



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

February 24, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Denison, Iowa. The City's receipts totaled \$11,682,023 for the year ended June 30, 2013, a 17% increase over the prior year. The receipts included \$2,978,219 in property tax, \$754,556 from tax increment financing, \$1,235,290 from charges for service, \$1,124,763 from operating grants, contributions and restricted interest, \$1,242,388 from capital grants, contributions and restricted interest, \$3,260,350 from bond proceeds, \$683,478 from local option sales tax, \$108,127 from hotel/motel tax, \$238,703 from grants and contributions not restricted to specific purpose, \$961 from unrestricted interest on investments and \$55,188 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$11,404,909, a 44% increase over the prior year, and included \$2,706,366 for capital projects, \$2,368,217 for public safety, \$2,603,462 for debt service and \$1,114,074 for public works. Disbursements for business type activities totaled \$400,698.

The significant increase 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 2013.

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/1320-0220-B00F.pdf>.

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**CITY OF DENISON**

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

**JUNE 30, 2013**

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**City of Denison**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Fineran	Mayor	Jan 2014
Dan Leinen (Appointed)	Mayor Pro tem	Nov 2013
Gordon Hough	Council Member	Jan 2014
Pedro Rodriguez	Council Member	Jan 2014
Daniel Ahart	Council Member	Jan 2016
Nathan Mahrt	Council Member	Jan 2016
Terry Crawford	City Manager	Indefinite
Lisa Koch	City Clerk	Indefinite
Rick Franck	Attorney	Indefinite

**City of Denison**



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Mary Mosiman, CPA  
Auditor of State

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Denison, 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 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 did not audit the financial statements of the Denison Volunteer Firefighters Association, which represent 75% and 84%, respectively, of the cash basis net position and receipts of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Denison Volunteer Firefighters Association, is based solely 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 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

### *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units*

The financial statements do not include financial data for one of the City's legally separate component units because the Denison Municipal Utilities reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for all component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would effect the receipts, disbursements and cash balances of the aggregate discretely presented component units have not been determined.

### *Adverse Opinion*

In our opinion, based on our audit and the report of the other auditors, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Denison as of June 30, 2013, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified 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 the City of Denison 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 the City of Denison'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, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 8 through 13 and 32 through 34, 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 January 28, 2014 on our consideration of the City of Denison'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 the City of Denison's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 28, 2014

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2013 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 18%, or approximately \$1,684,000, from fiscal year 2012 to fiscal year 2013. Capital grants, contributions and restricted interest increased approximately \$1,061,000 and bond proceeds increased approximately \$641,000.
- Disbursements for governmental activities increased 46%, or approximately \$3,485,000, over fiscal year 2012. Public safety, capital projects and payment to refunding bond agent to retire debt disbursements increased approximately \$398,000, \$2,078,000 and \$1,011,000, respectively.
- The City's total cash basis net position increased 7.4%, or approximately \$277,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$212,000 and the cash basis net position of the business type activities increased approximately \$65,000.

### **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 Cash Basis 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 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

## **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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis 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 Cash Basis Statement of Activities and Net Position 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) The proprietary fund accounts 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.

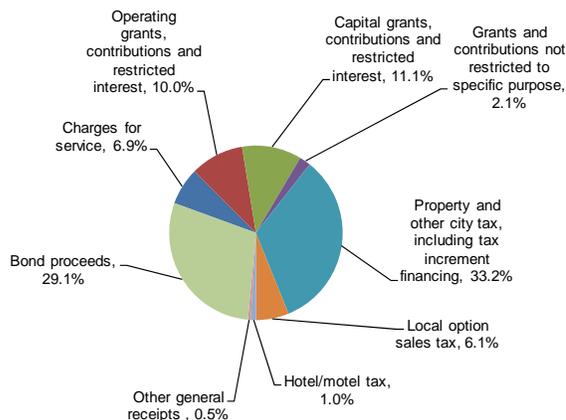
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

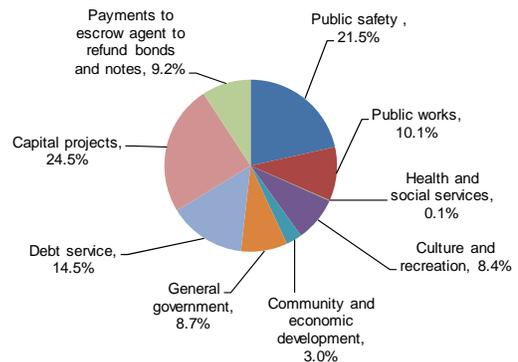
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from approximately \$3.71 million to approximately \$3.92 million. The following analysis focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 770	\$ 785
Operating grants, contributions and restricted interest	1,125	1,075
Capital grants, contributions and restricted interest	1,242	181
General receipts:		
Property and other city tax, including tax increment financing	3,733	3,734
Local option sales tax	683	623
Hotel/motel tax	108	130
Grants and contributions not restricted to specific purpose	239	265
Unrestricted interest on investments	1	2
Bond proceeds	3,260	2,619
Other general receipts	55	118
Total receipts	11,216	9,532
Disbursements:		
Public safety	2,368	1,970
Public works	1,114	1,324
Health and social services	8	7
Culture and recreation	925	975
Community and economic development	326	312
General government	953	923
Debt service	1,593	1,380
Capital projects	2,706	628
Payment to refunding bond agent to refund bonds and notes	1,011	-
Total disbursements	11,004	7,519
Change in cash basis net position before transfers	212	2,013
Transfers, net	-	70
Change in cash basis net position	212	2,083
Cash basis net position beginning of year	3,710	1,627
Cash basis net position end of year	\$ 3,922	\$ 3,710

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 18%, or approximately \$1,684,000. The total cost of all programs and services increased approximately \$3,485,000, or 46%, with no new programs added this year. The significant increase in receipts and disbursements is primarily due to the receipt of capital grants and bond proceeds and the related disbursements and payments to a refunding bond escrow agent to refund certain bonds and notes in fiscal year 2013.

The City's property tax rates for fiscal year 2013 were similar to fiscal year 2012. The tax rates, in conjunction with an increase in assessed valuation, increased the City's property tax receipts, other than tax increment financing, approximately \$141,000 in fiscal year 2013. Property tax receipts are budgeted to increase approximately \$139,000 next year.

The cost of all governmental activities this year was approximately \$11 million compared to approximately \$7.5 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$6.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$770,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,367,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$7.069 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 Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 465	460
Disbursements:		
Solid waste	401	385
Change in cash basis net position before transfers	64	75
Transfers, net	-	(70)
Change in cash basis net position	64	5
Cash basis net position beginning of year	50	45
Cash basis net position end of year	\$ 114	\$ 50

Total business type activities receipts for the fiscal year were approximately \$465,000 compared to approximately \$460,000 last year. Total disbursements for the fiscal year increased slightly from the prior year to approximately \$401,000. The cash balance increased approximately \$64,000 over 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 \$3,922,411, an increase of approximately \$212,000 over last year's total of \$3,710,083. 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 decreased \$796,437 from the prior year to \$511,885. Approximately \$557,000 of this decrease was due to the City disbursing bond proceeds received in the prior year for current year capital equipment and improvements.

- The Special Revenue, Road Use Tax Fund cash balance increased \$49,308 to \$630,929. Receipts increased 1%, or approximately \$7,600, which was due to a population increase.
- The Special Revenue, Employee Benefits Fund cash balance increased \$66,720 to \$646,719. This was primarily due to an increase in reimbursements for health insurance costs from employees and an excess of receipts over disbursements.
- 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 \$176,780, an increase of \$98,844 over the end of the previous fiscal year. Receipts increased 10%, or approximately \$60,000, during the fiscal year. Disbursements from the Local Option Sales Tax Fund decreased approximately \$68,000 and net transfers increased approximately \$19,000.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$19,418 to \$30,822. Disbursements and transfers out decreased approximately \$109,000 from the previous year due to decreases in transfers to the Capital Projects Fund and receipts decreased approximately \$143,000 due to less funds required to make debt payments.
- The Special Revenue, Denison Foundation Fund cash balance decreased \$73,985 to \$46,090. Receipts increased 11%, or approximately \$7,000, to \$74,425 due to increased contributions from the Denison Municipal Utilities, but the increase in receipts was not enough to cover disbursements for grants. Disbursements decreased 16.5%, or approximately \$29,000 to \$148,410, due to a reduction in grants awarded.
- The Debt Service Fund cash balance increased \$111 to \$97,624. Receipts and transfers increased 15% and disbursements increased 16%.
- The Capital Projects Fund cash balance increased \$890,927 to \$1,626,701. The increase was due primarily to the issuance of approximately \$2,250,000 of general obligation bonds and the associated disbursements for capital project costs which are on a reimbursement basis.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Solid Waste Fund cash balance increased \$64,786 to \$114,173 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 September 4, 2012 and resulted in an increase in operating disbursements of \$1,764,206 related to the issuance of new debt and new capital projects. The second amendment was approved on May 21, 2013 for \$16,915 to provide for additional disbursements in certain City departments and a reduction in others. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$318,045 more than the amended budget. This was primarily due to the City receiving approximately \$187,000 more than budgeted for intergovernmental receipts due to the City receiving \$39,000 of township contributions for fire protection services and \$101,200 for a State signalization grant from the Iowa Department of Transportation which were not budgeted. In addition, the City received approximately \$134,000 more than budgeted for miscellaneous receipts.

Total disbursements were \$1,300,899 less than the amended budget. Actual disbursements for the capital projects and public works functions were \$642,286 and \$270,096, respectively, less than the amended budget due to the postponed status of capital projects and the timing of payments to contractors.

## **DEBT ADMINISTRATION**

At June 30, 2013, the City had \$11,005,000 of bonds and notes outstanding, compared to \$9,960,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)			
		June 30,	
		2013	2012
General obligation bonds and notes	\$	10,625	\$ 9,535
Revenue notes		380	425
Total	\$	11,005	9,960

During the year, the City issued \$3,310,000 of general obligation bonds and refunded \$950,000 of general obligation and revenue bonds and notes.

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 \$10,625,000 is below its constitutional debt limit of approximately \$14,435,000.

## **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 2014 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 \$139,000 overall due to property valuations for fiscal year 2014 increasing approximately \$11,000,000 and the overall tax rate staying approximately the same.

These factors were taken into account when adopting the budget for fiscal year 2014. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to decrease approximately \$1,703,000 from the final amended fiscal year 2013 budget. The decrease is due primarily to decreases in amounts budgeted for capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$767,000 by the close of 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 Lisa Koch, City Clerk, 111 North Main Street, City of Denison, Iowa 51442-0668.

**City of Denison**

## **Basic Financial Statements**

City of Denison

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 2,368,217	99,189	86,755	-
Public works	1,114,074	261,440	795,310	-
Health and social services	7,814	-	-	-
Culture and recreation	925,265	321,062	69,279	-
Community and economic development	325,577	758	88,200	-
General government	953,436	87,357	6,775	-
Debt service	1,592,617	-	33,031	-
Capital projects	2,706,366	-	45,413	1,242,388
Total governmental activities	9,993,366	769,806	1,124,763	1,242,388
Business type activities:				
Solid waste	400,698	465,484	-	-
<b>Total Primary Government</b>	<b>\$ 10,394,064</b>	<b>1,235,290</b>	<b>1,124,763</b>	<b>1,242,388</b>
<b>Component Units:</b>				
Denison Library Friends	\$ 8,172	-	5,621	-
Denison Volunteer Firefighters Association	23,119	-	26,461	-
<b>Total Component Units</b>	<b>\$ 31,291</b>	<b>-</b>	<b>32,082</b>	<b>-</b>
<b>General Receipts:</b>				
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 \$49,650 discount				
Payment to refunding bond agent				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purpose				
Urban renewal				
Community and economic development				
Culture, recreation and tourism				
Law enforcement				
Library gifts and memorials				
Capital equipment and improvements				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units	
Governmental Activities	Business Type Activities	Total	Denison Library Friends	Denison Volunteer Firefighters Association
(2,182,273)	-	(2,182,273)		
(57,324)	-	(57,324)		
(7,814)	-	(7,814)		
(534,924)	-	(534,924)		
(236,619)	-	(236,619)		
(859,304)	-	(859,304)		
(1,559,586)	-	(1,559,586)		
(1,418,565)	-	(1,418,565)		
(6,856,409)	-	(6,856,409)		
-	64,786	64,786		
(6,856,409)	64,786	(6,791,623)		
			(2,551)	-
			-	3,342
			(2,551)	3,342
\$ 2,515,512	-	2,515,512	-	-
462,707	-	462,707	-	-
754,556	-	754,556	-	-
683,478	-	683,478	-	-
108,127	-	108,127	-	-
238,703	-	238,703	-	-
961	-	961	-	2,676
3,260,350	-	3,260,350	-	-
(1,010,845)	-	(1,010,845)	-	-
55,188	-	55,188	-	-
7,068,737	-	7,068,737	-	-
212,328	64,786	277,114	(2,551)	6,018
3,710,083	49,387	3,759,470	61,695	170,966
\$ 3,922,411	114,173	4,036,584	59,144	176,984
\$ 179,982	-	179,982	-	-
548,569	-	548,569	-	-
723,357	-	723,357	-	-
1,626,701	-	1,626,701	-	-
176,780	-	176,780	-	-
30,822	-	30,822	-	-
46,090	-	46,090	-	-
21,772	-	21,772	-	-
14,415	-	14,415	-	-
76,908	-	76,908	-	-
10,154	-	10,154	-	-
177,226	-	177,226	-	115,519
289,635	114,173	403,808	59,144	61,465
\$ 3,922,411	114,173	4,036,584	59,144	176,984

City of Denison

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

As of and for the year ended June 30, 2013

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 1,646,458	-	857,654	-
Tax increment financing	-	-	-	-
Other city tax	115,626	-	3,901	683,478
Licenses and permits	69,174	-	-	-
Use of money and property	208,366	-	-	8
Intergovernmental	354,594	794,666	-	-
Charges for service	392,947	-	-	-
Special assessments	-	-	-	-
Miscellaneous	141,555	-	36,471	-
<b>Total receipts</b>	<b>2,928,720</b>	<b>794,666</b>	<b>898,026</b>	<b>683,486</b>
<b>Disbursements:</b>				
Operating:				
Public safety	1,959,533	-	397,591	7,500
Public works	297,659	587,162	173,798	55,455
Health and social services	7,158	-	656	-
Culture and recreation	750,385	-	141,373	-
Community and economic development	96,996	-	-	35,000
General government	828,909	-	85,888	38,639
Debt service	-	35,863	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>3,940,640</b>	<b>623,025</b>	<b>799,306</b>	<b>136,594</b>
Excess (deficiency) of receipts over (under) disbursements	(1,011,920)	171,641	98,720	546,892
<b>Other financing sources (uses):</b>				
Bond proceeds, net of \$49,650 discount	-	-	-	-
Payment to refunding bond agent	-	-	-	-
Operating transfers in	232,000	-	-	16,517
Operating transfers out	(16,517)	(122,335)	(32,000)	(464,565)
<b>Total other financing sources (uses)</b>	<b>215,483</b>	<b>(122,335)</b>	<b>(32,000)</b>	<b>(448,048)</b>
Net change in cash balances	(796,437)	49,306	66,720	98,844
Cash balances beginning of year	1,308,322	581,621	579,999	77,936
Cash balances end of year	\$ 511,885	630,927	646,719	176,780
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	82,358	-	-
Streets	-	548,569	-	-
Employee benefits	76,638	-	646,719	-
Capital projects	-	-	-	-
Infrastructure or other city purpose	-	-	-	176,780
Urban renewal	-	-	-	-
Community and economic development	-	-	-	-
Culture, recreation and tourism	21,772	-	-	-
Law enforcement	14,415	-	-	-
Library gifts and memorials	76,908	-	-	-
Capital equipment and improvements	10,154	-	-	-
Other purposes	22,363	-	-	-
Assigned for:				
Fire station	226,235	-	-	-
Capital equipment and improvements	63,400	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 511,885</b>	<b>630,927</b>	<b>646,719</b>	<b>176,780</b>

See notes to financial statements.

Urban Renewal Tax Increment	Denison Foundation	Debt Service	Capital Projects	Nonmajor	Total
-	-	460,847	-	-	2,964,959
754,556	-	-	-	-	754,556
-	-	1,860	-	-	804,865
-	-	-	-	-	69,174
380	10	476	1,127	281	210,648
-	-	-	1,217,870	-	2,367,130
-	-	-	-	-	392,947
-	-	-	20,528	-	20,528
-	74,415	31,428	49,263	38,250	371,382
754,936	74,425	494,611	1,288,788	38,531	7,956,189
-	-	-	-	3,593	2,368,217
-	-	-	-	-	1,114,074
-	-	-	-	-	7,814
-	-	-	-	33,507	925,265
40,000	148,410	-	-	5,171	325,577
-	-	-	-	-	953,436
-	-	1,556,754	-	-	1,592,617
-	-	-	2,706,366	-	2,706,366
40,000	148,410	1,556,754	2,706,366	42,271	9,993,366
714,936	(73,985)	(1,062,143)	(1,417,578)	(3,740)	(2,037,177)
-	-	1,010,845	2,249,505	-	3,260,350
-	-	(1,010,845)	-	-	(1,010,845)
-	-	1,062,254	59,000	-	1,369,771
(734,354)	-	-	-	-	(1,369,771)
(734,354)	-	1,062,254	2,308,505	-	2,249,505
(19,418)	(73,985)	111	890,927	(3,740)	212,328
50,240	120,075	97,513	735,774	158,603	3,710,083
30,822	46,090	97,624	1,626,701	154,863	3,922,411
-	-	97,624	-	-	179,982
-	-	-	-	-	548,569
-	-	-	-	-	723,357
-	-	-	1,626,701	-	1,626,701
-	-	-	-	-	176,780
30,822	-	-	-	-	30,822
-	46,090	-	-	-	46,090
-	-	-	-	-	21,772
-	-	-	-	-	14,415
-	-	-	-	-	76,908
-	-	-	-	-	10,154
-	-	-	-	154,863	177,226
-	-	-	-	-	226,235
-	-	-	-	-	63,400
30,822	46,090	97,624	1,626,701	154,863	3,922,411

**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, 2013

	Enterprise Solid Waste
Operating receipts:	
Charges for service	\$ 465,484
Operating disbursements:	
Business type activities	400,698
Net change in cash balances	64,786
Cash balances beginning of year	49,387
Cash balances end of year	\$ 114,173
<b>Cash Basis Fund Balances</b>	
Unrestricted	\$ 114,173

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2013

**(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.

Except as noted, these financial statements present the City of Denison (the primary government) and its component units. The financial statements do not include financial data for the Denison Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit. 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

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.

#### Excluded Component Unit

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. Financial statements for the Municipal Utilities were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Denison Municipal Utilities, W. Broadway & 7<sup>th</sup> 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 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 service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints 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 from general and emergency levies 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 receipts 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 position 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 are imposed by law through constitutional provisions or enabling legislation.

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

#### 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, 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.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,856,384 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 and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,345,000	227,626	50,000	19,620	1,395,000	247,246
2015	1,375,000	192,173	55,000	17,109	1,430,000	209,282
2016	1,325,000	169,125	55,000	14,336	1,380,000	183,461
2017	1,345,000	146,338	55,000	11,508	1,400,000	157,846
2018	1,120,000	121,472	60,000	8,626	1,180,000	130,098
2019-2023	3,675,000	307,100	105,000	8,499	3,780,000	315,599
2024	440,000	10,580	-	-	440,000	10,580
Total	\$ 10,625,000	1,174,414	380,000	79,698	11,005,000	1,254,112

During the year ended June 30, 2013, \$1,270,000 of general obligation bonds and notes and \$45,000 of revenue notes were retired.

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 \$235,453. For the current year, principal and interest paid and receipts from the Childhood Center were \$31,428 and \$31,428, 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, 2013, 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 \$224,245. For the current year, principal and interest paid and road use tax receipts were \$35,363 and \$794,666, 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) Upon 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 Special Revenue, 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, 2013, the City was in compliance with the note provisions.

#### General Obligation Refunding Bonds

On March 21, 2013, the City issued \$3,310,000 of general obligation refunding bonds for the advance refunding of \$950,000 of general obligation corporate purpose bonds issued on May 15, 2006 and for improvements to the pool and streets. The bonds bear interest at 0.45% to 1.95% per annum and mature in varying annual amounts ranging from \$65,000 to \$380,000, with a final maturity date of June 1, 2024.

The City entered into an escrow agreement whereby the proceeds from the general obligation corporate purpose refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The amount of the refunded general obligation bonds that were considered extinguished and, therefore, excluded from long term debt was \$950,000 at June 30, 2013.

The City refunded the bonds to reduce debt service payments by \$88,283 and to obtain an economic gain of \$87,076.

#### **(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 5.78% 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 contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$169,675, \$151,028 and \$133,325, 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 41 active and 1 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 \$405 for single coverage and \$776 for family coverage. For the year ended June 30, 2013, the City contributed \$476,981 and plan members eligible for benefits contributed \$36,471 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory leave 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, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 17,000
Compensatory leave	19,000
Sick leave	<u>12,000</u>
Total	<u>\$ 48,000</u>

This liability has been computed based on rates of pay in effect at 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:	
	Employee Benefits	\$ 32,000
	Local Option Sales Tax	200,000
		<u>232,000</u>
Special Revenue:	General	16,517
Local Option Sales Tax		<u>16,517</u>
Debt Service	Special Revenue:	
	Road Use Tax	122,335
	Local Option Sales Tax	205,565
	Urban Renewal Tax Increment	734,354
		<u>1,062,254</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	59,000
		<u>59,000</u>
Total		<u>\$ 1,369,771</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 contracts totaling \$4,508,312 for various construction and street improvements. The unpaid contract balances at June 30, 2013 totaled \$2,052,437.

**(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, 2013, the City transferred \$32,000 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

**City of Denison**

**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, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
<b>Receipts:</b>			
Property tax	\$ 2,964,959	-	2,964,959
Tax increment financing	754,556	-	754,556
Other city tax	804,865	-	804,865
Licenses and permits	69,174	-	69,174
Use of money and property	210,648	-	210,648
Intergovernmental	2,367,130	-	2,367,130
Charges for service	392,947	465,484	858,431
Special assessments	20,528	-	20,528
Miscellaneous	371,382	-	371,382
Total receipts	<u>7,956,189</u>	<u>465,484</u>	<u>8,421,673</u>
<b>Disbursements:</b>			
Public safety	2,368,217	-	2,368,217
Public works	1,114,074	-	1,114,074
Health and social services	7,814	-	7,814
Culture and recreation	925,265	-	925,265
Community and economic development	325,577	-	325,577
General government	953,436	-	953,436
Debt service	1,592,617	-	1,592,617
Capital projects	2,706,366	-	2,706,366
Business type activities	-	400,698	400,698
Total disbursements	<u>9,993,366</u>	<u>400,698</u>	<u>10,394,064</u>
Excess (deficiency) of receipts over (under) disbursements	(2,037,177)	64,786	(1,972,391)
Other financing sources (uses), net	2,249,505	-	2,249,505
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	212,328	64,786	277,114
Balances beginning of year	3,710,083	49,387	3,759,470
Balances end of year	<u>\$ 3,922,411</u>	<u>114,173</u>	<u>4,036,584</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
2,971,736	2,971,736	(6,777)
774,354	774,354	(19,798)
813,243	813,243	(8,378)
46,850	46,850	22,324
195,610	195,610	15,038
2,180,245	2,180,245	186,885
839,167	839,167	19,264
45,000	45,000	(24,472)
152,000	237,423	133,959
8,018,205	8,103,628	318,045
2,056,506	2,485,094	116,877
1,256,470	1,384,170	270,096
8,924	8,924	1,110
1,006,739	1,028,125	102,860
306,610	326,310	733
1,043,185	1,094,185	140,749
1,613,778	1,613,778	21,161
2,215,905	3,348,652	642,286
405,725	405,725	5,027
9,913,842	11,694,963	1,300,899
(1,895,637)	(3,591,335)	1,618,944
1,449,705	2,292,824	(43,319)
(445,932)	(1,298,511)	1,575,625
1,252,695	2,706,017	1,053,453
806,763	1,407,506	2,629,078

City of Denison

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 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 \$1,781,121. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, 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, 2013

	Special				
	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust	Memorial Gardens
Receipts:					
Use of money and property	\$ -	281	-	-	-
Miscellaneous	6,975	45	24,723	5,713	-
Total receipts	6,975	326	24,723	5,713	-
Disbursements:					
Operating:					
Public safety	-	-	-	3,593	-
Culture and recreation	-	8,199	21,711	-	-
Community and economic development	5,171	-	-	-	-
Total disbursements	5,171	8,199	21,711	3,593	-
Net change in cash balances	1,804	(7,873)	3,012	2,120	-
Cash balances beginning of year	795	115,456	23,368	12,671	620
Cash balances end of year	\$ 2,599	107,583	26,380	14,791	620
<b>Cash Basis Fund Balances</b>					
Restricted for other purposes	\$ 2,599	107,583	26,380	14,791	620

See accompanying independent auditor's report.

Revenue				
Boulders Center Trust	Johnson Park Bridge	Tuckers Park	Dog Park	Total
-	-	-	-	281
-	-	-	794	38,250
-	-	-	794	38,531
-	-	-	-	3,593
-	-	2,912	685	33,507
-	-	-	-	5,171
-	-	2,912	685	42,271
-	-	(2,912)	109	(3,740)
1,493	914	3,286	-	158,603
1,493	914	374	109	154,863
1,493	914	374	109	154,863

City of Denison  
Schedule of Indebtedness  
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/ notes:			
Local option sales tax	May 15, 2006	3.80-4.55%	\$ 1,700,000
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
Corporate purpose - refunding	Mar 21, 2013	0.45-1.95	3,310,000
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
1,175,000	-	1,060,000	115,000	30,191
710,000	-	50,000	660,000	39,640
320,000	-	25,000	295,000	12,767
900,000	-	195,000	705,000	24,195
3,765,000	-	705,000	3,060,000	77,140
2,665,000	-	185,000	2,480,000	68,643
-	3,310,000	-	3,310,000	-
<b>\$ 9,535,000</b>	<b>3,310,000</b>	<b>2,220,000</b>	<b>10,625,000</b>	<b>252,576</b>
210,000	-	20,000	190,000	11,428
215,000	-	25,000	190,000	10,363
<b>\$ 425,000</b>	<b>-</b>	<b>45,000</b>	<b>380,000</b>	<b>21,791</b>

City of Denison  
Bond and Note Maturities  
June 30, 2013

Year Ending June 30,	General Obligation					
	Local Option Sales Tax Issued May 15, 2006		Corporate Purpose Issued Mar 15, 2008		Street Improvement Issued Mar 15, 2008	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2014	4.15%	\$ 115,000	4.80%	\$ 50,000	3.55%	\$ 25,000
2015		-	5.05	55,000	3.70	25,000
2016		-	5.30	55,000	3.85	25,000
2017		-	5.50	60,000	4.00	30,000
2018		-	5.65	65,000	4.05	30,000
2019		-	5.80	65,000	4.10	30,000
2020		-	5.90	70,000	4.15	30,000
2021		-	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>\$ 115,000</u>		<u>\$ 660,000</u>		<u>\$ 295,000</u>

Year Ending June 30,	Revenue Notes				
	Childhood Center Issued Jul 1, 2001		Road Use Tax Issued May 1, 2004		Total
	Interest		Interest		
	Rates	Amount	Rates	Amount	
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>\$ 190,000</u>		<u>\$ 190,000</u>	<u>380,000</u>

See accompanying independent auditor's report.

Bonds and Notes								
Corporate Purpose and Refunding		Refunding		Corporate Purpose		Corporate Purpose and Refunding		
Issued July 1, 2009		Issued Oct 1, 2010		Issued Nov 30, 2011		Issued Mar 21, 2013		
Interest		Interest		Interest		Interest		Total
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2.40%	\$ 175,000	2.00%	\$ 705,000	0.65%	\$ 210,000	0.45%	\$ 65,000	1,345,000
2.60	180,000	2.00	550,000	0.90	210,000	0.50	355,000	1,375,000
2.90	85,000	2.00	580,000	1.15	215,000	0.65	365,000	1,325,000
3.10	85,000	2.00	590,000	1.40	215,000	0.80	365,000	1,345,000
3.30	90,000	2.20	350,000	1.60	220,000	0.95	365,000	1,120,000
3.50	90,000	2.40	285,000	1.80	225,000	1.15	370,000	1,065,000
-	-	-	-	2.00	225,000	1.35	380,000	705,000
-	-	-	-	2.20	230,000	1.55	380,000	715,000
-	-	-	-	2.40	235,000	1.70	235,000	585,000
-	-	-	-	2.60	245,000	1.85	240,000	605,000
-	-	-	-	2.75	250,000	1.95	190,000	440,000
	<u>\$ 705,000</u>		<u>\$ 3,060,000</u>		<u>\$ 2,480,000</u>		<u>\$ 3,310,000</u>	<u>10,625,000</u>

City of Denison

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Receipts:</b>				
Property tax	\$ 2,964,959	2,823,792	2,787,553	2,444,638
Tax increment financing	754,556	897,081	600,561	635,143
Other city tax	804,865	766,713	806,600	696,400
Licenses and permits	69,174	87,060	87,219	149,016
Use of money and property	210,648	199,774	180,106	190,225
Intergovernmental	2,367,130	1,277,185	1,757,978	2,022,765
Charges for service	392,947	371,953	259,883	312,204
Special assessments	20,528	29,464	27,494	38,968
Miscellaneous	371,382	460,170	307,222	876,060
<b>Total</b>	<b>\$ 7,956,189</b>	<b>6,913,192</b>	<b>6,814,616</b>	<b>7,365,419</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 2,368,217	1,970,353	1,660,329	1,495,033
Public works	1,114,074	1,323,857	1,004,931	1,300,901
Health and social services	7,814	6,728	7,585	8,587
Culture and recreation	925,265	974,674	970,454	879,424
Community and economic development	325,577	312,448	163,450	222,102
General government	953,436	922,580	1,045,519	793,121
Debt service	1,592,617	1,380,095	1,380,420	1,824,434
Capital projects	2,706,366	628,359	771,199	2,340,834
<b>Total</b>	<b>\$ 9,993,366</b>	<b>7,519,094</b>	<b>7,003,887</b>	<b>8,864,436</b>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
2,246,204	2,148,752	2,187,386	2,073,291	2,087,521	2,135,128
738,227	662,631	494,404	425,836	417,671	319,292
659,497	674,898	607,044	646,521	604,991	532,164
66,412	69,214	65,521	37,570	46,149	31,199
181,905	210,635	248,607	128,376	77,770	68,661
1,433,805	1,323,886	2,380,969	1,210,342	1,413,492	1,349,715
455,166	265,759	273,638	212,371	197,352	235,334
29,668	37,920	63,745	111,173	23,287	156,734
478,667	492,595	405,886	636,182	612,662	537,069
6,289,551	5,886,290	6,727,200	5,481,662	5,480,895	5,365,296
1,368,729	1,368,015	1,384,149	1,269,071	1,216,268	1,212,053
1,280,531	1,051,195	1,092,494	916,930	802,145	863,252
7,877	9,105	7,665	10,398	6,406	9,489
914,219	809,028	862,449	592,860	521,236	543,157
293,880	217,581	346,308	227,392	246,706	209,126
716,396	806,279	661,247	900,186	887,499	478,426
1,226,574	1,315,254	1,681,161	1,242,378	850,961	638,433
1,137,105	1,118,990	2,291,216	5,682,712	3,133,687	3,690,442
6,945,311	6,695,447	8,326,689	10,841,927	7,664,908	7,644,378

**Schedule 5**

City of Denison  
Schedule of Expenditures of Federal Awards  
June 30, 2013

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation: Airport Improvement Program	20.106	3-19-0026-010	\$ 308,193
U.S. Department of Homeland Security Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FF-00020	15,616
Total direct			<u>323,809</u>
Indirect:			
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	STP-U-1920(620)--70-24	318,098
Highway Planning and Construction	20.205	STP-E-1920(621)--8V-24	48,097
			<u>366,195</u>
Total			<u>\$ 690,004</u>

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Denison, 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 January 28, 2014. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Denison Municipal Utilities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Denison'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 Denison's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denison'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control 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 in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

## The City of Denison's Responses to the Findings

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 28, 2014

**City of Denison**

**Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**



OFFICE OF AUDITOR OF STATE  
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Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Denison, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Denison's major federal programs for the year ended June 30, 2013. The City of Denison's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Denison's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Denison's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the City of Denison's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Denison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

The management of the City of Denison is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Denison's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Denison's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 28, 2014

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. An adverse opinion was issued on the financial statements of the aggregate discretely presented component units due to the omission of the Denison Municipal Utilities.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 20.106 – Airport Improvement Program.
  - CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Denison did not qualify as a low-risk auditee.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-13 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. Although multiple individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of the City's assets.
- (2) Cash – handling petty cash, collecting, reconciling and depositing.
- (3) Bank reconciliations – preparing and approving accounting records.
- (4) Investments – investing, recording and custody.
- (5) Receipts – opening mail, collecting, depositing, recording and daily reconciling.

For 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, bank reconciliations, accounting functions, 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.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.
- IV-B-13 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s Opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Verlin Koch, Father-in-law of City Clerk, owner of Verlin Plumbing	Plumbing services	\$ 2,782

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.

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.

- IV-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.
- IV-F-13 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-G-13 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.
- IV-H-13 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- IV-I-13 Competitive Bids for Public Improvement Contracts – During the year ended June 30, 2013, the City Council approved a contract of \$373,961 for an aquatic center project. Notice was given and a public hearing was held as required by Chapter 26.12 of the Code of Iowa. However, the City did not advertise for sealed bids by publishing notice to bidders as required by Chapter 26.3 of the Code of Iowa.

Recommendation – Before entering into any contract for a public improvement with an estimated total cost in excess of \$100,000, the City Council should advertise for sealed bids by publishing a notice to bidders.

Response – In the future the City will make sure to verify all projects requiring sealed bids are advertised as required by Chapter 26.3 of the Code of Iowa.

Conclusion – Response accepted.

- IV-J-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City overstated the amount reported as TIF debt outstanding on the Levy Authority Summary by \$1,724,615.

Recommendation – The City should ensure the TIF debt outstanding reported agrees with the City's records.

Response – The overstated amount will be corrected on the report to be filed on or before December 1, 2013.

Conclusion – Response accepted.

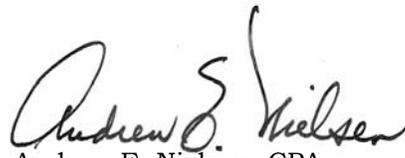
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City of Denison

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Justin M. Scherrman, Staff Auditor  
Kayley Alexander, Staff Auditor  
Elissa Olson, Staff Auditor  
Jason Ropte, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State