



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

November 9, 2009

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 \$6,710,563 for the year ended June 30, 2009, an 11 percent decrease from 2008. The receipts included \$2,260,305 in property tax, \$738,227 from tax increment financing, \$1,019,094 from charges for service, \$1,079,077 from operating grants, contributions and restricted interest, \$603,159 from capital grants, contributions and restricted interest, \$541,757 from local option sales tax, \$103,639 from hotel/motel tax, \$258,154 from grants and contributions not restricted to specific purpose, \$24,751 from unrestricted interest on investments and \$82,400 from other general receipts.

Disbursements for the year totaled \$7,319,304, a 4 percent increase over the prior year, and included \$1,368,729 for public safety, \$1,280,531 for public works and \$1,226,574 for debt service. Also, disbursements for business type activities totaled \$373,993.

The significant decrease in receipts is due primarily to general obligation bond proceeds received 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 <http://auditor.iowa.gov/reports/index.html>.

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CITY OF DENISON

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

JUNE 30, 2009

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		8-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	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		22-30
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund		32-33
Notes to Required Supplementary Information – Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36-37
Schedule of Indebtedness	2	38-39
Bond/Note Maturities	3	40-41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	42-43
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>		45-46
Schedule of Findings		47-49
Staff		50

City of Denison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nathan Mahrt	Mayor	Jan 2010
Eric Skoog	Mayor Pro tem	Jan 2010
Garry Chapman	Council Member	Jan 2010
Cecil Blum, Jr.	Council Member	Jan 2010
Gordon Hough	Council Member	Jan 2012
Kenneth Madsen	Council Member	Jan 2012
Greg Seefeldt	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 aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Denison's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Denison Municipal Utilities, a 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 8 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 and the report of the other auditor 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.

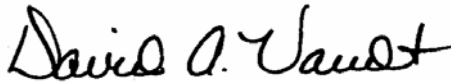
As described in Note 8, the City has chosen to present condensed financial information for the Denison Municipal Utilities, a discretely presented component unit, since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The report of the other auditor, dated September 11, 2009, 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 aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison as of June 30, 2009, 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 October 7, 2009 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 have applied certain 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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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

October 7, 2009

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 12%, or approximately \$857,000, from fiscal 2008 to fiscal 2009. Charges for service increased approximately \$200,000, operating grants, contributions and restricted interest increased approximately \$37,000 and capital grants, contributions and restricted interest increased approximately \$108,000 while bond proceeds decreased approximately \$1,260,000.
- Disbursements for governmental activities increased 4%, or approximately \$250,000, over fiscal 2008.
- The City's total cash basis net assets decreased 24%, or approximately \$609,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$606,000 and the assets of the business type activities decreased approximately \$3,000.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide 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 City's nonmajor governmental funds and its indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include 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, 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) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the solid waste fund, which is considered to be a major fund of the City.

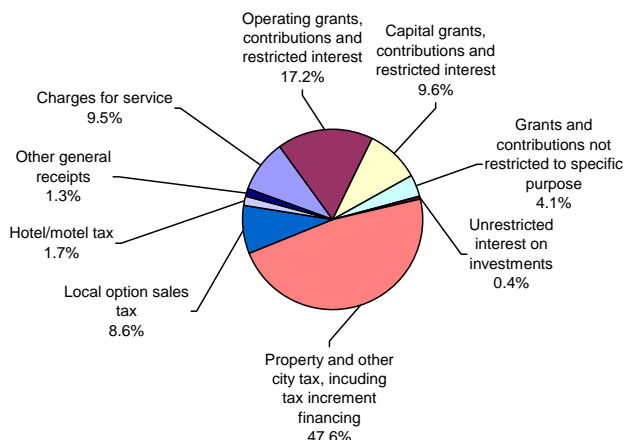
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

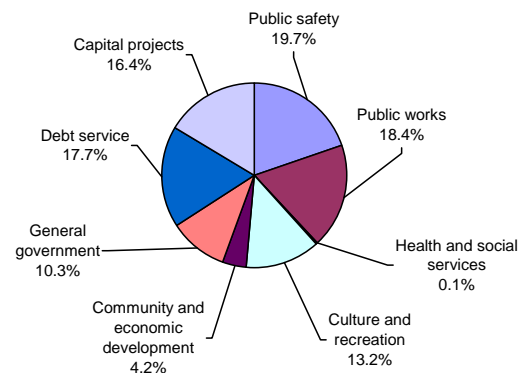
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.5 million to approximately \$1.9 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 598	398
Operating grants, contributions and restricted interest	1,079	1,042
Capital grants, contributions and restricted interest	603	495
General receipts:		
Property and other city tax, including tax increment financing	2,998	2,824
Local option sales tax	542	578
Hotel/motel tax	104	84
Grants and contributions not restricted to specific purpose	258	323
Unrestricted interest on investments	25	59
Bond/loan proceeds	-	1,260
Other general receipts	82	83
Total receipts	6,289	7,146
Disbursements:		
Public safety	1,369	1,368
Public works	1,281	1,051
Health and social services	8	9
Culture and recreation	914	809
Community and economic development	294	218
General government	716	806
Debt service	1,226	1,315
Capital projects	1,137	1,119
Total disbursements	6,945	6,695
Change in cash basis net assets before transfers	(656)	451
Transfers, net	50	50
Change in cash basis net assets	(606)	501
Cash basis net assets beginning of year	2,463	1,962
Cash basis net assets end of year	\$ 1,857	2,463

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 12%, or approximately \$857,000. The total cost of all programs and services increased approximately \$250,000, or 4%, with no new programs added this year. The significant decrease in receipts was primarily due to bond proceeds received in the prior year.

The City decreased property tax rates for 2009 by an average of less than two percent. This decrease, in conjunction with an increase in assessed valuation, increased the City's property tax receipts other than tax increment financing approximately \$99,000 in 2009. Property tax receipts are budgeted to increase approximately \$177,000 next year.

The cost of all governmental activities this year was \$6.9 million compared to \$6.7 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 \$4.7 million because some of the cost was paid by those directly benefited from the programs (\$598,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,682,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4.06 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 421	401
Disbursements:		
Solid waste	374	337
Change in cash basis net assets before transfers	47	64
Transfers, net	(50)	(50)
Change in cash basis net assets	(3)	14
Cash basis net assets beginning of year	79	65
Cash basis net assets end of year	\$ 76	79

Total business type activities receipts for the fiscal year were approximately \$421,000 compared to approximately \$401,000 last year. Total disbursements for the fiscal year increased 11% to approximately \$374,000. The cash balance decreased approximately \$3,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Denison completed the year, its governmental funds reported a combined fund balance of \$1,856,699, a decrease of nearly \$606,000 from last year's total of \$2,462,459. 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 \$29,880 from the prior year to \$598,156. Total receipts increased 10.1% and total disbursements increased 4.8%. Net transfers from other funds increased approximately \$55,000. Charges for service receipts increased \$189,407 due to an increase in airport fuel sales.

- The Special Revenue, Road Use Tax Fund cash balance decreased \$105,657 to \$415,810 during the fiscal year. The receipts decreased 3.2% and total disbursements increased 8.5%, or approximately \$53,000, due to salary, street repair and snow removal increases.
- The Special Revenue, Employee Benefits Fund cash balance increased \$5,015 to \$533,385 during the fiscal year. Receipts increased 9.3% and disbursements increased 6.2%.
- 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 \$114,663, a decrease of \$227,692 from the previous year. Receipts decreased 8.0%, or \$47,402, during the fiscal year. Net transfers from the Local Option Sales Tax Fund increased \$33,338, mainly due to increases in transfers to the General and Debt Service Funds.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$35,530 to \$248,724 during the fiscal year. Net transfers out increased \$118,128 from the previous year due to increases in net transfers to the Debt Service and Capital Projects Funds.
- The Debt Service Fund cash balance increased \$72,740 to \$126,462 during the fiscal year.
- The Capital Projects Fund cash balance decreased \$397,294 to (\$516,945) during the fiscal year. The decrease was due primarily to additional costs paid on projects during the year and no bond proceeds received in the current year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Solid Waste Fund cash balance decreased \$2,981 to \$75,945 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on May 4, 2009 and June 1, 2009 and resulted in an increase in operating disbursements related primarily to public works, general government and capital projects of \$1,020,000 to cover additional disbursements, including airport fuel costs, maintenance and repair of property, construction and general government expenses. The City covered the additional costs with increased airport fuel sales, donations and grants as well as existing cash balances.

The City's receipts were \$74,408 more than budgeted. This was primarily due to the City receiving \$321,828 more than budgeted for charges for service due to City management of the airport offset by receiving \$248,978 less in intergovernmental receipts due to delays in receiving grants since projects started later than planned.

With the amendments, total disbursements were \$658,810 less than the amended budget. Actual disbursements for the public safety and community and economic development functions were \$378,587 and \$124,120, respectively, less than the amended budget. This was primarily because a large equipment purchase and projects did not take place or progress as planned. Disbursements in the debt service function exceeded the amount budgeted.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$9,320,000 in bonds and other long-term debt outstanding, compared to \$10,161,993 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2009	2008
General obligation bonds/notes	\$ 7,750	8,435
Revenue bonds/notes	1,570	1,685
Special pledge obligation loan agreement	-	42
Total	\$ 9,320	10,162

Debt decreased as a result of redeeming principal of \$841,983 during the year.

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 and TIF debt of \$8,770,000 is below its constitutional debt limit of \$12,811,000.

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 2010 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 levy rates. Property valuations for fiscal year 2009 increased \$9,259,334 and the total tax asking increased \$176,664 overall due to small tax asking amount increases for several levies.

These factors were taken into account when adopting the budget for fiscal year 2010. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to increase approximately \$4,600,000. The increase is due to an increase in budgeted capital projects and the purchase of a new fire truck. A portion of these increased disbursements will be funded with proceeds from the bond issue sold July 1, 2009, totaling \$1,435,000.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$450,000 by the close of 2010.

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, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,368,729	81,846	96,096	-
Public works	1,280,531	-	633,786	-
Health and social services	7,877	-	-	-
Culture and recreation	914,219	452,870	205,606	-
Community and economic development	293,880	-	94,748	43,000
General government	716,396	63,366	18,919	-
Debt service	1,226,574	-	29,922	-
Capital projects	1,137,105	-	-	560,159
Total governmental activities	6,945,311	598,082	1,079,077	603,159
Business type activities:				
Solid waste	373,993	421,012	-	-
Total	\$ 7,319,304	1,019,094	1,079,077	603,159
Component Unit:				
Denison Library Friends	\$ 3,989	-	8,269	-
General Receipts:				
Property and other city 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				
Employee benefits				
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			Component Unit
Governmental Activities	Business Type Activities	Total	Denison Library Friends
(1,190,787)	-	(1,190,787)	-
(646,745)	-	(646,745)	-
(7,877)	-	(7,877)	-
(255,743)	-	(255,743)	-
(156,132)	-	(156,132)	-
(634,111)	-	(634,111)	-
(1,196,652)	-	(1,196,652)	-
(576,946)	-	(576,946)	-
(4,664,993)	-	(4,664,993)	-
-	47,019	47,019	-
(4,664,993)	47,019	(4,617,974)	-
-	-	-	4,280
\$ 1,994,025	-	1,994,025	-
738,227	-	738,227	-
266,280	-	266,280	-
541,757	-	541,757	-
103,639	-	103,639	-
258,154	-	258,154	-
24,751	-	24,751	-
82,400	-	82,400	-
50,000	(50,000)	-	-
4,059,233	(50,000)	4,009,233	-
(605,760)	(2,981)	(608,741)	4,280
2,462,459	78,926	2,541,385	62,534
\$ 1,856,699	75,945	1,932,644	66,814
\$ 184,052	-	184,052	-
129,044	-	129,044	-
533,385	-	533,385	-
477,900	-	477,900	-
451,654	-	451,654	-
80,664	75,945	156,609	66,814
\$ 1,856,699	75,945	1,932,644	66,814

City of Denison

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

As of and for the year ended June 30, 2009

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,301,814	-	643,925	-
Tax increment financing	-	-	-	-
Other city tax	111,809	-	4,040	541,757
Licenses and permits	66,412	-	-	-
Use of money and property	170,925	-	-	6,838
Intergovernmental	335,410	608,915	-	-
Charges for service	455,166	-	-	-
Special assessments	-	-	-	-
Miscellaneous	237,422	-	11,632	-
Total receipts	<u>2,678,958</u>	<u>608,915</u>	<u>659,597</u>	<u>548,595</u>
Disbursements:				
Operating:				
Public safety	1,084,505	-	284,224	-
Public works	470,255	640,500	157,115	12,661
Health and social services	7,315	-	562	-
Culture and recreation	777,700	-	122,473	10,761
Community and economic development	96,586	-	-	40,150
General government	611,350	-	58,056	46,990
Debt service	-	39,650	-	-
Capital projects	-	-	-	-
Total disbursements	<u>3,047,711</u>	<u>680,150</u>	<u>622,430</u>	<u>110,562</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(368,753)</u>	<u>(71,235)</u>	<u>37,167</u>	<u>438,033</u>
Other financing sources (uses):				
Operating transfers in	413,338	-	-	14,705
Operating transfers out	(14,705)	(34,422)	(32,152)	(680,430)
Total other financing sources (uses)	<u>398,633</u>	<u>(34,422)</u>	<u>(32,152)</u>	<u>(665,725)</u>
Net change in cash balances	29,880	(105,657)	5,015	(227,692)
Cash balances beginning of year	568,276	521,467	528,370	342,355
Cash balances end of year	<u>\$ 598,156</u>	<u>415,810</u>	<u>533,385</u>	<u>114,663</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	231,758	-	-
Unreserved:				
General fund	598,156	-	-	-
Special revenue funds	-	184,052	533,385	114,663
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ 598,156</u>	<u>415,810</u>	<u>533,385</u>	<u>114,663</u>

See notes to financial statements.

Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
-	264,614	-	35,851	2,246,204
738,227	-	-	-	738,227
-	1,666	-	225	659,497
-	-	-	-	66,412
-	-	-	4,142	181,905
-	-	489,480	-	1,433,805
-	-	-	-	455,166
-	-	29,668	-	29,668
-	29,922	41,011	158,680	478,667
738,227	296,202	560,159	198,898	6,289,551
-	-	-	-	1,368,729
-	-	-	-	1,280,531
-	-	-	-	7,877
-	-	-	3,285	914,219
-	-	-	157,144	293,880
-	-	-	-	716,396
118,943	1,067,981	-	-	1,226,574
-	-	1,137,105	-	1,137,105
118,943	1,067,981	1,137,105	160,429	6,945,311
619,284	(771,779)	(576,946)	38,469	(655,760)
-	864,419	180,980	50,000	1,523,442
(654,814)	(19,900)	(1,328)	(35,691)	(1,473,442)
(654,814)	844,519	179,652	14,309	50,000
(35,530)	72,740	(397,294)	52,778	(605,760)
284,254	53,722	(119,651)	283,666	2,462,459
248,724	126,462	(516,945)	336,444	1,856,699
119,680	126,462	-	-	477,900
-	-	-	-	598,156
129,044	-	-	336,444	1,297,588
-	-	(516,945)	-	(516,945)
248,724	126,462	(516,945)	336,444	1,856,699

City of Denison

City of Denison

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

As of and for the year ended June 30, 2009

	<u>Enterprise</u> <u>Solid Waste</u>
Operating receipts:	
Charges for service	\$ 421,012
Operating disbursements:	
Business type activities	<u>373,993</u>
Excess of operating receipts over operating disbursements	47,019
Operating transfers out	<u>(50,000)</u>
Net change in cash balances	(2,981)
Cash balances beginning of year	<u>78,926</u>
Cash balances end of year	<u>\$ 75,945</u>
Cash Basis Fund Balances	
Unreserved	<u>\$ 75,945</u>

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2009

(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.

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

Blended Component Unit

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

Discretely Presented Component Units

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

The Denison Municipal Utilities was established under Chapter 388 of the Code of Iowa to operate the City's municipal utilities. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 8 was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Denison Municipal Utilities, W. Broadway & 7th St., P.O. Box 518, Denison, Iowa 51442.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for 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 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,428,966 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

(3) Bonds/Notes Payable

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

Year Ending June 30,	General Obligation Bonds/Notes		Revenue Bonds/Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 705,000	314,935	115,000	68,499	820,000	383,434
2011	785,000	291,028	120,000	64,142	905,000	355,170
2012	810,000	263,298	125,000	59,400	935,000	322,698
2013	840,000	233,432	130,000	54,318	970,000	287,750
2014	855,000	201,202	140,000	48,918	995,000	250,120
2015 - 2019	3,015,000	553,718	785,000	147,107	3,800,000	700,825
2020 - 2023	740,000	82,807	155,000	7,955	895,000	90,762
Total	\$ 7,750,000	1,940,420	1,570,000	450,339	9,320,000	2,390,759

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 percent of the lease payments. The total principal and interest remaining to be paid on the notes is \$356,886. For the current year, principal and interest paid and receipts from the Childhood Center were \$29,922. 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, 2009, 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 7 percent of road use tax receipts. The total principal and interest remaining to be paid on the notes is \$371,795. For the current year, principal and interest paid and road use tax receipts were \$39,250 and \$608,915, respectively. The resolution providing for the issuance of the revenue notes includes the following provisions:

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

During the year ended June 30, 2009, the City was in compliance with the note provisions.

Urban Renewal Tax Increment Revenue Bonds

Urban renewal tax increment revenue bonds were issued for the purpose of paying the costs of an urban renewal project, consisting of constructing a new community conference center. The bonds are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the bonds shall be expended only for purposes consistent with the plans of the City's urban renewal area. The total principal and interest remaining on the bonds is \$1,291,658, payable through 2020. For the current year, principal and interest paid and tax increment receipts were \$118,542 and \$738,227, respectively. The bonds are not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. The resolution providing for the issuance of the bonds includes the following provisions:

- (a) The bonds will only be redeemed from the urban renewal tax increment revenue funds received from the county. The City accounts for this activity within the Special Revenue, Urban Renewal Tax Increment Fund.

- (b) A separate reserve fund shall be established to maintain a required debt service reserve. The City is to deposit bond proceeds of \$119,680 into this reserve fund. This fund is restricted for the purpose of paying principal and interest when funds in the Urban Renewal Tax Increment Fund are inadequate.

During the year ended June 30, 2009, the City was in compliance with the bond provisions.

Special Pledge Obligation Loan Agreement

The Denison Community Golf Course/Denison Country Club, Inc. entered into bank loans to fund the construction of a community conference center project. As a condition of the bank loan, the City of Denison agreed to accept contributions from private persons on behalf of the project and remit all amounts received to the banks to be applied against the outstanding balance of the bank loans.

The City entered into a loan agreement for \$386,000 in evidence of the City's commitment to remit such amounts to the banks. The loan agreement is not a general obligation of the City nor payable in any manner by taxation. The City's obligation under the loan agreement is payable solely from pledges of private funds to be donated to the City, deposited into a special fund and used solely to pay the City's obligation under the loan agreement. During the year ended June 30, 2009, the City remitted \$43,300 of pledges received to the bank, which paid in full the balance remaining on the loan agreement.

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. Originally, the loan was 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. A modification to the promissory was made on March 2, 2006. The modification lowered the interest rate to 6.50% per annum and extended the maturity date on the note to January 31, 2009. In the event the Association is unable to pay the lender, the City guarantees payment.

During the year ended June 30, 2009, the City paid \$10,150 to the Fair Association to be applied to interest and principal on the loan. The City's obligation on the loan guarantee was officially released on March 20, 2009. As a result, the remaining loan balance at June 30, 2009 of \$25,000, no longer represents an obligation of the City.

(4) Pension and Retirement Benefits

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

Most plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$124,584, \$108,212 and \$102,052, 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 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, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 33,000
Compensatory leave	24,000
Sick leave	<u>25,000</u>
Total	<u>\$ 82,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 32,152
	Local Option Sales Tax	274,952
	Emergency	35,691
	Debt Service	19,900
	Capital Projects	643
	Enterprise:	
	Solid Waste	50,000
		<u>413,338</u>
Special Revenue:	General	14,705
Local Option Sales Tax	Special Revenue:	
Economic Development	Urban Renewal Tax Increment	50,000
		<u>64,705</u>
Debt Service	Special Revenue:	
	Road Use Tax	34,422
	Local Option Sales Tax	343,332
	Urban Renewal Tax Increment	485,980
	Capital Projects	685
		<u>864,419</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	62,146
	Urban Renewal Tax Increment	118,834
		<u>180,980</u>
Total		<u>\$ 1,523,442</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 various construction and street improvements during the year ended June 30, 2009. The unpaid contract balances at June 30, 2009 totaled \$1,089,355.

(8) Denison Municipal Utilities

The Denison Municipal Utilities provides electric, sewer, water and joint treatment for industrial waste services to the City of Denison. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. Following is the condensed financial information for the Municipal Utilities for the year ended June 30, 2009.

Condensed Statement of Net Assets	
Assets:	
Current and other assets	\$ 14,320,559
Capital assets	25,165,609
Total assets	<u>39,486,168</u>
Liabilities:	
Long-term debt	4,216,000
Other liabilities	2,445,677
Total liabilities	<u>6,661,677</u>
Net assets:	
Invested in capital assets, net of related debt	20,347,765
Restricted for debt service and customer deposits	1,149,889
Unrestricted	<u>11,326,837</u>
Total municipal equity	<u>\$ 32,824,491</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets	
Operating revenues:	
Sales to customers	\$ 12,275,152
Other	47,596
Total operating revenues	<u>12,322,748</u>
Operating expenses:	
Electric	\$ 7,499,195
Water	1,304,583
Sewer	735,265
Joint treatment	777,177
Depreciation	<u>1,295,386</u>
	<u>11,611,606</u>
Operating income	711,142
Non-operating revenues (expenses):	
Miscellaneous	239,697
Interest income	344,733
Interest expense	(172,873)
Economic development	<u>(67,480)</u>
Total non-operating revenues (expenses)	<u>344,077</u>
Net income	1,055,219
Net assets beginning of year	<u>31,769,272</u>
Net assets end of year	<u>\$ 32,824,491</u>

(9) Risk Management

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

The City self funds dental coverage for its employees. The plan is funded by the City and is administered by Employee Benefit Systems. The agreement is subject to automatic renewal. The City provides annual coverage up to \$2,000 per individual. Monthly payments of administrative services fees and claims are paid from the City's General Fund. During the year ended June 30, 2009, the City transferred \$32,152 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

(10) Deficit Balances

The Special Revenue, Trees Forever Fund had a deficit balance of \$547 at June 30, 2009. The deficit will be eliminated through a reduction of future disbursements. The Capital Projects Fund had a deficit balance of \$516,945 at June 30, 2009. The deficit will be eliminated through future grant and bond proceeds.

(11) Economic Development Grant Agreements

During the year ended June 30, 2004, the City entered into an agreement with Premium Protein Products LLC d/b/a Crawford County Foods, LLC, which then became Denison Foods. Denison Foods agreed to utilize the unused space in its facility, make building improvements and invest in certain equipment, create at least 25 jobs paying at least \$8 per hour and maintain those jobs for at least five years. The City agreed to pay an economic development grant totaling \$75,000 over a period of five years after the jobs are created. The City paid \$60,000 under the agreement in prior years. During the year ended June 30, 2009, the City did not make a payment under the agreement since Denison Foods has not met the terms of the agreement. The remaining balance of the grant is \$15,000 and is payable over the next year if the terms in the agreement are met.

During the year ended June 30, 2005, the City entered into an agreement with Adams Motor Company. Adams Motor Company agreed to construct a new automobile dealership with a minimum \$1,500,000 assessment, create at least 20 jobs paying at least \$10 per hour and maintain those jobs for at least five years. The City agreed to pay an economic development grant totaling \$200,000 over a period of four years after the completion of the facility and the jobs are created. The City paid \$150,000 under the agreement in prior years. During the year ended June 30, 2009, the City paid the final \$50,000 payment under the agreement.

(12) Subsequent Events

On July 1, 2009, the City issued \$1,435,000 of general obligation corporate purpose and refunding bonds to fund projects, acquire equipment and refund a previous debt issue. In July 2009, the City entered into contracts totaling \$709,888 for projects. The projects will be funded from bond proceeds and a RISE grant.

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 Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 2,246,204	-	2,246,204
Tax increment financing	738,227	-	738,227
Other city tax	659,497	-	659,497
Licenses and permits	66,412	-	66,412
Use of money and property	181,905	-	181,905
Intergovernmental	1,433,805	-	1,433,805
Charges for service	455,166	421,012	876,178
Special assessments	29,668	-	29,668
Miscellaneous	478,667	-	478,667
Total receipts	<u>6,289,551</u>	<u>421,012</u>	<u>6,710,563</u>
Disbursements:			
Public safety	1,368,729	-	1,368,729
Public works	1,280,531	-	1,280,531
Health and social services	7,877	-	7,877
Culture and recreation	914,219	-	914,219
Community and economic development	293,880	-	293,880
General government	716,396	-	716,396
Debt service	1,226,574	-	1,226,574
Capital projects	1,137,105	-	1,137,105
Business type activities	-	373,993	373,993
Total disbursements	<u>6,945,311</u>	<u>373,993</u>	<u>7,319,304</u>
Excess (deficiency) of receipts over (under) disbursements	(655,760)	47,019	(608,741)
Other financing sources (uses), net	50,000	(50,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(605,760)	(2,981)	(608,741)
Balances beginning of year	<u>2,462,459</u>	<u>78,926</u>	<u>2,541,385</u>
Balances end of year	<u>\$ 1,856,699</u>	<u>75,945</u>	<u>1,932,644</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
2,330,850	2,330,850	(84,646)
724,272	724,272	13,955
625,935	625,935	33,562
35,830	35,830	30,582
190,260	190,260	(8,355)
1,682,783	1,682,783	(248,978)
554,350	554,350	321,828
15,000	15,000	14,668
188,875	476,875	1,792
<u>6,348,155</u>	<u>6,636,155</u>	<u>74,408</u>
1,747,316	1,747,316	378,587
931,503	1,321,503	40,972
7,829	9,329	1,452
954,169	984,169	69,950
418,000	418,000	124,120
703,721	749,221	32,825
1,224,836	1,224,836	(1,738)
623,990	1,148,990	11,885
346,750	374,750	757
<u>6,958,114</u>	<u>7,978,114</u>	<u>658,810</u>
(609,959)	(1,341,959)	733,218
350,000	1,054,000	(1,054,000)
(259,959)	(287,959)	(320,782)
<u>1,377,824</u>	<u>1,377,824</u>	<u>1,163,561</u>
<u>1,117,865</u>	<u>1,089,865</u>	<u>842,779</u>

City of Denison

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 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 project 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 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, two budget amendments increased budgeted disbursements by \$1,020,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function.

Other 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, 2009

	Emergency	Denison Foundation	Trees Forever	Pledge Obligations
Receipts:				
Property tax	\$ 35,851	-	-	-
Other city tax	225	-	-	-
Use of money and property	-	2,018	-	-
Miscellaneous	-	79,027	8,275	43,000
Total receipts	36,076	81,045	8,275	43,000
Disbursements:				
Operating:				
Culture and recreation	-	-	-	-
Community and economic development	-	54,500	9,344	43,300
Total disbursements	-	54,500	9,344	43,300
Excess (deficiency) of receipts over (under) disbursements	36,076	26,545	(1,069)	(300)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(35,691)	-	-	-
Total other financing sources (uses)	(35,691)	-	-	-
Net change in cash balances	385	26,545	(1,069)	(300)
Cash balances beginning of year	360	156,693	522	300
Cash balances end of year	\$ 745	183,238	(547)	-
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 745	183,238	(547)	-

See accompanying independent auditor's report.

Special Revenue							
Library Trust	Aquatic Trust	Dog Pound Trust	Memorial Gardens	Boulders Center Trust	Johnson Park Bridge	Economic Development	Total
-	-	-	-	-	-	-	35,851
-	-	-	-	-	-	-	225
2,124	-	-	-	-	-	-	4,142
-	1,696	24,877	-	500	1,305	-	158,680
2,124	1,696	24,877	-	500	1,305	-	198,898
3,285	-	-	-	-	-	-	3,285
-	-	-	-	-	-	50,000	157,144
3,285	-	-	-	-	-	50,000	160,429
(1,161)	1,696	24,877	-	500	1,305	(50,000)	38,469
-	-	-	-	-	-	50,000	50,000
-	-	-	-	-	-	-	(35,691)
-	-	-	-	-	-	50,000	14,309
(1,161)	1,696	24,877	-	500	1,305	-	52,778
115,107	8,314	-	620	1,750	-	-	283,666
113,946	10,010	24,877	620	2,250	1,305	-	336,444
113,946	10,010	24,877	620	2,250	1,305	-	336,444

City of Denison
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose	Aug 1, 2003	1.70-4.30%	\$ 3,740,000
Street improvement	May 1, 2004	1.65-4.15	650,000
Street improvement	Jan 15, 2006	3.65-4.30	1,320,000
Local option sales tax	May 15, 2006	3.80-4.55	1,700,000
Street improvement	Oct 1, 2006	3.75-4.15	650,000
Corporate purpose	Mar 15, 2008	3.50-6.00	880,000
Street improvement	Mar 15, 2008	2.85-4.30	405,000
Total			
Revenue bonds/notes:			
Childhood center	Jul 1, 2001	4.75-5.70%	\$ 350,000
Road use tax	May 1, 2004	2.05-5.20	395,000
Urban renewal tax increment	Aug 15, 2005	3.05-4.45	1,310,000
Total			
Special pledge obligation loan agreement:			
Conference center	Feb 13, 2006	None	\$ 386,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
3,185,000	-	315,000	2,870,000	114,333
530,000	-	35,000	495,000	20,343
1,210,000	-	115,000	1,095,000	48,290
1,575,000	-	95,000	1,480,000	66,808
650,000	-	75,000	575,000	25,767
880,000	-	35,000	845,000	56,059
405,000	-	15,000	390,000	18,660
<u>\$ 8,435,000</u>	<u>-</u>	<u>685,000</u>	<u>7,750,000</u>	<u>350,260</u>
275,000	-	15,000	260,000	14,922
315,000	-	25,000	290,000	14,250
1,095,000	-	75,000	1,020,000	43,542
<u>\$ 1,685,000</u>	<u>-</u>	<u>115,000</u>	<u>1,570,000</u>	<u>72,714</u>
<u>41,983</u>	<u>-</u>	<u>41,983</u>	<u>-</u>	<u>1,217</u>

City of Denison
Bond/Note Maturities
June 30, 2009

Year Ending June 30,	General Obligation Bonds/Notes					
	Corporate Purpose		Street Improvement		Street Improvement	
	Issued Aug 1, 2003		Issued May 1, 2004		Issued Jan 15, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	3.00%	\$ 325,000	3.40%	\$ 35,000	3.75%	\$ 120,000
2011	3.20	340,000	3.60	85,000	3.80	125,000
2012	3.40	355,000	3.80	85,000	3.90	130,000
2013	3.60	365,000	3.95	90,000	3.95	130,000
2014	3.75	375,000	4.05	95,000	4.05	140,000
2015	3.90	205,000	4.15	105,000	4.10	145,000
2016	4.00	210,000	-	-	4.20	150,000
2017	4.10	220,000	-	-	4.30	155,000
2018	4.20	230,000	-	-	-	-
2019	4.30	245,000	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
Total		<u>\$ 2,870,000</u>		<u>\$ 495,000</u>		<u>\$ 1,095,000</u>

Year Ending June 30,	Revenue Bonds/Notes					
	Childhood Center		Road Use Tax		Urban Renewal TIF	
	Issued Jul 1, 2001		Issued May 1, 2004		Issued Aug 15, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	5.20%	\$ 15,000	3.80%	\$ 25,000	3.50%	\$ 75,000
2011	5.25-5.30	15,000	4.00	25,000	3.60	80,000
2012	5.35	20,000	4.20	25,000	3.70	80,000
2013	5.40	20,000	4.35	25,000	3.80	85,000
2014	5.45	20,000	4.50	30,000	3.90	90,000
2015	5.50	25,000	4.65	30,000	4.00	90,000
2016	5.55	25,000	4.80	30,000	4.10	95,000
2017	5.55-5.60	25,000	4.95	30,000	4.15	100,000
2018	5.60	25,000	5.10	35,000	4.25	105,000
2019	5.65	25,000	5.20	35,000	4.35	110,000
2020	5.65-5.70	25,000	-	-	4.45	110,000
2021	5.70	20,000	-	-	-	-
Total		<u>\$ 260,000</u>		<u>\$ 290,000</u>		<u>\$ 1,020,000</u>

See accompanying independent auditor's report.

Local Option Sales Tax		Street Improvement		Corporate Purpose		Street Improvement		Total
Issued May 15, 2006		Issued Oct 1, 2006		Issued Mar 15, 2008		Issued Mar 15, 2008		
Interest Rates		Interest Rates		Interest Rates		Interest Rates		
Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
3.90%	\$ 100,000	3.80%	\$ 60,000	3.75%	\$ 45,000	3.00%	\$ 20,000	705,000
3.95	100,000	3.85	65,000	4.00	45,000	3.15	25,000	785,000
4.00	105,000	3.90	65,000	4.30	45,000	3.30	25,000	810,000
4.10	110,000	3.95	70,000	4.55	50,000	3.40	25,000	840,000
4.15	115,000	4.00	55,000	4.80	50,000	3.55	25,000	855,000
4.20	120,000	4.05	70,000	5.05	55,000	3.70	25,000	725,000
4.30	125,000	4.10	95,000	5.30	55,000	3.85	25,000	660,000
4.35	130,000	4.15	95,000	5.50	60,000	4.00	30,000	690,000
4.40	135,000		-	5.65	65,000	4.05	30,000	460,000
4.45	140,000		-	5.80	65,000	4.10	30,000	480,000
4.50	145,000		-	5.90	70,000	4.15	30,000	245,000
4.55	155,000		-	6.00	75,000	4.20	30,000	260,000
	-		-	6.00	80,000	4.25	35,000	115,000
	-		-	6.00	85,000	4.30	35,000	120,000
	<u>\$ 1,480,000</u>		<u>\$ 575,000</u>		<u>\$ 845,000</u>		<u>\$ 390,000</u>	<u>7,750,000</u>

Total

115,000

120,000

125,000

130,000

140,000

145,000

150,000

155,000

165,000

170,000

135,000

20,000

1,570,000

City of Denison

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

For the Last Seven Years

	2009	2008	2007	2006
Receipts:				
Property tax	2,246,204	2,148,752	2,187,386	2,073,291
Tax increment financing	738,227	662,631	494,404	425,836
Other city tax	659,497	674,898	607,044	646,521
Licenses and permits	66,412	69,214	65,521	37,570
Use of money and property	181,905	210,635	248,607	128,376
Intergovernmental	1,433,805	1,323,886	2,380,969	1,210,342
Charges for service	455,166	265,759	273,638	212,371
Special assessments	29,668	37,920	63,745	111,173
Miscellaneous	478,667	492,595	405,886	636,182
Total	\$ 6,289,551	5,886,290	6,727,200	5,481,662
Disbursements:				
Operating:				
Public safety	\$ 1,368,729	1,368,015	1,384,149	1,269,071
Public works	1,280,531	1,051,195	1,092,494	916,930
Health and social services	7,877	9,105	7,665	10,398
Culture and recreation	914,219	809,028	862,449	592,860
Community and economic development	293,880	217,581	346,308	227,392
General government	716,396	806,279	661,247	900,186
Debt service	1,226,574	1,315,254	1,681,161	1,242,378
Capital projects	1,137,105	1,118,990	2,291,216	5,682,712
Total	\$ 6,945,311	6,695,447	8,326,689	10,841,927

See accompanying independent auditor's report.

2005	2004	2003
2,087,521	2,135,128	1,854,448
417,671	319,292	519,558
604,991	532,164	523,997
46,149	31,199	32,810
77,770	68,661	47,347
1,413,492	1,349,715	1,109,095
197,352	235,334	411,741
23,287	156,734	-
612,662	537,069	176,427
5,480,895	5,365,296	4,675,423

1,216,268	1,212,053	1,231,143
802,145	863,252	855,477
6,406	9,489	11,392
521,236	543,157	540,320
246,706	209,126	76,026
887,499	478,426	544,350
850,961	638,433	495,734
3,133,687	3,690,442	859,204
7,664,908	7,644,378	4,613,646

City of Denison



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 7, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Denison's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Denison's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Denison's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Denison's financial statements that is more than inconsequential will not be prevented or detected by the City of Denison's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Denison's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above reported as item (A) 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, 2009 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.

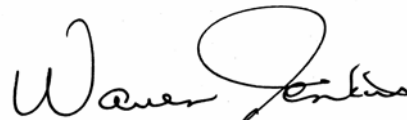
The City of Denison's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's response, we did not audit the City of Denison's response and, accordingly, we express no opinion on it.

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

October 7, 2009

City of Denison

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Financial Reporting – We identified a material amount of receipts improperly posted to the Enterprise, Solid Waste Fund rather than the General Fund. An adjustment was subsequently made to the City’s financial statements to properly record the transaction.

Recommendation – The City should ensure receipts are properly recorded in the financial statements.

Response – A transfer will be done to correct the transaction. We will review the receipts more closely to ensure receipts are properly recorded.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Denison

Schedule of Findings

Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the debt service 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This occurred after June 1, 2009 so it was too late in the fiscal year to do a budget amendment. We will monitor this more closely in the future.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Nancy McKinnon, wife of Fire Chief, owner of NRFM	Cleaning	\$ 1,080
Eric Skoog, Council Member, owner of Cronk’s	Purchases	120

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Fire Chief’s wife and the Council Member do not appear to represent conflicts of interest since the total transactions with each individual were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds/Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

City of Denison

Schedule of Findings

Year ended June 30, 2009

- (9) Financial Condition – The Special Revenue, Trees Forever Fund and the Capital Projects Fund had deficit balances of \$547 and \$516,945, respectively, at June 30, 2009.

Recommendation – The City should evaluate the reasons for the deficits and investigate alternatives to eliminate the deficits in order to return the funds to a sound financial position.

Response – The City issued bonds in July 2009 and the proceeds will eliminate the deficit in the Capital Projects Fund. The deficit in Trees Forever Fund should be eliminated during fiscal 2010.

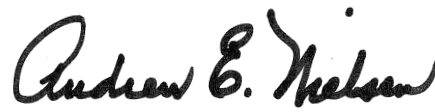
Conclusion – Response accepted.

City of Denison

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Nancy F. Curtis, CPA, CGFM, Senior Auditor II
Brett C. Conner, Staff Auditor
Justin M. Scherrman, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State