



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE _____ November 19, 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 \$13,755,761 for the year ended June 30, 2015, a 60.9% increase over the prior year. The receipts included \$3,218,345 in property tax, \$812,030 from tax increment financing, \$1,230,373 from charges for service, \$1,281,263 from operating grants, contributions and restricted interest, \$725,897 from capital grants, contributions and restricted interest, \$5,218,175 from bond and note proceeds, \$745,066 from local option sales tax, \$115,835 from hotel/motel tax, \$269,413 from grants and contributions not restricted to specific purpose, \$1,743 from unrestricted interest on investments and \$137,621 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$12,530,411, a 23.5% increase over the prior year, and included \$2,955,000 paid to the refunding bond agent, \$1,861,248 for debt service, \$1,880,934 for public safety and \$1,767,534 for capital projects. Disbursements for business type activities totaled \$408,401.

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

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/1520-0220-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, 2015

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City of Denison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Bonner	Mayor	Jan 2016
Dan Leinen	Mayor Pro tem	Jan 2018
Daniel Ahart	Council Member	Jan 2016
Nathan Mahrt	Council Member	Jan 2016
Rachel Desy	Council Member	Jan 2018
Pedro Rodriguez	Council Member	Jan 2018
Terry Crawford	City Manager	Indefinite
Lisa Koch	City Clerk	Indefinite
Rick Franck	Attorney	Indefinite

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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, 2015, 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, 2015, or the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denison as of June 30, 2015, 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.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Denison adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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 two years ended June 30, 2014 (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 seven 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 34 through 41, 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 October 28, 2015 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

October 28, 2015

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 64.4%, or approximately \$5,204,000, from fiscal year 2014 to fiscal year 2015. Bond and note proceeds increased approximately \$5,078,000 and other general receipts increased approximately \$70,000, primarily due to the City receiving approximately \$86,000 of industrial and commercial property tax replacement in fiscal year 2015.
- Disbursements for governmental activities increased 24.4%, or approximately \$2,379,000, over fiscal year 2014. Payment to the refunding bond agent and community and economic development and debt service disbursements increased approximately \$2,955,000, \$282,000 and \$215,000, respectively. Capital projects and public safety disbursements decreased approximately \$897,000 and \$236,000, respectively.
- The City's total cash basis net position increased 50.1%, or approximately \$1,225,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$1,265,000 and the cash basis net position of the business type activities decreased approximately \$40,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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

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.

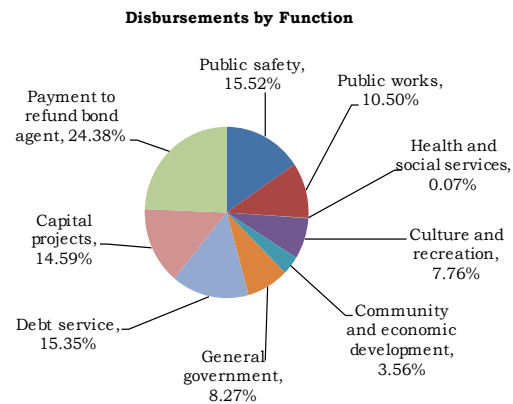
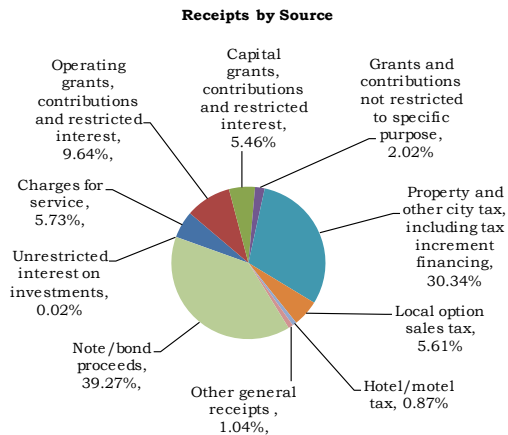
2) The proprietary fund accounts for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Solid Waste Fund, which is considered to be a major fund of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from approximately \$2.36 million to approximately \$3.63 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,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 762	762
Operating grants, contributions and restricted interest	1,281	1,261
Capital grants, contributions and restricted interest	726	773
General receipts:		
Property and other city tax, including tax increment financing	4,030	4,010
Local option sales tax	745	714
Hotel/motel tax	116	111
Grants and contributions not restricted to specific purpose	269	242
Unrestricted interest on investments	2	2
Note /bond proceeds	5,218	140
Other general receipts	138	68
Total receipts	13,287	8,083
Disbursements:		
Public safety	1,881	2,117
Public works	1,273	1,191
Health and social services	9	8
Culture and recreation	941	950
Community and economic development	431	149
General government	1,003	1,017
Debt service	1,861	1,646
Capital projects	1,768	2,665
Payment to refunding bond agent	2,955	-
Total disbursements	12,122	9,743
Change in cash basis net position before transfers	1,165	(1,660)
Transfers, net	100	100
Change in cash basis net position	1,265	(1,560)
Cash basis net position beginning of year	2,362	3,922
Cash basis net position end of year	\$ 3,627	2,362



The City's total receipts for governmental activities increased 64.4%, or approximately \$5,204,000. The total cost of all programs and services increased approximately \$2,379,000, or 24.4%, with no new programs added this year. The significant increase in receipts is primarily due to the receipt of bond and note proceeds and the increase in disbursements is related to the payment to the refunding bond agent for the refunded debt.

The City's total property tax rates for fiscal year 2015 were similar to fiscal year 2014. The tax rates, in conjunction with an increase in assessed valuation, increased the City's property tax receipts, other than tax increment financing, approximately \$5,000 in fiscal year 2015. Property tax receipts are budgeted to increase approximately \$195,000 next year.

The cost of all governmental activities this year was approximately \$12.1 million compared to approximately \$9.7 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 \$6.398 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 \$2,007,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$7.563 million of tax (some of which could only be used for certain programs) and other receipts, such as interest, bond and note proceeds and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 469	468
Disbursements:		
Solid waste	409	400
Change in cash basis net position before transfers	60	68
Transfers, net	(100)	(100)
Change in cash basis net position	(40)	(32)
Cash basis net position beginning of year	82	114
Cash basis net position end of year	\$ 42	82

Total business type activities receipts for the fiscal year were approximately \$469,000 compared to approximately \$468,000 last year. Total disbursements for the fiscal year increased slightly from the prior year to approximately \$409,000. The cash balance decreased approximately \$40,000 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 \$3,626,932, an increase of \$1,265,081 from last year's total of \$2,361,851. 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 \$232,000 over the prior year to \$795,524. Miscellaneous receipts increased approximately \$156,000 in fiscal year 2015. Intergovernmental receipts increased approximately \$110,000,

\$48,000 of which relates to industrial and commercial property tax replacement receipts received for the first time in fiscal year 2015.

- The Special Revenue, Road Use Tax Fund cash balance decreased approximately \$113,000 to \$496,232. \$90,000 was transferred to the Capital Projects Fund during fiscal year 2015 for a street project.
- The Special Revenue, Employee Benefits Fund cash balance decreased approximately \$82,000 to \$554,829. This was primarily due an excess of disbursements and transfers out 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 \$122,959, a decrease of \$76,440 from the end of the previous fiscal year. Receipts increased 4.3%, or approximately \$31,000, during the fiscal year. Disbursements from the Local Option Sales Tax Fund decreased approximately \$12,000 and net transfers increased approximately \$142,000.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$3,868 to \$20,472. Disbursements increased \$250,000 due to the development agreement payment for the Boulder's Inn Development. Receipts decreased approximately \$67,000. Transfers out decreased approximately \$236,000, primarily due to a \$150,000 transfer made in fiscal year 2014 to the Capital Projects Fund for housing projects.
- The Special Revenue, Denison Foundation Fund cash balance decreased \$46,095 to \$0. In June 2015, the City Council voted to dissolve the Foundation. Therefore the balance was used to award various grants at the end of fiscal year 2015.
- The Debt Service Fund cash balance increased \$908 to \$9,403. Property tax increased 23.5%, or approximately \$130,000, as a result of increasing the levy from \$2.75289 per \$1,000 of taxable valuation to \$3.43226 per \$1,000 of taxable valuation. Debt service disbursements also increased 13.5%, or approximately \$217,000. In addition, during the year ended June 30, 2015, the City issued \$2,975,000 of corporate purpose refunding bonds to refund \$2,955,000 of bonds.
- The Capital Projects Fund cash balance increased \$1,349,965 to \$1,472,068. The increase was due primarily to the issuance of bonds and notes during fiscal year 2015 for various projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Solid Waste Fund cash balance decreased \$39,731 to \$41,810 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2015 for \$445,708 to provide for additional disbursements for capital projects, the increase in a development agreement and certain City departments. The City also increased budgeted receipts to recognize reimbursements for some of the increased disbursements and the cash balances would absorb the rest of the additional costs.

The City's receipts were \$139,155 less than the amended budget. This was primarily due to the City receiving less than budgeted reimbursements from Denison Municipal Utilities and the Denison School District for shared projects within the Capital Projects Fund.

The City inadvertently budgeted these reimbursements as miscellaneous receipts while they are recorded as intergovernmental receipts in the financial statements.

Total disbursements were \$2,189,732 less than the amended budget. Actual disbursements for the capital projects and culture and recreation functions were \$1,358,715 and \$247,437, respectively, less than the amended budget due to the postponed status of capital projects and the timing of payments to contractors.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2015 due to not amending the budget for the legal fees associated with the refunding bonds issued in June 2015.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$10,362,000 of bonds and notes outstanding, compared to \$9,741,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2015	2014
General obligation bonds and notes	\$ 9,590	9,280
Revenue notes	275	330
Loan agreements	497	131
Total	\$ 10,362	9,741

During the year, the City issued \$1,830,000 of general obligation bonds, \$2,975,000 of general obligation refunding bonds to refund \$2,955,000 of general obligation bonds and notes and a \$400,000 General Fund City Hall improvement 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 debt of \$10,155,920, including annual appropriation TIF debt of \$68,846, is below its constitutional debt limit of approximately \$15,214,000.

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 2016 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 approximately \$195,000 due to property valuations for fiscal year 2015 increasing approximately \$1,739,000 and the overall tax decreasing \$.817540 per \$1,000 of taxable valuation.

These factors were taken into account when adopting the budget for fiscal year 2016. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to decrease approximately \$2,114,000 from the final amended fiscal year 2015 budget. The decrease is due primarily to a decrease in the amount budgeted for capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$1,402,000 by the close of fiscal year 2016.

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, 2015

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,880,934	94,153	215,369	-
Public works	1,273,063	258,515	864,168	-
Health and social services	9,389	-	-	-
Culture and recreation	940,560	339,676	61,027	-
Community and economic development	431,485	-	10,914	-
General government	1,002,797	69,359	95,249	-
Debt service	1,861,248	-	34,536	-
Capital projects	1,767,534	-	-	725,897
Total governmental activities	9,167,010	761,703	1,281,263	725,897
Business type activities:				
Solid waste	408,401	468,670	-	-
Total Primary Government	\$ 9,575,411	1,230,373	1,281,263	725,897
Component Units:				
Denison Library Friends	\$ 4,802	-	4,496	-
Denison Volunteer Firefighters Association	37,510	-	23,067	-
Total Component Units	\$ 42,312	-	27,563	-
General Receipts 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				
Bond and note proceeds (net of premiums of \$11,573 and \$1,602)				
Payment to refunding bond agent				
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 for:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purpose				
Urban renewal				
Culture, recreation and tourism				
Law enforcement				
Library gifts and memorials				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units	
Governmental Activities	Business Type Activities	Total	Denison Library Friends	Denison Volunteer Firefighters Association
(1,571,412)	-	(1,571,412)		
(150,380)	-	(150,380)		
(9,389)	-	(9,389)		
(539,857)	-	(539,857)		
(420,571)	-	(420,571)		
(838,189)	-	(838,189)		
(1,826,712)	-	(1,826,712)		
(1,041,637)	-	(1,041,637)		
(6,398,147)	-	(6,398,147)		
-	60,269	60,269		
(6,398,147)	60,269	(6,337,878)		
			(306)	-
			-	(14,443)
			(306)	(14,443)
\$ 2,514,626	-	2,514,626	-	-
703,719	-	703,719	-	-
812,030	-	812,030	-	-
745,066	-	745,066	-	-
115,835	-	115,835	-	-
269,413	-	269,413	-	-
1,743	-	1,743	-	931
5,218,175	-	5,218,175	-	-
(2,955,000)	-	(2,955,000)	-	-
137,621	-	137,621	-	27,466
100,000	(100,000)	-	-	-
7,663,228	(100,000)	7,563,228	-	28,397
1,265,081	(39,731)	1,225,350	(306)	13,954
2,361,851	81,541	2,443,392	61,614	180,585
\$ 3,626,932	41,810	3,668,742	61,308	194,539
\$ 51,986	-	51,986	-	-
453,649	-	453,649	-	-
611,733	-	611,733	-	-
1,472,068	-	1,472,068	-	-
122,959	-	122,959	-	-
20,472	-	20,472	-	-
11,436	-	11,436	-	-
29,736	-	29,736	-	-
93,186	-	93,186	-	-
217,824	-	217,824	-	119,731
541,883	41,810	583,693	61,308	74,808
\$ 3,626,932	41,810	3,668,742	61,308	194,539

City of Denison

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

As of and for the year ended June 30, 2015

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,713,778		723,434	-
Tax increment financing	-	-	-	-
Other city tax	170,322	-	22,927	745,066
Licenses and permits	65,441	-	-	-
Use of money and property	208,449	-	-	7
Intergovernmental	506,064	862,847	38,870	-
Charges for service	390,580	-	-	-
Special assessments	-	-	-	-
Miscellaneous	286,312	-	22,482	-
Total receipts	3,340,946	862,847	807,713	745,073
Disbursements:				
Operating:				
Public safety	1,428,201	-	446,040	2,998
Public works	300,824	769,968	166,662	35,609
Health and social services	8,723	-	666	-
Culture and recreation	775,181	-	152,708	-
Community and economic development	113,521	-	-	40,000
General government	880,621	-	93,906	28,270
Debt service	-	38,425	-	-
Capital projects	-	-	-	-
Total disbursements	3,507,071	808,393	859,982	106,877
Excess (deficiency) of receipts over (under) disbursements	(166,125)	54,454	(52,269)	638,196
Other financing sources (uses):				
Bond and note proceeds (net of premiums of \$11,573 and \$1,602)	-	-	-	-
Payment to refunding bond agent	-	-	-	-
Transfers in	555,000	-	-	16,438
Transfers out	(156,438)	(167,199)	(30,000)	(731,074)
Total other financing sources (uses)	398,562	(167,199)	(30,000)	(714,636)
Change in cash balances	232,437	(112,745)	(82,269)	(76,440)
Cash balances beginning of year	563,087	608,977	637,098	199,399
Cash balances end of year	\$ 795,524	496,232	554,829	122,959
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	42,583	-	-
Streets	-	453,649	-	-
Employee benefits	56,904	-	554,829	-
Capital projects	-	-	-	-
Infrastructure or other city purpose	-	-	-	122,959
Urban renewal	-	-	-	-
Culture, recreation and tourism	11,436	-	-	-
Law enforcement	29,736	-	-	-
Library gifts and memorials	93,186	-	-	-
Other purposes	62,379	-	-	-
Assigned for:				
Fire station	104,425	-	-	-
Capital equipment and improvements	245,955	-	-	-
Culture, recreation and tourism	11,436	-	-	-
Unassigned	180,067	-	-	-
Total cash basis fund balances	\$ 795,524	496,232	554,829	122,959

See notes to financial statements.

Urban Renewal Tax Increment	Denison Foundation	Debt Service	Capital Projects	Nonmajor	Total
-	-	684,536	-	-	3,121,748
812,030	-	-	-	-	812,030
-	-	19,183	-	-	957,498
-	-	-	-	-	65,441
361	5	352	1,249	326	210,749
-	-	17,107	664,462	-	2,089,350
-	-	-	-	-	390,580
-	-	-	28,183	-	28,183
-	-	34,184	32,003	18,356	393,337
812,391	5	755,362	725,897	18,682	8,068,916
-	-	-	-	3,695	1,880,934
-	-	-	-	-	1,273,063
-	-	-	-	-	9,389
-	-	-	-	12,671	940,560
250,000	21,100	-	-	6,864	431,485
-	-	-	-	-	1,002,797
-	-	1,822,823	-	-	1,861,248
-	-	-	1,767,534	-	1,767,534
250,000	21,100	1,822,823	1,767,534	23,230	9,167,010
562,391	(21,095)	(1,067,461)	(1,041,637)	(4,548)	(1,098,094)
-	-	2,986,573	2,231,602	-	5,218,175
-	-	(2,955,000)	-	-	(2,955,000)
100,000	-	1,036,796	160,000	-	1,868,234
(658,523)	(25,000)	-	-	-	(1,768,234)
(558,523)	(25,000)	1,068,369	2,391,602	-	2,363,175
3,868	(46,095)	908	1,349,965	(4,548)	1,265,081
16,604	46,095	8,495	122,103	159,993	2,361,851
20,472	-	9,403	1,472,068	155,445	3,626,932
-	-	9,403	-	-	51,986
-	-	-	-	-	453,649
-	-	-	-	-	611,733
-	-	-	1,472,068	-	1,472,068
-	-	-	-	-	122,959
20,472	-	-	-	-	20,472
-	-	-	-	-	11,436
-	-	-	-	-	29,736
-	-	-	-	-	93,186
-	-	-	-	155,445	217,824
-	-	-	-	-	104,425
-	-	-	-	-	245,955
-	-	-	-	-	11,436
-	-	-	-	-	180,067
20,472	-	9,403	1,472,068	155,445	3,626,932

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, 2015

	<u>Enterprise</u> <u>Solid Waste</u>
Operating receipts:	
Charges for service	\$ 468,670
Operating disbursements:	
Business type activities	<u>408,401</u>
Excess of operating receipts over operating disbursements	60,269
Transfers out	<u>(100,000)</u>
Change in cash balance	(39,731)
Cash balance beginning of year	<u>81,541</u>
Cash balance end of year	<u>\$ 41,810</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 41,810</u>

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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. The Foundation was dissolved during the year ended June 30, 2015.

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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The 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 is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 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 \$1,048,330 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 and Loan Agreements Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Loan Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,435,000	175,110	55,000	14,336	39,000	10,260	1,529,000	199,706
2017	1,455,000	153,750	55,000	11,508	43,074	9,968	1,553,074	175,226
2018	1,295,000	130,950	60,000	8,626	42,000	9,537	1,397,000	149,113
2019	1,240,000	109,658	60,000	5,438	53,000	9,033	1,353,000	124,129
2020	890,000	88,347	25,000	2,206	54,000	9,088	969,000	99,641
2021-2025	3,275,000	192,858	20,000	855	243,000	22,084	3,538,000	215,797
2026-2027	-	-	-	-	23,000	1,548	23,000	1,548
Total	\$ 9,590,000	850,673	275,000	42,969	497,074	71,518	10,362,074	965,160

During the year ended June 30, 2015, the City refunded \$2,955,000 of general obligation bonds and notes and retired \$1,540,000 of general obligation bonds and notes, \$55,000 of revenue notes and \$33,926 of loan agreements.

Childhood Center Revenue Notes

On July 1, 2001, the City entered into a revenue note agreement with United Bank of Iowa in Ida Grove to borrow \$350,000 to construct a building to be leased to the Crawford County Early Childhood Center (Childhood Center). The notes are payable through 2021 solely from revenues received by the City from the Childhood Center pursuant to a lease. Annual principal and interest payments on the notes will require 100% of the lease payments. The total principal and interest remaining to be paid on the notes is \$170,924. For the current year, principal and interest paid and receipts from the Childhood Center were \$34,184 and \$34,184, 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, 2015, 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 \$147,045. For the current year, principal and interest paid and road use tax receipts were \$37,925 and \$862,847, 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, 2015, the City was in compliance with the note provisions.

Loan Agreements

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

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

General Obligation Refunding Bonds

On June 1, 2015, the City issued \$2,405,000 and \$570,000 of general obligation refunding bonds, Series 2015A and 2015B. The bonds were issued to refund the outstanding balance of \$555,000 of the \$880,000 of general obligation corporate purpose bonds issued March 15, 2008, to refund the outstanding balance of \$245,000 of the \$405,000 of general obligation street improvement bonds issued March 15, 2008, to refund the outstanding balance of \$350,000 of the \$1,435,000 of general obligation corporate purpose refunding bonds issued July 1, 2009 and to refund the outstanding balance of \$1,805,000 of the \$4,090,000 of general obligation refunding bonds issued October 1, 2010.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$119,459 on the refunding.

(4) Pension Plan

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS' benefit includes:

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount contribution rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board.

The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% of pay and the City contributed 10.14% for a total rate of 16.90%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$187,052.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$622,177. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.015688%, which was a decrease of 0.003329% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$72,653, \$42,840 and \$456,573, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ 1,636,990	\$ 622,177	\$ (233,958)

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

(5) Compensated Absences

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

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory leave and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 25,000
Compensatory leave	18,000
Sick leave	<u>12,000</u>
Total	<u>\$ 55,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 30,000
	Local Option Sales Tax	400,000
	Denison Foundation	25,000
	Enterprise:	
	Solid Waste	100,000
		<u>555,000</u>
Special Revenue:		
Local Option Sales Tax	General	<u>16,438</u>
Urban Renewal Tax Increment	General	<u>100,000</u>
Debt Service	Special Revenue:	
	Road Use Tax	77,199
	Local Option Sales Tax	301,074
	Urban Renewal Tax Increment	658,523
		<u>1,036,796</u>
Capital Projects	General	40,000
	Special Revenue:	
	Road Use Tax	90,000
	Local Option Sales Tax	30,000
		<u>160,000</u>
Total		<u>\$ 1,868,234</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, 2015, the City transferred \$30,000 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

(8) Development Agreements

The City has entered into a development agreement with Boulders Inn Development. The City agreed to provide an economic development grant not to exceed \$250,000 in exchange for the construction of a hotel. During the year ended June 30, 2015, the City made payments of \$250,000 to the developer. The balance remaining under the agreement at June 30, 2015 is \$0.

The City has entered into a development agreement with David and Diane Reisz. The City agreed to provide tax increment payments in an amount not to exceed \$206,538 in exchange for the construction of certain street and related public improvements. Payments of \$68,846 will be made annually for a period of three years or when the maximum has been paid to the developer provided the developer is in compliance with the terms of the agreement. As of June 30, 2015, the City has made no payments to the developer.

(9) Construction Contracts

The City entered into various construction contracts for a total of \$4,564,241. Unpaid contract commitments as of June 30, 2015 totaled \$726,059. The balance on these contracts will be paid as work on the projects progresses.

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, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 3,121,748	-	3,121,748
Tax increment financing	812,030	-	812,030
Other city tax	957,498	-	957,498
Licenses and permits	65,441	-	65,441
Use of money and property	210,749	-	210,749
Intergovernmental	2,089,350	-	2,089,350
Charges for service	390,580	468,670	859,250
Special assessments	28,183	-	28,183
Miscellaneous	393,337	-	393,337
Total receipts	<u>8,068,916</u>	<u>468,670</u>	<u>8,537,586</u>
Disbursements:			
Public safety	1,880,934	-	1,880,934
Public works	1,273,063	-	1,273,063
Health and social services	9,389	-	9,389
Culture and recreation	940,560	-	940,560
Community and economic development	431,485	-	431,485
General government	1,002,797	-	1,002,797
Debt service	1,861,248	-	1,861,248
Capital projects	1,767,534	-	1,767,534
Business type activities	-	408,401	408,401
Total disbursements	<u>9,167,010</u>	<u>408,401</u>	<u>9,575,411</u>
Excess (deficiency) of receipts over (under) disbursements	(1,098,094)	60,269	(1,037,825)
Other financing sources (uses), net	<u>2,363,175</u>	<u>(100,000)</u>	<u>2,263,175</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,265,081	(39,731)	1,225,350
Balances beginning of year	<u>2,361,851</u>	<u>81,541</u>	<u>2,443,392</u>
Balances end of year	<u>\$ 3,626,932</u>	<u>41,810</u>	<u>3,668,742</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
3,228,063	3,228,063	(106,315)
839,143	839,143	(27,113)
827,553	827,553	129,945
68,900	68,900	(3,459)
213,353	213,353	(2,604)
1,548,183	1,564,255	525,095
859,300	859,300	(50)
-	-	28,183
859,284	1,076,174	(682,837)
8,443,779	8,676,741	(139,155)
2,034,807	2,050,879	169,945
1,324,388	1,394,298	121,235
8,930	10,530	1,141
1,187,997	1,187,997	247,437
454,046	559,927	128,442
1,122,985	1,189,850	187,053
1,833,282	1,835,413	(25,835)
2,943,000	3,126,249	1,358,715
410,000	410,000	1,599
11,319,435	11,765,143	2,189,732
(2,875,656)	(3,088,402)	2,050,577
1,808,000	1,808,000	455,175
(1,067,656)	(1,280,402)	2,505,752
3,269,690	3,269,690	(826,298)
2,202,034	1,989,288	1,679,454

City of Denison

Notes to Other Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$445,708. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the debt service function.

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.015688%
City's proportionate share of the net pension liability	\$ 622
City's covered-employee payroll	\$ 1,927
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.28%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Denison
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 187	180	168	151	133
Contributions in relation to the statutorily required contribution	<u>(187)</u>	<u>(180)</u>	<u>(168)</u>	<u>(151)</u>	<u>(133)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,985	1,927	1,818	1,810	1,801
Contributions as a percentage of covered-employee payroll	9.42%	9.34%	9.24%	8.34%	7.38%

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

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
127	125	108	102	95
<u>(127)</u>	<u>(125)</u>	<u>(108)</u>	<u>(102)</u>	<u>(95)</u>
-	-	-	-	-
*	*	*	*	*
*	*	*	*	*

City of Denison
Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Denison

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, 2015

	Trees Forever	Denison Art Show	Library Trust	Aquatic Trust	Dog Pound Trust
Receipts:					
Use of money and property	\$ -	-	326	-	-
Miscellaneous	7,009	310	-	3,450	3,255
Total receipts	7,009	310	326	3,450	3,255
Disbursements:					
Operating:					
Public safety	-	-	-	-	3,695
Culture and recreation	-	310	643	6,579	-
Community and economic development	6,864	-	-	-	-
Total disbursements	6,864	310	643	6,579	3,695
Change in cash balances	145	-	(317)	(3,129)	(440)
Cash balances beginning of year	1,500	-	102,386	28,880	17,726
Cash balances end of year	\$ 1,645	-	102,069	25,751	17,286
Cash Basis Fund Balances					
Restricted for other purposes	\$ 1,645	-	102,069	25,751	17,286

See accompanying independent auditor's report.

Special Revenue					
Memorial Gardens	Boulders Center Trust	Johnson Park Bridge	Tuckers Park	Dog Park	Total
-	-	-	-	-	326
-	-	-	-	4,332	18,356
-	-	-	-	4,332	18,682
-	-	-	-	-	3,695
-	-	-	-	5,139	12,671
-	-	-	-	-	6,864
-	-	-	-	5,139	23,230
-	-	-	-	(807)	(4,548)
620	1,493	914	374	6,100	159,993
620	1,493	914	374	5,293	155,445
620	1,493	914	374	5,293	155,445

City of Denison
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
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
Corporate purpose	Sep 30, 2014	2.00-2.75	1,830,000
Corporate purpose - refunding	Jun 1, 2015	2.00	2,405,000
Corporate purpose - refunding	Jun 1, 2015	1.10-2.75	570,000
Total			
Revenue notes:			
Childhood center	Jul 1, 2001	4.75-5.70 %	\$ 350,000
Road use tax	May 1, 2004	2.05-5.20	395,000
Total			
Loan agreements:			
General Fund fire training facility note	Jan 31, 2014	0.75-4.50 %	\$ 140,000
General Fund City Hall improvement note	Jun 1, 2015	0.75-2.45	400,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
610,000	-	610,000	-	34,965
270,000	-	270,000	-	11,030
530,000	-	530,000	-	15,900
2,355,000	-	2,355,000	-	48,940
2,270,000	-	210,000	2,060,000	43,388
3,245,000	-	355,000	2,890,000	37,950
-	1,830,000	165,000	1,665,000	27,380
-	2,405,000	-	2,405,000	-
-	570,000	-	570,000	-
\$ 9,280,000	4,805,000	4,495,000	9,590,000	219,553
170,000	-	25,000	145,000	9,184
160,000	-	30,000	130,000	7,925
\$ 330,000	-	55,000	275,000	17,109
131,000	-	33,926	97,074	3,930
-	400,000	-	400,000	-
\$ 131,000	400,000	33,926	497,074	3,930

City of Denison
Bond and Note Maturities
June 30, 2015

Year Ending June 30,	General Obligation					
	Corporate Purpose		Corporate Purpose and Refunding		Corporate Purpose	
	Issued Nov 30, 2011		Issued Mar 21, 2013		Issued Sep 30, 2014	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2016	1.15%	\$ 215,000	0.65%	\$ 365,000	2.00%	\$ 100,000
2017	1.40	215,000	0.80	365,000	2.00	100,000
2018	1.60	220,000	0.95	365,000	2.00	170,000
2019	1.80	225,000	1.15	370,000	2.00	170,000
2020	2.00	225,000	1.35	380,000	2.25	180,000
2021	2.20	230,000	1.55	380,000	2.25	180,000
2022	2.40	235,000	1.70	235,000	2.25	185,000
2023	2.60	245,000	1.85	240,000	2.25	185,000
2024	2.75	250,000	1.95	190,000	2.50	195,000
2025		-			2.75	200,000
Total		<u>\$ 2,060,000</u>		<u>\$ 2,890,000</u>		<u>\$ 1,665,000</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	
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>\$ 145,000</u>		<u>\$ 130,000</u>	<u>275,000</u>

See accompanying independent auditor's report.

Bonds and Notes					
Corporate Purpose and Refunding			Corporate Purpose and Refunding		
Issued Jun 1, 2015			Issued Jun 1, 2015		
Interest			Interest		
Rates	Amount		Rates	Amount	Total
2.00%	\$ 690,000		1.10%	\$ 65,000	1,435,000
2.00	705,000		1.10	70,000	1,455,000
2.00	470,000		2.15	70,000	1,295,000
2.00	405,000		2.15	70,000	1,240,000
2.00	35,000		2.15	70,000	890,000
2.00	30,000		2.15	75,000	895,000
2.00	35,000		2.75	75,000	765,000
2.00	35,000		2.75	75,000	780,000
	-			-	635,000
	-			-	200,000
	<u>\$ 2,405,000</u>			<u>\$ 570,000</u>	<u>9,590,000</u>

Loan Agreements						
Year Ending June 30,	General Fund Fire Training Facility Note		General Fund City Hall Improvements Note			Total
	Issued Jan 31, 2014		Issued Jan 1, 2015			
	Interest Rates	Amount	Interest Rates	Amount		
2016	1.75%	\$ -	0.75%	\$ 39,000		39,000
2017	2.00	2,074	0.95	41,000		43,074
2018	2.50	-	1.20	42,000		42,000
2019	3.00	10,000	1.50	43,000		53,000
2020	3.25	10,000	1.65	44,000		54,000
2021	3.25	10,000	1.85	46,000		56,000
2022	3.50	10,000	2.00	47,000		57,000
2023	3.75	10,000	2.20	48,000		58,000
2024	4.00	11,000	2.45	50,000		61,000
2025	4.25	11,000		-		11,000
2026	4.25	11,000		-		11,000
2027	4.50	12,000		-		12,000
Total		<u>\$ 97,074</u>		<u>\$ 400,000</u>		<u>497,074</u>

City of Denison

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

For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 3,121,748	3,116,913	2,964,959	2,823,792
Tax increment financing	812,030	879,459	754,556	897,081
Other city tax	957,498	839,003	804,865	766,713
Licenses and permits	65,441	84,377	69,174	87,060
Use of money and property	210,749	232,750	210,648	199,774
Intergovernmental	2,089,350	1,987,274	2,367,130	1,277,185
Charges for service	390,580	365,864	392,947	371,953
Special assessments	28,183	17,357	20,528	29,464
Miscellaneous	393,337	419,422	371,382	460,170
Total	\$ 8,068,916	7,942,419	7,956,189	6,913,192
Disbursements:				
Operating:				
Public safety	\$ 1,880,934	2,117,390	2,368,217	1,970,353
Public works	1,273,063	1,190,600	1,114,074	1,323,857
Health and social services	9,389	8,426	7,814	6,728
Culture and recreation	940,560	950,481	925,265	974,674
Community and economic development	431,485	149,030	325,577	312,448
General government	1,002,797	1,016,581	953,436	922,580
Debt service	1,861,248	1,645,746	1,592,617	1,380,095
Capital projects	1,767,534	2,664,725	2,706,366	628,359
Total	\$ 9,167,010	9,742,979	9,993,366	7,519,094

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
2,787,553	2,444,638	2,246,204	2,148,752	2,187,386	2,073,291
600,561	635,143	738,227	662,631	494,404	425,836
806,600	696,400	659,497	674,898	607,044	646,521
87,219	149,016	66,412	69,214	65,521	37,570
180,106	190,225	181,905	210,635	248,607	128,376
1,757,978	2,022,765	1,433,805	1,323,886	2,380,969	1,210,342
259,883	312,204	455,166	265,759	273,638	212,371
27,494	38,968	29,668	37,920	63,745	111,173
307,222	876,060	478,667	492,595	405,886	636,182
6,814,616	7,365,419	6,289,551	5,886,290	6,727,200	5,481,662
1,660,329	1,495,033	1,368,729	1,368,015	1,384,149	1,269,071
1,004,931	1,300,901	1,280,531	1,051,195	1,092,494	916,930
7,585	8,587	7,877	9,105	7,665	10,398
970,454	879,424	914,219	809,028	862,449	592,860
163,450	222,102	293,880	217,581	346,308	227,392
1,045,519	793,121	716,396	806,279	661,247	900,186
1,380,420	1,824,434	1,226,574	1,315,254	1,681,161	1,242,378
771,199	2,340,834	1,137,105	1,118,990	2,291,216	5,682,712
7,003,887	8,864,436	6,945,311	6,695,447	8,326,689	10,841,927

City of Denison



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report 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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2015. 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, 2015 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

October 28, 2015

City of Denison

Schedule of Findings

Year ended June 30, 2015

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.

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

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

Responses:

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

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

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

Conclusions – Responses accepted.

City of Denison
Schedule of Findings
Year ended June 30, 2015

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City did a bond refunding on June 1, 2015 and the refunding included new money for the disbursements related to the cost of the refunding. The fees paid for bonding costs put us over budget and, unfortunately, we were past the deadline for a budget amendment. In the future, we will plan to do bond refunding early enough to allow time for a budget amendment to account for the cost of the bond refunding.

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 – No business transactions between the City and City officials or employees were noted.
- (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 – The City has not developed or implemented written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements required by Section 148 of the Internal Revenue Service rules.

Recommendation – The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Service rules.

City of Denison

Schedule of Findings

Year ended June 30, 2015

Response – The City will establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Service rules.

Conclusion – Response accepted.

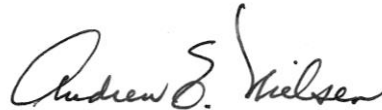
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. The cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records.

City of Denison

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Miranda A. Shipman, Staff Auditor
Ryan J. Pithan, Senior Auditor
Chad C. Lynch, Staff Auditor
Mallory A. Sims, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State