

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

January 3, 2017

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 \$9,767,481 for the year ended June 30, 2016, a 29.0% decrease from the prior year. The receipts included \$3,510,023 in property tax, \$845,250 from tax increment financing, \$1,173,676 from charges for service, \$1,462,538 from operating grants, contributions and restricted interest, \$1,367,357 from capital grants, contributions and restricted interest, \$728,253 from local option sales tax, \$151,417 from hotel/motel tax, \$278,134 from grants and contributions not restricted to specific purpose, \$185,623 from commercial/industrial tax replacement, \$2,027 from unrestricted interest on investments and \$63,183 from other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$10,184,692, a 18.7% decrease from the prior year, and included \$2,515,716 for capital projects, \$1,982,289 for public safety and \$1,682,546 for debt service. Disbursements for business type activities totaled \$432,127.

The significant decrease in receipts is due primarily to the receipt of bond and note proceeds during the prior year to refund debt and provide resources for various capital projects. The significant decrease in disbursements is due to the payment to the refunding bond agent on the refunded debt in the prior year.

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 <https://auditor.iowa.gov/reports/1620-0220-B00F>.

###

CITY OF DENISON

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

JUNE 30, 2016

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		8-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	16-17
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	18-19
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	21
Notes to Financial Statements		22-33
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund		36-37
Notes to Other Information – Budgetary Reporting		38
Schedule of the City’s Proportionate Share of the Net Pension Liability		39
Schedule of City Contributions		40-41
Notes to Other Information – Pension Liability		42
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	44-45
Schedule of Indebtedness	2	46-47
Bond and Note Maturities	3	48-49
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	50-51
Schedule of Expenditures of Federal Awards	5	52
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		53-54
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		55-56
Schedule of Findings and Questioned Costs		57-61
Staff		62

City of Denison

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Bonner	Mayor	Jan 2016
Dan Leinen	Mayor Pro tem	Jan 2018
Daniel Ahart	Council Member	Jan 2016
Nathan Mahrt	Council Member	Jan 2016
Rachel Desy	Council Member	Jan 2018
Pedro Rodriguez	Council Member	(Resigned Sept 2015)
David Loeschen (Elected Nov 2015)	Council Member	Jan 2020
Terry Crawford	City Manager	Indefinite
Lisa Koch	City Clerk	Indefinite
Rick Franck	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Leinen	Mayor	Jan 2018
Brad Bonner	Mayor Pro tem	Jan 2020
Corey Curnyn (Appointed Jan 2016)	Council Member	Nov 2016
Rachel Desy	Council Member	Jan 2018
David Loeschen	Council Member	Jan 2020
Nathan Mahrt	Council Member	Jan 2020
Terry Crawford	City Manager	Indefinite
Lisa Koch	City Clerk	Indefinite
Rick Franck	Attorney	Indefinite

City of Denison



**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

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, 2016, 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 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 affect the receipts, disbursements and cash balances of the aggregate discretely presented component units have not been determined.

Adverse Opinion

In our opinion, 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, 2016, or the changes in its 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, 2016, and the respective changes in its 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 opinions are 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 three years ended June 30, 2015 (which are not presented herein) and 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. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Denison Municipal Utilities. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed unmodified 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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. Because of the significance of the matter described in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 36 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2016 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

November 16, 2016

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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 30.0%, or approximately \$3,990,000, from fiscal year 2015 to fiscal year 2016. Bond and note proceeds decreased approximately \$5,218,000 and other receipts increased approximately \$1,228,000.
- Disbursements for governmental activities decreased 19.5%, or approximately \$2,369,000, from fiscal year 2015. Payment to the refunding bond agent decreased approximately \$2,955,000 for fiscal year 2015.
- The City's total cash basis net position decreased 11.4%, or approximately \$417,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities decreased approximately \$456,000 and the cash basis net position of the business type activities increased approximately \$38,000.

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 and the City's proportionate share of the net pension liability and related contributions.

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 benefiting 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 and Urban Renewal Tax Increment, 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.

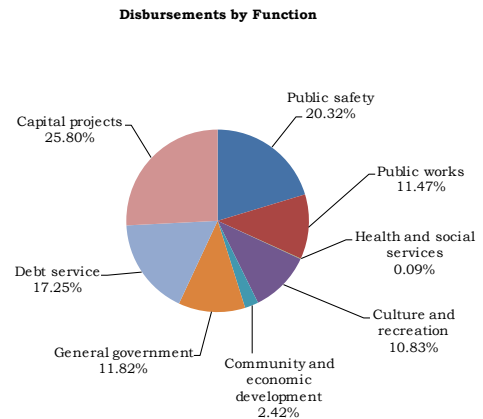
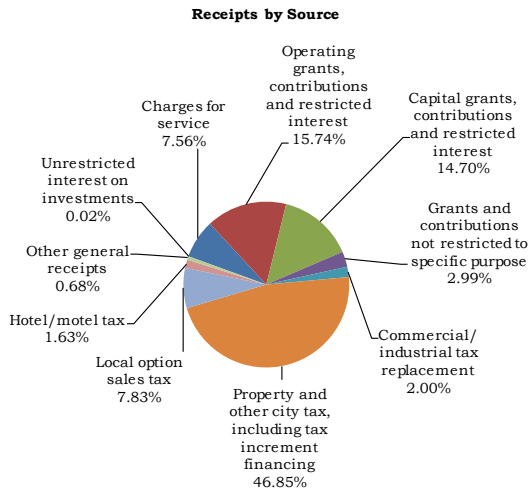
- 2) The proprietary fund accounts for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Solid Waste Fund, which is considered to be a major fund of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from approximately \$3.63 million to approximately \$3.17 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,	
	June 30, 2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 703	762
Operating grants, contributions and restricted interest	1,463	1,281
Capital grants, contributions and restricted interest	1,367	726
General receipts:		
Property and other city tax, including tax increment financing	4,355	4,030
Local option sales tax	728	745
Hotel/motel tax	152	116
Grants and contributions not restricted to specific purpose	278	269
Commercial/industrial tax replacement	186	-
Unrestricted interest on investments	2	2
Note/bond proceeds	-	5,218
Other general receipts	63	138
Total receipts	9,297	13,287
Disbursements:		
Public safety	1,982	1,881
Public works	1,119	1,273
Health and social services	9	9
Culture and recreation	1,056	941
Community and economic development	236	431
General government	1,153	1,003
Debt service	1,682	1,861
Capital projects	2,516	1,768
Payment to refunding bond agent	-	2,955
Total disbursements	9,753	12,122
Change in cash basis net position before transfers	(456)	1,165
Transfers, net	-	100
Change in cash basis net position	(456)	1,265
Cash basis net position beginning of year	3,627	2,362
Cash basis net position end of year	\$ 3,171	3,627



The City's total receipts for governmental activities decreased 30.0%, or approximately \$3,990,000. The total cost of all programs and services decreased approximately \$2,369,000, or 19.5%. The change in receipts is primarily due to the City receiving approximately \$5,218,000 of bond proceeds in fiscal year 2015 which were not received in fiscal year 2016, offset by receipt of a CDBG grant of \$975,000 in fiscal year 2016.

The City's total property tax rates increased 4.7% due primarily to an increase in the debt service levy. The increase in the City's property tax rate and assessed valuation, increased the City's property tax receipts approximately \$292,000 in the fiscal year 2016.

The cost of all governmental activities this year was approximately \$9.8 million compared to approximately \$12.1 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 \$6.219 million because some of the cost was paid by those directly benefited from the programs (approximately \$703,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,830,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5.764 million of tax (some of which could only be used for certain programs) and other receipts, such as interest, bond and note proceeds and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Program receipts:		
Charges for service:		
Solid waste	\$ 470	469
Disbursements:		
Solid waste	432	409
Change in cash basis net position before transfers	38	60
Transfers, net	-	(100)
Change in cash basis net position	38	(40)
Cash basis net position beginning of year	42	82
Cash basis net position end of year	\$ 80	42

Total business type activities receipts for the fiscal year were approximately \$470,000 compared to approximately \$469,000 last year. Total disbursements for the fiscal year increased slightly from the prior year to approximately \$432,000, primarily due to disbursements for the yard waste program, paid from the Special Revenue, Local Option Sales Tax Fund in prior years but paid from the Enterprise Fund, Solid Waste Fund in the current year. The cash balance increased approximately \$38,000 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 \$3,171,494, a decrease of \$455,438 from last year's total of \$3,626,932. 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 approximately \$425,000 over the prior year to \$1,220,208. Other city tax receipts increased approximately \$31,000. Intergovernmental receipts increased approximately \$152,000, due in part to the receipt of approximately \$100,000 in commercial/industrial tax replacement receipts.
- The Special Revenue, Road Use Tax Fund cash balance increased approximately \$169,000 to \$665,326. This was due to an increase of approximately \$162,600 in road use tax receipts from the State.
- The Special Revenue, Employee Benefits Fund cash balance decreased approximately \$69,000 to \$485,717. This was primarily due to an excess of disbursements and transfers out over receipts. Receipts increased approximately \$48,000, due in part to an increase in property tax receipts and commercial/industrial replacement receipts.
- 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 \$156,856, an increase of \$33,897 from the end of the previous fiscal year. Receipts decreased 2.3%, or approximately \$17,000, from the prior fiscal year. Disbursements decreased approximately \$29,000 due in part to disbursements for the yard waste program which are now paid from the Enterprise, Solid Waste Fund.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$43,704 to \$64,176. Disbursements decreased \$181,154 due to the final payment on the Boulder's Inn development agreement in fiscal year 2015. Receipts increased approximately \$33,000.
- The Debt Service Fund cash balance increased \$62,291 to \$71,694. Property tax increased 27.5%, or approximately \$188,000, as a result of increasing the levy from \$3.43226 per \$1,000 of taxable valuation to \$4.20482 per \$1,000 of taxable valuation. Debt service disbursements decreased 9.7%, or approximately \$177,000. Scheduled principal and interest payments decreased from the prior year due, in part, to the current refunding of four outstanding general obligation bonds/notes in the prior year. Schedule principal and interest payments are expected to increase in future years due to general obligation bonds/notes issued in the prior year.
- The Capital Projects Fund cash balance decreased \$1,122,456 to \$349,612. The decrease was due primarily to the payment of contracts during fiscal year 2016 for various projects. In addition, the City received and disbursed \$975,000 of grant funds from the Iowa Economic Development Authority to Quality Food Processors, LLC during the current fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Solid Waste Fund cash balance increased \$38,227 to \$80,037 during the fiscal year. Disbursements increased approximately \$24,000 due to the Solid Waste Fund paying expenses for the yard waste program which were paid from the Special Revenue, Local Option Sales Tax Fund in prior years. In addition, there were no transfers to other funds in fiscal year 2016.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on April 19, 2016 for \$1,981,645 to provide for additional disbursements for capital projects and certain City departments. The City also increased budgeted receipts to recognize reimbursements for some of the increased disbursements. The remaining additional costs were to be absorbed by existing cash balances.

The City's receipts were \$80,714 more than the amended budget. This was due, in part, to the City receiving more road use tax (RUT) than was originally budgeted.

Total disbursements were \$1,447,787 less than the amended budget. Actual disbursements for the capital projects and community and economic development functions were \$655,384 and \$193,625, respectively, less than the amended budget due to the postponed status of capital projects and the timing of payments to contractors.

The City did not exceed the amount budgeted by function for the year ended June 30, 2016.

DEBT ADMINISTRATION

At June 30, 2016, the City had approximately \$8,798,000 of bonds and notes outstanding, compared to \$10,362,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2016	2015
General obligation bonds and notes	\$ 8,155	9,590
Revenue notes	220	275
Loan agreements	423	497
Total	\$ 8,798	10,362

During the year, the City did not issue any general obligation bonds or 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 \$8,646,489, including annual appropriation TIF debt of \$68,846, is below its constitutional debt limit of approximately \$15,508,000.

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 2017 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 increase in levy rates. The total tax asking decreased approximately \$148,000 due to property valuations for fiscal year 2016 decreasing approximately \$687,000 and the overall tax rate increasing \$.56340 per \$1,000 of taxable valuation.

These factors were taken into account when adopting the budget for fiscal year 2017. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to increase approximately \$643,000 from the final amended fiscal year 2016 budget. The increase is due primarily to an increase in the amount budgeted for public safety.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$923,000 by the close of fiscal year 2017.

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, 2016

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,982,289	88,426	300,010	-
Public works	1,118,895	173,371	1,026,734	-
Health and social services	8,605	-	2,500	-
Culture and recreation	1,055,992	371,324	62,804	-
Community and economic development	235,619	-	6,225	-
General government	1,152,903	70,201	30,083	-
Debt service	1,682,546	-	33,278	-
Capital projects	2,515,716	-	904	1,367,357
Total governmental activities	9,752,565	703,322	1,462,538	1,367,357
Business type activities:				
Solid waste	432,127	470,354	-	-
Total Primary Government	\$ 10,184,692	1,173,676	1,462,538	1,367,357
Component Units:				
Denison Library Friends	\$ 9,828	-	10,244	-
Denison Volunteer Firefighters Association	33,403	-	28,302	-
Total Component Units	\$ 43,231	-	38,546	-
General Receipts:				
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				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted for:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purpose				
Urban renewal				
Culture, recreation and tourism				
Law enforcement				
Library gifts and memorials				
Other purposes				
Unrestricted				
Total cash basis net position				

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
(1,593,853)	-	(1,593,853)		
81,210	-	81,210		
(6,105)	-	(6,105)		
(621,864)	-	(621,864)		
(229,394)	-	(229,394)		
(1,052,619)	-	(1,052,619)		
(1,649,268)	-	(1,649,268)		
(1,147,455)	-	(1,147,455)		
(6,219,348)	-	(6,219,348)		
-	38,227	38,227		
(6,219,348)	38,227	(6,181,121)		
			416	-
			-	(5,101)
			416	(5,101)
\$ 2,615,989	-	2,615,989	-	-
894,034	-	894,034	-	-
845,250	-	845,250	-	-
728,253	-	728,253	-	-
151,417	-	151,417	-	-
278,134	-	278,134	-	-
185,623	-	185,623	-	-
2,027	-	2,027	-	(4,710)
63,183	-	63,183	5,084	-
5,763,910	-	5,763,910	5,084	(4,710)
(455,438)	38,227	(417,211)	5,500	(9,811)
3,626,932	41,810	3,668,742	61,308	194,539
\$ 3,171,494	80,037	3,251,531	66,808	184,728
\$ 117,247	-	117,247	-	-
619,773	-	619,773	-	-
547,404	-	547,404	-	-
349,612	-	349,612	-	-
156,856	-	156,856	-	-
64,176	-	64,176	-	-
20,345	-	20,345	-	-
21,930	-	21,930	-	-
103,217	-	103,217	-	-
217,249	-	217,249	-	131,092
953,685	80,037	1,033,722	66,808	53,636
\$ 3,171,494	80,037	3,251,531	66,808	184,728

City of Denison

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

As of and for the year ended June 30, 2016

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:					
Property tax	\$ 1,793,114	-	752,317	-	-
Tax increment financing	-	-	-	-	845,250
Other city tax	201,124	-	20,851	728,253	-
Licenses and permits	67,177	-	-	-	-
Use of money and property	213,299	-	-	-	389
Intergovernmental	658,405	1,025,461	56,400	-	-
Charges for service	320,246	-	-	-	-
Special assessments	1,820	-	-	-	-
Miscellaneous	229,540	-	26,624	-	-
Total receipts	3,484,725	1,025,461	856,192	728,253	845,639
Disbursements:					
Operating:					
Public safety	1,537,401	-	436,319	5,047	-
Public works	187,729	742,236	188,930	-	-
Health and social services	7,939	-	666	-	-
Culture and recreation	886,423	-	155,712	9,132	-
Community and economic development	119,457	-	-	40,000	68,846
General government	1,015,749	-	113,677	23,477	-
Debt service	-	37,030	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	3,754,698	779,266	895,304	77,656	68,846
Excess (deficiency) of receipts over (under) disbursements	(269,973)	246,195	(39,112)	650,597	776,793
Other financing sources (uses):					
Transfers in	725,629	-	-	20,972	-
Transfers out	(30,972)	(77,101)	(30,000)	(637,672)	(733,089)
Total other financing sources (uses)	694,657	(77,101)	(30,000)	(616,700)	(733,089)
Change in cash balances	424,684	169,094	(69,112)	33,897	43,704
Cash balances beginning of year	795,524	496,232	554,829	122,959	20,472
Cash balances end of year	\$ 1,220,208	665,326	485,717	156,856	64,176
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	45,553	-	-	-
Streets	-	619,773	-	-	-
Employee benefits	61,687	-	485,717	-	-
Capital projects	-	-	-	-	-
Infrastructure or other city purpose	-	-	-	156,856	-
Urban renewal	-	-	-	-	64,176
Culture, recreation and tourism	20,345	-	-	-	-
Law enforcement	21,930	-	-	-	-
Library gifts and memorials	103,217	-	-	-	-
Other purposes	59,344	-	-	-	-
Assigned for:					
Fire station	152,969	-	-	-	-
Capital equipment and improvements	184,392	-	-	-	-
Culture, recreation and tourism	20,345	-	-	-	-
Unassigned	595,979	-	-	-	-
Total cash basis fund balances	\$ 1,220,208	665,326	485,717	156,856	64,176

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
872,653	-	-	3,418,084
-	-	-	845,250
21,381	-	-	971,609
-	-	-	67,177
472	903	228	215,291
43,262	1,346,856	2,289	3,132,673
-	-	-	320,246
-	19,733	-	21,553
32,806	768	15,506	305,244
970,574	1,368,260	18,023	9,297,127
-	-	3,522	1,982,289
-	-	-	1,118,895
-	-	-	8,605
-	-	4,725	1,055,992
-	-	7,316	235,619
-	-	-	1,152,903
1,645,516	-	-	1,682,546
-	2,515,716	-	2,515,716
1,645,516	2,515,716	15,563	9,752,565
(674,942)	(1,147,456)	2,460	(455,438)
737,233	25,000	-	1,508,834
-	-	-	(1,508,834)
737,233	25,000	-	-
62,291	(1,122,456)	2,460	(455,438)
9,403	1,472,068	155,445	3,626,932
71,694	349,612	157,905	3,171,494
71,694	-	-	117,247
-	-	-	619,773
-	-	-	547,404
-	349,612	-	349,612
-	-	-	156,856
-	-	-	64,176
-	-	-	20,345
-	-	-	21,930
-	-	-	103,217
-	-	157,905	217,249
-	-	-	152,969
-	-	-	184,392
-	-	-	20,345
-	-	-	595,979
71,694	349,612	157,905	3,171,494

City of Denison

City of Denison

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

As of and for the year ended June 30, 2016

	<u>Enterprise</u>
	<u>Solid Waste</u>
Operating receipts:	
Charges for service	\$ 470,354
Operating disbursements:	
Business type activities	<u>432,127</u>
Change in cash balance	38,227
Cash balance beginning of year	<u>41,810</u>
Cash balance end of year	<u>\$ 80,037</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 80,037</u>

See notes to financial statements.

City of Denison

Note to Financial Statements

June 30, 2016

(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 to 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 unit 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.

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 & 7th Street, PO 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 E-911 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 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 balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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 the major individual enterprise fund 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 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 is 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 Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 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 ensure 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 (IPAIT) which are valued at an amortized cost of \$1,048,534 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions or withdrawals for the IPAIT investments. The investment in the IPAIT is unrated.

Component Units

At June 30, 2016, the component units had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Denison Library Friends			
Mutual Funds	\$ 5,085	7,882	N/A
Denison Volunteer Firefighters Association			
Mutual Funds	\$ 95,466	102,963	N/A

The component units use the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the Denison Library Friends and Denison Volunteer Firefighters Association mutual funds were determined using quoted market prices. (Level 1 inputs)

(3) Bonds, Notes and Loan Agreements Payable

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

Year Ending June 30,	General Obligation		Revenue		Loan		Total	
	Bonds and Notes		Notes		Agreements			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,455,000	153,750	55,000	11,508	41,000	8,859	1,551,000	174,117
2018	1,295,000	130,950	60,000	8,626	42,000	8,470	1,397,000	148,046
2019	1,240,000	109,658	60,000	5,438	43,000	7,965	1,343,000	123,061
2020	890,000	88,347	25,000	2,206	44,000	7,321	959,000	97,874
2021	895,000	72,462	20,000	855	46,000	6,594	961,000	79,911
2022-2026	2,380,000	120,395	-	-	194,643	15,937	2,574,643	136,332
2027	-	-	-	-	12,000	540	12,000	540
Total	\$ 8,155,000	675,562	220,000	28,633	422,643	55,686	8,797,643	759,881

During the year ended June 30, 2016, the City retired \$1,435,000 of general obligation bonds and notes, \$55,000 of revenue notes and \$74,431 of loan agreements.

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 \$138,118. For the current year, principal and interest paid and receipts from the Childhood Center were \$32,806 and \$32,806, 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, 2016, 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 4% of road use tax receipts. The total principal and interest remaining to be paid on the notes is \$110,515. For the current year, principal and interest paid and road use tax receipts were \$36,530 and \$1,025,461, 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, 2016, the City was in compliance with the note provisions.

Loan Agreements

On January 31, 2014, the City entered into a loan agreement for a General Fund fire training facility note to borrow \$140,000 to construct a fire training facility. The loan bears interest at rates ranging from 0.75% to 4.50% per annum and matures in varying annual amounts ranging from \$2,074 to \$12,000, with a final maturity date of June 1, 2027. The loan will be repaid from the General Fund of the City.

On June 1, 2015, the City entered into a loan agreement for a General Fund City Hall improvement note to borrow \$400,000 to remodel City hall. The loan bears interest at rates ranging from 0.75% to 2.45% per annum and matures in varying annual amounts ranging from \$39,000 to \$50,000, with a final maturity date of June 1, 2024. The loan will be repaid from the General Fund of the City.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$197,158.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$893,192 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.018079%, which was an increase of 0.002391% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$101,470, \$251,081 and \$338,204, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 % compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 1,910,077	893,192	35,308

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) 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, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 23,000
Compensatory leave	24,000
Sick leave	10,000
Total	<u>\$ 57,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 30,000
	Local Option Sales Tax	595,629
	Urban Renewal Tax Increment	100,000
		<u>725,629</u>
Special Revenue:	General	
Local Option Sales Tax		<u>20,972</u>
Debt Service	Special Revenue:	
	Road Use Tax	77,101
	Local Option Sales Tax	27,043
	Urban Renewal Tax Increment	633,089
		<u>737,233</u>
Capital Projects	General	10,000
	Special Revenue:	
	Local Option Sales Tax	15,000
		<u>25,000</u>
Total		<u>\$ 1,508,834</u>

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

(7) 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, 2016, 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.

(8) Development Agreements

The City has entered into a development agreement with David and Diane Reisz. The City agreed to provide tax increment payments in an amount not to exceed \$206,537 in exchange for the construction of certain street and related public improvements. Payments of \$68,846 will be made annually for a period of three years or when the maximum has been paid to the developer provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2016, the City made payments of \$68,846 to the developer. The balance remaining under the agreement at June 30, 2016 is \$137,691.

The City has entered into a development agreement with the Laborers' Housing Development Corp. and the Denison Municipal Utilities (DMU). The City has agreed to provide a \$633,000 grant to encourage development of a fifty rental unit, duplex and four-plex. Additional contributions of \$150,000 are required to be made by the DMU, including \$50,000 of in-kind construction of electrical improvements. Payments of \$158,250 will be made after each quarter of the project is complete (25% complete, 50% complete, and so on). During the year ended June 30, 2016, the City made payments totaling \$474,750 under the agreement and were reimbursed \$75,000 by DMU for their portion of the payments. The balance remaining under the agreement at June 30, 2016 is \$158,250.

(9) Construction Contracts

The City entered into various construction contracts for a total of \$3,953,363. Unpaid contract commitments as of June 30, 2016 totaled \$506,976. The balance on these contracts will be paid as work on the projects progresses.

(10) Subsequent Events

In July 2016, the City entered into a construction contract for \$94,205 for an airport runway project to be financed with FAA grant receipts.

In August 2016, the City issued \$1,604,135 of general obligation bonds for street improvements and equipment purchases for the Fire Department.

(11) New Accounting Pronouncement

The City of Denison adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

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, 2016

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 3,418,084	-	3,418,084
Tax increment financing	845,250	-	845,250
Other city tax	971,609	-	971,609
Licenses and permits	67,177	-	67,177
Use of money and property	215,291	-	215,291
Intergovernmental	3,132,673	-	3,132,673
Charges for service	320,246	470,354	790,600
Special assessments	21,553	-	21,553
Miscellaneous	305,244	-	305,244
Total receipts	<u>9,297,127</u>	<u>470,354</u>	<u>9,767,481</u>
Disbursements:			
Public safety	1,982,289	-	1,982,289
Public works	1,118,895	-	1,118,895
Health and social services	8,605	-	8,605
Culture and recreation	1,055,992	-	1,055,992
Community and economic development	235,619	-	235,619
General government	1,152,903	-	1,152,903
Debt service	1,682,546	-	1,682,546
Capital projects	2,515,716	-	2,515,716
Business type activities	-	432,127	432,127
Total disbursements	<u>9,752,565</u>	<u>432,127</u>	<u>10,184,692</u>
Excess (deficiency) of receipts over (under) disbursements	(455,438)	38,227	(417,211)
Balances beginning of year	3,626,932	41,810	3,668,742
Balances end of year	<u>\$ 3,171,494</u>	<u>80,037</u>	<u>3,251,531</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
3,423,068	3,423,068	(4,984)
837,803	837,803	7,447
837,666	837,666	133,943
66,600	66,600	577
221,310	221,310	(6,019)
1,622,407	2,993,156	139,517
886,100	919,245	(128,645)
15,000	15,000	6,553
339,152	372,919	(67,675)
8,249,106	9,686,767	80,714
2,099,211	2,139,103	156,814
1,260,213	1,301,573	182,678
9,232	10,232	1,627
1,117,358	1,174,393	118,401
429,244	429,244	193,625
1,115,014	1,251,372	98,469
1,705,062	1,705,062	22,516
1,465,100	3,171,100	655,384
450,400	450,400	18,273
9,650,834	11,632,479	1,447,787
(1,401,728)	(1,945,712)	1,528,501
2,839,439	2,839,439	829,303
1,437,711	893,727	2,357,804

City of Denison

Notes to Other Information – Budgetary Reporting

June 30, 2016

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, one budget amendment increased budgeted disbursements by \$1,981,645. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted by function.

City of Denison
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability	0.018079%	0.015688%
City's proportionate share of the net pension liability	\$ 893	622
City's covered-employee payroll	\$ 1,985	1,927
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.99%	32.28%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Denison
Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 197	187	180	168
Contributions in relation to the statutorily required contribution	<u>(197)</u>	<u>(187)</u>	<u>(180)</u>	<u>(168)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 2,140	1,985	1,927	1,818
Contributions as a percentage of covered-employee payroll	9.21%	9.42%	9.34%	9.24%

* City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered-employee payroll could not be calculated.

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
151	133	127	125	108	102
<u>(151)</u>	<u>(133)</u>	<u>(127)</u>	<u>(125)</u>	<u>(108)</u>	<u>(102)</u>
-	-	-	-	-	-
1,810	1,801	*	*	*	*
8.34%	7.38%	*	*	*	*

City of Denison

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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, 2016

	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust
Receipts:				
Use of money and property	\$ -	228	-	-
Intergovernmental	-	-	-	-
Miscellaneous	6,200	-	215	996
Total receipts	6,200	228	215	996
Disbursements:				
Operating:				
Public safety	-	-	-	3,522
Culture and recreation	-	-	-	-
Community and economic development	7,316	-	-	-
Total disbursements	7,316	-	-	3,522
Change in cash balances	(1,116)	228	215	(2,526)
Cash balances beginning of year	1,645	102,069	25,751	17,286
Cash balances end of year	\$ 529	102,297	25,966	14,760
Cash Basis Fund Balances				
Restricted for other purposes	\$ 529	102,297	25,966	14,760

See accompanying independent auditor's report.

Special Revenue					
Memorial Gardens	Boulders Center Trust	Johnson Park Bridge	Tuckers Park	Dog Park	Total
-	-	-	-	-	228
-	-	-	-	2,289	2,289
-	-	-	-	8,095	15,506
-	-	-	-	10,384	18,023
-	-	-	-	-	3,522
-	-	-	-	4,725	4,725
-	-	-	-	-	7,316
-	-	-	-	4,725	15,563
-	-	-	-	5,659	2,460
620	1,493	914	374	5,293	155,445
620	1,493	914	374	10,952	157,905
620	1,493	914	374	10,952	157,905

City of Denison
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
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
Corporate purpose	Sep 30, 2014	2.00-2.75	1,830,000
Corporate purpose - refunding	Jun 1, 2015	2.00	2,405,000
Corporate purpose - refunding	Jun 1, 2015	1.10-2.75	570,000
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			
Loan agreements:			
General Fund fire training facility note	Jan 31, 2014	0.75-4.50 %	\$ 140,000
General Fund City Hall improvement note	Jun 1, 2015	0.75-2.45	400,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,060,000	-	215,000	1,845,000	41,498
2,890,000	-	365,000	2,525,000	36,175
1,665,000	-	100,000	1,565,000	37,600
2,405,000	-	690,000	1,715,000	48,100
570,000	-	65,000	505,000	11,737
\$ 9,590,000	-	1,435,000	8,155,000	175,110
145,000	-	25,000	120,000	7,806
130,000	-	30,000	100,000	6,530
\$ 275,000	-	55,000	220,000	14,336
97,074	-	35,431	61,643	3,074
400,000	-	39,000	361,000	6,629
\$ 497,074	-	74,431	422,643	9,703

City of Denison
Bond and Note Maturities
June 30, 2016

Year Ending June 30,	General Obligation					
	Corporate Purpose		Corporate Purpose and Refunding		Corporate Purpose	
	Issued Nov 30, 2011		Issued Mar 21, 2013		Issued Sep 30, 2014	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2017	1.40%	\$ 215,000	0.80%	\$ 365,000	2.00%	\$ 100,000
2018	1.60	220,000	0.95	365,000	2.00	170,000
2019	1.80	225,000	1.15	370,000	2.00	170,000
2020	2.00	225,000	1.35	380,000	2.25	180,000
2021	2.20	230,000	1.55	380,000	2.25	180,000
2022	2.40	235,000	1.70	235,000	2.25	185,000
2023	2.60	245,000	1.85	240,000	2.25	185,000
2024	2.75	250,000	1.95	190,000	2.50	195,000
2025		-		-	2.75	200,000
Total		<u>\$ 1,845,000</u>		<u>\$ 2,525,000</u>		<u>\$ 1,565,000</u>

Year Ending June 30,	Revenue Notes				
	Childhood Center		Road Use Tax		Total
	Issued Jul 1, 2001		Issued May 1, 2004		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
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>\$ 120,000</u>		<u>\$ 100,000</u>	<u>220,000</u>

See accompanying independent auditor's report.

Bonds and Notes						
Corporate Purpose and Refunding			Corporate Purpose and Refunding			
Issued Jun 1, 2015			Issued Jun 1, 2015			
Interest Rates		Amount	Interest Rates		Amount	Total
2.00%	\$	705,000	1.10%	\$	70,000	1,455,000
2.00		470,000	2.15		70,000	1,295,000
2.00		405,000	2.15		70,000	1,240,000
2.00		35,000	2.15		70,000	890,000
2.00		30,000	2.15		75,000	895,000
2.00		35,000	2.75		75,000	765,000
2.00		35,000	2.75		75,000	780,000
		-			-	635,000
		-			-	200,000
		<u>\$ 1,715,000</u>			<u>\$ 505,000</u>	<u>8,155,000</u>

Loan Agreements						
Year	General Fund Fire Training Facility Note			General Fund City Hall Improvement Note		
	Issued Jan 31, 2014			Issued Jan 1, 2015		
	Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2017	2.00%	\$	-	0.95%	\$ 41,000	41,000
2018	2.50		-	1.20	42,000	42,000
2019	3.00		-	1.50	43,000	43,000
2020	3.25		-	1.65	44,000	44,000
2021	3.25		-	1.85	46,000	46,000
2022	3.50		6,643	2.00	47,000	53,643
2023	3.75		10,000	2.20	48,000	58,000
2024	4.00		11,000	2.45	50,000	61,000
2025	4.25		11,000		-	11,000
2026	4.25		11,000		-	11,000
2027	4.50		12,000		-	12,000
Total			<u>\$ 61,643</u>		<u>\$ 361,000</u>	<u>422,643</u>

City of Denison

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

For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	\$ 3,418,084	3,121,748	3,116,913	2,964,959
Tax increment financing	845,250	812,030	879,459	754,556
Other city tax	971,609	957,498	839,003	804,865
Licenses and permits	67,177	65,441	84,377	69,174
Use of money and property	215,291	210,749	232,750	210,648
Intergovernmental	3,132,673	2,089,350	1,987,274	2,367,130
Charges for service	320,246	390,580	365,864	392,947
Special assessments	21,553	28,183	17,357	20,528
Miscellaneous	305,244	393,337	419,422	371,382
Total	<u>\$ 9,297,127</u>	<u>8,068,916</u>	<u>7,942,419</u>	<u>7,956,189</u>
Disbursements:				
Operating:				
Public safety	\$ 1,982,289	1,880,934	2,117,390	2,368,217
Public works	1,118,895	1,273,063	1,190,600	1,114,074
Health and social services	8,605	9,389	8,426	7,814
Culture and recreation	1,055,992	940,560	950,481	925,265
Community and economic development	235,619	431,485	149,030	325,577
General government	1,152,903	1,002,797	1,016,581	953,436
Debt service	1,682,546	1,861,248	1,645,746	1,592,617
Capital projects	2,515,716	1,767,534	2,664,725	2,706,366
Total	<u>\$ 9,752,565</u>	<u>9,167,010</u>	<u>9,742,979</u>	<u>9,993,366</u>

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
2,823,792	2,787,553	2,444,638	2,246,204	2,148,752	2,187,386
897,081	600,561	635,143	738,227	662,631	494,404
766,713	806,600	696,400	659,497	674,898	607,044
87,060	87,219	149,016	66,412	69,214	65,521
199,774	180,106	190,225	181,905	210,635	248,607
1,277,185	1,757,978	2,022,765	1,433,805	1,323,886	2,380,969
371,953	259,883	312,204	455,166	265,759	273,638
29,464	27,494	38,968	29,668	37,920	63,745
460,170	307,222	876,060	478,667	492,595	405,886
6,913,192	6,814,616	7,365,419	6,289,551	5,886,290	6,727,200
1,970,353	1,660,329	1,495,033	1,368,729	1,368,015	1,384,149
1,323,857	1,004,931	1,300,901	1,280,531	1,051,195	1,092,494
6,728	7,585	8,587	7,877	9,105	7,665
974,674	970,454	879,424	914,219	809,028	862,449
312,448	163,450	222,102	293,880	217,581	346,308
922,580	1,045,519	793,121	716,396	806,279	661,247
1,380,095	1,380,420	1,824,434	1,226,574	1,315,254	1,681,161
628,359	771,199	2,340,834	1,137,105	1,118,990	2,291,216
7,519,094	7,003,887	8,864,436	6,945,311	6,695,447	8,326,689

Schedule 5

City of Denison

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0026-011-2014	\$ 4,500
Airport Improvement Program	20.106	3-19-0026-012-2015	15,201
			19,701
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2014-FO-00684	103,691
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FF-00020	75,303
Total direct			198,695
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii (\$975,000 provided to subrecipients)	14.228	15-ED-001	975,000
Total			\$ 1,173,695

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Denison under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Denison, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Denison.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Denison has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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 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, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2016. 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-16 we consider 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 and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 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.

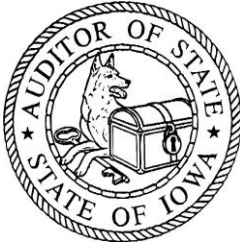
Purpose of this Report

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

November 16, 2016



**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 Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

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) Compliance Supplement that could have a direct and material effect on the City of Denison's major federal program for the year ended June 30, 2016. The City of Denison's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards 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 program 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Denison's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on the 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 its major federal program for the year ended June 30, 2016.


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 the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State

November 16, 2016

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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, which is 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 program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Denison did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part II: Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-16 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) 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.

For the Denison Fire Association, although multiple individuals are involved in the accounting duties of the Association, there is insufficient segregation of duties to prevent one individual from having control over handling and recording collections, preparing deposits, preparing, signing and mailing checks and reconciling the bank account.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Denison Library Friends and the Denison Fire Association 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.

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

Conclusions – Responses accepted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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 program were noted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part IV: Findings Related to Required Statutory Reporting:

- IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted by function.
- IV-B-16 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-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

One of two travel disbursements tested included mileage reimbursements at a rate in excess of the rate allowed under Internal Revenue Service Rules. In accordance with Chapter 70A.9 of the Code of Iowa, mileage should be paid at a rate approved by the City Council, but not in excess of the rate allowed under Internal Revenue Service Rules.

Recommendation – The City should comply with Chapter 70A.9 of the Code of Iowa and reimburse mileage at an allowable rate.

Response – The City will adopt a new policy at the September 16, 2016 City Council meeting to change the mileage reimbursement rate from \$.55 to \$.54 bringing us into compliance with Chapter 70A.9 of the Code of Iowa. The City will monitor the mileage rate in the future to make sure we remain in compliance.

Conclusion – Response accepted.

- IV-D-16 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 the City Clerk, owner of Verlin Plumbing	Plumbing services	\$2,380

In accordance with Chapter 362.5(e) of the Code of Iowa, these transactions do not appear to represent conflicts of interest because the City Clerk’s remuneration of employment does not directly involve the procurement or preparation of any part of the contract.

- IV-E-16 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-16 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-G-16 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.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

IV-H-16 Revenue Bonds – No instances of non-compliance with the revenue note resolutions were noted.

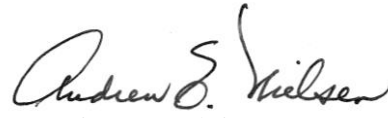
IV-I-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. The cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records.

City of Denison

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Ryan J. Pithan, Senior Auditor
Cole J. Hanley, Assistant Auditor
Ian N. Judson, Assistant Auditor
Mallory A. Sims, 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