

CITY OF GARNER

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

JUNE 30, 2013

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CITY OF GARNER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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 City of Garner, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 City of Garner as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Garner's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 the basic financial statements or to the basic 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.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 13 and 31 through 32 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2013 on our consideration of City of Garner's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Garner's internal control over financial reporting and compliance.

November 7, 2013



Renner & Bircham, P.C.
Britt, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities realized a decrease of 30% or approximately \$1,470,000 from fiscal 2012 to fiscal 2013. This is due to the Pool Refunding Bonds recorded in fiscal year 2012.
- Disbursements were about the same increasing less than 1% or approximately \$31,000.
- The City's total cash basis net position increased approximately \$128,000 from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased approximately \$189,000 and the assets of the business type activities decreased approximately \$61,000. The governmental activities increase was realized in the local option fund to set aside for future needs. The decrease in business type activities cash was due to the use of fund reserves for capital 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 Position. 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 Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position 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 position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities shows an increase of 5% from \$3.4 million to \$3.6 million. The analysis to follow focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities decreased approximately \$1,470,000 or 30%. The decrease in receipts was the result of receiving \$1,550,000 of GO Refunding Bonds in fiscal year 2012 for refinancing the pool debt.

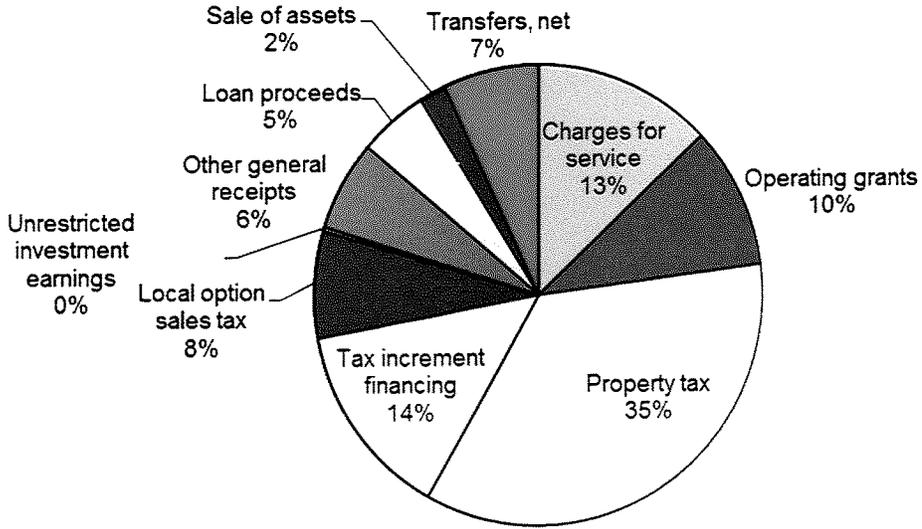
The City experienced no change in its property tax rate for 2013 at a rate of 13.24%. While maintaining a steady rate, property tax receipts for the year showed an increase of over \$39,000. Increased property tax valuations made this increase possible.

The cost of all governmental activities both years remained steady at \$3.2 million with only a \$31,000, less than 1% increase. As shown in the Statement of Activities and Net Position 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 (\$448,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$346,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased slightly from approximately \$796,000 to \$794,000. The City paid for the remaining "public benefit" portion of governmental activities (\$2.6 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

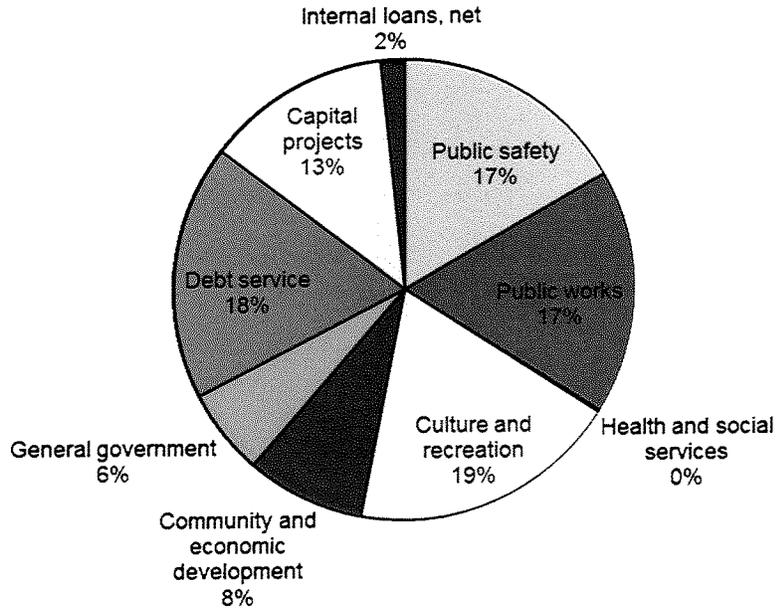
Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2013	2012
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 447,951	455,640
Operating grants	345,759	340,715
General receipts:		
Property tax	1,219,794	1,180,724
Tax increment financing	478,891	441,712
Local option sales tax	259,213	247,293
Unrestricted investment earnings	9,180	19,630
Other general receipts	218,897	195,991
Loan proceeds	171,552	309,264
Bond proceeds	0	1,551,375
Sale of assets	67,578	36,525
Transfers, net	237,785	147,849
Total receipts and transfers	3,456,600	4,926,718
Disbursements:		
Public safety	545,994	545,738
Public works	561,969	567,523
Health and social services	5,145	5,145
Culture and recreation	620,752	697,786
Community and economic development	272,916	145,571
General government	198,078	180,640
Debt service	586,092	593,636
Capital projects	421,776	458,628
Internal loans, net	55,059	42,056
Total disbursements	3,267,781	3,236,723
Increase in cash basis net position	188,819	1,689,995
Cash basis net position beginning of year	3,441,038	1,751,043
Cash basis net position end of year	\$ 3,629,857	3,441,038

Receipts by Source



Disbursements by Function



Total business type activities receipts for the fiscal year were \$971,409 compared to \$992,542 last year. Total disbursements and transfers for the fiscal year remained steady at \$1,031,827, less than a 1% increase. Use of reserves for capital projects resulted in a decrease in net position of business type activities of \$60,418.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 302,259	379,672
Sewer	543,555	498,201
Storm sewer	60,222	59,635
General receipts:		
Unrestricted investment earnings	10,314	12,978
Internal loans, net	55,059	42,056
Total receipts and transfers	<u>971,409</u>	<u>992,542</u>
Disbursements and transfers:		
Water	246,524	305,490
Sewer	536,213	547,536
Storm sewer	11,305	28,701
Transfers	237,785	147,849
Total disbursements and transfers	<u>1,031,827</u>	<u>1,029,576</u>
Increase (Decrease) in cash basis net position	(60,418)	(37,034)
Cash basis net position beginning of year	<u>1,304,763</u>	<u>1,341,797</u>
Cash basis net position end of year	<u>\$ 1,244,345</u>	<u>1,304,763</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 \$3,629,857, an increase of \$188,819 from last year's total of \$3,441,038. 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 \$71,171 from the prior year to \$1,010,580 due in part to reduced annual sidewalk project expenditures and various other project receipts not yet expended.
- The Local Option Tax Fund cash balance increased by \$141,396 to \$288,598. The accumulation of fund reserves is in anticipation of future projects needs.
- The Housing Revolving Loan Fund cash balance increased by \$79,404 to \$379,916 due largely to proceeds from lot sales in Hejlik's Subdivision.
- The Debt Service Fund cash balance decreased by \$21,038 to \$1,519,289 during the fiscal year due to payment of pool GO Refunding Bond interest.
- The Capital Projects Fund cash balance remains the same at \$15,000. Loan proceeds and transfers from other funds have been used to offset current project expenditures
- Non-major Governmental Funds decreased by \$90,606 to \$400,307. This decrease was largely due to an industrial revolving loan being made to a local business.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$57,706 to \$331,319 due to capital projects.
- The Sewer Fund cash balance decreased by \$31,425 to \$822,434. This decrease was also due to capital projects.
- The Storm Sewer Fund cash balance realized an increase of \$24,553 to \$80,952 to be used for future equipment purchases and capital projects.

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 \$935,500. Governmental Activity amendments were made due to a loan approved from the Industrial Revolving Fund in addition to increased operating and project expenses

DEBT ADMINISTRATION

At June 30, 2013, the City had \$7,846,781 in bonds and other long-term debt, compared to \$8,412,874 the previous year, as shown below.

	Outstanding Debt at Year-End	
	Year ended June 30,	
	2013	2012
General obligation notes	\$ 5,346,781	5,666,764
Urban renewal tax increment financing revenue bonds	0	80,110
Revenue notes	2,500,000	2,666,000
Total	\$ 7,846,781	8,412,874

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 \$5,346,781 is below its constitutional debt limit of \$8,501,903.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Garner's elected and appointed officials considered many factors when setting the fiscal year 2014 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 4.2%, well below the national level of 7.6%, 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 the fourth year in a row.

Even with no change in the tax rate, several projects have been planned, including a downtown revitalization project, if awarded a grant, a housing rehabilitation project, park upgrades and equipment replacements. Additionally, progress on the library remodeling project continues into fiscal year 2014.

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 Randy Lansing, City Administrator, 135 West 5th Street, Garner, Iowa.

BASIC FINANCIAL STATEMENTS

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Operating Grants,		Governmental Activities	Business Type Activities	Total
		Charges for Service	Contributions and Restricted Interest			
Functions / Programs:						
Governmental activities:						
Public safety	\$ 545,994		15,022	(530,972)		(530,972)
Public works	561,969	161,006	299,651	(101,312)		(101,312)
Health and social services	5,145			(5,145)		(5,145)
Culture and recreation	620,752	286,695	31,086	(302,971)		(302,971)
Community and economic development	272,916			(272,916)		(272,916)
General government	198,078	250		(197,828)		(197,828)
Debt service	586,092			(586,092)		(586,092)
Capital projects	421,776			(421,776)		(421,776)
Total governmental activities	3,212,722	447,951	345,759	(2,419,012)		(2,419,012)
Business type activities:						
Water	246,524	302,259			55,735	55,735
Sewer	536,213	543,555			7,342	7,342
Storm sewer	11,305	60,222			48,917	48,917
Total business type activities	794,042	906,036			111,994	111,994
Total	\$ 4,006,764	1,353,987	345,759	(2,419,012)	111,994	(2,307,018)
General Receipts:						
Property tax levied for:						
General purposes				\$ 724,614		724,614
Tax increment financing				478,891		478,891
Employee benefits and insurance				247,323		247,323
Debt service				247,857		247,857
Local option sales tax				259,213		259,213
Unrestricted interest on investments				9,180	10,314	19,494
Miscellaneous				218,897		218,897
Loan proceeds				171,552		171,552
Sale of assets				67,578		67,578
Transfers				237,785	(237,785)	
Internal loan, net				(55,059)	55,059	
Total general receipts and transfers				2,607,831	(172,412)	2,435,419
Change in cash basis net position				188,819	(60,418)	128,401
Cash basis net position beginning of year				3,441,038	1,304,763	4,745,801
Cash basis net position end of year				\$ 3,629,857	1,244,345	4,874,202
Cash Basis Net Position						
Restricted:						
Expendable:						
Streets				\$ 158,814		158,814
Debt service				1,519,289	253,250	1,772,539
Other purposes				925,007		925,007
Unrestricted				1,026,747	991,095	2,017,842
Total cash basis net position				\$ 3,629,857	1,244,345	4,874,202

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, 2013

	Special Revenue						Total
	General	Local Option Tax	Revolving Loan-Housing	Debt Service	Capital Projects	Nonmajor	
Receipts:							
Property tax	\$ 724,614			247,857		247,323	1,219,794
Tax increment financing collections						478,891	478,891
Other city tax		259,213					259,213
Licenses and permits	35,472						35,472
Use of money and property	79,076	2,177	2,462	5,359		9,243	98,317
Intergovernmental	46,108					299,651	345,759
Charges for services	447,951						447,951
Special assessments	17,578						17,578
Miscellaneous	65,357		2,000		360	8,993	76,710
Total receipts	1,416,156	261,390	4,462	253,216	360	1,044,101	2,979,685
Disbursements:							
Operating:							
Public safety	434,009					117,578	551,587
Public works	161,162					401,807	562,969
Health and social services	5,145						5,145
Culture and recreation	570,845					52,947	623,792
Community and economic development	41,662		8,412			222,842	272,916
General government	172,215					24,722	196,937
Debt service				586,092			586,092
Capital projects					421,776		421,776
Total disbursements	1,385,038		8,412	586,092	421,776	819,896	3,221,214
Excess (deficiency) of receipts over (under) disbursements	31,118	261,390	(3,950)	(332,876)	(421,416)	224,205	(241,529)
Other financing sources (uses):							
Operating transfers in	115,204			311,838	283,347	62,086	772,475
Operating transfers out	(37,080)	(152,289)			(33,483)	(311,838)	(534,690)
Internal loan, net	(40,536)	32,295	18,241			(65,059)	(55,059)
Loan proceeds					171,552		171,552
Sale of assets	2,465		65,113				67,578
Total other financing sources (uses)	40,053	(119,994)	83,354	311,838	421,416	(314,811)	421,856
Net change in cash balances	71,171	141,396	79,404	(21,038)		(90,606)	180,327
Cash balances beginning of year	939,409	147,202	300,512	1,540,327	15,000	490,913	3,433,363
Cash balances end of year	\$ 1,010,580	288,598	379,916	1,519,289	15,000	400,307	3,613,690
Cash Basis Fund Balances							
Restricted for:							
Debt service				1,519,289			1,519,289
Streets						158,814	158,814
Other purposes		288,598	379,916		15,000	241,493	925,007
Unassigned	\$ 1,010,580						1,010,580
Total cash basis fund balances	\$ 1,010,580	288,598	379,916	1,519,289	15,000	400,307	3,613,690

See notes to financial statements.

City of Garner

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Governmental Funds
As of and for the year ended June 30, 2013

Total governmental funds cash balances (page 16)	\$ 3,613,690
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position 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. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

16,167

Cash basis net position of governmental activities (page 15)	\$ 3,629,857
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Change in cash balances (page 16)	\$ 180,327
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position 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. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

8,492

Change in cash basis net position of governmental activities (page 15)	\$ 188,819
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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, 2013

	Enterprise Funds				Internal Service Funds
	Water	Sewer	Storm Sewer	Total	Employee Health
Operating receipts:					
Charges for services	\$ 302,259	543,555	60,222	906,036	25,020
Total operating receipts	302,259	543,555	60,222	906,036	25,020
Operating disbursements:					
Governmental activities:					
Public safety					3,047
Public works					3,200
Culture and recreation					1,160
General government					3,464
Business type activities	248,604	285,643	11,305	545,552	1,600
Total operating disbursements	248,604	285,643	11,305	545,552	12,471
Excess (deficiency) of operating receipts over (under) operating disbursements	53,655	257,912	48,917	360,484	12,549
Non-operating receipts (disbursements):					
Interest on investments	2,533	7,145	636	10,314	103
Total non-operating receipts	2,533	7,145	636	10,314	103
Excess (deficiency) of receipts over (under) disbursements	56,188	265,057	49,553	370,798	12,652
Other financing sources (uses):					
Operating transfers in		33,483		33,483	
Internal loan, net	35,145	19,914		55,059	
Operating transfers out	(149,039)	(97,229)	(25,000)	(271,268)	
Debt service repayment		(252,650)		(252,650)	
Total other financing sources (uses)	(113,894)	(296,482)	(25,000)	(435,376)	
Net change in cash balances	(57,706)	(31,425)	24,553	(64,578)	12,652
Cash balances beginning of year	389,025	853,859	56,399	1,299,283	13,155
Cash balances end of year	\$ 331,319	822,434	80,952	1,234,705	25,807
Cash Basis Fund Balances					
Restricted for debt service		253,250		253,250	
Unrestricted	\$ 331,319	569,184	80,952	981,455	25,807
Total cash basis fund balances	\$ 331,319	822,434	80,952	1,234,705	25,807

See notes to financial statements.

City of Garner

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds
As of and for the year ended June 30, 2013

Total enterprise funds cash balances (page 18) **\$ 1,234,705**

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position 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. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

9,640

Cash basis net position of business type activities (page 15) **\$ 1,244,345**

Change in cash balances (page 18) **\$ (64,578)**

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position 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. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

4,160

Change in cash basis net position of business type activities (page 15) **\$ (60,418)**

See notes to financial statements.

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

(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 Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net position 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, 2013

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013 the City had investments in U.S. Government Obligations with a carrying amount and fair market value of \$1,507,438.

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, 2013 are as follows:

	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
Donated stock and stock funds	\$ 151,698	\$ 301,284

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.

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

(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		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	500,000	116,723	196,000	54,750	696,000	171,473
2019-2023	2,760,000	335,365	822,000	188,160	3,582,000	523,525
2024-2027	255,000	9,353	760,000	57,900	1,015,000	67,253
	<u>\$ 5,346,781</u>	<u>1,061,657</u>	<u>2,500,000</u>	<u>569,160</u>	<u>7,846,781</u>	<u>1,630,817</u>

General Obligation Refunding Bonds

On April 10, 2013, 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 \$2,935,000 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 2027. Total principal and interest remaining to be paid on the notes is \$3,069,160. For the current year, principal and interest paid and total customer receipts were \$245,985 and \$543,555, 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.

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

- (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.

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 Fund 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, 2013 is \$455,229.

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

(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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$72,069, \$68,104 and \$60,771 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 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 \$479 for single coverage and \$1,474 for family coverage for medical/prescription drug benefits and \$38 for single coverage and \$129 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City disbursed \$162,589.

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

(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, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2013</u>
Vacation	\$ 40,574
Comp	<u>4,283</u>
	<u>\$ 44,857</u>

This liability has been computed based on rates of pay as of June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option	\$ <u>115,204</u>
Special Revenue: RUT	Special Revenue: Local Option	37,086
	Enterprise: Storm Sewer	<u>25,000</u>
		<u>62,086</u>
Capital Project	General	37,080
	Enterprise: Sewer	97,228
	Water	<u>149,038</u>
		<u>283,346</u>
Debt Service	Special Revenue: Tax Increment	<u>311,839</u>
Enterprise: Sewer	Capital Project	<u>33,483</u>
Total		\$ <u>805,958</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, 2013, totaling \$5,287.

CITY OF GARNER

Notes to Financial Statements

June 30, 2013

(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 679 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 at a level determined by the Board not to exceed 300% of total 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, 2013 were \$91,969.

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 \$15,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington 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, 2013, 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, 2013

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 the amount to capital distributions previously received by the withdrawing member and 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, eligible to borrow up to a total of \$240,000. 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 \$120,000, 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, 2013 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 \$255,317 is outstanding at June 30, 2013. The bond principal and interest do not constitute liabilities of the City.

(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.

OTHER 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

Other Information

Year ended June 30, 2013

	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	\$ 1,219,794			1,219,794	1,190,712	1,190,712	29,082
Tax increment financing collections	478,891			478,891	474,599	474,599	4,292
Other city tax	259,213			259,213	275,966	275,966	(16,753)
Licenses and permits	35,472			35,472	32,930	32,930	2,542
Use of money and property	98,317	10,417	8,321	100,413	87,686	87,686	12,727
Intergovernmental	345,759			345,759	337,310	349,310	(3,551)
Charges for services	447,951	915,820	25,020	1,353,987	1,375,686	1,390,686	(36,699)
Special assessments	17,578			17,578	8,125	14,625	2,953
Miscellaneous	76,710	15,236		76,710	176,771	206,771	(130,061)
Total receipts	2,979,685	941,473	33,341	3,887,817	3,959,785	4,023,285	(135,468)
Disbursements:							
Public safety	551,587	3,047	3,047	551,587	531,617	561,617	10,030
Public works	562,969	3,200	3,200	562,969	624,277	724,277	161,308
Health and social services	5,145			5,145	5,000	5,500	355
Culture and recreation	623,792	1,160	9,509	615,443	670,372	770,372	154,929
Community and economic development	272,916			272,916	232,987	457,987	185,071
General government	196,937	3,464	3,464	196,937	179,400	229,400	32,463
Debt service	586,092			586,092	560,868	590,868	4,776
Capital projects	421,776			421,776	262,000	562,000	140,224
Business type activities		547,152	1,600	545,552	821,552	921,552	376,000
Total disbursements	3,221,214	558,023	20,820	3,758,417	3,888,073	4,823,573	1,065,156
Excess (deficiency) of receipts over (under) disbursements	(241,529)	383,450	12,521	129,400	71,712	(800,288)	929,688
Other financing sources, net	421,856	(435,376)		(13,520)	75,250	155,250	(168,770)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	180,327	(51,926)	12,521	115,880	146,962	(645,038)	760,918
Balances beginning of year	3,433,363	1,312,438	164,998	4,580,803	2,903,574	3,053,501	1,527,302
Cash balances end of year	\$ 3,613,690	1,260,512	177,519	4,696,683	3,050,536	2,408,463	2,288,220

See accompanying independent auditor's report.

City of Garner

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented 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 \$935,500. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

City of Garner

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

As of and for the year ended June 30, 2013

	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		247,323					247,323
Tax increment financing collections			478,891				478,891
Use of money and property				744	281	8,218	9,243
Intergovernmental	\$ 299,651						299,651
Miscellaneous	2,096			400	6,497		8,993
Total receipts	301,747	247,323	478,891	1,144	6,778	8,218	1,044,101
Disbursements:							
Operating:							
Public safety		117,578					117,578
Public works	351,458	50,349					401,807
Culture and recreation		44,598				8,349	52,947
Community and economic development			96,724	121,249	4,869		222,842
General government		24,722					24,722
Total disbursements	351,458	237,247	96,724	121,249	4,869	8,349	819,896
Excess (deficiency) of receipts over (under) disbursements	(49,711)	10,076	382,167	(120,105)	1,909	(131)	224,205
Other financing sources (uses):							
Operating transfers in	62,086						62,086
Operating transfers out			(311,838)				(311,838)
Internal loans, net			(105,059)	40,000			(65,059)
Total other financing sources (uses):	62,086		(416,897)	40,000			(314,811)
Net change in cash balances	12,375	10,076	(34,730)	(80,105)	1,909	(131)	(90,606)
Cash balances beginning of year	146,439		34,730	122,938	34,963	151,843	490,913
Cash balances end of year	<u>\$ 158,814</u>	<u>10,076</u>		<u>42,833</u>	<u>36,872</u>	<u>151,712</u>	<u>400,307</u>
Cash Basis Fund Balances							
Restricted for streets	\$ 158,814						158,814
Restricted for other purposes		10,076		42,833	36,872	151,712	241,493
Total cash basis fund balances	\$ 158,814	10,076		42,833	36,872	151,712	400,307

See accompanying independent auditor's report.

City of Garner

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

As of and for the year ended June 30, 2013

	2013 Street/Utility	Library Remodel	SW Trunkline	Pool Shelter	Sewer Slip Line	Water main Loop	Biosolids Removal	Total
Receipts:								
Miscellaneous					120	240		360
Total receipts					120	240		360
Disbursements:								
Capital projects	\$ 8,125	37,080			177,657	141,153	57,761	421,776
Total disbursements	8,125	37,080			177,657	141,153	57,761	421,776
Excess (deficiency) of receipts over (under) disbursements								
	(8,125)	(37,080)			(177,537)	(140,913)	(57,761)	(421,416)
Other financing sources (uses):								
Operating transfers in	8,125	37,080			86,371	140,913	10,858	283,347
Loan proceeds			33,483		91,166		46,903	171,552
Operating transfers out			(33,483)					(33,483)
Total other financing sources (uses):	8,125	37,080			177,537	140,913	57,761	421,416
Net change in cash balances								
Cash balances beginning of year				15,000				15,000
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, 2013

<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	\$ 1,715,000		110,000	1,605,000	72,468
REC-Aquatic Center	12-1-06	0.00	300,000	150,000		30,000	120,000	
Recreation Center	5-1-08	3.00 - 4.00	2,750,000	2,165,000		160,000	2,005,000	82,250
Fire Truck	9-1-09	3.00	100,000	61,764		19,983	41,781	1,853
Refunding Bonds, Series 2012	4-10-12	.65-2.15	1,575,000	1,575,000			1,575,000	25,225
Total				5,666,764		319,983	5,346,781	181,796
Tax increment financing:								
Hejlik 2nd subdivision TIF	6-1-06	4.00	500,000	80,110		80,110		3,204
Total				80,110		80,110		3,204
Revenue notes:								
Sewer-WWTP	1-13-10	3.00	2,640,000	2,409,000		127,000	2,282,000	72,270
Sewer-Trunkline	3-31-11	3.00	295,000	257,000		39,000	218,000	7,715
Total				2,666,000		166,000	2,500,000	79,985
Internal loans:								
Urban Renewal Area I	11-23-09		250,000	201,983		10,000	191,983	
Hejlik water TIF	7-16-04		125,000	72,944		35,146	37,798	
Hejlik sewer TIF	7-16-04		100,000	45,000		15,000	30,000	
Touchstone TIF	11-26-08		64,636	64,636		22,330	42,306	17,670
Rec Center	9-30-09	6.00	215,000	146,906		31,722	115,184	8,814
Kadrlik/Touchstone-TIF	5-25-10	6.00	4,144	4,144		4,144		770
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				573,571		118,342	455,229	27,254
Total				\$ 8,986,445		684,435	8,302,010	292,239

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2013

General Obligation Bonds and Notes

Year Ending June 30,	Aquatic Center		REC-Aquatic Center		Recreation Center		Fire Truck		Refunding Bonds, Series 2012				
	Issued July 12, 2006	Interest Rates	Amount	Issued December 1, 2006	Interest Rates	Amount	Issued May 12, 2008	Interest Rates	Amount	Issued September 1, 2009	Interest Rates	Amount	Total
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	501,199
2016	4.20		125,000	0.00		30,000	3.75		180,000		.65%	160,000	495,000
2017	4.20		130,000	0.00		30,000	3.75		185,000		.80	160,000	505,000
2018	4.20		140,000				3.75		195,000		.95	160,000	500,000
2019	4.20		145,000				3.75		205,000		1.15	165,000	515,000
2020	4.20		150,000				4.00		210,000		1.35	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>1,605,000</u>			<u>120,000</u>			<u>2,005,000</u>			<u>41,781</u>	<u>5,346,781</u>

Revenue Notes

Year Ending June 30,	Sewer		Issued January 13, 2010		Issued March 31, 2011		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 2,282,000</u>		<u>218,000</u>			<u>2,500,000</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 Ten Years

	2013	2,012	2,011	2010	2009	2008	2007	2006	2005	2004
Receipts:										
Property tax	\$ 1,219,794	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	478,891	441,712	454,085	423,346	333,998	108,444	48,580	45,191	260,283	130,248
Other city tax	259,213	247,293	186,772	255,811	232,625	183,394	192,254	203,647	176,170	181,168
Licenses and permits	35,472	37,530	32,973	31,151	35,564	36,202	36,033	35,631	33,532	30,005
Use of money and property	98,317	89,275	90,512	93,316	122,137	105,527	176,676	83,390	128,433	44,325
Intergovernmental	345,759	340,715	552,718	737,673	285,561	338,246	284,303	285,702	295,118	309,126
Charges for service	447,951	455,640	454,899	353,231	237,516	247,509	219,975	169,488	172,796	166,334
Special assessments	17,578	9,989	9,103	9,770	8,221	7,721	7,757	358	1,048	5,110
Miscellaneous	76,710	78,827	209,632	241,537	546,459	628,386	1,008,284	996,231	787,150	206,533
Total	\$ 2,979,685	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	\$ 551,587	542,016	547,080	473,861	501,027	454,291	479,561	466,120	436,599	374,743
Public works	562,969	567,747	612,293	563,040	551,037	591,630	584,958	419,539	619,378	325,712
Health and social services	5,145	5,145	5,023	4,900	4,900	4,900	4,900	4,500	10,350	3,200
Culture and recreation	623,792	695,629	624,084	573,737	431,344	421,964	303,752	279,907	271,278	245,806
Community and economic development	272,916	145,571	173,249	141,902	256,082	429,624	602,993	967,255	662,327	18,721
General government	196,937	183,424	201,659	175,581	169,296	168,744	164,152	173,741	165,577	154,725
Debt service	586,092	593,636	750,337	718,247	757,950	724,680	595,861	462,407	815,124	488,979
Capital projects	421,776	458,628	3,425,143	2,936,233	1,861,183	456,654	3,302,859	655,797	37,943	488,046
Total	\$ 3,221,214	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.



**Renner &
Birchem, PC**

Certified Public Accountants

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Garner, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Garner's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Garner's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Garner's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control 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-13 and I-B-13 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, 2013 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.

City of Garner's Responses to Findings

City of Garner's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Garner's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

November 7, 2013



Renner & Birchem, P.C.
Britt, Iowa

City of Garner

Schedule of Findings

Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-13 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-13 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, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed amounts budgeted.

II-B-13 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-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 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>
Lynn Smith, Council Member Owner Smith Hardware	Supplies & repairs	\$5,287

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, 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.

II-E-13 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-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-13 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-13 Revenue Note – The City has complied with the revenue note provisions. Required Sewer Revenue Bond Sinking Fund has been created.

II-I-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before the extended due date and no exceptions were noted.