On April 10, 2012, the City issued \$1,575,000 of general obligation refunding bonds for the crossover advance refunding of \$1,490,000 of general obligation aquatic center bonds, series 2006, dated July 12, 2006. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the interest on the general obligation refunding bonds as due until the cross over date of June 1, 2014, at which time the refunded general obligation aquatic center bonds, series 2006, of \$1,490,000 become callable. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The refunding results in an economic gain of \$128,570.

Revenue Notes

The City has pledged future sewer customer receipts, net of specific operating disbursements to repay \$3,268,000 of sewer revenue notes. 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 \$3,315,145. For the current year, principal and interest paid and total customer receipts were \$242,384 and \$498,201, 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.

CITY OF GARNER

Notes to Financial Statements

June 30, 2012

Advances of \$115,000 were made from the Local Option Fund and \$100,000 from the Housing Revolving Loan Fund to the Capital Projects Fund in order to pay the costs of construction for rehabilitation clinic for Hancock County Memorial Hospital. These advances, totaling \$215,000, shall be treated as a loan (the "Loan") to the Capital Project Fund and shall be repaid to the Local Option Fund and the Housing Revolving Loan 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 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 \$8,988 was made from the Housing Revolving Loan Fund to the Kadrluk Touchstone-TIF Fund in order to pay the initial costs for a feasibility study regarding a potential new motel. This advance shall be treated as a loan (the "Loan") to the Kadrluk Touchstone-TIF Fund and shall be repaid to the Housing Revolving Loan Fund.

An advance of \$28,970 was made from the Revolving Loan-Industry Fund to the Kadrluk Touchstone-TIF in order to pay for infrastructure for Steller expansion. This advance shall be treated as a loan (the "Loan") to the Kadrluk Touchstone-TIF Fund and shall be repaid to the Revolving Loan-Industry 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, 2012 is \$573,571.

(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 5.38% of their annual salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$68,104, \$60,771 and \$55,314 respectively, equal to the required contribution for the year.

CITY OF GARNER

Notes to Financial Statements

June 30, 2012

(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 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 \$467 for single coverage and \$1,434 for family coverage for medical/prescription drug benefits and \$37 for single coverage and \$125 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City disbursed \$186,802.

(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, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2012</u>
Vacation	\$ 41,757
Comp	<u>2,568</u>
	\$ <u>44,325</u>

This liability has been computed based on rates of pay as of June 30, 2012.

CITY OF GARNER

Notes to Financial Statements

June 30, 2012

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Local Option	\$ 213,406
	Enterprise:	
	Water	<u>29,135</u>
		<u>242,541</u>
Special Revenue: RUT	Special Revenue:	
	Local Option	48,311
	Enterprise:	
	Storm Sewer	<u>25,000</u>
		<u>73,311</u>
Employee Benefits	Special Revenue:	
	Local Option	<u>9,010</u>
Capital Project	General	11,569
	Special Revenue:	
	Local Option	5,000
	Enterprise:	
	Sewer	88,974
	Water	<u>4,740</u>
		<u>110,283</u>
Debt Service	Special Revenue:	
	Tax Increment	<u>322,558</u>
Retail Revolving Loan	Special Revenue:	
	Local Option	<u>3,750</u>
Total		\$ <u>761,453</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, 2012, totaling \$1,863.

CITY OF GARNER

Notes to Financial Statements

June 30, 2012

(9) Risk Management

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 663 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, 2012 were \$85,156.

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, 2012, 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, 2012

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.

(10) Homeward, Inc. Loan

In October 2005 the City entered into an agreement with Homeward, Inc., an Iowa non-profit corporation, agreeing to borrow up to a total of \$360,000. The loans are for the sole purpose of allowing the City to make subsequent loans to developers and builders in order to promote the availability of affordable housing in the Garner area. Each advance shall be in the amount of no more than \$60,000, for a term not to exceed two years, and shall be paid in full upon completion of construction and sale of home financed with proceeds of the note. The loans are full faith and credit obligations of the City. The balance outstanding at June 30, 2012 is \$-0-.

(11) Industrial Development Revenue Bonds

The City has issued a total of \$2,500,000 of industrial development revenue bonds to Stellar Industries under provisions of Chapter 419 of the Code of Iowa, of which \$710,376 is outstanding at June 30, 2012. The bond principal and interest do not constitute liabilities of the City.

CITY OF GARNER

Notes to Financial Statements

June 30, 2012

(12) 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.

(13) Subsequent Events

The City has a lawsuit currently pending against them for which the outcome cannot be reasonably determined at this time. The case has been resolved but not dismissed, per the City Attorney there will be no cost to the City for the resolution.

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, 2012

	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	\$ 1,180,724			1,180,724	1,145,148	1,145,148	35,576
Tax increment financing collections	441,712			441,712	465,326	465,326	(23,614)
Other city tax	247,293			247,293	213,540	268,540	(21,247)
Licenses and permits	37,530			37,530	32,930	32,930	4,600
Use of money and property	89,275	13,126	8,197	94,204	85,748	85,748	8,456
Intergovernmental	340,715			340,715	306,887	316,887	23,828
Charges for services	455,640	956,600	19,092	1,393,148	1,349,843	1,354,843	38,305
Special assessments	9,989			9,989	5,600	5,600	4,389
Miscellaneous	78,827			78,827	168,944	168,944	(90,117)
Total receipts	2,881,705	969,726	27,289	3,824,142	3,773,966	3,843,966	(19,824)
Disbursements:							
Public safety	542,016	8,492	8,492	542,016	503,557	543,557	1,541
Public works	567,747	4,708	4,708	567,747	564,217	614,217	46,470
Health and social services	5,145			5,145	4,900	5,400	255
Culture and recreation	695,629	4,027	12,105	687,551	610,147	670,147	(17,404)
Community and economic development	145,571			145,571	218,211	253,211	107,640
General government	183,424	2,355	2,355	183,424	175,366	185,366	1,942
Debt service	593,636			593,636	821,979	621,979	28,343
Capital projects	458,628			458,628	812,000	812,000	353,372
Business type activities		634,804	3,280	631,524	600,205	900,205	268,681
Total disbursements	3,191,796	654,386	30,940	3,815,242	4,310,582	4,606,082	790,840
Excess (deficiency) of receipts over (under) disbursements	(310,091)	315,340	(3,651)	8,900	(536,616)	(762,116)	771,016
Other financing sources, net	2,002,957	(355,245)		1,647,712	516,000	516,000	1,131,712
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,692,866	(39,905)	(3,651)	1,656,612	(20,616)	(246,116)	1,902,728
Balances beginning of year	1,740,497	1,352,343	168,649	2,924,191	2,701,379	2,591,261	332,930
Cash balances end of year	\$ 3,433,363	1,312,438	164,998	4,580,803	2,680,763	2,345,145	2,235,658

See accompanying independent auditor's report.

City of Garner

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 \$295,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, 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, 2012

	Special Revenue					Permanent	Total
	Road Use Tax	Employee Benefits	Urban		Retail Revolving Loan	Henschen Library Trust	
			Renewal Tax Increment	Industrial Revolving Loan			
Receipts:							
Property tax		235,896					235,896
Tax increment financing collections			441,712				441,712
Use of money and property				1,401	284	8,049	9,734
Intergovernmental	\$ 296,789						296,789
Miscellaneous	3,908				5,982		9,890
Total receipts	300,697	235,896	441,712	1,401	6,266	8,049	994,021
Disbursements:							
Operating:							
Public safety		121,527					121,527
Public works	331,417	49,173					380,590
Culture and recreation		53,094				8,078	61,172
Community and economic development			95,326		5,688		101,014
General government		23,728					23,728
Total disbursements	331,417	247,522	95,326		5,688	8,078	688,031
Excess (deficiency) of receipts over (under) disbursements	(30,720)	(11,626)	346,386	1,401	578	(29)	305,990
Other financing sources (uses):							
Operating transfers in	73,311	9,010			3,750		86,071
Operating transfers out			(322,558)				(322,558)
Internal loans, net			10,902	(28,970)			(18,068)
Total other financing sources (uses):	73,311	9,010	(311,656)	(28,970)	3,750		(254,555)
Net change in cash balances	42,591	(2,616)	34,730	(27,569)	4,328	(29)	51,435
Cash balances beginning of year	103,848	2,616		150,507	30,635	151,872	439,478
Cash balances end of year	\$ 146,439		34,730	122,938	34,963	151,843	490,913
Cash Basis Fund Balances							
Restricted for other purposes	\$ 146,439		34,730	122,938	34,963	151,843	490,913
Total cash basis fund balances	\$ 146,439		34,730	122,938	34,963	151,843	490,913

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, 2012

	Library Remodel	SW Trunkline	Pool Shelter	Wastewater Facility	Watermain Loop	Biosolids Removal	Total
Receipts:							
Use of money and property							
Intergovernmental							
Miscellaneous				6,241			6,241
Total receipts				6,241			6,241
Disbursements:							
Capital projects	\$ 11,568	192,264		217,721	4,740	32,335	458,628
Total disbursements	11,568	192,264		217,721	4,740	32,335	458,628
Excess (deficiency) of receipts over (under) disbursements	(11,568)	(192,264)		(211,480)	(4,740)	(32,335)	(452,387)
Other financing sources (uses):							
Operating transfers in	11,568	50,935	5,000	5,705	4,740	32,335	110,283
Loan proceeds		103,489		205,775			309,264
Total other financing sources (uses):	11,568	154,424	5,000	211,480	4,740	32,335	419,547
Net change in cash balances		(37,840)	5,000				(32,840)
Cash balances beginning of year		37,840	10,000				47,840
Cash balances end of year	\$ -		15,000				15,000

See accompanying independent auditor's report.

City of Garner

Schedule of Indebtedness

Year ended June 30, 2012

<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	\$ 1,820,000		105,000	1,715,000	76,876
REC-Aquatic Center	12-1-06	0.00	300,000	180,000		30,000	150,000	
Recreation Center	5-1-08	3.00 - 4.00	2,750,000	2,320,000		155,000	2,165,000	86,900
Fire Truck	9-1-09	3.00	100,000	81,165		19,401	61,764	2,435
Refunding Bonds, Series 2012	4-10-12	.65-2.15	1,575,000		1,575,000		1,575,000	
Total				4,401,165	1,575,000	309,401	5,666,764	166,211
Tax increment financing:								
Touchstone TIF	7-1-03	0.00	209,438	9,438		9,438		
Hejlik 2nd subdivision TIF	6-1-06	4.00	500,000	157,122		77,012	80,110	6,302
Total				166,560		86,450	80,110	6,302
Revenue notes:								
Sewer-WWTP	1-13-10	3.00	2,640,000	2,326,225	205,775	123,000	2,409,000	73,443
Sewer-Trunkline	3-31-11	3.00	295,000	255,983	39,017	38,000	257,000	7,941
Total				2,582,208	244,792	161,000	2,666,000	81,384
Internal loans:								
Urban Renewal Area I	11-23-09		250,000	201,983			201,983	
Hejlik water TIF	7-16-04		125,000	100,000		27,056	72,944	
Hejlik sewer TIF	7-16-04		100,000	60,000		15,000	45,000	
Touchstone TIF	11-26-08		64,636	64,636			64,636	
Rec Center	9-30-09	6.00	215,000	176,011		29,105	146,906	10,561
Kadrlik/Touchstone-TIF	5-25-10	6.00	4,144	4,144			4,144	
Kadrlik/Touchstone-Hotel	6-30-12		8,988		8,988		8,988	
Kadrlik/Touchstone-Stellar	6-30-12		28,970		28,970		28,970	
Total				606,774	37,958	71,161	573,571	10,561
Total				\$ 7,756,707	1,857,750	628,012	8,986,445	264,458

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2012

General Obligation Bonds and Notes

Year Ending June 30,	Aquatic Center		REC-Aquatic Center		Recreation Center		Fire Truck		Refunding Bonds, Series 2012		Total
	Issued July 12, 2006		Issued December 1, 2006		Issued May 12, 2008		Issued September 1, 2009		Issued April 10, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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	.65%	160,000	501,199
2016	4.20	125,000	0.00	30,000	3.75	180,000			.80	160,000	495,000
2017	4.20	130,000	0.00	30,000	3.75	185,000			.95	160,000	505,000
2018	4.20	140,000			3.75	195,000			1.15	165,000	500,000
2019	4.20	145,000			3.75	205,000			1.35	165,000	515,000
2020	4.20	150,000			4.00	210,000			1.70	170,000	530,000
2021	4.20	160,000			4.00	220,000			1.70	170,000	550,000
2022	4.25	165,000			4.00	230,000			1.70	175,000	570,000
2023	4.30	175,000			4.00	245,000			1.75	175,000	595,000
2024	4.30	180,000							1.75	75,000	255,000
Total		<u>1,715,000</u>		<u>150,000</u>		<u>2,165,000</u>		<u>61,764</u>		<u>1,575,000</u>	<u>5,666,764</u>

Urban Renewal Tax

Year Ending June 30,	Hejiliks 2nd Subdivision		
	Issued June 1, 2006		
Interest Rates	Amount	Total	
2013	4.00%	80,110	80,110
Total		<u>80,110</u>	<u>80,110</u>

Revenue Notes

Year Ending June 30,	Sewer				Total
	Issued January 13, 2010		Issued March 31, 2011		
	Interest Rates	Amount	Interest Rates	Amount	
2013	3.00%	\$ 127,000	3.00%	39,000	166,000
2014	3.00	131,000	3.00	41,000	172,000
2015	3.00	136,000	3.00	42,000	178,000
2016	3.00	140,000	3.00	43,000	183,000
2017	3.00	144,000	3.00	45,000	189,000
2018	3.00	149,000	3.00	47,000	196,000
2019	3.00	154,000			154,000
2020	3.00	159,000			159,000
2021	3.00	164,000			164,000
2022	3.00	170,000			170,000
2023	3.00	175,000			175,000
2024	3.00	181,000			181,000
2025	3.00	187,000			187,000
2026	3.00	193,000			193,000
2027	3.00	199,000			199,000
Total		<u>\$ 2,409,000</u>		<u>257,000</u>	<u>2,666,000</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 Nine Years

	2012	2,011	2010	2009	2008	2007	2006	2005	2004
Receipts:									
Property tax	\$ 1,180,724	1,130,876	1,053,384	1,029,615	1,091,666	979,610	870,989	810,442	864,044
Tax increment financing	441,712	454,085	423,346	333,998	108,444	48,580	45,191	260,283	130,248
Other city tax	247,293	186,772	255,811	232,625	183,394	192,254	203,647	176,170	181,168
Licenses and permits	37,530	32,973	31,151	35,564	36,202	36,033	35,631	33,532	30,005
Use of money and property	89,275	90,512	93,316	122,137	105,527	176,676	83,390	128,433	44,325
Intergovernmental	340,715	552,718	737,673	285,561	338,246	284,303	285,702	295,118	309,126
Charges for service	455,640	454,899	353,231	237,516	247,509	219,975	169,488	172,796	166,334
Special assessments	9,989	9,103	9,770	8,221	7,721	7,757	358	1,048	5,110
Miscellaneous	78,827	209,632	241,537	546,459	628,386	1,008,284	996,231	787,150	206,533
Total	\$ 2,881,705	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	\$ 542,016	547,080	473,861	501,027	454,291	479,561	466,120	436,599	374,743
Public works	567,747	612,293	563,040	551,037	591,630	584,958	419,539	619,378	325,712
Health and social services	5,145	5,023	4,900	4,900	4,900	4,900	4,500	10,350	3,200
Culture and recreation	695,629	624,084	573,737	431,344	421,964	303,752	279,907	271,278	245,806
Community and economic development	145,571	173,249	141,902	256,082	429,624	602,993	967,255	662,327	18,721
General government	183,424	201,659	175,581	169,296	168,744	164,152	173,741	165,577	154,725
Debt service	593,636	750,337	718,247	757,950	724,680	595,861	462,407	815,124	488,979
Capital projects	458,628	3,425,143	2,936,233	1,861,183	456,654	3,302,859	655,797	37,943	488,046
Total	\$ 3,191,796	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.



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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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 9, 2013. 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

The management of the City of Garner is responsible for establishing and maintaining effective 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 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 I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Garner's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Garner's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Garner's responses and, accordingly, we express no opinion of them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Garner during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Renner & Birchem, P.C.

January 9, 2013

City of Garner

Schedule of Findings

Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

- I-A-12 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts and the disbursements, investments, and payroll under ideal conditions would be segregated.

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

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

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

- I-B-12 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

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 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.

II-B-12 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 or that were not properly documented. The City has established written policies and procedures, including the requirements for proper documentation, as part of their adopted administrative policies.

II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 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	\$ 86
Lynn Smith, Council Member Owner Smith Hardware	Supplies & repairs	1,777

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the council member Voortman do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transactions with council member Smith may represent a conflict of interest since a competitive bidding process was not utilized for all transactions and the total of the transactions were in excess of \$1,500.

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

Response – The transactions were normal expenses and competitive bidding was not practicable.

Conclusion - Response accepted.

City of Garner

Schedule of Findings

Year Ended June 30, 2012

- II-E-12 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.
- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-12 Revenue Note – The City has complied with the revenue note provisions. Required Sewer Revenue Bond Sinking Fund has been created.