



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 18, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Denison, Iowa.

The City's receipts totaled \$9,991,576 for the year ended June 30, 2012, a 12% decrease from the prior year. The receipts included \$2,837,421 in property tax, \$897,081 from tax increment financing, \$1,244,243 from charges for service, \$1,074,673 from operating grants, contributions and restricted interest, \$181,084 from capital grants, contributions and restricted interest, \$2,618,695 from bond proceeds, \$622,996 from local option sales tax, \$130,088 from hotel/motel tax, \$264,648 from grants and contributions not restricted to specific purpose, \$2,266 from unrestricted interest on investments and \$118,381 from other general receipts.

Disbursements for the year totaled \$7,904,143, a 32% decrease from the prior year, and included \$1,970,353 for public safety, \$1,380,095 for debt service and \$1,323,857 for public works. Disbursements for business type activities totaled \$385,049.

The significant decrease in receipts and disbursements is due primarily to the receipt of general obligation bond proceeds and the related disbursements to an escrow agent to refund bonds and notes in fiscal year 2011.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1220-0220-B00F.pdf>.

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CITY OF DENISON

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

JUNE 30, 2012

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City of Denison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2012)</u>		
Dennis Fineran	Mayor	Jan 2012
Jean Heiden	Mayor Pro tem	Jan 2014
Nathan Mahrt (Appointed)	Council Member	Nov 2011
Daniel Ahart	Council Member	Jan 2012
Gordon Hough	Council Member	Jan 2012
Pedro Rodriguez	Council Member	Jan 2014
Kevin Flanagan	City Manager	Indefinite
Lisa Koch	Clerk	Indefinite
Rick Franck	Attorney	Indefinite
<u>(After January 2012)</u>		
Dennis Fineran	Mayor	Jan 2014
Dan Leinen (Appointed)	Mayor Pro tem	Nov 2013
Gordon Hough	Council Member	Jan 2014
Jean Heiden	Council Member	(Resigned)
Pedro Rodriguez	Council Member	Jan 2014
Daniel Ahart	Council Member	Jan 2016
Nathan Mahrt	Council Member	Jan 2016
Kevin Flanagan	City Manager	(Resigned)
Terry Crawford	City Manager	Effective July 2012
Lisa Koch	Clerk	Indefinite
Rick Franck	Attorney	Indefinite

City of Denison



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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, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison, 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 the City of Denison's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Denison Volunteer Firefighters Association, which represents 73% and 64%, respectively, of the net assets and receipts of the discretely presented component units. We also did not audit the financial statements of the Denison Municipal Utilities, a discretely presented component unit with condensed financial information presented in Note 10. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Denison Volunteer Firefighters Association and the Denison Municipal Utilities, is based on the report of the other auditors.

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 and the reports of the other auditors provide 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.

As described in Note 10, the City has chosen to present condensed financial information for the Denison Municipal Utilities, a discretely presented component unit, since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The report of the other auditor, dated September 14, 2012 expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the reports of other auditors, 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, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison 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 December 10, 2012 on our consideration of the City of Denison'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 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 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 Denison'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 nine 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 4 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 the 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 Denison's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 30 through 32 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Denison 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

- Receipts of the City's governmental activities decreased 13%, or approximately \$1,376,000, from fiscal year 2011 to fiscal year 2012. Property tax and other city tax increased approximately \$332,000, capital grants, contributions and restricted interest decreased approximately \$385,000 and bond proceeds decreased approximately \$1,475,000.
- Disbursements for governmental activities decreased 33%, or approximately \$3,698,000, from fiscal year 2011. Payments to the escrow agent decreased approximately \$4,214,000 and public safety, public works, and community and economic development disbursements increased approximately \$310,000, \$319,000 and \$149,000, respectively.
- The City's total cash basis net assets increased 125%, or approximately \$2,088,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$2,083,000 and the assets of the business type activities increased approximately \$5,000.

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 financial 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.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor 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, readers 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include solid waste services. This activity is 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: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Local Option Sales Tax, Urban Renewal Tax Increment and Denison Foundation, 3) the Debt Service Fund and 4) the Capital Projects 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 statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

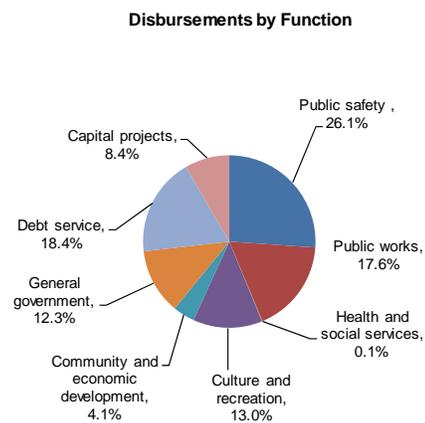
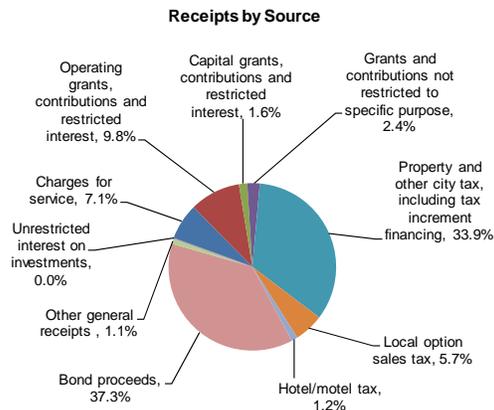
2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Solid Waste Fund, which is considered to be a major fund of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 increased from a year ago from approximately \$1.63 million to approximately \$3.71 million. The following analysis focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 785	648
Operating grants, contributions and restricted interest	1,075	1,088
Capital grants, contributions and restricted interest	181	566
General receipts:		
Property and other city tax, including tax increment financing	3,734	3,402
Local option sales tax	623	680
Hotel/motel tax	130	112
Grants and contributions not restricted to specific purpose	265	280
Unrestricted interest on investments	2	3
Bond proceeds	2,619	4,094
Other general receipts	118	35
Total receipts	<u>9,532</u>	<u>10,908</u>
Disbursements:		
Public safety	1,970	1,660
Public works	1,324	1,005
Health and social services	7	8
Culture and recreation	975	970
Community and economic development	312	163
General government	923	1,046
Debt service	1,380	1,380
Capital projects	628	771
Payments to escrow agent to refund bonds and notes	-	4,214
Total disbursements	<u>7,519</u>	<u>11,217</u>
Change in cash basis net assets before transfers	2,013	(309)
Transfers, net	70	99
Change in cash basis net assets	2,083	(210)
Cash basis net assets beginning of year	1,627	1,837
Cash basis net assets end of year	<u>\$ 3,710</u>	<u>\$ 1,627</u>



The City's total receipts for governmental activities decreased 13%, or approximately \$1,376,000. The total cost of all programs and services decreased approximately \$3,698,000, or 33%, with no new programs added this year. The significant decrease in receipts and disbursements is primarily due to the receipt of bond proceeds and the related disbursements to an escrow agent to refund certain bonds and notes in fiscal year 2011.

The City's property tax rates for fiscal year 2012 were similar to fiscal year 2011. The tax rates, in conjunction with an increase in assessed valuation, increased the City's property tax receipts, other than tax increment financing, approximately \$35,000 in fiscal year 2012. Property tax receipts are budgeted to increase approximately \$184,000 next year.

The cost of all governmental activities this year was approximately \$7.5 million compared to approximately \$11.2 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$5.5 million because some of the cost was paid by those directly benefited from the programs (\$785,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,256,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$7.562 million in tax (some of which could only be used for certain programs) and other receipts, such as interest, bond proceeds and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 460	460
Disbursements:		
Solid waste	385	387
Change in cash basis net assets before transfers	75	73
Transfers, net	(70)	(99)
Change in cash basis net assets	5	(26)
Cash basis net assets beginning of year	45	71
Cash basis net assets end of year	\$ 50	45

Total business type activities receipts for the fiscal year were approximately \$460,000 compared to approximately \$460,000 last year. Total disbursements for the fiscal year decreased slightly from the prior year to approximately \$385,000. The cash balance increased approximately \$5,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Denison completed the year, its governmental funds reported a combined fund balance of \$3,710,083, an increase of approximately \$2,083,000 from last year's total of \$1,627,290. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$685,458 over the prior year to \$1,308,322. Approximately \$1,197,000 of this increase was due to bond proceeds received for public works and fire department equipment.

- The Special Revenue, Road Use Tax Fund cash balance increased \$156,871 to \$581,621. Receipts increased 14%, or approximately \$94,000, which was due to a population increase per the 2010 census. Disbursements decreased 3%, or approximately \$17,000, primarily due to the mild winter and no overtime for snow removal.
- The Special Revenue, Employee Benefits Fund cash balance increased \$124,906 to \$579,999. Receipts increased 15% and disbursements decreased 8%. This was primarily due to a decrease in the amount of insurance premiums paid in fiscal year 2012 because the City increased the deductible from \$5,000 to \$10,000.
- The Special Revenue, Local Option Sales Tax Fund was established to account for special sales tax collected. At the end of the fiscal year, the cash balance was \$77,936, a decrease of \$10,824 from the previous year end. Receipts decreased 8%, or approximately \$57,000, during the fiscal year. Net transfers from the Local Option Sales Tax Fund decreased \$286,944.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$13,745 to \$50,240. Transfers out increased \$206,516 from the previous year due to increases in transfers to the Capital Projects Fund.
- The Special Revenue, Denison Foundation Fund cash balance decreased \$110,557 to \$120,075. Receipts increased 65%, or approximately \$26,000, due to increased contributions from the Denison Municipal Utilities. Disbursements increased 219%, or approximately \$122,000, for grants to the Donna Reed Foundation, the Crawford County Fair and various other grant awards.
- The Debt Service Fund cash balance increased \$7,652 to \$97,513. Receipts decreased 13% and disbursements increased less than 1%.
- The Capital Projects Fund cash balance increased \$1,213,418 to \$735,774. The increase was due primarily to the issuance of approximately \$1,422,000 of general obligation bonds. In addition, the purchase of the aerial truck was not completed during the fiscal year, so not all funds were spent.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Solid Waste Fund cash balance increased \$4,640 to \$49,387 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 10, 2011 and resulted in an increase in operating disbursements of \$1,684,529 related to the issuance of new debt and the purchase of a fire truck. The second amendment was approved on May 15, 2012 for \$472,192 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$385,770 less than the amended budget. This was primarily due to the City receiving \$447,160 less than budgeted for intergovernmental receipts due to the City not starting a street and an airport project in the current year. In addition, the City received \$9,736 and \$67,814 less than budgeted for use of money and property and charges for service, respectively. This was due to the overall economic downturn and resulting peripheral impacts on receipts, particularly with respect to the City's airport fuel sales.

Total disbursements were \$3,163,679 less than the amended budget. Actual disbursements for the capital projects and public safety functions were \$1,635,016 and \$846,675, respectively, less than the amended budget due to the postponed status of capital projects and the purchase of fire equipment within both the capital projects and public safety functions.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$9,960,000 of bonds and other long-term debt outstanding, compared to \$8,410,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation bonds/notes	\$ 9,535	7,940
Revenue notes	425	470
Total	<u>\$ 9,960</u>	<u>8,410</u>

During the year, the City issued \$2,665,000 of general obligation bonds and redeemed general obligation and revenue notes/bonds of \$1,115,000.

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 property within the City's corporate limits. The City's outstanding general obligation debt of \$9,535,000 is below its constitutional debt limit of \$14,211,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Denison's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of these factors is the increase in property valuations used to calculate tax askings and the decrease in levy rates. The total tax asking increased \$183,462 overall due to property valuations for fiscal year 2013 increasing \$10,459,467 and the overall tax rate decreasing less than 1%.

These factors were taken into account when adopting the budget for fiscal year 2013. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to increase approximately \$1,000,000. The increase is due primarily to increases in amounts budgeted for public safety and capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$446,000 by the close of 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 Lisa Koch, City Clerk, 111 North Main Street, City of Denison, Iowa 51442-0668.

Basic Financial Statements

City of Denison

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,970,353	152,736	58,297	-
Public works	1,323,857	41,320	791,727	-
Health and social services	6,728	-	-	-
Culture and recreation	974,674	508,841	91,189	-
Community and economic development	312,448	464	74,783	-
General government	922,580	81,193	24,501	-
Debt service	1,380,095	-	34,176	-
Capital projects	628,359	-	-	181,084
Total governmental activities	7,519,094	784,554	1,074,673	181,084
Business type activities:				
Solid waste	385,049	459,689	-	-
Total Primary Government	\$ 7,904,143	1,244,243	1,074,673	181,084
Component Units:				
Denison Library Friends	\$ 1,718	-	17,909	-
Denison Volunteer Firefighters Association	31,246	-	28,168	-
Total Component Units	\$ 32,964	-	46,077	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds, net of \$45,305 discount and \$1,000 fee				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purpose				
Urban renewal purposes				
Community and economic development				
Culture, recreation and tourism				
Law enforcement				
Library gifts and memorials				
Capital equipment and improvements				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Units	
Governmental Activities	Business Type Activities	Total	Denison Library Friends	Denison Volunteer Firefighters Association
(1,759,320)	-	(1,759,320)		
(490,810)	-	(490,810)		
(6,728)	-	(6,728)		
(374,644)	-	(374,644)		
(237,201)	-	(237,201)		
(816,886)	-	(816,886)		
(1,345,919)	-	(1,345,919)		
(447,275)	-	(447,275)		
(5,478,783)	-	(5,478,783)		
-	74,640	74,640		
(5,478,783)	74,640	(5,404,143)		
			16,191	-
			-	(3,078)
			16,191	(3,078)
\$ 2,468,977	-	2,468,977	-	-
368,444	-	368,444	-	-
897,081	-	897,081	-	-
622,996	-	622,996	-	-
130,088	-	130,088	-	-
264,648	-	264,648	-	-
2,266	-	2,266	-	3,154
2,618,695	-	2,618,695	-	-
118,381	-	118,381	-	-
70,000	(70,000)	-	-	-
7,561,576	(70,000)	7,491,576	-	3,154
2,082,793	4,640	2,087,433	16,191	76
1,627,290	44,747	1,672,037	45,504	170,890
\$ 3,710,083	49,387	3,759,470	61,695	170,966
\$ 215,733	-	215,733	-	-
463,401	-	463,401	-	-
652,138	-	652,138	-	-
735,774	-	735,774	-	-
77,936	-	77,936	-	-
50,240	-	50,240	-	-
120,075	-	120,075	-	-
22,396	-	22,396	-	-
52,820	-	52,820	-	-
66,503	-	66,503	-	-
663,406	-	663,406	-	-
158,603	-	158,603	-	113,078
431,058	49,387	480,445	61,695	57,888
\$ 3,710,083	49,387	3,759,470	61,695	170,966

City of Denison

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,590,389	-	866,531	-
Tax increment financing	-	-	-	-
Other city tax	137,890	-	4,255	622,996
Licenses and permits	87,060	-	-	-
Use of money and property	196,688	-	-	21
Intergovernmental	338,551	787,074	-	-
Charges for service	371,953	-	-	-
Special assessments	-	-	-	-
Miscellaneous	279,148	-	23,899	-
Total receipts	3,001,679	787,074	894,685	623,017
Disbursements:				
Operating:				
Public safety	1,557,770	-	385,216	25,902
Public works	548,614	527,030	132,070	100,481
Health and social services	6,097	-	631	-
Culture and recreation	779,517	-	142,925	20,252
Community and economic development	92,578	-	-	35,000
General government	820,204	-	78,937	23,439
Debt service	-	36,912	-	-
Capital projects	-	-	-	-
Total disbursements	3,804,780	563,942	739,779	205,074
Excess (deficiency) of receipts over (under) disbursements	(803,101)	223,132	154,906	417,943
Other financing sources (uses):				
Bond proceeds, net of \$45,305 discount and \$1,000 fee	1,197,000	-	-	-
Operating transfers in	310,000	-	-	18,441
Operating transfers out	(18,441)	(66,261)	(30,000)	(447,208)
Total other financing sources (uses)	1,488,559	(66,261)	(30,000)	(428,767)
Net change in cash balances	685,458	156,871	124,906	(10,824)
Cash balances beginning of year	622,864	424,750	455,093	88,760
Cash balances end of year	\$ 1,308,322	581,621	579,999	77,936
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	118,220	-	-
Streets	-	463,401	-	-
Employee benefits	72,139	-	579,999	-
Capital projects	-	-	-	-
Infrastructure or other city purpose	-	-	-	77,936
Urban renewal purposes	-	-	-	-
Community and economic development	-	-	-	-
Culture, recreation and tourism	22,396	-	-	-
Law enforcement	52,820	-	-	-
Library gifts and memorials	66,503	-	-	-
Capital equipment and improvements	663,406	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Fire station	203,025	-	-	-
Capital equipment and improvements	149,819	-	-	-
Culture, recreation and tourism	22,396	-	-	-
Unassigned	55,818	-	-	-
Total cash basis fund balances	\$ 1,308,322	581,621	579,999	77,936

See notes to financial statements.

Urban Renewal Tax Increment	Denison Foundation	Debt Service	Capital Projects	Nonmajor	Total
-	-	366,872	-	-	2,823,792
897,081	-	-	-	-	897,081
-	-	1,572	-	-	766,713
-	-	-	-	-	87,060
408	29	465	1,211	952	199,774
-	-	-	151,560	-	1,277,185
-	-	-	-	-	371,953
-	-	-	29,464	-	29,464
-	67,114	32,500	60	57,449	460,170
897,489	67,143	401,409	182,295	58,401	6,913,192
-	-	-	-	1,465	1,970,353
-	-	-	-	15,662	1,323,857
-	-	-	-	-	6,728
-	-	-	-	31,980	974,674
-	177,700	-	-	7,170	312,448
-	-	-	-	-	922,580
-	-	1,343,183	-	-	1,380,095
-	-	-	628,359	-	628,359
-	177,700	1,343,183	628,359	56,277	7,519,094
897,489	(110,557)	(941,774)	(446,064)	2,124	(605,902)
-	-	-	1,421,695	-	2,618,695
-	-	949,426	237,787	-	1,515,654
(883,744)	-	-	-	-	(1,445,654)
(883,744)	-	949,426	1,659,482	-	2,688,695
13,745	(110,557)	7,652	1,213,418	2,124	2,082,793
36,495	230,632	89,861	(477,644)	156,479	1,627,290
50,240	120,075	97,513	735,774	158,603	3,710,083
-	-	97,513	-	-	215,733
-	-	-	-	-	463,401
-	-	-	-	-	652,138
-	-	-	735,774	-	735,774
-	-	-	-	-	77,936
50,240	-	-	-	-	50,240
-	120,075	-	-	-	120,075
-	-	-	-	-	22,396
-	-	-	-	-	52,820
-	-	-	-	-	66,503
-	-	-	-	-	663,406
-	-	-	-	158,603	158,603
-	-	-	-	-	203,025
-	-	-	-	-	149,819
-	-	-	-	-	22,396
-	-	-	-	-	55,818
50,240	120,075	97,513	735,774	158,603	3,710,083

City of Denison

City of Denison

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2012

	<u>Enterprise</u> <u>Solid Waste</u>
Operating receipts:	
Charges for service	\$ 459,689
Operating disbursements:	
Business type activities	<u>385,049</u>
Excess of operating receipts over operating disbursements	74,640
Transfers out	<u>(70,000)</u>
Net change in cash balances	4,640
Cash balances beginning of year	<u>44,747</u>
Cash balances end of year	<u>\$ 49,387</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 49,387</u>

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Denison is a political subdivision of the State of Iowa located in Crawford County. It was first incorporated in 1875 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Denison 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.

These financial statements present the City of Denison (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit

The Denison Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate for charitable purposes and economic development in the City of Denison. The Foundation is governed by a seven-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Discretely Presented Component Units

The Denison Library Friends, Inc. (Friends) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Denison Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by Friends are substantially for the direct benefit of the City of Denison Library.

The Denison Volunteer Firefighters Association, Inc. (Association) has been incorporated under the Iowa Nonprofit Corporation Act to protect human life and property through fighting fires and providing community education in fire prevention and first aid/safety practices. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Association are substantially for the direct benefit of the City of Denison Fire Department.

The Denison Municipal Utilities was established under Chapter 388 of the Code of Iowa to operate the City's municipal utilities. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 10 was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Denison Municipal Utilities, W. Broadway & 7th St., P.O. Box 518, Denison, Iowa 51442.

Jointly Governed Organizations

The City 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: Crawford County Assessor's Conference Board, Crawford County Emergency Management Commission, Crawford County Joint E911 Service Board and Crawford County Area Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement – 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 service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance and the payment of principal and interest on Road Use Tax Fund debt.

The Employee Benefits Fund is used to account for the collection and use of tax for pension, retirement and insurance benefits.

The Local Option Sales Tax Fund is utilized to account for the collection and use of the local option sales tax.

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

The Denison Foundation Fund is used to account for the resources of the nonprofit corporation used for charitable and economic development purposes.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City also reports the following major proprietary fund:

The Enterprise, Solid Waste Fund accounts for the operation and maintenance of the City's garbage operations.

C. Measurement Focus and 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.

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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:

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.

Assigned – Amounts the City 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 Pooled 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.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,856,194 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

(3) Bonds/Notes Payable

During the year ended June 30, 2012, \$2,665,000 of general obligation bonds were issued and \$1,070,000 of general obligation bonds/notes and \$45,000 of revenue bonds/notes were retired.

Annual debt service requirements to maturity for general obligation bonds/notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds/Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,270,000	273,486	45,000	21,790	1,315,000	295,276
2014	1,280,000	223,765	50,000	19,620	1,330,000	243,385
2015	1,140,000	196,040	55,000	17,109	1,195,000	213,149
2016	1,085,000	169,727	55,000	14,336	1,140,000	184,063
2017	1,110,000	143,938	55,000	11,508	1,165,000	155,446
2018 - 2022	3,035,000	355,135	165,000	17,125	3,200,000	372,260
2023 - 2024	615,000	26,725	-	-	615,000	26,725
Total	\$9,535,000	1,388,816	425,000	101,488	9,960,000	1,490,304

Childhood Center Revenue Notes

On July 1, 2001, the City entered into a revenue note agreement with United Bank of Iowa in Ida Grove to borrow \$350,000 to construct a building to be leased to the Crawford County Early Childhood Center (Childhood Center). The notes are payable through 2021 solely from revenues received by the City from the Childhood Center pursuant to a lease. Annual principal and interest payments on the notes will require 100% of the lease payments. The total principal and interest remaining to be paid on the notes is \$266,880. For the current year, principal and interest paid and receipts from the Childhood Center were \$32,500 and \$32,500, respectively. The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues received by the City from the Childhood Center and the note holder holds a lien on the future earnings of the Childhood Center.
- (b) Sufficient amounts shall be set aside in a revenue note sinking account for the purpose of making the note principal and interest payments when due.

During the year ended June 30, 2012, the City was in compliance with the note provisions.

Road Use Tax Revenue Notes

On May 1, 2004, the City entered into a revenue note agreement with Ruan Securities Corporation to borrow \$395,000 to purchase equipment for the street department and street improvement projects. The notes are payable solely from road use tax funds received from the State of Iowa and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 5% of road use tax receipts. The total principal and interest remaining to be paid on the notes is \$259,608. For the current year, principal and interest paid and road use tax receipts were \$36,412 and \$787,074, respectively. The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the road use tax funds received from the State of Iowa.

- (b) At the time of the delivery of the notes, a separate reserve account of \$39,275 shall be established.
- (c) Sufficient monthly transfers shall be made to a separate road use tax revenue sinking account for the purpose of making note principal and interest payments when due.
- (d) All funds remaining in the road use tax fund after payment of road related improvements and services authorized by state law and required transfers shall be placed in a surplus revenue account. This account is restricted to payments to the sinking and reserve accounts if these accounts are in default. If the sinking and reserve accounts are fully funded, the surplus may be used for road related improvements and services authorized by state law.

During the year ended June 30, 2012, the City was in compliance with the note provisions.

General Obligation Refunding Bonds

In prior years, the City defeased various bonds issued by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities placed in the trust funds. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt until the debt was called or matured. During the year ended June 30, 2012, the remaining outstanding balance of the defeased bonds was paid in full.

(4) Pension and Retirement Benefits

Iowa Public Employees Retirement System

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 covered 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 contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$151,028, \$133,325 and \$126,933, respectively, equal to the required contributions for each year.

International City/County Managers Association Retirement Corporation

The City and plan members contribute to the International City/County Managers Association Retirement Corporation (ICMA-RC).

Plan members are required to contribute 5.38% of earnable compensation and the City's contribution rate is 8.07% of earnable compensation, equal to the City's contribution rate for employees contributing to IPERS. Contribution requirements were established in the employment contract. The City's contributions to the Plan for the years ended June 30, 2012, 2011 and 2010 were \$6,842, \$4,538 and \$4,219, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 44 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug 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 \$356 - \$578 for single coverage and \$673 - \$1,440 for family coverage. For the year ended June 30, 2012, the City contributed \$433,849 and plan members eligible for benefits contributed \$26,189 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory and sick leave hours for subsequent use or for payment upon termination, retirement or death. Employees who have accumulated at least 90 days of sick leave may elect to convert earned sick leave above 90 days to cash at one-half of their rate of pay or may elect to convert sick leave to additional vacation time at a rate of one-half day of vacation time for each day of sick leave converted.

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory leave and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 28,000
Compensatory leave	19,000
Sick leave	<u>10,000</u>
Total	<u>\$ 57,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 30,000
	Local Option Sales Tax	210,000
	Enterprise:	
	Solid Waste	70,000
		<u>310,000</u>
Special Revenue:	General	
Local Option Sales Tax		<u>18,441</u>
Debt Service	Special Revenue:	
	Road Use Tax	66,261
	Local Option Sales Tax	227,208
	Urban Renewal Tax Increment	655,957
		<u>949,426</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	10,000
	Urban Renewal Tax Increment	227,787
		<u>237,787</u>
Total		<u>\$ 1,515,654</u>

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

(8) Construction Commitments

The City entered into construction contracts for various construction and street improvements during the year ended June 30, 2012. The unpaid contract balances at June 30, 2012 totaled \$120,407.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City self funds dental coverage for its employees. The plan is funded by the City and is administered by Employee Benefit Systems. The agreement is subject to automatic renewal. The City provides annual coverage up to \$2,000 per individual. Monthly payments of administrative services fees and claims are paid from the City's General Fund. During the year ended June 30, 2012, the City transferred \$30,000 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

(10) Denison Municipal Utilities

The Denison Municipal Utilities provides electric, sewer, water and joint treatment for industrial waste services to the City. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. Following is the condensed financial information for the Municipal Utilities for the year ended June 30, 2012.

Condensed Statement of Net Assets	
Assets:	
Current and other assets	\$ 12,024,308
Capital assets	30,059,625
Total assets	<u>42,083,933</u>
Liabilities:	
Long-term debt	2,926,000
Other liabilities	2,334,157
Total liabilities	<u>5,260,157</u>
Net assets:	
Invested in capital assets, net of related debt	27,253,008
Restricted for debt service and customer deposits	716,000
Unrestricted	8,854,768
Total net assets	<u>\$ 36,823,776</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets		
Operating revenues:		
Sales to customers		\$ 14,350,975
Other		36,085
Total operating revenues		<u>14,387,060</u>
Operating expenses:		
Electric	\$ 8,703,231	
Water	1,486,941	
Sewer	895,466	
Joint treatment	967,960	
Depreciation	1,401,490	13,455,088
Operating income		931,972
Non-operating revenues (expenses):		
Miscellaneous	444,913	
Interest income	65,411	
Interest expense	(121,823)	
Total non-operating revenues (expenses)		<u>388,501</u>
Net income		1,320,473
Net assets beginning of year		<u>35,503,303</u>
Net assets end of year		<u>\$ 36,823,776</u>

(11) Subsequent Events

In July 2012, the City entered into contracts totaling \$1,905,527 for street improvements.

In August 2012, the City entered into land purchase agreements totaling \$330,300 to be used for the Airport expansion project. The Airport expansion project will be funded in part with a Federal Aviation Administration grant.

Other Information

City of Denison

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 2,823,792	-	2,823,792
Tax increment financing	897,081	-	897,081
Other city tax	766,713	-	766,713
Licenses and permits	87,060	-	87,060
Use of money and property	199,774	-	199,774
Intergovernmental	1,277,185	-	1,277,185
Charges for service	371,953	459,689	831,642
Special assessments	29,464	-	29,464
Miscellaneous	460,170	-	460,170
Total receipts	6,913,192	459,689	7,372,881
Disbursements:			
Public safety	1,970,353	-	1,970,353
Public works	1,323,857	-	1,323,857
Health and social services	6,728	-	6,728
Culture and recreation	974,674	-	974,674
Community and economic development	312,448	-	312,448
General government	922,580	-	922,580
Debt service	1,380,095	-	1,380,095
Capital projects	628,359	-	628,359
Business type activities	-	385,049	385,049
Total disbursements	7,519,094	385,049	7,904,143
Excess (deficiency) of receipts over (under) disbursements	(605,902)	74,640	(531,262)
Other financing sources (uses), net	2,688,695	(70,000)	2,618,695
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,082,793	4,640	2,087,433
Balances beginning of year	1,627,290	44,747	1,672,037
Balances end of year	\$ 3,710,083	49,387	3,759,470

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
2,787,284	2,787,284	36,508
891,549	891,549	5,532
747,433	747,433	19,280
43,750	43,750	43,310
389,510	209,510	(9,736)
1,632,270	1,724,345	(447,160)
659,350	899,456	(67,814)
20,000	20,000	9,464
320,613	435,324	24,846
<u>7,491,759</u>	<u>7,758,651</u>	<u>(385,770)</u>
1,782,365	2,817,028	846,675
1,464,586	1,604,326	280,469
9,199	9,199	2,471
1,010,893	1,096,321	121,647
423,000	451,419	138,971
911,861	1,017,057	94,477
1,381,597	1,381,597	1,502
1,500,100	2,263,375	1,635,016
427,500	427,500	42,451
<u>8,911,101</u>	<u>11,067,822</u>	<u>3,163,679</u>
(1,419,342)	(3,309,171)	2,777,909
<u>1,000,000</u>	<u>2,453,000</u>	<u>165,695</u>
(419,342)	(856,171)	2,943,604
<u>1,639,573</u>	<u>1,639,573</u>	<u>32,464</u>
<u>1,220,231</u>	<u>783,402</u>	<u>2,976,068</u>

City of Denison

Notes to Other Information – Budgetary Reporting

June 30, 2012

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 the discretely presented component units. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,156,721. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

Supplementary Information

City of Denison

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

As of and for the year ended June 30, 2012

				Special	
	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust	I-Jobs
Receipts:					
Use of money and property	\$ -	952	-	-	-
Miscellaneous	7,425	-	38,510	2,339	-
Total receipts	<u>7,425</u>	<u>952</u>	<u>38,510</u>	<u>2,339</u>	<u>-</u>
Disbursements:					
Operating:					
Public safety	-	-	-	1,465	-
Public works	-	-	-	-	15,662
Culture and recreation	-	-	26,091	-	-
Community and economic development	7,170	-	-	-	-
Total disbursements	<u>7,170</u>	<u>-</u>	<u>26,091</u>	<u>1,465</u>	<u>15,662</u>
Net change in cash balances	255	952	12,419	874	(15,662)
Cash balances beginning of year	540	114,504	10,949	11,797	15,662
Cash balances end of year	<u>\$ 795</u>	<u>115,456</u>	<u>23,368</u>	<u>12,671</u>	<u>-</u>
Cash Basis Fund Balances					
Restricted for other purposes	<u>\$ 795</u>	<u>115,456</u>	<u>23,368</u>	<u>12,671</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue				
Memorial Gardens	Boulders Center Trust	Johnson Park Bridge	Tuckers Park	Total
-	-	-	-	952
-	-	-	9,175	57,449
-	-	-	9,175	58,401
-	-	-	-	1,465
-	-	-	-	15,662
-	-	-	5,889	31,980
-	-	-	-	7,170
-	-	-	5,889	56,277
-	-	-	3,286	2,124
620	1,493	914	-	156,479
620	1,493	914	3,286	158,603
620	1,493	914	3,286	158,603

City of Denison
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose	Aug 1, 2003	1.70-4.30%	\$ 3,740,000
Street improvement	Jan 15, 2006	3.65-4.30	1,320,000
Local option sales tax	May 15, 2006	3.80-4.55	1,700,000
Street improvement	Oct 1, 2006	3.75-4.15	650,000
Corporate purpose	Mar 15, 2008	3.50-6.00	880,000
Street improvement	Mar 15, 2008	2.85-4.30	405,000
Corporate purpose - refunding	Jul 1, 2009	1.10-3.50	1,435,000
Refunding	Oct 1, 2010	2.00-2.40	4,090,000
Corporate purpose	Nov 30, 2011	0.50-2.75	2,665,000
Total			
Revenue notes:			
Childhood center	Jul 1, 2001	4.75-5.70%	\$ 350,000
Road use tax	May 1, 2004	2.05-5.20	395,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
355,000	-	355,000	-	12,070
130,000	-	130,000	-	5,070
1,280,000	-	105,000	1,175,000	55,300
65,000	-	65,000	-	2,535
755,000	-	45,000	710,000	41,575
345,000	-	25,000	320,000	13,593
1,095,000	-	195,000	900,000	27,900
3,915,000	-	150,000	3,765,000	80,140
-	2,665,000	-	2,665,000	-
\$ 7,940,000	2,665,000	1,070,000	9,535,000	238,183
230,000	-	20,000	210,000	12,500
240,000	-	25,000	215,000	11,412
\$ 470,000	-	45,000	425,000	23,912

City of Denison
Bond/Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation					
	Local Option Sales Tax		Corporate Purpose		Street Improvement	
	Issued May 15, 2006		Issued Mar 15, 2008		Issued Mar 15, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	4.10%	\$ 110,000	4.55%	\$ 50,000	3.40%	\$ 25,000
2014	4.15	115,000	4.80	50,000	3.55	25,000
2015	4.20	120,000	5.05	55,000	3.70	25,000
2016	4.30	125,000	5.30	55,000	3.85	25,000
2017	4.35	130,000	5.50	60,000	4.00	30,000
2018	4.40	135,000	5.65	65,000	4.05	30,000
2019	4.45	140,000	5.80	65,000	4.10	30,000
2020	4.50	145,000	5.90	70,000	4.15	30,000
2021	4.55	155,000	6.00	75,000	4.20	30,000
2022		-	6.00	80,000	4.25	35,000
2023		-	6.00	85,000	4.30	35,000
2024		-		-		-
Total		<u>\$ 1,175,000</u>		<u>\$ 710,000</u>		<u>\$ 320,000</u>

Year Ending June 30,	Revenue Notes				
	Childhood Center		Road Use Tax		Total
	Issued Jul 1, 2001		Issued May 1, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2013	5.40%	\$ 20,000	4.35%	\$ 25,000	45,000
2014	5.45	20,000	4.50	30,000	50,000
2015	5.50	25,000	4.65	30,000	55,000
2016	5.55	25,000	4.80	30,000	55,000
2017	5.55-5.60	25,000	4.95	30,000	55,000
2018	5.60	25,000	5.10	35,000	60,000
2019	5.65	25,000	5.20	35,000	60,000
2020	5.65-5.70	25,000		-	25,000
2021	5.70	20,000		-	20,000
Total		<u>\$ 210,000</u>		<u>\$ 215,000</u>	<u>425,000</u>

See accompanying independent auditor's report.

Bonds/Notes						
Corp Purpose-Refunding		Refunding		Corporate Purpose		
Issued July 1, 2009		Issued Oct 1, 2010		Issued Nov 30, 2011		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
2.10%	\$ 195,000	2.00%	\$ 705,000	0.50%	\$ 185,000	1,270,000
2.40	175,000	2.00	705,000	0.65	210,000	1,280,000
2.60	180,000	2.00	550,000	0.90	210,000	1,140,000
2.90	85,000	2.00	580,000	1.15	215,000	1,085,000
3.10	85,000	2.00	590,000	1.40	215,000	1,110,000
3.30	90,000	2.20	350,000	1.60	220,000	890,000
3.50	90,000	2.40	285,000	1.80	225,000	835,000
	-		-	2.00	225,000	470,000
	-		-	2.20	230,000	490,000
	-		-	2.40	235,000	350,000
	-		-	2.60	245,000	365,000
	-		-	2.75	250,000	250,000
	<u>\$ 900,000</u>		<u>\$3,765,000</u>		<u>\$2,665,000</u>	<u>9,535,000</u>

City of Denison

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

For the Last ten Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 2,823,792	2,787,553	2,444,638	2,246,204
Tax increment financing	897,081	600,561	635,143	738,227
Other city tax	766,713	806,600	696,400	659,497
Licenses and permits	87,060	87,219	149,016	66,412
Use of money and property	199,774	180,106	190,225	181,905
Intergovernmental	1,277,185	1,757,978	2,022,765	1,433,805
Charges for service	371,953	259,883	312,204	455,166
Special assessments	29,464	27,494	38,968	29,668
Miscellaneous	460,170	307,222	876,060	478,667
Total	\$ 6,913,192	6,814,616	7,365,419	6,289,551
Disbursements:				
Operating:				
Public safety	\$ 1,970,353	1,660,329	1,495,033	1,368,729
Public works	1,323,857	1,004,931	1,300,901	1,280,531
Health and social services	6,728	7,585	8,587	7,877
Culture and recreation	974,674	970,454	879,424	914,219
Community and economic development	312,448	163,450	222,102	293,880
General government	922,580	1,045,519	793,121	716,396
Debt service	1,380,095	1,380,420	1,824,434	1,226,574
Capital projects	628,359	771,199	2,340,834	1,137,105
Total	\$ 7,519,094	7,003,887	8,864,436	6,945,311

See accompanying independent auditor's report.

2008	2007	2006	2005	2004	2003
2,148,752	2,187,386	2,073,291	2,087,521	2,135,128	1,854,448
662,631	494,404	425,836	417,671	319,292	519,558
674,898	607,044	646,521	604,991	532,164	523,997
69,214	65,521	37,570	46,149	31,199	32,810
210,635	248,607	128,376	77,770	68,661	47,347
1,323,886	2,380,969	1,210,342	1,413,492	1,349,715	1,109,095
265,759	273,638	212,371	197,352	235,334	411,741
37,920	63,745	111,173	23,287	156,734	-
492,595	405,886	636,182	612,662	537,069	176,427
5,886,290	6,727,200	5,481,662	5,480,895	5,365,296	4,675,423
1,368,015	1,384,149	1,269,071	1,216,268	1,212,053	1,231,143
1,051,195	1,092,494	916,930	802,145	863,252	855,477
9,105	7,665	10,398	6,406	9,489	11,392
809,028	862,449	592,860	521,236	543,157	540,320
217,581	346,308	227,392	246,706	209,126	76,026
806,279	661,247	900,186	887,499	478,426	544,350
1,315,254	1,681,161	1,242,378	850,961	638,433	495,734
1,118,990	2,291,216	5,682,712	3,133,687	3,690,442	859,204
6,695,447	8,326,689	10,841,927	7,664,908	7,644,378	4,613,646

**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**



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STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

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, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison, 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 December 10, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Denison Volunteer Firefighters Association and the Denison Municipal Utilities, as described in our report on the City of Denison's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters which are reported on separately by those auditors.

Internal Control Over Financial Reporting

The management of the City of Denison is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Denison'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 an opinion on the effectiveness of the City of Denison's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Denison'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 would not necessarily 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 a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a 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 the City of Denison's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denison'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 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 Denison'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 Denison's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Denison and other parties to whom the City of Denison may report. 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 Denison 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 10, 2012

City of Denison

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the City, one or two individuals have control over each of the following areas:

- (1) Cash – handling petty cash, reconciling and depositing.
- (2) Investments – investing, recording and custody.
- (3) Receipts – collecting, depositing, recording and daily reconciling.

For the Denison Library Friends, one person handles and records collections, prepares deposits, prepares, signs and mails checks and reconciles the bank account.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and Denison Library Friends should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Responses:

City – The City will establish internal procedures adequate to ensure a greater degree of both segregation and oversight are incorporated in cash handling, investment and receipting procedures.

Library Friends – A person who is a member of the Friends will prepare deposits and the Board will review and sign bank reconciliations and financial reports.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Denison

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- (2) Questionable Disbursements - A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hy-Vee	Employee BBQ	\$329

Recommendation - According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

The City Council should determine and document the public purpose served by this type of disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response - The City of Denison hosted an appreciation supper for all employees and all volunteers for the City. Invitations were sent to all volunteer boards, groups, committees, etc. The City of Denison wanted to recognize and show our appreciation for everything the volunteers do for the City.

Conclusion – Response acknowledged. The City Council should establish written policies and procedures which include the requirement for proper documentation of public purpose.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) 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>
Verlin Koch, Father-in-law of City Clerk, owner of Verlin Plumbing	Plumbing services	\$ 6,410

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the father-in-law of the City Clerk may represent a conflict of interest since the transactions exceeded \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

City of Denison

Schedule of Findings

Year ended June 30, 2012

Response – The City of Denison rotates plumbing work between local contractors and does not exclusively do business with Verlin's Plumbing. The City Clerk's spouse has no ownership in Verlin's Plumbing. The City Clerk does not contact Verlin's Plumbing to do work for the City. The Department Heads make their own arrangements for work to be completed. In the future, the City will try to keep the amount spent with Verlin's Plumbing under the \$1,500 limit.

Conclusion – Response accepted.

- (5) 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.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

City of Denison

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Michael R. Field, Senior Auditor
Brett A. Hoffman, Staff Auditor
Hannah K. Haas, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State