

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 23, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Denison, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$9,866,250 for the year ended June 30, 2020, less than a 1% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$9,569,806, a 1.7% increase over the prior year.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and disbursement of taxpayer funds and one finding pertaining to the Denison Library Friends, Inc. (Friends), a discretely presented component unit. They are found on pages 52 through 57 of this report. The findings address issues such as a lack of segregation of duties, lack of policies governing the expectations for time worked and compensatory time for exempt employees not covered under a union contract, and the lack of a policy requiring computer system passwords be changed every 60 to 90 days. Sand provided the City with recommendations to address each of the findings.

Three of the five findings discussed above pertaining to the City and one finding for the Friends are repeated from the prior year. The City Council and the management of the Friends have a fiduciary responsibility to provide oversight of the City's and the Friends' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

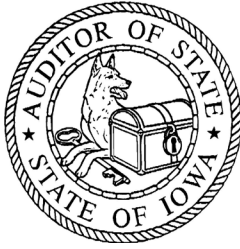
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CITY OF DENISON

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

JUNE 30, 2020

City of Denison



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

March 5, 2021

Officials of the City of Denison
Denison, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Denison, Iowa, for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Denison throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Denison

Officials

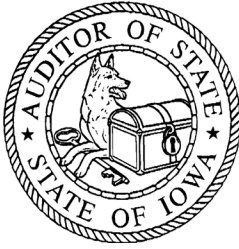
(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jared Beymer	Mayor	Jan 2020
John Granzen, Sr.	Council Member	Jan 2020
Nathan Mahrt	Council Member	Jan 2020
Corey Curnyn	Council Member	Jan 2022
Brittany Okker	Council Member	(Resigned Jun 2019)
Gregory Miller (Appointed Jun 2019)	Council Member	Nov 2019
David Loeschen	Council Member	Jan 2022
Terry Crawford	City Manager	Indefinite
Lisa Koch	City Clerk	Indefinite
Matthew Brick	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pamela Soseman	Mayor	Jan 2022
Corey Curnyn	Council Member	Jan 2022
David Loeschen	Council Member	Jan 2022
Jessica Garcia	Council Member	Jan 2022
Gregory Miller	Council Member	Jan 2024
John Granzen, Sr.	Council Member	Jan 2024
Terry Crawford	City Manager	Indefinite
Lisa Koch	City Clerk	Indefinite
Matthew Brick	Attorney	Indefinite

City of Denison



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2020, 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 unmodified and adverse 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, 2020, 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, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denison's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (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 two 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. Because of the significance of the matter described in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, 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 32 through 40, 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 March 5, 2021 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 solely 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 effectiveness of the City’s 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 5, 2021

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, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 2,063,288	98,881	73,210	30
Public works	1,433,695	208,688	1,691,188	223
Health and social services	10,093	-	-	-
Culture and recreation	1,074,531	205,800	84,794	22,139
Community and economic development	177,600	25,532	100	-
General government	1,446,545	75,922	37,459	-
Debt service	1,435,602	-	28,129	-
Capital projects	1,513,813	4,791	277	74,414
Total governmental activities	9,155,167	619,614	1,915,157	96,806
Business type activities:				
Solid waste	414,639	481,290	-	-
Total Primary Government	\$ 9,569,806	1,100,904	1,915,157	96,806
Component Units:				
Denison Library Friends	\$ 4,281	-	11,343	-
Denison Volunteer Firefighters Association	23,876	-	32,233	-
Total Component Units	\$ 28,157	-	43,576	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds, including premium of \$5,562				
Miscellaneous				
Transfers				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted for:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purposes				
Culture, recreation and tourism				
Law enforcement				
Library				
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
(1,891,167)	-	(1,891,167)		
466,404	-	466,404		
(10,093)	-	(10,093)		
(761,798)	-	(761,798)		
(151,968)	-	(151,968)		
(1,333,164)	-	(1,333,164)		
(1,407,473)	-	(1,407,473)		
<u>(1,434,331)</u>	<u>-</u>	<u>(1,434,331)</u>		
(6,523,590)	-	(6,523,590)		
-	66,651	66,651		
<u>(6,523,590)</u>	<u>66,651</u>	<u>(6,456,939)</u>		
			7,062	-
			-	8,357
			<u>7,062</u>	<u>8,357</u>
3,160,569	-	3,160,569	-	-
919,694	-	919,694	-	-
161,644	-	161,644	-	-
850,506	-	850,506	-	-
178,304	-	178,304	-	-
281,050	-	281,050	-	-
143,327	-	143,327	-	-
18,623	-	18,623	-	-
962,237	-	962,237	-	-
77,429	-	77,429	-	-
75,000	(75,000)	-	-	-
<u>6,828,383</u>	<u>(75,000)</u>	<u>6,753,383</u>	<u>-</u>	<u>-</u>
304,793	(8,349)	296,444	7,062	8,357
<u>3,285,968</u>	<u>165,310</u>	<u>3,451,278</u>	<u>269,747</u>	<u>221,200</u>
<u>\$ 3,590,761</u>	<u>156,961</u>	<u>3,747,722</u>	<u>276,809</u>	<u>229,557</u>
\$ 90,333	-	90,333	-	-
555,220	-	555,220	-	-
411,155	-	411,155	-	-
731,296	-	731,296	-	-
216,812	-	216,812	-	-
52,078	-	52,078	-	-
13,714	-	13,714	-	-
107,993	-	107,993	-	-
189,009	-	189,009	276,809	229,557
<u>1,223,151</u>	<u>156,961</u>	<u>1,380,112</u>	<u>-</u>	<u>-</u>
<u>\$ 3,590,761</u>	<u>156,961</u>	<u>3,747,722</u>	<u>276,809</u>	<u>229,557</u>

City of Denison

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

As of and for the year ended June 30, 2020

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:					
Property tax	\$ 2,103,151	-	987,965	-	-
Tax increment financing	-	-	-	-	161,644
Local option sales tax	-	-	-	850,506	-
Other city tax	225,415	-	22,342	-	-
Licenses and permits	68,349	-	-	-	-
Use of money and property	168,246	-	-	-	135
Intergovernmental	498,836	1,066,612	35,695	-	-
Charges for service	322,671	-	-	-	-
Special assessments	3,583	-	-	-	-
Miscellaneous	160,272	-	36,352	-	-
Total receipts	3,550,523	1,066,612	1,082,354	850,506	161,779
Disbursements:					
Operating:					
Public safety	1,566,450	-	496,383	-	-
Public works	259,799	928,501	245,395	-	-
Health and social services	9,407	-	686	-	-
Culture and recreation	837,698	-	188,987	-	-
Community and economic development	105,198	-	-	45,000	-
General government	1,297,954	-	110,395	38,196	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	4,076,506	928,501	1,041,846	83,196	-
Excess (deficiency) of receipts over (under) disbursements	(525,983)	138,111	40,508	767,310	161,779
Other financing sources (uses):					
Bond proceeds, including premium of \$5,562, less issuance costs of \$18,325	-	-	-	-	-
Transfers in	653,798	-	-	25,472	-
Transfers out	(25,472)	(101,216)	(30,000)	(733,219)	(166,332)
Total other financing sources (uses)	628,326	(101,216)	(30,000)	(707,747)	(166,332)
Change in cash balances	102,343	36,895	10,508	59,563	(4,553)
Cash balances beginning of year	1,321,597	518,325	373,748	157,249	22,330
Cash balances end of year	\$ 1,423,940	555,220	384,256	216,812	17,777
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	-	-	-	17,777
Streets	-	555,220	-	-	-
Employee benefits	26,899	-	384,256	-	-
Capital projects	-	-	-	-	-
Infrastructure or other city purposes	-	-	-	216,812	-
Culture, recreation and tourism	52,078	-	-	-	-
Law enforcement	13,714	-	-	-	-
Library	107,993	-	-	-	-
Other purposes	-	-	-	-	-
Assigned for:					
Fire station	155,069	-	-	-	-
Capital equipment and improvements	219,770	-	-	-	-
Culture, recreation and tourism	52,078	-	-	-	-
Unassigned	796,339	-	-	-	-
Total cash basis fund balances	\$ 1,423,940	555,220	384,256	216,812	17,777

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
899,786	-	-	3,990,902
-	-	-	161,644
-	-	-	850,506
19,908	-	-	267,665
-	-	-	68,349
923	291	1,003	170,598
31,809	665,678	-	2,298,630
-	14	25,531	348,216
-	4,777	-	8,360
27,206	-	34,023	257,853
979,632	670,760	60,557	8,422,723
-	-	455	2,063,288
-	-	-	1,433,695
-	-	-	10,093
-	-	47,846	1,074,531
-	-	27,402	177,600
-	-	-	1,446,545
1,435,602	-	-	1,435,602
-	1,513,813	-	1,513,813
1,435,602	1,513,813	75,703	9,155,167
(455,970)	(843,053)	(15,146)	(732,444)
-	962,237	-	962,237
431,969	20,000	-	1,131,239
-	-	-	(1,056,239)
431,969	982,237	-	1,037,237
(24,001)	139,184	(15,146)	304,793
96,557	592,112	204,050	3,285,968
72,556	731,296	188,904	3,590,761
72,556	-	-	90,333
-	-	-	555,220
-	-	-	411,155
-	731,296	-	731,296
-	-	-	216,812
-	-	-	52,078
-	-	-	13,714
-	-	-	107,993
-	-	189,009	189,009
-	-	-	155,069
-	-	-	219,770
-	-	-	52,078
-	-	(105)	796,234
72,556	731,296	188,904	3,590,761

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, 2020

	<u>Enterprise</u>
	<u>Solid Waste</u>
Operating receipts:	
Charges for service	\$ 481,290
Operating disbursements:	
Business type activities	414,639
Excess of operating receipts over operating disbursements	66,651
Transfers out	<u>(75,000)</u>
Change in cash balance	(8,349)
Cash balance beginning of year	<u>165,310</u>
Cash balance end of year	<u>\$ 156,961</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 156,961</u>

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2020

(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 entity which should be reported as a discretely presented component unit. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

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

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

Excluded Component Unit

The Denison Municipal Utilities was established under Chapter 388 of the Code of Iowa to operate the City's municipal utilities. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utilities were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Denison Municipal Utilities, W. Broadway & 7th Street, PO Box 518, Denison, Iowa 51442.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Crawford County Assessor's Conference Board, Crawford County Emergency Management Commission, Crawford County Joint 911 Service Board and Crawford County Area Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental 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 the following 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.

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 (LOST) Fund is utilized to account for the collection and use of the local option sales tax, for purposes authorized in the LOST referendum.

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

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

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

The City also reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,096,176 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions or withdrawals for the IPAIT investments. The investment in the IPAIT is unrated.

Component Units

At June 30, 2020, the component units had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Denison Library Friends:			
Mutual funds	\$ 63,309	62,340	N/A
U.S. equities	160,895	243,292	N/A
Total Denison Library Friends	<u>\$ 224,204</u>	<u>305,632</u>	
Denison Volunteer Firefighters Association			
Mutual funds	<u>\$ 117,994</u>	<u>124,827</u>	N/A

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

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

(3) Long-Term Debt

Bonds and Notes

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 7,025,000	975,000	1,225,000	6,775,000	1,355,000
Revenue notes	45,000	-	25,000	20,000	20,000
Loan agreement - direct borrowing	235,000	-	44,000	191,000	46,000
Governmental activities total	<u>\$ 945,000</u>	<u>1,265,000</u>	<u>160,000</u>	<u>6,986,000</u>	<u>1,421,000</u>

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year	<u>Corporate Purpose</u>			<u>Corporate Purpose and Refunding</u>			<u>Corporate Purpose</u>		
	<u>Issued</u>	<u>Nov 30, 2011</u>		<u>Issued</u>	<u>Mar 21, 2013</u>		<u>Issued</u>	<u>Sep 30, 2014</u>	
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.20%	\$ 230,000	23,945	1.55%	\$ 380,000	18,030	2.25%	\$ 180,000	22,750
2022	2.40	235,000	18,885	1.70	235,000	12,140	2.25	185,000	18,700
2023	2.60	245,000	13,245	1.85	240,000	8,145	2.25	185,000	14,538
2024	2.75	250,000	6,875	1.95	190,000	3,705	2.50	195,000	10,375
2025		-	-		-	-	2.75	200,000	5,500
2026-2030		-	-		-	-		-	-
Total		<u>\$ 960,000</u>	<u>62,950</u>		<u>\$ 1,045,000</u>	<u>42,020</u>		<u>\$ 945,000</u>	<u>71,863</u>

Year Ending June 30,	Corporate Purpose and Refunding Issued Jun 1, 2015			Corporate Purpose and Refunding Issued Jun 1, 2015			Corporate Purpose Issued Sept 1, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.00%	\$ 30,000	2,000	2.15%	\$ 75,000	5,738	2.00%	\$ 145,000	29,800
2022	2.00	35,000	1,400	2.75	75,000	4,125	2.00	145,000	26,900
2023	2.00	35,000	700	2.75	75,000	2,063	3.00	150,000	24,000
2024		-	-		-	-	3.00	155,000	19,500
2025		-	-		-	-	3.00	160,000	14,850
2026-2030		-	-		-	-	3.00	335,000	15,150
		<u>\$ 100,000</u>	<u>4,100</u>		<u>\$ 225,000</u>	<u>11,926</u>		<u>\$ 1,090,000</u>	<u>130,200</u>

Year Ending June 30,	Corporate Purpose Issued Aug 15, 2017			Corporate Purpose Issued July 9, 2018			Corporate Purpose Issued Nov 1, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.50%	\$ 105,000	12,575	3.00%	\$ 100,000	28,350	3.00%	\$ 110,000	22,370
2022	1.75	105,000	10,738	3.00	100,000	25,350	3.00	115,000	19,070
2023	1.75	65,000	8,900	3.00	105,000	22,350	3.00	115,000	15,620
2024	2.00	65,000	7,600	3.00	110,000	19,200	1.80	85,000	12,170
2025	2.00	70,000	6,300	3.00	110,000	15,900	1.80	90,000	10,640
2026-2030	2.00-3.00	140,000	6,300	3.00-3.50	360,000	25,550	1.80-2.00	460,000	27,720
		<u>\$ 550,000</u>	<u>52,413</u>		<u>\$ 885,000</u>	<u>136,700</u>		<u>\$ 975,000</u>	<u>107,590</u>

Total		
Principal	Interest	Total
\$ 1,355,000	165,558	1,520,558
1,230,000	137,308	1,367,308
1,215,000	109,561	1,324,561
1,050,000	79,425	1,129,425
630,000	53,190	683,190
1,295,000	74,720	1,369,720
<u>\$ 6,775,000</u>	<u>619,762</u>	<u>7,394,762</u>

On November 30, 2011 the City issued \$2,665,000 of general obligation bonds with interest rates ranging from 0.50% to 2.75% per annum. The bonds were issued for the construction of street improvements, acquiring equipment for the street department, acquiring an aerial truck for the fire department and warning sirens, construction of street, sidewalk and storm sewer improvements related to the development of a condominium and townhouse project and establishing a fund to provide assistance related to low and moderate income housing. During the year ended June 30, 2020, the City paid \$225,000 of principal and \$28,445 of interest on the bonds.

On March 21, 2013 the City issued \$3,310,000 of general obligation bonds with interest rates ranging from 0.45% to 1.95% per annum. The bonds were issued for financing construction of street and streetscape improvements, improvements at the municipal swimming pool, installation of traffic control devices and refunding the outstanding balance of the City's general obligation local option sales tax bonds, series 2006B. During the year ended June 30, 2020, the City paid \$380,000 of principal and \$23,160 of interest on the bonds.

On September 30, 2014 the City issued \$1,830,000 of general obligation bonds with interest rates ranging from 2.00% to 2.75% per annum. The bonds were issued for the purpose of constructing street, curb and gutter, water and sanitary sewer improvements; remodeling City Hall; renovating municipal tennis courts and making an economic development grant to Laborers' Home Development Corp. in connection with the construction of a housing development. During the year ended June 30, 2020, the City paid \$180,000 of principal and \$26,800 of interest on the bonds.

On June 1, 2015 the City issued \$2,405,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for the purpose of refunding the outstanding balances of the City's general obligation corporate purpose bonds, series 2008A; general obligation street improvement bonds, series 2008B; general obligation corporate purpose and refunding bonds, series 2009; and general obligation refunding bonds, series 2010. During the year ended June 30, 2020, the City paid \$35,000 of principal and \$2,700 of interest on the bonds.

On June 1, 2015 the City issued \$570,000 of general obligation bonds with interest rates of 1.10% to 2.75% per annum. The bonds were issued for the purpose of refunding the outstanding balance of the City's taxable general obligation corporate purpose bonds, series 2008A. During the year ended June 30, 2020, the City paid \$70,000 of principal and \$7,243 of interest on the bonds.

On September 1, 2016 the City issued \$1,505,000 of general obligation bonds with interest rates of 2.00% to 3.00% per annum. The bonds were issued for the purpose of financing the construction of street improvements and the acquisition of equipment for the fire department. During the year ended June 30, 2020, the City paid \$140,000 of principal and \$32,600 of interest on the bonds.

On August 15, 2017 the City issued \$760,000 of general obligation bonds with interest rates of 1.50% to 3.00% per annum. The bonds were issued for financing construction of improvements to streets and the municipal airport and the acquisition of equipment for the public works department. During the year ended June 30, 2020, the City paid \$100,000 of principal and \$14,075 of interest on the bonds.

On July 9, 2018 the City issued \$980,000 of general obligation bonds with interest rates of 3.00% to 3.50% per annum. The bonds were issued for financing construction of improvements to streets, the acquisition of communication equipment for the police department, settlement of legal action, repairing floors at the fire station, and tuck pointing the library exterior. During the year ended June 30, 2020, the City paid \$95,000 of principal and \$31,200 of interest on the bonds.

On November 1, 2019 the City issued \$975,000 of general obligation bonds with interest rates of 1.80% to 3.00% per annum. The bonds were issued for the purpose of financing construction of improvements to streets and the acquisition of equipment for the street department. During the year ended June 30, 2020, the City paid \$0 of principal and \$13,049 of interest on the bonds.

Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year	Childhood Center		
	Issued Jul 1, 2001		
Ending	Interest		
June 30,	Rates	Principal	Interest
2021	5.70%	\$ 20,000	855

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 \$20,855. For the current year, principal and interest paid and receipts from the Childhood Center were \$27,206 and \$28,618, 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, 2020, the City was in compliance with the note provisions.

Loan Agreement – Direct Borrowing

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. During the year ended June 30, 2020, the City paid principal of \$44,000 and interest of \$4,798 on the loan.

Year	Loan Agreement		
	Issued Jun 1, 2015		
Ending June 30,	Interest Rates	Principal	Interest
2021	1.85%	\$ 46,000	4,072
2022	2.00	47,000	3,221
2023	2.20	48,000	2,281
2024	2.45	50,000	1,225
Total		\$ 191,000	10,799

(4) Pension Plan

Iowa Public Employees Retirement 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 PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

Protection occupation members may retire at normal retirement age which is generally age 55 and 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 more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$236,493.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,155,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0199564%, which was a decrease of 0.000509% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$319,328, \$195,833 and \$268,127, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,608,234	1,155,607	(62,149)

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$577 for single coverage to \$1,691 for family coverage. For the year ended June 30, 2020, the City contributed \$467,868 and plan members eligible for benefits contributed \$25,757 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Denison and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Active employees 42

(6) 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, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 57,000
Compensatory leave	26,000
Sick leave	<u>13,000</u>
Total	<u>\$ 96,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 30,000
	Local Option Sales Tax	548,798
	Enterprise:	
	Solid Waste	75,000
		<u>653,798</u>
Special Revenue:	General	
Local Option Sales Tax		<u>25,472</u>
Debt Service	Special Revenue:	
	Road Use Tax	101,216
	Local Option Sales Tax	164,421
	Urban Renewal Tax Increment	166,332
		<u>431,969</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	20,000
Total		<u>\$ 1,131,239</u>

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

(8) Interfund Loans

During the year ended June 30, 2019, the General Fund loaned \$130,000 to the Special Revenue, Urban Renewal Tax Revenue Fund, for the purpose of acquiring property in accordance with an urban renewal development agreement. The loan was certified as a tax increment obligation, bears no interest and will be repaid from the Special Revenue, Urban Renewal Tax Revenue Fund. During the year ended June 30, 2020, no repayments were made. The outstanding balance at June 30, 2020 is \$130,000.

(9) Risk Management

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

The City self-funds dental coverage for its employees. The plan is funded by the City and is administered by Employee Benefit Systems. The agreement is subject to automatic renewal. The City provides annual coverage up to \$2,000 per individual. Monthly payments of administrative services fees and claims are paid from the City's General Fund. During the year ended June 30, 2020, 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.

(10) Development Agreement

The City has entered into an agreement with John Heuton (Developer), for the development of a housing project to be constructed in the urban renewal area. The City has acquired property in the amount of \$130,000 and intends to sell the property to the Developer for \$30,000 per lot for Lots 46, 47, 48 and 49 and for \$10,000 for Outlot B, in accordance with the terms of the development agreement. Upon receipt of the property, the City will convey title to Lots 46 and 47 to the Developer. No payment will be required from the Developer for those lots until the Developer sells each lot, provided the Developer begins construction of a two-unit condominium on each lot within 90 days after the lots are conveyed to the Developer, and construction is completed within 12 months. If the Developer fails to comply with the conditions of the agreement, title to Lots 46 and 47 will revert back to the City. If the Developer completes construction on lots 46 and 47 and pays the City \$30,000 for each lot at the time the Developer sells each lot, the City will grant the Developer a right to purchase the remaining three lots from the City.

The City entered into an agreement with Strong America Development Group, LLC (Company) and Denison Housing Development, LLC, for the development of a housing project to be constructed in the Urban Renewal Area. The City will fund a series of economic development support grants to the Company, pursuant to Chapters 15A and 403 of the Code of Iowa, provided, however, that the aggregate, total amount of the payments shall not exceed the lesser of (i) the aggregate of the TIF-eligible costs and expenses of the infrastructure accepted by the City; or (ii) \$721,520, and all payments shall be subject to annual appropriation by the City Council. The City will make a payment of \$24,880 per unit for TIF-eligible expense to the Company on December 1 and June 1 of the first fiscal year the City issues final certificates for occupancy not before the fiscal year 2020/2021, in accordance with the terms of this Development Agreement. The Company will sell the units at a price range from \$199,000 to \$215,000 dependent upon the finishes and number of bedrooms for each relevant unit. The Company may reserve the right to rent units constructed and rental units, if any, which shall be leased in a range between \$900 to \$1,100 per month. The Company shall commence construction within 120 days of the agreement and will make timely payments of property taxes throughout the term of the agreement.

(11) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

(12) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Denison, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Denison. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Denison's operations and finances.

Other Information

City of Denison

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual – All Governmental Funds and Proprietary Fund

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 3,990,902	-	3,990,902
Tax increment financing	161,644	-	161,644
Other city tax	1,118,171	-	1,118,171
Licenses and permits	68,349	-	68,349
Use of money and property	170,598	-	170,598
Intergovernmental	2,298,630	-	2,298,630
Charges for service	348,216	481,290	829,506
Special assessments	8,360	-	8,360
Miscellaneous	257,853	-	257,853
Total receipts	8,422,723	481,290	8,904,013
Disbursements:			
Public safety	2,063,288	-	2,063,288
Public works	1,433,695	-	1,433,695
Health and social services	10,093	-	10,093
Culture and recreation	1,074,531	-	1,074,531
Community and economic development	177,600	-	177,600
General government	1,446,545	-	1,446,545
Debt service	1,435,602	-	1,435,602
Capital projects	1,513,813	-	1,513,813
Business type activities	-	414,639	414,639
Total disbursements	9,155,167	414,639	9,569,806
Excess (deficiency) of receipts over (under) disbursements	(732,444)	66,651	(665,793)
Other financing sources (uses), net	1,037,237	(75,000)	962,237
Change in balances	304,793	(8,349)	296,444
Balances beginning of year	3,285,968	165,310	3,451,278
Balances end of year	\$ 3,590,761	156,961	3,747,722

See notes to financial statements.

Budgeted Amounts		Final to
Original	Final	Total Variance
4,142,775	4,142,775	(151,873)
166,350	166,350	(4,706)
869,169	869,169	249,002
60,250	60,250	8,099
212,910	212,910	(42,312)
4,291,646	4,330,330	(2,031,700)
874,360	874,360	(44,854)
9,500	9,500	(1,140)
217,166	247,136	10,717
<u>10,844,126</u>	<u>10,912,780</u>	<u>(2,008,767)</u>
2,314,329	2,329,329	266,041
1,711,682	1,711,682	277,987
11,217	11,217	1,124
1,330,719	1,350,325	275,794
220,933	228,326	50,726
1,361,305	1,521,305	74,760
1,453,129	1,453,129	17,527
3,890,069	3,941,648	2,427,835
477,500	477,500	62,861
<u>12,770,883</u>	<u>13,024,461</u>	<u>3,454,655</u>
(1,926,757)	(2,111,681)	1,445,888
<u>900,000</u>	<u>900,000</u>	<u>62,237</u>
(1,026,757)	(1,211,681)	1,508,125
<u>2,750,482</u>	<u>2,750,482</u>	<u>700,796</u>
<u>1,723,725</u>	<u>1,538,801</u>	<u>2,208,921</u>

City of Denison

City of Denison

Notes to Other Information – Budgetary Reporting

June 30, 2020

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 \$253,578. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed budgeted amounts.

City of Denison

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

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

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.019956%	0.020465%	0.021632%	0.020954%
City's proportionate share of the net pension liability	\$ 1,156	1,295	1,441	1,319
City's covered payroll	\$ 2,430	2,292	2,255	2,140
City's proportionate share of the net pension liability as a percentage of its covered payroll	47.57%	56.50%	63.90%	61.64%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

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

See accompanying independent auditor's report.

2016	2015
0.018079%	0.015688%
893	622
1,985	1,927
44.99%	32.28%
85.19%	87.61%

City of Denison

Schedule of City Contributions

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

Other Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 236	236	211	207
Contributions in relation to the statutorily required contribution	(236)	(236)	(211)	(207)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 2,464	2,430	2,292	2,255
Contributions as a percentage of covered payroll	9.58%	9.71%	9.21%	9.18%

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

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
197	187	180	168	151	133
(197)	(187)	(180)	(168)	(151)	(133)
-	-	-	-	-	-
2,140	1,985	1,927	1,818	1,810	1,801
9.21%	9.42%	9.34%	9.24%	8.34%	7.38%

City of Denison

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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, 2020

	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust	Special Memorial Gardens
Receipts:					
Use of money and property	\$ -	1,003	-	-	-
Charges for service	-	-	-	-	-
Miscellaneous	100	-	479	1,436	-
Total receipts	100	1,003	479	1,436	-
Disbursements:					
Operating:					
Public safety	-	-	-	455	-
Culture and recreation	-	-	11,487	-	-
Community and economic development	4,900	-	-	-	-
Total disbursements	4,900	-	11,487	455	-
Change in cash balances	(4,800)	1,003	(11,008)	981	-
Cash balances beginning of year	4,695	103,480	28,380	20,128	620
Cash balances (deficits) end of year	\$ (105)	104,483	17,372	21,109	620
Cash Basis Fund Balances (Deficits)					
Restricted for other purposes	-	104,483	17,372	21,109	620
Unassigned	(105)	-	-	-	-
Total cash basis fund balances (deficits)	\$ (105)	104,483	17,372	21,109	620

See accompanying independent auditor's report.

Revenue										
Boulders Center Trust	Johnson Park Bridge	Tuckers Park	Holiday Decorations	Dog Park	RAGBRAI	Adult Softball	Denison Little League	Market in the Park	Aquatic Mini Golf	Total
-	-	-	-	-	-	-	-	-	-	1,003
-	-	-	-	-	-	1,076	14,911	9,544	-	25,531
-	-	-	5,169	4,700	-	-	-	-	22,139	34,023
-	-	-	5,169	4,700	-	1,076	14,911	9,544	22,139	60,557
-	-	-	-	-	-	-	-	-	-	455
-	-	-	-	19,413	-	-	707	-	16,239	47,846
-	-	-	4,139	-	12,420	618	-	5,325	-	27,402
-	-	-	4,139	19,413	12,420	618	707	5,325	16,239	75,703
-	-	-	1,030	(14,713)	(12,420)	458	14,204	4,219	5,900	(15,146)
1,493	914	374	1,904	22,108	15,887	2,327	1,740	-	-	204,050
1,493	914	374	2,934	7,395	3,467	2,785	15,944	4,219	5,900	188,904
1,493	914	374	2,934	7,395	3,467	2,785	15,944	4,219	5,900	189,009
-	-	-	-	-	-	-	-	-	-	(105)
1,493	914	374	2,934	7,395	3,467	2,785	15,944	4,219	5,900	188,904

City of Denison
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
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
Corporate purpose	Sep 1, 2016	2.00-3.00	1,505,000
Corporate purpose	Aug 15, 2017	1.50-3.00	760,000
Corporate purpose	Jul 9, 2018	3.00-3.50	980,000
Corporate purpose	Nov 1, 2019	1.80-3.00	975,000
Total			
Revenue notes:			
Childhood center	Jul 1, 2001	4.75-5.70%	\$ 350,000
Loan agreements:			
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
1,185,000	-	225,000	960,000	28,445
1,425,000	-	380,000	1,045,000	23,160
1,125,000	-	180,000	945,000	26,800
135,000	-	35,000	100,000	2,700
295,000	-	70,000	225,000	7,243
1,230,000	-	140,000	1,090,000	32,600
650,000	-	100,000	550,000	14,075
980,000	-	95,000	885,000	31,200
-	975,000	-	975,000	13,049
\$ 7,025,000	975,000	1,225,000	6,775,000	179,272
45,000	-	25,000	20,000	2,206
235,000	-	44,000	191,000	4,798

City of Denison
Bond and Note Maturities
June 30, 2020

Year Ending June 30,	General Obligation									
	Corporate Purpose Issued Nov 30, 2011		Corporate Purpose and Refunding Issued Mar 21, 2013		Corporate Purpose Issued Sep 30, 2014		Corporate Purpose and Refunding Issued Jun 1, 2015		Corporate Purpose and Refunding Issued Jun 1, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	2.20%	\$ 230,000	1.55%	\$ 380,000	2.25%	\$ 180,000	2.00%	\$ 30,000	2.15%	\$ 75,000
2022	2.40	235,000	1.70	235,000	2.25	185,000	2.00	35,000	2.75	75,000
2023	2.60	245,000	1.85	240,000	2.25	185,000	2.00	35,000	2.75	75,000
2024	2.75	250,000	1.95	190,000	2.50	195,000	-	-	-	-
2025	-	-	-	-	2.75	200,000	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 960,000</u>		<u>\$ 1,045,000</u>		<u>\$ 945,000</u>		<u>\$ 100,000</u>		<u>\$ 225,000</u>

Year Ending June 30,	Revenue Notes Childhood Center Issued Jul 1, 2001	
	Interest Rates	Amount
	2021	5.70%

Year Ending June 30,	Loan Agreements General Fund City Hall Improvement Note Issued Jun 1, 2015	
	Interest Rates	Amount
	2021	1.85%
2022	2.00	47,000
2023	2.20	48,000
2024	2.45	<u>50,000</u>
Total		<u>\$ 191,000</u>

See accompanying independent auditor's report.

Bonds

<u>Corporate Purpose</u> <u>Issued Sep 1, 2016</u>		<u>Corporate Purpose</u> <u>Issued Aug 15, 2017</u>		<u>Corporate Purpose</u> <u>Issued July 9, 2018</u>		<u>Corporate Purpose</u> <u>Issued Nov 1, 2019</u>		<u>Total</u>
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2.00%	\$ 145,000	1.50%	\$ 105,000	3.00%	100,000	3.00%	110,000	1,355,000
2.00	145,000	1.75	105,000	3.00	100,000	3.00	115,000	1,230,000
3.00	150,000	1.75	65,000	3.00	105,000	3.00	115,000	1,215,000
3.00	155,000	2.00	65,000	3.00	110,000	1.80	85,000	1,050,000
3.00	160,000	2.00	70,000	3.00	110,000	1.80	90,000	630,000
3.00	165,000	2.00	70,000	3.00	115,000	1.80	90,000	440,000
3.00	170,000	3.00	70,000	3.50	120,000	2.00	90,000	450,000
				3.50	125,000	2.00	90,000	215,000
						2.00	95,000	95,000
						2.00	95,000	95,000
	-		-					
	<u>\$ 1,090,000</u>		<u>\$ 550,000</u>		<u>\$ 885,000</u>		<u>\$ 975,000</u>	<u>6,775,000</u>

City of Denison

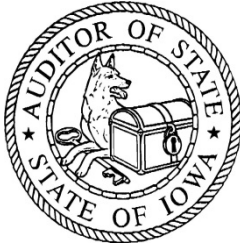
Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 3,990,902	3,962,473	3,770,819	3,497,610
Tax increment financing	161,644	411,761	473,883	718,893
Local option sales tax	850,506	707,359	780,075	791,493
Other city tax	267,665	237,464	237,489	254,524
Licenses and permits	68,349	72,836	77,597	81,145
Use of money and property	170,598	195,594	189,590	205,768
Intergovernmental	2,298,630	1,817,217	2,329,345	2,206,475
Charges for service	348,216	403,964	317,334	288,031
Special assessments	8,360	13,332	11,854	15,803
Miscellaneous	257,853	457,692	414,732	273,923
Total	<u>\$ 8,422,723</u>	<u>8,279,692</u>	<u>8,602,718</u>	<u>8,333,665</u>
Disbursements:				
Operating:				
Public safety	\$ 2,063,288	2,183,605	2,274,307	2,592,238
Public works	1,433,695	1,678,058	1,517,149	1,239,622
Health and social services	10,093	19,192	7,288	10,832
Culture and recreation	1,074,531	1,189,221	1,078,462	1,123,944
Community and economic development	177,600	320,515	256,431	220,457
General government	1,446,545	1,408,894	1,249,408	1,192,694
Debt service	1,435,602	1,656,083	1,774,987	1,707,333
Capital projects	1,513,813	502,934	1,344,084	1,912,173
Total	<u>\$ 9,155,167</u>	<u>8,958,502</u>	<u>9,502,116</u>	<u>9,999,293</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
3,418,084	3,121,748	3,116,913	2,964,959	2,823,792	2,787,553
845,250	812,030	879,459	754,556	897,081	600,561
728,253	745,066	714,213	683,478	622,996	680,119
243,356	212,432	124,790	121,387	143,717	126,481
67,177	65,441	84,377	69,174	87,060	87,219
215,291	210,749	232,750	210,648	199,774	180,106
3,132,673	2,089,350	1,987,274	2,367,130	1,277,185	1,757,978
320,246	390,580	365,864	392,947	371,953	259,883
21,553	28,183	17,357	20,528	29,464	27,494
305,244	393,337	419,422	371,382	460,170	307,222
9,297,127	8,068,916	7,942,419	7,956,189	6,913,192	6,814,616
1,982,289	1,880,934	2,117,390	2,368,217	1,970,353	1,660,329
1,118,895	1,273,063	1,190,600	1,114,074	1,323,857	1,004,931
8,605	9,389	8,426	7,814	6,728	7,585
1,055,992	940,560	950,481	925,265	974,674	970,454
235,619	431,485	149,030	325,577	312,448	163,450
1,152,903	1,002,797	1,016,581	953,436	922,580	1,045,519
1,682,546	1,861,248	1,645,746	1,592,617	1,380,095	1,380,420
2,515,716	1,767,534	2,664,725	2,706,366	628,359	771,199
9,752,565	9,167,010	9,742,979	9,993,366	7,519,094	7,003,887



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

To the Honorable Mayor and Members of the City Council:

We have audited 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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2021. 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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

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 an immaterial instance of non-compliance or other matters which is 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, 2020 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.

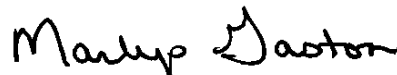
The City of Denison's Responses to the Findings

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 5, 2021

City of Denison
Schedule of Findings
Year ended June 30, 2020

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's and the Denison Library Friends' financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) City of Denison – The responsibilities for performing all general accounting functions, including journal entries, and having custody of the City's assets are not segregated. The duties of collecting, depositing, posting, daily reconciling, monthly reconciling of bank and investment balances to book balances and custodian of the petty cash fund are not segregated.
- (2) Denison Library Friends, Inc. – One person is responsible for receipt, disbursement, recording and reconciling functions.

Cause – The entities noted above have a limited number of employees and procedures have not been designed to adequately segregate duties.

Effect – Inadequate segregation of duties could adversely affect the City's and the Denison Library Friends' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Denison Library Friends should review their control procedures to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials, should be utilized to provide additional control through review of financial transactions, reconciliations and reports.

Responses

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

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

Conclusions – Responses accepted.

City of Denison

Schedule of Findings

Year ended June 30, 2020

(B) Independent Review

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. When duties cannot be adequately segregated, it is important to incorporate regular independent reviews of financial transactions, reconciliations and reports.

Condition – Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety.

Cause – City policies do not require an independent review of the monthly bank reconciliations.

Effect – Lack of independent reviews of financial transactions, reconciliations and reports when adequate segregation of duties cannot be achieved increases the risk the City will not prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of review. The bank reconciliation review should include evidence the bank balances and reconciling items were verified by the independent reviewer.

Response – The City will establish internal procedures adequate to ensure a greater degree of work segregation and oversight are incorporated in bank reconciliations.

Conclusion – Response accepted.

(C) Personnel Policy

Criteria – Management is responsible for establishing and maintaining internal control and approving personnel policies which address compensatory time and expected hours to be worked by all employees.

City of Denison

Schedule of Findings

Year ended June 30, 2020

Condition – The City of Denison’s Personnel Policies and Regulations Handbook, Section 1 states, “All employees shall be considered to be in one of the three following classifications: Full-time, Part-Time, or Seasonal.” The Handbook goes on to state, “Full-time employees shall be entitled to all benefits as described in this personnel policy handbook.” Section 8 – Pay Period, Hours, Overtime and Compensatory Time states, “All non-exempt employees, not covered by a union contract, shall be paid on the basis of a 40-hour workweek. For every hour more than 40 worked during a working week, the employee must get compensatory time off at time and one-half for all hours over 40 or receive pay at the rate of one and one-half times.”

While the Handbook provides non-exempt employees not covered by a union contract are entitled to certain overtime and compensatory time benefits, it does not identify the class of employees considered non-exempt or exempt.

Cause – Because the Personnel Policies and Regulations Handbook has not identified which employee classes are non-exempt or exempt, the Handbook is not clear regarding hours to be worked, overtime and compensatory time expected for exempt employees.

Effect – The lack of a clear policy could cause confusion between management and employees regarding the expected hours to be worked, overtime and compensatory time.

Recommendation – The City should develop a policy for exempt employees not covered by a union contract. The policy should include specifications for paid holidays, sick leave, personal leave, vacation time, comp time and expected hours to be worked.

Response – The City is currently working on updating the personnel policy and will review it on an annual basis.

Conclusion – Response accepted.

(D) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure compliance with applicable laws and regulations.

Condition – The City does not have a written policy requiring password changes and the software does not require the user to change passwords periodically.

Cause – Management has not required written policies for the above computer-based controls.

Effect – By not periodically changing user passwords, the likelihood of an unauthorized individual gaining access to the City’s computer system increases. This could result in a loss of data or compromised data, resulting in unreliable financial information.

City of Denison

Schedule of Findings

Year ended June 30, 2020

Recommendation – The City should establish a policy requiring employees to change their passwords every 60 to 90 days.

Response – The City will look into creating a policy to require passwords to be changed periodically.

Conclusions – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Denison

Schedule of Findings

Year ended June 30, 2020

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursement we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Koch, Spouse of City Clerk, owner of Verlin Plumbing	Plumbing services	\$ 1,141
John Granzen, City Council Member, Owner of Granzen Plumbing and Heating	Competitively bid plumbing services	15,618

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Verlin Plumbing do not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transactions with Granzen Plumbing and Heating do not appear to represent a conflict of interest since the contract was competitively bid and Granzen was the lowest bid.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) 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.
- (9) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (10) 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.

City of Denison

Schedule of Findings

Year ended June 30, 2020

- (11) Local Option Sales Tax – The City Local Sales and Services Tax Ballot dated November 3, 1998 requires LOST be used 25% for property tax relief and 75% for infrastructure (flood mitigation, streets, and building maintenance) or any other lawful purpose of the City. The City records LOST receipts in the Local Option Sales Tax Fund. In order to meet the 25% property tax relief requirement, the City transfers money into the debt service fund each year to cover a portion of the general obligation debt principal payments made that year. During the year ended June 30, 2020, the City only transferred 20% of LOST receipts collected during the year into the debt service fund for property tax relief.

Recommendation – The City should ensure local option sales tax is allocated and expended in accordance with the City Local Sales and Services Tax Ballot.

Response – The City will monitor the money being spent in Local Option Sales Tax to ensure that 25% is being spent for debt relief. Any portion of the 25% of LOST Revenue not spent on debt relief will be restricted for future debt relief.

Conclusion – Response accepted.

City of Denison

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tiffany M. Ainger, CPA, Manager
Luke M. Bormann, CPA, Senior Auditor
Craig S. Miller, Staff Auditor
Mackenzie A. Niday, Assistant Auditor