



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

January 22, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Denison, Iowa.

The City's receipts totaled \$8,549,957 for the year ended June 30, 2014, a 27% decrease from the prior year. The receipts included \$3,130,848 in property tax, \$879,459 from tax increment financing, \$1,229,270 from charges for service, \$1,260,474 from operating grants, contributions and restricted interest, \$772,839 from capital grants, contributions and restricted interest, \$140,000 from note proceeds, \$714,213 from local option sales tax, \$110,855 from hotel/motel tax, \$242,350 from grants and contributions not restricted to specific purpose, \$1,463 from unrestricted interest on investments and \$68,186 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$10,143,149, an 11% decrease from the prior year, and included \$2,664,725 for capital projects, \$2,117,390 for public safety, \$1,645,746 for debt service and \$1,190,600 for public works. Disbursements for business type activities totaled \$400,170.

The significant decrease in receipts and disbursements is due primarily to the receipt of general obligation bond proceeds and the related disbursements to an escrow agent to refund bonds and notes in fiscal year 2013.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1420-0220-B00F.pdf>.

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

JUNE 30, 2014

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City of Denison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Dennis Fineran	Mayor	Jan 2014
Dan Leinen (Appointed)	Mayor Pro tem	Nov 2013
Gordon Hough	Council Member	Jan 2014
Pedro Rodriguez	Council Member	Jan 2014
Daniel Ahart	Council Member	Jan 2016
Nathan Mahrt	Council Member	Jan 2016
Terry Crawford	City Manager	Indefinite
Lisa Koch	City Clerk	Indefinite
Rick Franck	Attorney	Indefinite
(After January 2014)		
Brad Bonner	Mayor	Jan 2016
Dan Leinen	Mayor Pro tem	Jan 2018
Daniel Ahart	Council Member	Jan 2016
Nathan Mahrt	Council Member	Jan 2016
Rachel Desy	Council Member	Jan 2018
Pedro Rodriguez	Council Member	Jan 2018
Terry Crawford	City Manager	Indefinite
Lisa Koch	City 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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Denison as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denison as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denison's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Denison Municipal Utilities. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 13 and 32 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2014 on our consideration of the City of Denison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Denison's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 18, 2014

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 27.9%, or approximately \$3,133,000, from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest decreased approximately \$469,000 and note/bond proceeds decreased approximately \$3,120,000.
- Disbursements for governmental activities decreased 11.5%, or approximately \$1,261,000, from fiscal year 2013. Public safety, capital projects and the payment to the refunding bond agent to retire debt disbursements decreased approximately \$251,000, \$41,000 and \$1,011,000, respectively.
- The City's total cash basis net position decreased 39.4%, or approximately \$1,592,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,560,000 and the cash basis net position of the business type activities decreased approximately \$32,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include solid waste services. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Local Option Sales Tax, Urban Renewal Tax Increment and Denison Foundation, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

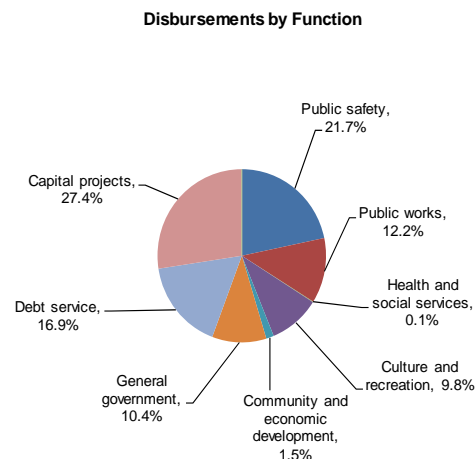
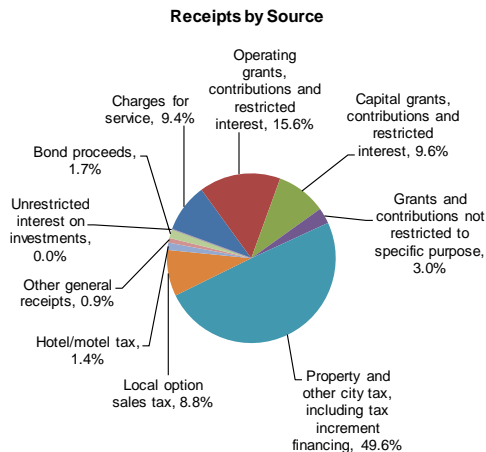
2) The proprietary fund accounts for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Solid Waste Fund, which is considered to be a major fund of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from approximately \$3.92 million to approximately \$2.36 million. The following analysis focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 762	770
Operating grants, contributions and restricted interest	1,261	1,125
Capital grants, contributions and restricted interest	773	1,242
General receipts:		
Property and other city tax, including tax increment financing	4,010	3,733
Local option sales tax	714	683
Hotel/motel tax	111	108
Grants and contributions not restricted to specific purpose	242	239
Unrestricted interest on investments	2	1
Note/bond proceeds	140	3,260
Other general receipts	68	55
Total receipts	8,083	11,216
Disbursements:		
Public safety	2,117	2,368
Public works	1,191	1,114
Health and social services	8	8
Culture and recreation	950	925
Community and economic development	149	326
General government	1,017	953
Debt service	1,646	1,593
Capital projects	2,665	2,706
Payment to refunding bond agent to refund bonds and notes	-	1,011
Total disbursements	9,743	11,004
Change in cash basis net position before transfers	(1,660)	212
Transfers, net	100	-
Change in cash basis net position	(1,560)	212
Cash basis net position beginning of year	3,922	3,710
Cash basis net position end of year	\$ 2,362	3,922



The City's total receipts for governmental activities decreased 27.9%, or approximately \$3,133,000. The total cost of all programs and services decreased approximately \$1,261,000, or 11.5%, with no new programs added this year. The significant decrease in receipts and disbursements is primarily due to the receipt of capital grants and bond proceeds and the related disbursements and payments to a refunding bond escrow agent to refund certain bonds and notes in fiscal year 2013.

The City's property tax rates for fiscal year 2014 were similar to fiscal year 2013. The tax rates, in conjunction with an increase in assessed valuation, increased the City's property tax receipts, other than tax increment financing, approximately \$153,000 in fiscal year 2014. Property tax receipts are budgeted to increase approximately \$118,000 next year.

The cost of all governmental activities this year was approximately \$9.7 million compared to approximately \$11 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$6.948 million because some of the cost was paid by those directly benefited from the programs (approximately \$762,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,034,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5.287 million in tax (some of which could only be used for certain programs) and other receipts, such as interest, bond proceeds and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 468	465
Disbursements:		
Solid waste	400	401
Change in cash basis net position before transfers	68	64
Transfers, net	(100)	-
Change in cash basis net position	(32)	64
Cash basis net position beginning of year	114	50
Cash basis net position end of year	\$ 82	114

Total business type activities receipts for the fiscal year were approximately \$468,000 compared to approximately \$465,000 last year. Total disbursements for the fiscal year decreased slightly from the prior year to approximately \$400,000. The cash balance decreased approximately \$32,000 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 \$2,361,851, a decrease of \$1,560,560 from last year's total of \$3,922,411. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased approximately \$51,000 over the prior year to \$563,087. Property tax receipts increased approximately \$82,000 in fiscal year 2014 as a result of an increase in assessed valuation.

- The Special Revenue, Road Use Tax Fund cash balance decreased approximately \$22,000 to \$608,977. Disbursements increased 21.8%, or approximately \$136,000, which was due to a street repair in fiscal year 2014.
- The Special Revenue, Employee Benefits Fund cash balance decreased approximately \$10,000 to \$637,098. This was primarily due an excess of disbursements and transfers over receipts.
- The Special Revenue, Local Option Sales Tax Fund was established to account for special sales tax collected. At the end of the fiscal year, the cash balance was \$199,399, an increase of \$22,619 over the end of the previous fiscal year. Receipts increased 4.5%, or approximately \$31,000, during the fiscal year. Disbursements from the Local Option Sales Tax Fund decreased approximately \$18,000 and net transfers increased approximately \$125,000.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$14,218 to \$16,604. Transfers out increased approximately \$160,000 over the previous year due to increases in transfers to the Debt Service Fund and receipts increased approximately \$125,000 due to more funds required to make debt payments.
- The Special Revenue, Denison Foundation Fund cash balance increased \$5 to \$46,095. Receipts of \$5 were the only activity the fund had in fiscal year 2014.
- The Debt Service Fund cash balance decreased \$89,129 to \$8,495. Receipts and transfers decreased 2.6% and disbursements increased 3.2%.
- The Capital Projects Fund cash balance decreased \$1,504,598 to \$122,103. The decrease was due primarily to disbursements related to the 2012 South Main Project, which was financed through bond proceeds and grants.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Solid Waste Fund cash balance decreased \$32,632 to \$81,541 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on October 15, 2013 for \$1,117,833 to provide for additional disbursements for capital projects. The City had sufficient cash balances to absorb these additional costs, as it had unspent bond proceeds. The second amendment was approved on May 20, 2014 for \$121,460 to provide for additional disbursements in certain City departments and a reduction in others. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$322,023 more than the amended budget. This was primarily due to the City receiving approximately \$301,000 more than budgeted for miscellaneous receipts.

Total disbursements were \$1,088,013 less than the amended budget. Actual disbursements for the capital projects and community and economic development functions were \$441,158 and \$194,920, respectively, less than the amended budget due to the postponed status of capital projects and the timing of payments to contractors.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$9,741,000 of bonds and notes outstanding, compared to \$11,005,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2014	2013
General obligation bonds and notes	\$ 9,280	10,625
Revenue notes	330	380
General Fund fire training facility note	131	-
Total	\$ 9,741	11,005

During the year, the City issued a \$140,000 General Fund fire training facility note through a bank loan agreement.

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 bonds and notes and the General Fund fire training facility note totaling \$9,411,000 is below its constitutional debt limit of approximately \$14,829,000.

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 2015 budget, tax rates and fees charged for various City activities. One of these factors is the increase in property valuations used to calculate tax askings and the decrease in levy rates. The total tax asking increased \$118,000 overall due to property valuations for fiscal year 2015 increasing approximately \$5,200,000 and the overall tax rate staying approximately the same.

These factors were taken into account when adopting the budget for fiscal year 2015. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to increase approximately \$88,000 over the final amended fiscal year 2014 budget. The increase is due primarily to an increase in the amount budgeted for public works.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$1,068,000 by the close of fiscal year 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Koch, City Clerk, 111 North Main Street, City of Denison, Iowa 51442-0668.

City of Denison

Basic Financial Statements

City of Denison

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 2,117,390	97,224	114,643	-
Public works	1,190,600	243,837	835,545	-
Health and social services	8,426	-	-	-
Culture and recreation	950,481	344,906	53,133	-
Community and economic development	149,030	589	9,589	-
General government	1,016,581	75,176	9,481	-
Debt service	1,645,746	-	31,492	-
Capital projects	2,664,725	-	206,591	772,839
Total governmental activities	9,742,979	761,732	1,260,474	772,839
Business type activities:				
Solid waste	400,170	467,538	-	-
Total Primary Government	\$ 10,143,149	1,229,270	1,260,474	772,839
Component Units:				
Denison Library Friends	\$ 1,753	-	4,224	-
Denison Volunteer Firefighters Association	30,108	-	29,582	-
Total Component Units	\$ 31,861	-	33,806	-
General Receipt and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purpose				
Urban renewal				
Community and economic development				
Culture, recreation and tourism				
Law enforcement				
Library gifts and memorials				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units	
Governmental Activities	Business Type Activities	Total	Denison Library Friends	Denison Volunteer Firefighters Association
(1,905,523)	-	(1,905,523)		
(111,218)	-	(111,218)		
(8,426)	-	(8,426)		
(552,442)	-	(552,442)		
(138,852)	-	(138,852)		
(931,924)	-	(931,924)		
(1,614,254)	-	(1,614,254)		
(1,685,295)	-	(1,685,295)		
(6,947,934)	-	(6,947,934)		
-	67,368	67,368		
(6,947,934)	67,368	(6,880,566)		
			2,470	-
			-	(526)
			2,470	(526)
\$ 2,574,436	-	2,574,436	-	-
556,412	-	556,412	-	-
879,459	-	879,459	-	-
714,213	-	714,213	-	-
110,855	-	110,855	-	-
242,350	-	242,350	-	-
1,463	-	1,463	-	4,127
140,000	-	140,000	-	-
68,186	-	68,186	-	-
100,000	(100,000)	-	-	-
5,387,374	(100,000)	5,287,374	-	4,127
(1,560,560)	(32,632)	(1,593,192)	2,470	3,601
3,922,411	114,173	4,036,584	59,144	176,984
\$ 2,361,851	81,541	2,443,392	61,614	180,585
\$ 51,078	-	51,078	-	-
566,394	-	566,394	-	-
702,704	-	702,704	-	-
122,103	-	122,103	-	-
199,399	-	199,399	-	-
16,604	-	16,604	-	-
46,095	-	46,095	-	-
16,889	-	16,889	-	-
12,736	-	12,736	-	-
82,999	-	82,999	-	-
202,809	-	202,809	-	115,978
342,041	81,541	423,582	61,614	64,607
\$ 2,361,851	81,541	2,443,392	61,614	180,585

City of Denison

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

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,728,635		834,052	-
Tax increment financing	-	-	-	-
Other city tax	118,833	-	3,771	714,213
Licenses and permits	84,377	-	-	-
Use of money and property	230,921	-	-	8
Intergovernmental	396,317	828,586	-	-
Charges for service	365,864	-	-	-
Special assessments	-	-	-	-
Miscellaneous	129,637	-	43,136	-
Total receipts	3,054,584	828,586	880,959	714,221
Disbursements:				
Operating:				
Public safety	1,666,611	-	450,779	-
Public works	265,636	719,091	170,473	35,400
Health and social services	7,770	-	656	-
Culture and recreation	786,059	-	145,653	13,065
Community and economic development	112,981	-	-	30,000
General government	883,035	-	93,019	40,527
Debt service	-	39,775	-	-
Capital projects	-	-	-	-
Total disbursements	3,722,092	758,866	860,580	118,992
Excess (deficiency) of receipts over (under) disbursements	(667,508)	69,720	20,379	595,229
Other financing sources (uses):				
Note proceeds	140,000	-	-	-
Transfers in	595,000	-	-	16,290
Transfers out	(16,290)	(91,670)	(30,000)	(588,900)
Total other financing sources (uses)	718,710	(91,670)	(30,000)	(572,610)
Change in cash balances	51,202	(21,950)	(9,621)	22,619
Cash balances beginning of year	511,885	630,927	646,719	176,780
Cash balances end of year	\$ 563,087	608,977	637,098	199,399
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	42,583	-	-
Streets	-	566,394	-	-
Employee benefits	65,606	-	637,098	-
Capital projects	-	-	-	-
Infrastructure or other city purpose	-	-	-	199,399
Urban renewal	-	-	-	-
Community and economic development	-	-	-	-
Culture, recreation and tourism	16,889	-	-	-
Law enforcement	12,736	-	-	-
Library gifts and memorials	82,999	-	-	-
Other purposes	42,816	-	-	-
Assigned for:				
Fire station	61,434	-	-	-
Capital equipment and improvements	273,083	-	-	-
Culture, recreation and tourism	7,524	-	-	-
Total cash basis fund balances	\$ 563,087	608,977	637,098	199,399

See notes to financial statements.

Urban Renewal Tax Increment	Denison Foundation	Debt Service	Capital Projects	Nonmajor	Total
-	-	554,226	-	-	3,116,913
879,459	-	-	-	-	879,459
-	-	2,186	-	-	839,003
-	-	-	-	-	84,377
388	5	450	697	281	232,750
-	-	-	754,732	7,639	1,987,274
-	-	-	-	-	365,864
-	-	-	17,357	-	17,357
-	-	30,345	207,341	8,963	419,422
879,847	5	587,207	980,127	16,883	7,942,419
-	-	-	-	-	2,117,390
-	-	-	-	-	1,190,600
-	-	-	-	-	8,426
-	-	-	-	5,704	950,481
-	-	-	-	6,049	149,030
-	-	-	-	-	1,016,581
-	-	1,605,971	-	-	1,645,746
-	-	-	2,664,725	-	2,664,725
-	-	1,605,971	2,664,725	11,753	9,742,979
879,847	5	(1,018,764)	(1,684,598)	5,130	(1,800,560)
-	-	-	-	-	140,000
-	-	929,635	180,000	-	1,720,925
(894,065)	-	-	-	-	(1,620,925)
(894,065)	-	929,635	180,000	-	240,000
(14,218)	5	(89,129)	(1,504,598)	5,130	(1,560,560)
30,822	46,090	97,624	1,626,701	154,863	3,922,411
16,604	46,095	8,495	122,103	159,993	2,361,851
-	-	8,495	-	-	51,078
-	-	-	-	-	566,394
-	-	-	-	-	702,704
-	-	-	122,103	-	122,103
-	-	-	-	-	199,399
16,604	-	-	-	-	16,604
-	46,095	-	-	-	46,095
-	-	-	-	-	16,889
-	-	-	-	-	12,736
-	-	-	-	-	82,999
-	-	-	-	159,993	202,809
-	-	-	-	-	61,434
-	-	-	-	-	273,083
-	-	-	-	-	7,524
16,604	46,095	8,495	122,103	159,993	2,361,851

City of Denison

City of Denison

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

As of and for the year ended June 30, 2014

	Enterprise Solid Waste
Operating receipts:	
Charges for service	\$ 467,538
Operating disbursements:	
Business type activities	400,170
Excess of operating receipts over operating disbursements	67,368
Transfers out	(100,000)
Change in cash balance	(32,632)
Cash balance beginning of year	114,173
Cash balance end of year	\$ 81,541
Cash Basis Fund Balance	
Unrestricted	\$ 81,541

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Denison is a political subdivision of the State of Iowa located in Crawford County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Denison has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Denison (the primary government) and its component units. The financial statements do not include financial data for the Denison Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit

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

Discretely Presented Component Units

Denison Library Friends, Inc. (Friends) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Denison Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit

which should be discretely presented. Based on these criteria, the economic resources received or held by Friends are substantially for the direct benefit of the City of Denison Library.

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

Excluded Component Unit

The Denison Municipal Utilities was established under Chapter 388 of the Code of Iowa to operate the City's municipal utilities. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utilities were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Denison Municipal Utilities, W. Broadway & 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 Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

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

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

The City also reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable,

accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 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 \$1,205,528 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		General Fund Fire Training Facility Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2015	\$ 1,375,000	192,173	55,000	17,109	9,000	4,265	1,439,000
2016	1,325,000	169,125	55,000	14,336	9,000	4,153	1,389,000	187,614
2017	1,345,000	146,338	55,000	11,508	9,000	3,995	1,409,000	161,841
2018	1,120,000	121,472	60,000	8,626	9,000	3,815	1,189,000	133,913
2019	1,065,000	98,928	60,000	5,438	10,000	3,590	1,135,000	107,956
2020-2024	3,050,000	218,752	45,000	3,061	51,000	13,100	3,146,000	234,913
2025-2027	-	-	-	-	34,000	3,022	34,000	3,022
Total	\$ 9,280,000	946,788	330,000	60,078	131,000	35,940	9,741,000	1,042,806

During the year ended June 30, 2014, the City retired \$1,345,000 of general obligation bonds and notes, \$50,000 of revenue notes and \$9,000 of General Fund fire training facility notes.

Childhood Center Revenue Notes

On July 1, 2001, the City entered into a revenue note agreement with United Bank of Iowa in Ida Grove to borrow \$350,000 to construct a building to be leased to the Crawford County Early Childhood Center (Childhood Center). The notes are payable through 2021 solely from revenues received by the City from the Childhood Center pursuant to a lease. Annual principal and interest payments on the notes will require 100% of the lease payments. The total principal and interest remaining to be paid on the notes is \$205,108. For the current year, principal and interest paid and receipts from the Childhood Center were \$30,345 and \$30,345, respectively. The resolution providing for the issuance of the revenue notes includes the following provisions:

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

During the year ended June 30, 2014, the City was in compliance with the note provisions.

Road Use Tax Revenue Notes

On May 1, 2004, the City entered into a revenue note agreement with Ruan Securities Corporation to borrow \$395,000 to purchase equipment for the street department and street improvement projects. The notes are payable solely from road use tax funds received from the State of Iowa and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 5% of road use tax receipts. The total principal and interest remaining to be paid on the notes is \$184,970. For the current year, principal and interest paid and road use tax receipts were \$39,275 and \$828,586, respectively. The resolution providing for the issuance of the revenue notes includes the following provisions:

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

During the year ended June 30, 2014, the City was in compliance with the note provisions.

Loan Agreement

On January 31, 2014, the City entered into a loan agreement for a General Fund fire training facility note to borrow \$140,000 to construct a fire training facility. The loan bears interest at rates ranging from 0.75% to 4.50% per annum and matures in varying annual amounts ranging from \$9,000 to \$12,000, with a final maturity date of June 1, 2027. The loan will be repaid from the General Fund 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 regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$179,897, \$169,675 and \$151,028, respectively, equal to the required contributions for each year.

(5) Compensated Absences

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

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory leave and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 31,000
Compensatory leave	21,000
Sick leave	<u>9,000</u>
Total	<u>\$ 61,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 30,000
	Local Option Sales Tax	465,000
	Enterprise:	
	Solid Waste	<u>100,000</u>
		<u>595,000</u>
Special Revenue:		
Local Option Sales Tax	General	<u>16,290</u>
Debt Service	Special Revenue:	
	Road Use Tax	91,670
	Local Option Sales Tax	93,900
	Urban Renewal Tax Increment	<u>744,065</u>
		<u>929,635</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	30,000
	Urban Renewal Tax Increment	<u>150,000</u>
		<u>180,000</u>
Total		<u>\$ 1,720,925</u>

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

(7) Risk Management

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

The City self funds dental coverage for its employees. The plan is funded by the City and is administered by Employee Benefit Systems. The agreement is subject to automatic renewal. The City provides annual coverage up to \$2,000 per individual. Monthly payments of administrative services fees and claims are paid from the City's General Fund. During the year ended June 30, 2014, the City transferred \$30,000 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

(8) Subsequent Event

In September 2014, the City issued \$1,830,000 of general obligation corporate purpose bonds for various construction projects.

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

City of Denison

Other Information

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

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 3,116,913	-	3,116,913
Tax increment financing	879,459	-	879,459
Other city tax	839,003	-	839,003
Licenses and permits	84,377	-	84,377
Use of money and property	232,750	-	232,750
Intergovernmental	1,987,274	-	1,987,274
Charges for service	365,864	467,538	833,402
Special assessments	17,357	-	17,357
Miscellaneous	419,422	-	419,422
Total receipts	<u>7,942,419</u>	<u>467,538</u>	<u>8,409,957</u>
Disbursements:			
Public safety	2,117,390	-	2,117,390
Public works	1,190,600	-	1,190,600
Health and social services	8,426	-	8,426
Culture and recreation	950,481	-	950,481
Community and economic development	149,030	-	149,030
General government	1,016,581	-	1,016,581
Debt service	1,645,746	-	1,645,746
Capital projects	2,664,725	-	2,664,725
Business type activities	-	400,170	400,170
Total disbursements	<u>9,742,979</u>	<u>400,170</u>	<u>10,143,149</u>
Excess (deficiency) of receipts over (under) disbursements	(1,800,560)	67,368	(1,733,192)
Other financing sources (uses), net	240,000	(100,000)	140,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,560,560)	(32,632)	(1,593,192)
Balances beginning of year	3,922,411	114,173	4,036,584
Balances end of year	<u>\$ 2,361,851</u>	<u>81,541</u>	<u>2,443,392</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
3,110,448	3,110,448	6,465
894,065	894,065	(14,606)
857,164	857,164	(18,161)
41,600	41,600	42,777
213,867	213,867	18,883
2,168,010	1,993,460	(6,186)
838,730	838,730	(5,328)
20,000	20,000	(2,643)
118,600	118,600	300,822
<u>8,262,484</u>	<u>8,087,934</u>	<u>322,023</u>
2,187,299	2,187,299	69,909
1,225,413	1,281,923	91,323
8,930	8,930	504
1,052,482	1,076,482	126,001
337,500	343,950	194,920
1,105,468	1,172,268	155,687
1,648,702	1,648,702	2,956
2,020,350	3,105,883	441,158
405,725	405,725	5,555
<u>9,991,869</u>	<u>11,231,162</u>	<u>1,088,013</u>
(1,729,385)	(3,143,228)	1,410,036
962,490	362,490	(222,490)
(766,895)	(2,780,738)	1,187,546
3,334,697	3,334,697	701,887
<u>2,567,802</u>	<u>553,959</u>	<u>1,889,433</u>

City of Denison

Notes to Other Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,239,293. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

Supplementary Information

City of Denison

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

As of and for the year ended June 30, 2014

				Special	
	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust	Memorial Gardens
Receipts:					
Use of money and property	\$ -	281	-	-	-
Intergovernmental	-	-	2,500	-	-
Miscellaneous	4,950	1	-	2,935	-
Total receipts	4,950	282	2,500	2,935	-
Disbursements:					
Operating:					
Culture and recreation	-	5,479	-	-	-
Community and economic development	6,049	-	-	-	-
Total disbursements	6,049	5,479	-	-	-
Change in cash balances	(1,099)	(5,197)	2,500	2,935	-
Cash balances beginning of year	2,599	107,583	26,380	14,791	620
Cash balances end of year	\$ 1,500	102,386	28,880	17,726	620
Cash Basis Fund Balances					
Restricted for other purposes	\$ 1,500	102,386	28,880	17,726	620

See accompanying independent auditor's report.

Revenue					
Boulders Center Trust	Johnson Park Bridge	Tuckers Park	Dog Park	Total	
-	-	-	-	281	
-	-	-	5,139	7,639	
-	-	-	1,077	8,963	
-	-	-	6,216	16,883	
-	-	-	225	5,704	
-	-	-	-	6,049	
-	-	-	225	11,753	
-	-	-	5,991	5,130	
1,493	914	374	109	154,863	
1,493	914	374	6,100	159,993	
1,493	914	374	6,100	159,993	

City of Denison
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Local option sales tax	May 15, 2006	3.80-4.55 %	\$ 1,700,000
Corporate purpose	Mar 15, 2008	3.50-6.00	880,000
Street improvement	Mar 15, 2008	2.85-4.30	405,000
Corporate purpose - refunding	Jul 1, 2009	1.10-3.50	1,435,000
Refunding	Oct 1, 2010	2.00-2.40	4,090,000
Corporate purpose	Nov 30, 2011	0.50-2.75	2,665,000
Corporate purpose - refunding	Mar 21, 2013	0.45-1.95	3,310,000
Total			
Revenue notes:			
Childhood center	Jul 1, 2001	4.75-5.70 %	\$ 350,000
Road use tax	May 1, 2004	2.05-5.20	395,000
Total			
Loan agreement:			
General Fund fire training facility note	Jan 31, 2014	0.75-4.50 %	\$ 140,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
115,000	-	115,000	-	4,772
660,000	-	50,000	610,000	37,365
295,000	-	25,000	270,000	11,917
705,000	-	175,000	530,000	20,100
3,060,000	-	705,000	2,355,000	63,040
2,480,000	-	210,000	2,270,000	44,753
3,310,000	-	65,000	3,245,000	45,679
\$ 10,625,000	-	1,345,000	9,280,000	227,626
190,000	-	20,000	170,000	10,345
190,000	-	30,000	160,000	9,275
\$ 380,000	-	50,000	330,000	19,620
-	140,000	9,000	131,000	1,444

City of Denison

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation					
	Corporate Purpose		Street Improvement		Corporate Purpose and Refunding	
	Issued Mar 15, 2008		Issued Mar 15, 2008		Issued July 1, 2009	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	5.05%	\$ 55,000	3.70%	\$ 25,000	2.60%	\$ 180,000
2016	5.30	55,000	3.85	25,000	2.90	85,000
2017	5.50	60,000	4.00	30,000	3.10	85,000
2018	5.65	65,000	4.05	30,000	3.30	90,000
2019	5.80	65,000	4.10	30,000	3.50	90,000
2020	5.90	70,000	4.15	30,000		-
2021	6.00	75,000	4.20	30,000		-
2022	6.00	80,000	4.25	35,000		-
2023	6.00	85,000	4.30	35,000		-
2024		-		-		-
Total		<u>\$ 610,000</u>		<u>\$ 270,000</u>		<u>\$ 530,000</u>

Year Ending June 30,	Revenue Notes				
	Childhood Center		Road Use Tax		Total
	Issued Jul 1, 2001		Issued May 1, 2004		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2015	5.50%	\$ 25,000	4.65%	\$ 30,000	55,000
2016	5.55	25,000	4.80	30,000	55,000
2017	5.55-5.60	25,000	4.95	30,000	55,000
2018	5.60	25,000	5.10	35,000	60,000
2019	5.65	25,000	5.20	35,000	60,000
2020	5.65-5.70	25,000		-	25,000
2021	5.70	20,000		-	20,000
Total		<u>\$ 170,000</u>		<u>\$ 160,000</u>	<u>330,000</u>

See accompanying independent auditor's report.

Bonds and Notes							
Refunding		Corporate Purpose		Corporate Purpose and Refunding			
Issued Oct 1, 2010		Issued Nov 30, 2011		Issued Mar 21, 2013			
Interest		Interest		Interest		Total	
Rates	Amount	Rates	Amount	Rates	Amount		
2.00%	\$ 550,000	0.90%	\$ 210,000	0.50%	\$ 355,000	1,375,000	
2.00	580,000	1.15	215,000	0.65	365,000	1,325,000	
2.00	590,000	1.40	215,000	0.80	365,000	1,345,000	
2.20	350,000	1.60	220,000	0.95	365,000	1,120,000	
2.40	285,000	1.80	225,000	1.15	370,000	1,065,000	
	-	2.00	225,000	1.35	380,000	705,000	
	-	2.20	230,000	1.55	380,000	715,000	
	-	2.40	235,000	1.70	235,000	585,000	
	-	2.60	245,000	1.85	240,000	605,000	
	-	2.75	250,000	1.95	190,000	440,000	
	<u>\$ 2,355,000</u>		<u>\$ 2,270,000</u>		<u>\$ 3,245,000</u>	<u>9,280,000</u>	

Year Ending June 30,	General Fund Fire Training Facility Note	
	Issued Jan 31, 2014	
	Interest Rates	Amount
2015	1.25%	\$ 9,000
2016	1.75	9,000
2017	2.00	9,000
2018	2.50	9,000
2019	3.00	10,000
2020	3.25	10,000
2021	3.25	10,000
2022	3.50	10,000
2023	3.75	10,000
2024	4.00	11,000
2025	4.25	11,000
2026	4.25	11,000
2027	4.50	12,000
Total		<u>\$ 131,000</u>

City of Denison

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

For the Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 3,116,913	2,964,959	2,823,792	2,787,553
Tax increment financing	879,459	754,556	897,081	600,561
Other city tax	839,003	804,865	766,713	806,600
Licenses and permits	84,377	69,174	87,060	87,219
Use of money and property	232,750	210,648	199,774	180,106
Intergovernmental	1,987,274	2,367,130	1,277,185	1,757,978
Charges for service	365,864	392,947	371,953	259,883
Special assessments	17,357	20,528	29,464	27,494
Miscellaneous	419,422	371,382	460,170	307,222
Total	\$ 7,942,419	7,956,189	6,913,192	6,814,616
Disbursements:				
Operating:				
Public safety	\$ 2,117,390	2,368,217	1,970,353	1,660,329
Public works	1,190,600	1,114,074	1,323,857	1,004,931
Health and social services	8,426	7,814	6,728	7,585
Culture and recreation	950,481	925,265	974,674	970,454
Community and economic development	149,030	325,577	312,448	163,450
General government	1,016,581	953,436	922,580	1,045,519
Debt service	1,645,746	1,592,617	1,380,095	1,380,420
Capital projects	2,664,725	2,706,366	628,359	771,199
Total	\$ 9,742,979	9,993,366	7,519,094	7,003,887

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
2,444,638	2,246,204	2,148,752	2,187,386	2,073,291	2,087,521
635,143	738,227	662,631	494,404	425,836	417,671
696,400	659,497	674,898	607,044	646,521	604,991
149,016	66,412	69,214	65,521	37,570	46,149
190,225	181,905	210,635	248,607	128,376	77,770
2,022,765	1,433,805	1,323,886	2,380,969	1,210,342	1,413,492
312,204	455,166	265,759	273,638	212,371	197,352
38,968	29,668	37,920	63,745	111,173	23,287
876,060	478,667	492,595	405,886	636,182	612,662
7,365,419	6,289,551	5,886,290	6,727,200	5,481,662	5,480,895
1,495,033	1,368,729	1,368,015	1,384,149	1,269,071	1,216,268
1,300,901	1,280,531	1,051,195	1,092,494	916,930	802,145
8,587	7,877	9,105	7,665	10,398	6,406
879,424	914,219	809,028	862,449	592,860	521,236
222,102	293,880	217,581	346,308	227,392	246,706
793,121	716,396	806,279	661,247	900,186	887,499
1,824,434	1,226,574	1,315,254	1,681,161	1,242,378	850,961
2,340,834	1,137,105	1,118,990	2,291,216	5,682,712	3,133,687
8,864,436	6,945,311	6,695,447	8,326,689	10,841,927	7,664,908

City of Denison



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Mary Mosiman, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2014. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Denison Municipal Utilities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Denison's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Denison's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denison's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Denison's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denison's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Denison's Responses to the Findings


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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 18, 2014

City of Denison
Schedule of Findings
Year ended June 30, 2014

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although multiple individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:
- (1) Accounting system – performing all general accounting functions, including journal entries, and having custody of the City’s assets.
 - (2) Cash – handling petty cash, collecting, reconciling and depositing.
 - (3) Bank reconciliations – preparing and approving accounting records.
 - (4) Investments – investing, recording and custody.
 - (5) Receipts – opening mail, collecting, depositing, recording and daily reconciling.

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

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

Responses:

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

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

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Denison

Schedule of Findings

Year ended June 30, 2014

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted
- (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>
Verlin Koch, Father-in-law of City Clerk, owner of Verlin Plumbing	Plumbing services	\$ 10,214

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

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

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

Conclusion – Response accepted.

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

City of Denison

Schedule of Findings

Year ended June 30, 2014

- (9) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City overstated the amount reported as TIF debt outstanding on the Levy Authority Summary by \$179,128.

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

Response – The overstated amount will be corrected on the report to be filed on or before December 1, 2014.

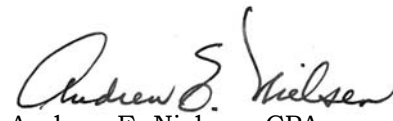
Conclusion – Response accepted.

City of Denison

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Daniel J. Mikels, Staff Auditor
Ryan J. Pithan, Staff Auditor
Chad C. Lynch, Assistant Auditor


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Deputy Auditor of State