



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 14, 2006

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$5,831,708 for the year ended June 30, 2005, a 48 percent decrease from 2004. The receipts included \$2,090,838 in property tax, \$417,671 from tax increment financing, \$637,163 from charges for service, \$835,655 from operating grants, contributions and restricted interest, \$795,501 from capital grants, contributions and restricted interest, \$490,346 from local option sales tax, \$23,149 from unrestricted interest on investments and \$541,385 from other general receipts.

Disbursements for the year totaled \$7,968,474, a less than 1 percent increase from the prior year, and included \$3,133,687 for capital projects, \$1,216,268 for public safety and \$887,499 for general government. Also, disbursements for business type activities totaled \$303,566.

The significant decrease in receipts and increase in disbursements is due primarily to the issuance of general obligation notes in the prior year and disbursements on the capital projects in progress in the current year.

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

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

JUNE 30, 2005

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City of Denison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ken Livingston	Mayor	Jan 2006
Earl McCollough	Mayor Pro tem	Jan 2008
Garry Chapman	Council Member	Jan 2006
Keith Greder	Council Member	Jan 2006
Dan Leinen	Council Member	Jan 2006
Joel Franken	Council Member	(Resigned)
Raymond Reynolds	Council Member	Jan 2008
Al Roder	City Manager	Indefinite
Marcia L. Bretey	Clerk	Indefinite
Rick Franck	Attorney	Indefinite

City of Denison



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Denison's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the condensed financial information included in Note 9 for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As described in Note 9, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The report of the other auditor, dated August 12, 2005, expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Denison as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

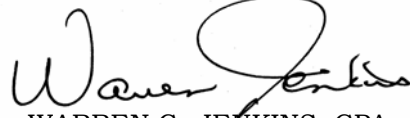
In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2005 on our consideration of the City of Denison's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 13 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denison's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 23, 2005

City of Denison

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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- The City's governmental activities receipts and transfers decreased 50%, or approximately \$5,453,000, from fiscal 2004 to fiscal 2005. Operating grants, contributions and restricted interest decreased approximately \$206,000 and note proceeds decreased approximately \$5,517,000.
- Disbursements of the City's governmental activities increased .3%, or approximately \$21,000, in fiscal 2005 from fiscal 2004. Capital projects and public works decreased approximately \$556,000 and \$61,000, respectively, while general government and debt service increased approximately \$409,000 and \$213,000, respectively.
- The City's total cash basis net assets decreased 39%, or approximately \$2,137,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$2,134,000 and the assets of the business type activities decreased by approximately \$2,800.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the solid waste system. 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, 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.

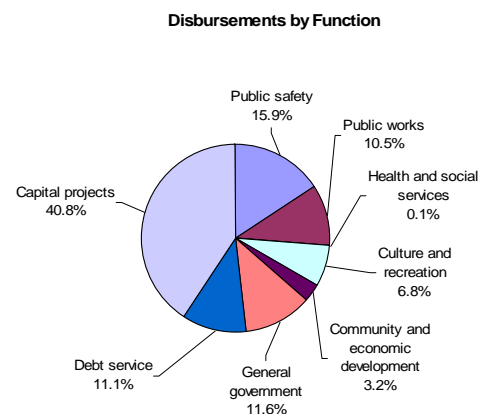
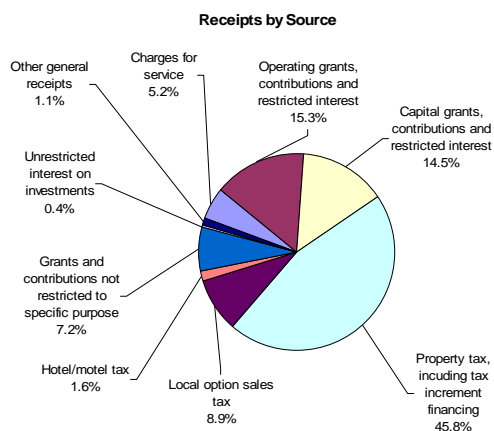
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the solid waste fund, which is considered to be a major fund of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing \$2.1 million to \$3.26 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 286	300
Operating grants, contributions and restricted interest	836	1,042
Capital grants, contributions and restricted interest	795	746
General receipts:		
Property tax, including tax increment financing	2,509	2,454
Local option sales tax	490	440
Hotel/motel tax	86	64
Grants and contributions not restricted to specific purpose	397	247
Unrestricted interest on investments	23	20
Note proceeds	-	5,517
Other general receipts	59	53
Transfers, net	50	101
Total receipts and transfers	5,531	10,984
Disbursements:		
Public safety	1,216	1,212
Public works	802	863
Health and social services	6	10
Culture and recreation	521	543
Community and economic development	247	209
General government	888	479
Debt service	851	638
Capital projects	3,134	3,690
Total disbursements	7,665	7,644
Increase in cash basis net assets	(2,134)	3,340
Cash basis net assets beginning of year	5,392	2,052
Cash basis net assets end of year	\$ 3,258	5,392



The City's total receipts and transfers for governmental activities decreased by 50%, or \$5,453,000. The total cost of all programs and services increased by approximately \$21,000, or .3%, with no new programs added this year. The decrease in receipts was primarily the result of proceeds received from the issuance of general obligation notes and road use tax revenue notes in the prior year. The increase in disbursements was not significant.

The City decreased property tax rates for 2005 by an average of .48% while property valuations decreased approximately 1%. This decrease reduced the City's property tax receipts by approximately \$64,000 in 2005. Based on increases in the total assessed valuation for fiscal year 2006, property tax receipts are budgeted to increase by approximately \$3,700 next year.

The cost of all governmental activities this year was \$7.66 million compared to \$6.83 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$5.75 million because some of the cost was paid by those directly benefited from the programs (\$286,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,631,000).

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 351	338
Disbursements and transfers:		
Solid waste	304	308
Transfers	50	101
Total disbursements and transfers	354	409
Decrease in cash balance	(3)	(71)
Cash basis net assets beginning of year	47	118
Cash basis net assets end of year	\$ 44	47

Total business type activities receipts for the fiscal year were \$351,000 compared to \$338,000 last year. The cash balance decreased by approximately \$3,000 from the prior year. Total disbursements for the fiscal year decreased by 1.3% to a total of \$303,566.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Denison completed the year, its governmental funds reported a combined fund balance of \$3,257,587, a decrease of \$2,134,013 from last year's total of \$5,391,600. 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 \$34,460 from the prior year to \$479,215. This increase was due to an increase in the fees received from Denison Municipal Utilities in lieu of taxes.
- The Road Use Tax Fund cash balance increased \$370,782 from the prior year to \$851,437. This increase was due to the transfer in of note proceeds for street construction projects.

- The Employee Benefits Fund cash balance decreased by \$53,135 to \$583,508 during the fiscal year. This decrease was attributable to the 5.6% decrease in the employee benefits property tax levy.
- The Local Option Sales Tax Fund cash balance increased by \$93,882 to \$991,433. The increase is due in part to increased local option sales tax collections.
- The Urban Renewal Tax Increment Fund cash balance decreased by \$267,156 to \$778,021. The decrease is due to transfers of approximately \$357,600 to capital projects.
- The Debt Service Fund cash balance decreased \$16,908 to \$6,484. The decrease was attributable to the decrease in the property tax levy.
- The Capital Projects Fund cash balance decreased by \$2,189,196 to a deficit of (\$659,003) during the fiscal year. This negative balance is due to funds not transferred from the Urban Renewal Tax Increment Fund and other projects that were started during the fiscal year for which debt has not yet been issued. In addition, grant funds and special assessments revenues decreased \$339,000 due to completion of the 16th street and 26th street paving projects while donations increased \$272,000 for the conference center.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Solid Waste Fund cash balance decreased by \$2,753 to \$43,808, due primarily to an increase in transfers to the General Fund to reimburse salaries paid.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on April 28, 2005 and resulted in an increase in operating disbursements related primarily to community and economic development and general government of approximately \$525,000 to cover project and debt expenses. The City had sufficient cash balances to absorb these additional costs.

Even with this budget amendment, the City exceeded the budget by \$3,224 for the general government function due to the payroll Section 125 fund disbursements originally coded to a non-budget function resulting in a very small budget overage when the audit properly charged the disbursements to a budget function for the year ended June 30, 2005.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$6,635,292 in notes outstanding, compared to \$7,220,008 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2005	2004
General obligation notes	\$ 5,935	6,495
Revenue notes	700	725
Total	\$ 6,635	7,220

Debt decreased as a result of principal payments on the general obligation and revenue 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 taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,935,202 is significantly below its constitutional debt limit of \$10,669,422.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Denison's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various city activities. One of these factors is the economy. The county's unemployment rate at the end of June was 3.9%. This is much lower than the State's 4.6%.

These indicators were taken into account when adopting the budget for fiscal year 2006. Property valuations increased approximately \$775,000. The City used the increase to reduce the tax rates. Budgeted disbursements compared to FY05 actual disbursements are expected to increase \$7,000,000, or 89%, due to an increase in budgeted capital projects. These projects will be financed in part through the issuance of debt.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1,370,000 by the close of 2006.

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 Marcia Bretey, City Clerk, 111 North Main Street, City of Denison, Iowa, 51442- 0668.

City of Denison

Basic Financial Statements

City of Denison

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,216,268	40,501	57,849	56,243
Public works	802,145	-	632,522	-
Health and social services	6,406	-	-	-
Culture and recreation	521,236	161,206	31,272	-
Community and economic development	246,706	-	96,512	72,901
General government	887,499	84,643	3,550	-
Debt service	850,961	-	13,950	-
Capital projects	3,133,687	-	-	666,357
Total governmental activities	7,664,908	286,350	835,655	795,501
Business type activities:				
Solid waste	303,566	350,813	-	-
Total	\$ 7,968,474	637,163	835,655	795,501

General Receipts:

Property tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Hotel/motel tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Miscellaneous
Transfers
Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
Streets
Urban renewal purposes
Debt service
Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(1,061,675)	-	(1,061,675)
(169,623)	-	(169,623)
(6,406)	-	(6,406)
(328,758)	-	(328,758)
(77,293)	-	(77,293)
(799,306)	-	(799,306)
(837,011)	-	(837,011)
(2,467,330)	-	(2,467,330)
(5,747,402)	-	(5,747,402)
-	47,247	47,247
(5,747,402)	47,247	(5,700,155)
\$ 1,824,043	-	1,824,043
417,671	-	417,671
266,795	-	266,795
490,346	-	490,346
85,715	-	85,715
396,992	-	396,992
23,149	-	23,149
58,678	-	58,678
50,000	(50,000)	-
3,613,389	(50,000)	3,563,389
(2,134,013)	(2,753)	(2,136,766)
5,391,600	46,561	5,438,161
\$ 3,257,587	43,808	3,301,395
\$ 851,437	-	851,437
778,021	-	778,021
6,484	-	6,484
1,801,433	-	1,801,433
(179,788)	43,808	(135,980)
\$ 3,257,587	43,808	3,301,395

City of Denison

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

As of and for the year ended June 30, 2005

	General	Road Use Tax
Receipts:		
Property tax	\$ 1,270,774	-
Tax increment financing	-	-
Other city tax	27,633	-
Licenses and permits	46,149	-
Use of money and property	50,665	-
Intergovernmental	508,256	610,208
Charges for service	197,352	-
Special assessments	-	-
Miscellaneous	100,911	-
Total receipts	2,201,740	610,208
Disbursements:		
Operating:		
Public safety	920,437	-
Public works	151,000	517,321
Health and social services	5,888	-
Culture and recreation	430,715	-
Community and economic development	35,000	-
General government	737,485	-
Debt service	-	37,988
Capital projects	-	-
Total disbursements	2,280,525	555,309
Excess (deficiency) of receipts over (under) disbursements	(78,785)	54,899
Other financing sources (uses):		
Operating transfers in	133,701	388,290
Operating transfers out	(20,456)	(72,407)
Total other financing sources (uses)	113,245	315,883
Net change in cash balances	34,460	370,782
Cash balances beginning of year	444,755	480,655
Cash balances end of year	\$ 479,215	851,437
Cash Basis Fund Balances		
Reserved for debt service	\$ -	-
Unreserved:		
General fund	479,215	-
Special revenue funds	-	851,437
Capital projects fund	-	-
Total cash basis fund balances	\$ 479,215	851,437

See notes to financial statements.

Special Revenue							
Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor Special Revenue	Total	
515,628	-	-	266,795	-	34,324	2,087,521	
-	-	417,671	-	-	-	417,671	
818	490,346	-	424	-	85,770	604,991	
-	-	-	-	-	-	46,149	
-	-	-	-	25,622	1,483	77,770	
-	-	-	-	223,177	71,851	1,413,492	
-	-	-	-	-	-	197,352	
-	-	-	-	23,287	-	23,287	
-	-	-	13,950	394,271	103,530	612,662	
516,446	490,346	417,671	281,169	666,357	296,958	5,480,895	
290,927	4,904	-	-	-	-	1,216,268	
133,824	-	-	-	-	-	802,145	
518	-	-	-	-	-	6,406	
89,578	-	-	-	-	943	521,236	
-	-	-	-	-	211,706	246,706	
54,734	80,564	-	-	-	14,716	887,499	
-	-	-	812,973	-	-	850,961	
-	-	-	-	3,133,687	-	3,133,687	
569,581	85,468	-	812,973	3,133,687	227,365	7,664,908	
(53,135)	404,878	417,671	(531,804)	(2,467,330)	69,593	(2,184,013)	
-	25,286	-	514,896	673,324	63,167	1,798,664	
-	(336,282)	(684,827)	-	(395,190)	(239,502)	(1,748,664)	
-	(310,996)	(684,827)	514,896	278,134	(176,335)	50,000	
(53,135)	93,882	(267,156)	(16,908)	(2,189,196)	(106,742)	(2,134,013)	
636,643	897,551	1,045,177	23,392	1,530,193	333,234	5,391,600	
583,508	991,433	778,021	6,484	(659,003)	226,492	3,257,587	
-	-	-	6,484	-	-	6,484	
-	-	-	-	-	-	479,215	
583,508	991,433	778,021	-	-	226,492	3,430,891	
-	-	-	-	(659,003)	-	(659,003)	
583,508	991,433	778,021	6,484	(659,003)	226,492	3,257,587	

City of Denison

City of Denison
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Fund Solid Waste
Operating receipts:	
Charges for service	\$ 350,813
Operating disbursements:	
Business type activities	303,566
Excess of operating receipts over operating disbursements	47,247
Operating transfers out	(50,000)
Net change in cash balances	(2,753)
Cash balances beginning of year	46,561
Cash balances end of year	\$ 43,808
Cash Basis Fund Balances	
Unreserved	\$ 43,808

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2005

(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.

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.

Blended Component Unit

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

Discretely Presented Component 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 by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 9 was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Denison Municipal Utilities, W. Broadway & 7th St., P.O. Box 518, Denison, Iowa 51442.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Crawford County Assessor's Conference Board, Crawford County Emergency Management Commission, Crawford County Joint E911 Service Board and Crawford County Area Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

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 urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account 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 Solid Waste Fund accounts for the operation and maintenance of the City's garbage operations.

C. Measurement Focus and Basis of Accounting

The City of Denison 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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the general government function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$591,596 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 585,807	219,250	40,000	42,056	625,807	261,306
2007	601,860	200,289	35,000	31,961	636,860	232,250
2008	642,967	179,177	35,000	30,604	677,967	209,781
2009	499,129	155,269	40,000	29,172	539,129	184,441
2010	515,351	137,188	40,000	27,506	555,351	164,694
2011 - 2015	2,185,088	423,605	235,000	108,206	2,420,088	531,811
2016 - 2020	905,000	97,560	255,000	40,674	1,160,000	138,234
2021 - 2025	-	-	20,000	855	20,000	855
Total	\$ 5,935,202	1,412,338	700,000	311,034	6,635,202	1,723,372

During the year ended June 30, 2005, \$559,806 of general obligation notes and \$25,000 of revenue notes were retired.

General Obligation Economic Development Note

On August 5, 1996, the City entered into a loan agreement with the Crawford County Trust and Savings Bank in Denison for a bank loan up to \$600,000 to carry out a project in the Denison Urban Renewal Area for an economic development grant to the Crawford County Development Corporation for a Speculation Building. Interest is currently five percent per annum on the unpaid balance. The interest rate will be adjusted on June 1, 2008 to two percentage points below the highest prime rate published on January 1, 2008. During the year ended June 30, 2005, the City paid loan principal of \$19,806 and interest of \$10,701. The balance outstanding on the loan at June 30, 2005 was \$200,202.

Childhood Center Revenue Notes

On July 1, 2001, the City entered into a loan agreement with United Bank of Iowa in Ida Grove for a loan of \$350,000 to construct a building to be leased to the Crawford County Early Childhood Center. 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 Crawford County Early Childhood Center (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 separate revenue note sinking account for the purpose of making the note principal and interest payments when due.

Road Use Tax Revenue Notes

On May 1, 2004, the City entered into an agreement with Ruan Securities Corporation for a loan of \$395,000 to purchase equipment for the street department and street improvement projects. The resolution providing for the issuance of the revenue notes includes the following provisions:

- (1) The notes will only be redeemed from the road use tax funds received from the State of Iowa.
- (2) At the time of the delivery of the notes, a separate reserve account of \$39,275 shall be established.
- (3) 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.
- (4) All funds remaining in the road use tax fund after payment of road related improvements and services authorized by state law and required transfers shall be placed in a surplus revenue account. This account is restricted to payments to the sinking and reserve accounts if these accounts are in default. If the sinking and reserve accounts are fully funded the surplus may be used for road related improvements and services authorized by state law.

Crawford County Fair Association Loan Guarantee

On May 6, 2002, the City entered into an agreement with Wells Fargo Bank Iowa, N.A. (the lender) to guarantee a \$150,900 loan from the lender to the Crawford County Fair Association. The loan is to be paid by the Association to the lender under the conditions of a promissory note with an interest rate of 7.75% per annum and a final maturity of December 31, 2007. In the event the Association is unable to pay the lender, the City guarantees payment from incremental property taxes generated from the Denison Urban Renewal Area. On September 9, 2002, the Bank further agreed that when the loan reaches a principal amount of \$70,000, the City would be dismissed of any liability.

During the year ended June 30, 2005, the City paid \$15,000 to be applied to interest and principal on the loan.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$86,332, \$81,098, and \$78,316, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory and sick leave hours for subsequent use or for payment upon termination, retirement or death. Employees who have accumulated at least 90 days 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 payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 84,000
Compensatory leave	29,000
Sick leave	<u>20,000</u>
Total	<u>\$133,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 34,216
	Local Option Sales Tax	49,485
	Enterprise:	
	Solid Waste	50,000
		<u>133,701</u>
Special Revenue:	Capital Projects	388,290
Road Use Tax	Special Revenue:	
Local Option Sales Tax	Tourism - Hotel/Motel	11,286
	Denison Foundation	14,000
Tourism - Hotel/Motel	Capital Projects	500
Payroll Section 125	General	15,645
Trees Forever	Special Revenue:	
	Local Option Sales Tax	47,022
		<u>476,743</u>
Debt Service	General	4,810
	Special Revenue:	
	Road Use Tax	20,567
	Local Option Sales Tax	155,897
	Urban Renewal Tax Increment	327,222
	Capital Projects	6,400
		<u>514,896</u>
Capital Projects	Special Revenue:	
	Road Use Tax	51,840
	Local Option Sales Tax	83,879
	Urban Renewal Tax Increment	357,605
	Denison Foundation	180,000
		<u>673,324</u>
Total		<u>\$ 1,798,664</u>

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

(7) Construction Commitments

The City entered into construction contracts for building, street and storm sewer projects during the year ended June 30, 2005. The unpaid contract balances at June 30, 2005 totaled \$4,177,137.

(8) Conduit Debt

As required by Chapter 147(f) of the Internal Revenue Code, in a prior year the City held a public hearing for the issuance of up to \$9,500,000 of Colorado Health Facilities Authority Revenue Bonds. The bond proceeds were used to finance and refinance health care related facilities owned by the Martin Luther Home Society, Inc. The bonds and related interest are payable solely from the revenues derived from the loan agreement, and the bond principal and interest do not constitute liabilities of the City.

(9) Denison Municipal Utilities

The Denison Municipal Utilities provides electric, sewer, water and joint treatment for industrial waste services to the City of Denison, Iowa. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for the Municipal Utilities for the year ended June 30, 2005.

Condensed Statement of Net Assets		
Assets:		
Current and other assets		\$ 9,427,211
Capital assets		24,941,597
Total assets		<u>34,368,808</u>
Liabilities:		
Long-term debt		5,130,663
Other liabilities		1,743,598
Total liabilities		<u>6,874,261</u>
Net assets:		
Invested in capital assets, net of related debt		19,429,934
Unrestricted		8,064,613
Total municipal equity		<u>\$ 27,494,547</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets		
Operating revenues:		
Sales to customers		\$ 9,470,515
Other		28,175
Total operating revenues		<u>9,498,690</u>
Operating expenses:		
Electric	\$ 5,247,921	
Water	1,088,267	
Sewer	614,607	
Joint treatment	665,950	
Depreciation	1,223,639	
		<u>8,840,384</u>
Operating income		658,306
Non-operating revenues (expenses):		
Miscellaneous	119,668	
Interest income	183,670	
Interest expense	(216,979)	
Economic development	(126,680)	
Total non-operating revenues (expenses)		<u>(40,321)</u>
Net income		617,985
Net assets beginning of year		<u>26,876,562</u>
Net assets end of year		<u>\$ 27,494,547</u>

(10) 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.

(11) Deficit Balances

The Special Revenue, Payroll Section 125 and Trees Forever Funds had deficit balances of \$336 and \$667, respectively. The Capital Projects Fund had a deficit balance of \$659,003. The deficits will be eliminated through transfers from the Special Revenue, Local Option Sales Tax and the Special Revenue, Urban Renewal Tax Increment Funds, future grant proceeds and note proceeds.

(12) Subsequent Events

In August 2005, the City issued \$1,310,000 of Urban Renewal (TIF) Revenue Bonds and entered into a construction contract totaling \$2,834,110 for the conference center.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 2,087,521	-
Tax increment financing	417,671	-
Other city tax	604,991	-
Licenses and permits	46,149	-
Use of money and property	77,770	-
Intergovernmental	1,413,492	-
Charges for service	197,352	350,813
Special assessments	23,287	-
Miscellaneous	612,662	-
Total receipts	5,480,895	350,813
Disbursements:		
Public safety	1,216,268	-
Public works	802,145	-
Health and social services	6,406	-
Culture and recreation	521,236	-
Community and economic development	246,706	-
General government	887,499	-
Debt service	850,961	-
Capital projects	3,133,687	-
Business type activities	-	303,566
Total disbursements	7,664,908	303,566
Excess (deficiency) of receipts over (under) disbursements	(2,184,013)	47,247
Other financing sources (uses), net	50,000	(50,000)
Deficiency of receipts and other financing sources under disbursements and other financing uses	(2,134,013)	(2,753)
Balances beginning of year	5,391,600	46,561
Balances end of year	\$ 3,257,587	43,808

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
2,087,521	2,087,919	2,087,919	(398)
417,671	378,000	378,000	39,671
604,991	443,395	443,395	161,596
46,149	37,460	37,460	8,689
77,770	41,180	41,180	36,590
1,413,492	3,458,011	3,718,011	(2,304,519)
548,165	531,900	531,900	16,265
23,287	-	-	23,287
612,662	2,058,784	2,323,784	(1,711,122)
5,831,708	9,036,649	9,561,649	(3,729,941)
1,216,268	1,308,679	1,368,679	152,411
802,145	953,419	953,419	151,274
6,406	10,338	10,338	3,932
521,236	603,810	603,810	82,574
246,706	110,100	310,100	63,394
887,499	689,275	884,275	(3,224)
850,961	781,619	851,619	658
3,133,687	10,108,235	10,108,235	6,974,548
303,566	365,650	365,650	62,084
7,968,474	14,931,125	15,456,125	7,487,651
(2,136,766)	(5,894,476)	(5,894,476)	3,757,710
-	5,655,000	5,655,000	(5,655,000)
(2,136,766)	(239,476)	(239,476)	(1,897,290)
5,438,161	2,941,022	2,941,022	2,497,139
3,301,395	2,701,546	2,701,546	599,849

City of Denison

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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 Proprietary 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 \$525,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the general government function.

Other Supplementary Information

City of Denison

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Special Revenue Funds

As of and for the year ended June 30, 2005

	Payroll Section 125	Tourism - Hotel/ Motel	Emergency	Denison Foundation
Receipts:				
Property tax	\$ -	-	34,324	-
Other city tax	-	85,715	55	-
Use of money and property	-	-	-	1,202
Intergovernmental	-	-	-	-
Miscellaneous	5,265	-	-	95,010
Total receipts	5,265	85,715	34,379	96,212
Disbursements:				
Operating:				
Culture and recreation	-	-	-	-
Community and economic development	-	73,043	-	32,322
General government	14,716	-	-	-
Total disbursements	14,716	73,043	-	32,322
Excess (deficiency) of receipts over (under) disbursements	(9,451)	12,672	34,379	63,890
Other financing sources (uses):				
Operating transfers in	15,645	500	-	-
Operating transfers out	-	(11,286)	(34,216)	(194,000)
Total other financing sources (uses)	15,645	(10,786)	(34,216)	(194,000)
Net change in cash balances	6,194	1,886	163	(130,110)
Cash balances beginning of year	(6,530)	23,331	322	215,889
Cash balances end of year	\$ (336)	25,217	485	85,779
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ (336)	25,217	485	85,779

See accompanying independent auditor's report.

				Northside			
Trees Forever	Food Pantry	Library Trust	Aquatic Trust	Recreational Trust	Clock Restoration		Total
-	-	-	-	-	-	-	34,324
-	-	-	-	-	-	-	85,770
-	-	281	-	-	-	-	1,483
71,851	-	-	-	-	-	-	71,851
1,050	-	692	1,213	-	300	-	103,530
72,901	-	973	1,213	-	300	-	296,958
-	-	943	-	-	-	-	943
106,065	-	-	-	-	276	-	211,706
-	-	-	-	-	-	-	14,716
106,065	-	943	-	-	276	-	227,365
(33,164)	-	30	1,213	-	24	-	69,593
47,022	-	-	-	-	-	-	63,167
-	-	-	-	-	-	-	(239,502)
47,022	-	-	-	-	-	-	(176,335)
13,858	-	30	1,213	-	24	-	(106,742)
(14,525)	160	97,637	4,368	12,582	-	-	333,234
(667)	160	97,667	5,581	12,582	24	-	226,492
(667)	160	97,667	5,581	12,582	24	-	226,492

City of Denison
Schedule of Indebtedness
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Economic development	Aug 5, 1996	5.00%	\$ 319,255
Corporate purpose	Dec 1, 1997	4.20-4.80	830,000
Corporate purpose	May 1, 2000	5.00-5.60	1,020,000
Corporate purpose	Aug 1, 2003	1.70-4.30	3,740,000
Corporate purpose - refunding	Aug 1, 2003	1.90-3.00	820,000
Street Improvement	May 1, 2004	1.65-4.15	650,000
Total			
Revenue notes:			
Childhood center	Jul 1, 2001	4.75-5.70%	\$ 350,000
Road use tax	May 1, 2004	2.05-5.20	395,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid	Principal Due and Unpaid	Interest Due and Unpaid
220,008	19,806	200,202	10,701	-	-
375,000	90,000	285,000	17,590	-	-
690,000	100,000	590,000	37,832	-	-
3,740,000	130,000	3,610,000	126,363	-	-
820,000	200,000	620,000	20,350	-	-
650,000	20,000	630,000	25,182	-	-
\$ 6,495,008	559,806	5,935,202	238,018	-	-
330,000	5,000	325,000	8,949	5,000	8,827
395,000	20,000	375,000	17,788	-	-
\$ 725,000	25,000	700,000	26,737	5,000	8,827

City of Denison

Note Maturities

June 30, 2005

Year Ending June 30,	General Obligation Notes							
	Economic Development		Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued Aug 5, 1996		Issued Dec 1, 1997		Issued May 1, 2000		Issued Aug 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	5.00%	\$ 20,807	4.65%	\$ 90,000	5.40%	\$ 105,000	2.00%	\$ 140,000
2007	5.00	21,860	4.70	95,000	5.45	110,000	2.30	130,000
2008	5.00	22,967	4.80	100,000	5.50	120,000	2.60	155,000
2009	5.00	24,129	-	-	5.55	125,000	2.80	315,000
2010	5.00	25,351	-	-	5.60	130,000	3.00	325,000
2011	5.00	26,634	-	-	-	-	3.20	340,000
2012	5.00	27,983	-	-	-	-	3.40	355,000
2013	5.00	30,471	-	-	-	-	3.60	365,000
2014	-	-	-	-	-	-	3.75	375,000
2015	-	-	-	-	-	-	3.90	205,000
2016	-	-	-	-	-	-	4.00	210,000
2017	-	-	-	-	-	-	4.10	220,000
2018	-	-	-	-	-	-	4.20	230,000
2019	-	-	-	-	-	-	4.30	245,000
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
Total		<u>\$ 200,202</u>		<u>\$ 285,000</u>		<u>\$ 590,000</u>		<u>\$ 3,610,000</u>

See accompanying independent auditor's report.

Corporate					Revenue Notes				
Purpose-Refunding		Street Improvement			Childhood Center		Road Use Tax		
Issued Aug 1, 2003		Issued May 1, 2004			Issued Jul 1, 2001		Issued May 1, 2004		
Interest		Interest			Interest		Interest		
Rates	Amount	Rates	Amount	Total	Rates	Amount	Rates	Amount	Total
2.30%	\$ 205,000	2.15%	\$ 25,000	585,807	5-5.05%	\$ 20,000	2.55%	\$ 20,000	40,000
2.70	205,000	2.55	40,000	601,860	5.10	15,000	2.95	20,000	35,000
3.00	210,000	2.90	35,000	642,967	5.15	15,000	3.30	20,000	35,000
	-	3.15	35,000	499,129	5.15-5.20	15,000	3.55	25,000	40,000
	-	3.40	35,000	515,351	5.20	15,000	3.80	25,000	40,000
	-	3.60	85,000	451,634	5.25-5.20	15,000	4.00	25,000	40,000
	-	3.80	85,000	467,983	5.35	20,000	4.20	25,000	45,000
	-	3.95	90,000	485,471	5.40	20,000	4.35	25,000	45,000
	-	4.05	95,000	470,000	5.45	20,000	4.50	30,000	50,000
	-	4.15	105,000	310,000	5.50	25,000	4.65	30,000	55,000
	-	-	-	210,000	5.55	25,000	4.80	30,000	55,000
	-	-	-	220,000	5.55-5.60	25,000	4.95	30,000	55,000
	-	-	-	230,000	5.60	25,000	5.10	35,000	60,000
	-	-	-	245,000	5.65	25,000	5.20	35,000	60,000
	-	-	-	-	5.65-5.70	25,000	-	-	25,000
	-	-	-	-	5.70	20,000	-	-	20,000
	<u>\$ 620,000</u>		<u>\$ 630,000</u>	<u>5,935,202</u>		<u>\$ 325,000</u>		<u>\$ 375,000</u>	<u>700,000</u>

Schedule 4

City of Denison

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

For the Last Three Years

	2005	2004	2003
Receipts:			
Property tax	\$ 2,087,521	2,135,128	1,854,448
Tax increment financing	417,671	319,292	519,558
Other city tax	604,991	532,164	523,997
Licenses and permits	46,149	31,199	32,810
Use of money and property	77,770	68,661	47,347
Intergovernmental	1,413,492	1,349,715	1,109,095
Charges for service	197,352	235,334	411,741
Special assessments	23,287	156,734	-
Miscellaneous	612,662	537,069	176,427
Total	\$ 5,480,895	5,365,296	4,675,423
Disbursements:			
Operating:			
Public safety	\$ 1,216,268	1,212,053	1,231,143
Public works	802,145	863,252	855,477
Health and social services	6,406	9,489	11,392
Culture and recreation	521,236	543,157	540,320
Community and economic development	246,706	209,126	76,026
General government	887,499	478,426	544,350
Debt service	850,961	638,433	495,734
Capital projects	3,133,687	3,690,442	859,204
Total	\$ 7,664,908	7,644,378	4,613,646

See accompanying independent auditor's report.



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

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Auditor of State

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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 23, 2005. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Denison's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Denison's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

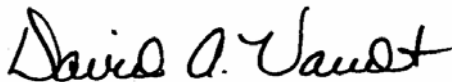
Compliance and Other Matters

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 that are described in the accompanying Schedule of Findings.

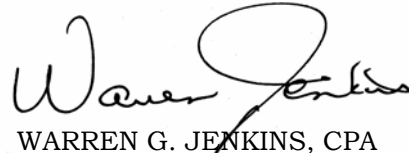
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Denison and other parties to whom the City of Denison may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 23, 2005

City of Denison
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

Information Systems – The City does not have a disaster recovery plan.

Recommendation – The City should develop a written disaster recovery plan.

Response – We will develop a written policy as soon as possible.

Conclusion – Response accepted.

City of Denison

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the City Council. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005.

Recommendation – The City should adopt a new resolution increasing the maximum deposit amounts.

Response – We will adopt a new resolution at the next Council meeting.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We were careful to amend in sufficient amounts. The Payroll 125 Fund disbursements were improperly coded resulting in a very small budget overage. We will correct the coding and budget accordingly.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Nancy McKinnon, wife of Fire Chief, owner of NRFM	Cleaning	\$ 540

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Fire Chief’s wife does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year.

- (6) 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.

City of Denison

Schedule of Findings

Year ended June 30, 2005

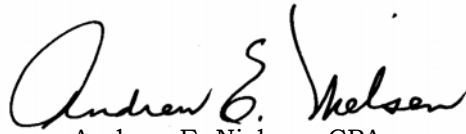
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) Deposits and Investments – Except as noted in item (1) above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Notes – The City has complied with the revenue note resolutions.

City of Denison

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Bradley A. Meisterling, Assistant Auditor
Christopher T. Schroeder, 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