



**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**

**September 7, 2023**

Contact: Ernest Ruben  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$14,277,337 for the year ended June 30, 2022, a 16.7% increase over the prior year. Disbursements for the year ended June 30, 2022 totaled \$13,379,564 a 14.9% increase over the prior year. The significant increase in receipts is primarily due to a bond issuance for construction projects and debt refunding, federal grants for the airport and American Rescue Plan Act. The significant increase in disbursements is primarily due to increased expenses for street and airport improvements and debt refunding.

**AUDIT FINDINGS:**

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 54 through 62 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, the lack of independent review of bank reconciliations and business transactions with city employees and officials that may represent a conflict of interest. Sand provided the City with recommendations to address each of the findings.

Five of the six findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's 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 website at [Audit Reports – Auditor of State](#).

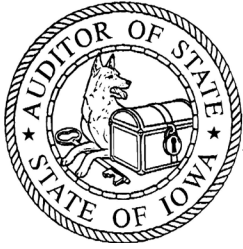
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**CITY OF DENISON**

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

**JUNE 30, 2022**

**City of Denison**



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August 29, 2023

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, 2022. 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", written in a cursive style.

Rob Sand  
Auditor of State

## Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor’s Report			4-7
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statement:			
Cash Basis Statement of Activities and Net Position	A		10-11
Governmental Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B		12-13
Proprietary Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C		15
Notes to Financial Statements			16-30
Other Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund			32-33
Notes to Other Information – Budgetary Reporting			35
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset)			36-37
Schedule of City Contributions			38-39
Notes to Other Information – Pension Liability			40
Supplementary Information:	<u>Schedule</u>		
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1		42-43
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	2		44-45
Schedule of Expenditures of Federal Awards	3		47
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>			48-49
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance			51-53
Schedule of Findings and Questioned Costs			54-62
Staff			63

**City of Denison**

**Officials**

**(Before January 2022)**

<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

**(After January 2022)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pamela Soseman	Mayor	Jan 2024
Gregory Miller	Council Member	Jan 2024
John Granzen, Sr.	Council Member	Jan 2024
Corey Curnyn	Council Member	Jan 2026
Jessica Garcia	Council Member	Jan 2026
Dustin Logan	Council Member	Jan 2026
Terry Crawford	City Manager	(Resigned Jul 2022)
Bradley Hanson	City Manager	Jul 2022 (Resigned May 2023)
Lisa Koch	City Clerk	(Resigned May 2022)
Jodie Flaherty	City Clerk	May 2022
Matthew Brick	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

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, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

*Adverse Opinion on the Aggregate Discretely Presented Component Units*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying 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, 2022, or the changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

*Unmodified Opinions on Governmental Activities, Business Type Activities, Each Major Fund and the Aggregate Remaining Fund Information*

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, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Denison, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

### *Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units*

The financial statements do not include financial data for one of the City of Denison'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 to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its 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.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### Emphasis of Matter

As discussed in Note 3 to the financial statements, the City of Denison adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

### Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Denison's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Denison's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Denison's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### Supplementary 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the cash basis of accounting. 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. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions paragraph of the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2023 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.



Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

August 29, 2023

**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, 2022

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 2,285,210	102,615	73,311	-
Public works	1,723,178	209,231	1,190,657	1,899,271
Health and social services	13,752	-	-	-
Culture and recreation	1,146,276	266,102	57,004	-
Community and economic development	203,897	27,796	23,288	9,725
General government	1,502,232	64,191	-	-
Debt service	1,592,463	-	826	-
Capital projects	3,657,749	4,767	485,545	130,834
Total governmental activities	12,124,757	674,702	1,830,631	2,039,830
Business type activities:				
Solid waste	485,057	529,155	-	-
<b>Total Primary Government</b>	<b>\$ 12,609,814</b>	<b>1,203,857</b>	<b>1,830,631</b>	<b>2,039,830</b>
<b>Component Units:</b>				
Denison Library Friends	\$ 24,362	-	30,061	-
Denison Volunteer Firefighters Association	34,129	-	81,294	-
<b>Total Component Units</b>	<b>\$ 58,491</b>	<b>-</b>	<b>111,355</b>	<b>-</b>
<b>General Receipts:</b>				
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				
American Rescue Plan Act				
Unrestricted interest on investments				
Bond proceeds, including premium of \$89,852, less issuance cost of \$60,564				
Payment to refunding agent				
Miscellaneous				
Sale of capital assets				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted for:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purposes				
Culture, recreation and tourism				
Law enforcement				
Library				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

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
(2,109,284)	-	(2,109,284)		
1,575,981	-	1,575,981		
(13,752)	-	(13,752)		
(823,170)	-	(823,170)		
(143,088)	-	(143,088)		
(1,438,041)	-	(1,438,041)		
(1,591,637)	-	(1,591,637)		
(3,036,603)	-	(3,036,603)		
(7,579,594)	-	(7,579,594)		
-	44,098	44,098		
(7,579,594)	44,098	(7,535,496)		
			5,699	-
			-	47,165
			5,699	47,165
3,339,751	-	3,339,751	-	-
1,007,130	-	1,007,130	-	-
214,864	-	214,864	-	-
1,057,954	-	1,057,954	-	-
165,618	-	165,618	-	-
286,382	-	286,382	-	-
234,610	-	234,610	-	-
616,334	-	616,334	-	-
3,094	-	3,094	-	-
2,129,288	-	2,129,288	-	-
(769,750)	-	(769,750)	-	-
123,406	-	123,406	-	-
24,588	-	24,588	-	-
8,433,269	-	8,433,269	-	-
853,675	44,098	897,773	5,699	47,165
4,154,377	183,764	4,338,141	277,591	237,870
\$ 5,008,052	227,862	5,235,914	283,290	285,035
\$ 225,703	-	225,703	-	-
529,474	-	529,474	-	-
367,677	-	367,677	-	-
1,418,091	-	1,418,091	-	-
482,479	-	482,479	-	-
67,183	-	67,183	-	-
13,737	-	13,737	-	-
136,778	-	136,778	-	-
203,878	-	203,878	283,290	285,035
1,563,052	227,862	1,790,914	-	-
\$ 5,008,052	227,862	5,235,914	283,290	285,035

City of Denison

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

As of and for the year ended June 30, 2022

	Special			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 2,310,204	-	1,020,577	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	1,057,954
Other city tax	171,599	-	2,989	-
Licenses and permits	77,855	-	-	-
Use of money and property	146,151	-	-	-
Intergovernmental	520,749	1,155,561	55,353	-
Charges for service	352,885	-	-	-
Special assessments	7,641	-	-	-
Miscellaneous	168,423	-	60,662	-
<b>Total receipts</b>	<b>3,755,507</b>	<b>1,155,561</b>	<b>1,139,581</b>	<b>1,057,954</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	1,688,326	-	596,389	-
Public works	307,627	1,155,382	260,169	-
Health and social services	13,118	-	634	-
Culture and recreation	980,386	-	156,571	-
Community and economic development	88,297	-	-	50,000
General government	1,274,592	-	125,051	102,589
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>4,352,346</b>	<b>1,155,382</b>	<b>1,138,814</b>	<b>152,589</b>
Excess (deficiency) of receipts over (under) disbursements	(596,839)	179	767	905,365
<b>Other financing sources (uses):</b>				
Bond proceeds, including premium of \$89,852 less issuance costs of \$60,564	-	-	-	-
Payment to refunding agent	-	-	-	-
Sale of capital assets	24,588	-	-	-
Transfers in	665,000	-	-	25,000
Transfers out	(25,000)	(129,743)	(40,000)	(864,414)
<b>Total other financing sources (uses)</b>	<b>664,588</b>	<b>(129,743)</b>	<b>(40,000)</b>	<b>(839,414)</b>
Change in cash balances	67,749	(129,564)	(39,233)	65,951
Cash balances beginning of year	1,742,249	659,038	380,132	416,528
Cash balances end of year	\$ 1,809,998	529,474	340,899	482,479
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Debt service	\$ -	-	-	-
Streets	-	529,474	-	-
Employee benefits	26,778	-	340,899	-
Capital projects	-	-	-	-
Infrastructure or other city purposes	-	-	-	482,479
Culture, recreation and tourism	67,183	-	-	-
Law enforcement	13,737	-	-	-
Library	136,778	-	-	-
Other purposes	2,470	-	-	-
<b>Assigned for:</b>				
Fire station	300,116	-	-	-
Capital equipment and improvements	158,996	-	-	-
Culture, recreation and tourism	67,184	-	-	-
Unassigned	1,036,756	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,809,998</b>	<b>529,474</b>	<b>340,899</b>	<b>482,479</b>

See notes to financial statements.

Revenue				
Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
-	1,004,265	-	-	4,335,046
214,864	-	-	-	214,864
-	-	-	-	1,057,954
-	2,865	-	-	177,453
-	-	-	-	77,855
237	536	926	77	147,927
-	54,269	3,110,454	-	4,896,386
-	-	-	26,306	379,191
-	-	4,767	-	12,408
-	-	20,165	45,972	295,222
215,101	1,061,935	3,136,312	72,355	11,594,306
-	-	-	495	2,285,210
-	-	-	-	1,723,178
-	-	-	-	13,752
-	-	-	9,319	1,146,276
-	-	-	65,600	203,897
-	-	-	-	1,502,232
-	1,592,463	-	-	1,592,463
-	-	3,657,749	-	3,657,749
-	1,592,463	3,657,749	75,414	12,124,757
215,101	(530,528)	(521,437)	(3,059)	(530,451)
-	769,750	1,359,538	-	2,129,288
-	(769,750)	-	-	(769,750)
-	-	-	-	24,588
-	573,352	50,000	-	1,313,352
(254,195)	-	-	-	(1,313,352)
(254,195)	573,352	1,409,538	-	1,384,126
(39,094)	42,824	888,101	(3,059)	853,675
138,713	83,260	529,990	204,467	4,154,377
99,619	126,084	1,418,091	201,408	5,008,052
99,619	126,084	-	-	225,703
-	-	-	-	529,474
-	-	-	-	367,677
-	-	1,418,091	-	1,418,091
-	-	-	-	482,479
-	-	-	-	67,183
-	-	-	-	13,737
-	-	-	-	136,778
-	-	-	201,408	203,878
-	-	-	-	300,116
-	-	-	-	158,996
-	-	-	-	67,184
-	-	-	-	1,036,756
99,619	126,084	1,418,091	201,408	5,008,052



**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, 2022

	<u>Enterprise</u>
	<u>Solid Waste</u>
Operating receipts:	
Charges for service	\$ 529,155
Operating disbursements:	
Business type activities	<u>485,057</u>
Change in cash balance	<u>44,098</u>
Cash balance beginning of year	<u>183,764</u>
Cash balance end of year	<u>\$ 227,862</u>
<b>Cash Basis Fund Balance</b>	
Unrestricted	<u>\$ 227,862</u>

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2022

**(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 & 7<sup>th</sup> 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, 2022, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2022 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 \$1,097,568. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the IPAIT is unrated.

### Component Units

At June 30, 2022, 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	\$ 70,120	64,818	N/A
U.S. equities	161,687	486,875	N/A
Total Denison Library Friends	<u>\$ 231,807</u>	<u>551,693</u>	
Denison Volunteer Firefighters Association			
Mutual funds	<u>\$ 144,010</u>	<u>142,695</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) Golf Course Clubhouse Lease Rent**

The City owns real property which the City leases to a tenant for use as a golf course clubhouse. On May 1, 2006, the City entered into a 99 year lease agreement. The City is to receive monthly payments of \$1,250 with an implicit rate of 2.00%.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,899	12,101	15,000
2024	2,957	12,043	15,000
2025	3,016	11,984	15,000
2026	3,077	11,923	15,000
2027	3,138	11,862	15,000
2028-2032	16,658	58,342	75,000
2033-2037	18,391	56,609	75,000
2038-2042	20,307	54,693	75,000
2043-2047	22,419	52,581	75,000
2048-2052	24,754	50,246	75,000
2053-2057	27,329	47,671	75,000
2058-2062	30,173	44,827	75,000
2063-2067	33,314	41,686	75,000
2068-2072	36,780	38,220	75,000
2073-2077	40,610	34,390	75,000
2078-2082	44,837	30,163	75,000
2083-2087	49,503	25,497	75,000
2088-2092	54,654	20,346	75,000
2093-2097	60,342	14,658	75,000
2098-2102	66,624	8,376	75,000
2103-2105	43,259	1,741	45,000
Total	<u>\$ 605,041</u>	<u>639,959</u>	<u>1,245,000</u>

**(4) Long-Term Debt**

Bonds and Notes

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,280,000	2,100,000	2,200,000	6,180,000	1,420,000
Loan agreement - Direct borrowing	145,000	-	47,000	98,000	48,000
Governmental activities total	<u>\$ 6,425,000</u>	<u>2,100,000</u>	<u>2,247,000</u>	<u>6,278,000</u>	<u>1,468,000</u>

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Issued Mar 21, 2013			Corporate Purpose and Refunding Issued Jun 1, 2015			Corporate Purpose and Refunding Issued Jun 1, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.85%	\$ 240,000	8,145	2.00%	\$ 35,000	700	2.75%	\$ 75,000	2,063
2024	1.95	190,000	3,705		-	-		-	-
2025		-	-		-	-		-	-
2026		-	-		-	-		-	-
2027		-	-		-	-		-	-
2028-2032		-	-		-	-		-	-
Total		<u>\$ 430,000</u>	<u>11,850</u>		<u>\$ 35,000</u>	<u>700</u>		<u>\$ 75,000</u>	<u>2,063</u>

Year Ending June 30,	Corporate Purpose Issued Sep 1, 2016			Corporate Purpose Issued Aug 15, 2017			Corporate Purpose Issued July 9, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	3.00%	\$ 150,000	24,000	1.75%	\$ 65,000	8,900	3.00%	\$ 105,000	22,350
2024	3.00	155,000	19,500	2.00	65,000	7,600	3.00	110,000	19,200
2025	3.00	160,000	14,850	2.00	70,000	6,300	3.00	110,000	15,900
2026	3.00	165,000	10,050	2.00	70,000	4,200	3.00	115,000	12,600
2027	3.00	170,000	5,100	3.00	70,000	2,100	3.00	120,000	8,575
2028-2032		-	-		-	-	3.50	125,000	4,375
Total		<u>\$ 800,000</u>	<u>73,500</u>		<u>\$ 340,000</u>	<u>29,100</u>		<u>\$ 685,000</u>	<u>83,000</u>

Year Ending June 30,	Corporate Purpose Issued Nov 1, 2019			Corporate Purpose Issued Sep 15, 2020			Corporate Purpose and Refunding Issued Sep 15, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	3.00%	\$ 115,000	15,620	0.85%	\$ 45,000	383	2.00%	\$ 290,000	24,400
2024	1.80	85,000	12,170		-	-	2.00	340,000	18,600
2025	1.80	90,000	10,640		-	-	2.00	95,000	11,800
2026	1.80	90,000	9,020		-	-	2.00	95,000	9,900
2027	2.00	90,000	7,400		-	-	2.00	95,000	8,000
2028-2032	2.00	280,000	11,300		-	-	2.00	305,000	12,300
Total		<u>\$ 750,000</u>	<u>66,150</u>		<u>\$ 45,000</u>	<u>383</u>		<u>\$ 1,220,000</u>	<u>85,000</u>



Year Ending June 30,	Corporate Purpose and Refunding			Total		
	Issued Feb 14, 2022					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	2.00%	\$ 300,000	39,900	\$ 1,420,000	146,461	1,566,461
2024	2.00	310,000	33,900	1,255,000	114,675	1,369,675
2025	2.00	310,000	27,700	835,000	87,190	922,190
2026	2.00	120,000	21,500	655,000	67,270	722,270
2027	2.00	120,000	19,100	665,000	50,275	715,275
2028-2032	2.00-3.00	640,000	54,600	1,350,000	82,575	1,432,575
		<u>\$ 1,800,000</u>	<u>196,700</u>	<u>\$ 6,180,000</u>	<u>548,446</u>	<u>6,728,446</u>

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, 2022, the City paid \$235,000 of principal and \$12,140 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, 2022, the City paid \$9,350 of interest and refunded the remaining \$765,000 of principal and \$4,000 of interest with the February 14, 2022 general obligation 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, 2022, the City paid \$35,000 of principal and \$1,400 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, 2022, the City paid \$75,000 of principal and \$4,125 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, 2022, the City paid \$145,000 of principal and \$26,900 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, 2022, the City paid \$105,000 of principal and \$10,738 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, 2022, the City paid \$100,000 of principal and \$25,350 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, 2022, the City paid \$115,000 of principal and \$19,070 of interest on the bonds.

On September 15, 2020, the City issued \$155,000 of general obligation bonds with an interest rate of 0.85% per annum. The bonds were issued for the purpose of making payments to Denison Housing Development, LLC related to the construction of single family housing units for low income families. During the year ended June 30, 2022, the City paid \$90,000 of principal and \$1,148 of interest on the bonds.

On September 15, 2020, the City issued \$1,690,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for the purpose of financing construction of improvements to streets, replacement of the roof of the municipal aquatic center, and refunding the outstanding balance of the City’s general obligation corporate purpose bonds, series 2011. During the year ended June 30, 2022, the City paid \$235,000 of principal and \$29,100 of interest on the bonds.

On February 14, 2022, the City issued \$2,100,000 of general obligation bonds with interest rates of 2.00% to 3.00% per annum. The bonds were issued for the purpose of financing construction, reconstruction and improvements of waterways with respect to levees, embankments and waterway structures; equipping the fire department with a fire truck; and refunding the outstanding balance of the City’s general obligation corporate purpose bonds, series 2014. During the year ended June 30, 2022, the City paid \$300,000 of principal and \$13,643 of interest on the bonds. The City obtained an economic gain, difference between the present value of the debt service payments on the old and new debt, of approximately \$11,415.

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, 2022, the City paid principal of \$47,000 and interest of \$3,221 on the loan.

Year	<u>Loan Agreement - Direct Borrowing</u>		
	<u>Issued Jun 1, 2015</u>		
Ending	Interest		
June 30,	Rates	Principal	Interest
2023	2.20%	\$ 48,000	2,281
2024	2.45	50,000	1,225
Total		\$ 98,000	3,506

**(5) 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](http://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 2022, 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 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City’s contributions to IPERS for the year ended June 30, 2022 totaled \$236,790.

Net Pension Asset, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported an asset of \$578,977 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021 and the total pension asset used to calculate the overall plan pension net asset was determined by an actuarial valuation as of that date. The City’s proportion of the overall plan net pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion of the overall plan net pension asset was 0.167709%, which was an increase of 0.146027% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(144,965) \$286,322 and \$1,624,271, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The overall plan net pension asset in the June 30, 2021 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, 2021 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 2021 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
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 asset.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the overall plan net pension asset 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 (asset)	\$ 702,793	(578,977)	(1,652,579)

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](http://www.ipers.org).

**(6) 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 \$603 for single coverage to \$1,764 for family coverage. For the year ended June 30, 2022, the City contributed \$549,191, and plan members eligible for benefits contributed \$31,875 to the plan. At June 30, 2022, 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, 2022, the following employees were covered by the benefit terms:

Active employees	48
------------------	----

**(7) 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, 2022, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 53,000
Compensatory leave	35,000
Sick leave	12,000
Total	<u>\$ 100,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 40,000
	Local Option Sales Tax	<u>625,000</u>
		<u>665,000</u>
Special Revenue:	General	<u>25,000</u>
Local Option Sales Tax		
Debt Service	Special Revenue:	
	Road Use Tax	129,743
	Local Option Sales Tax	189,414
	Urban Renewal Tax Increment	<u>254,195</u>
		<u>573,352</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>50,000</u>
Total		<u>\$ 1,313,352</u>

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

**(9) 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, 2022, no repayments were made. The outstanding balance at June 30, 2022 is \$130,000.

## **(10) Risk Management**

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

## **(11) Employee Health Insurance Plan**

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, 2022, the City transferred \$40,000 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

## **(12) Development Agreement**

On June 19, 2018, the City 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.

On November 19, 2019, 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. During the year ended June 30, 2022, the City made no payments and had paid cumulative payments of \$49,760 for the construction of 2 units.



On June 7, 2022, the City entered into an agreement with Healthy Efficient Homes, LLC (Company) 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 \$175,000, and all payments shall be subject to annual appropriation by the City Council. The City will make a payment of \$25,000 per unit for TIF-eligible expense to the Company within 60 days of the receipt of the certification of costs and the issuance of a final certificate of occupancy, in accordance with the terms of this Development Agreement. The Company will sell the units based upon a 30% profit factor after land, labor, material, and development expenses, minus \$25,000 for City grant amount and \$7,000 for Iowa Finance Authority tax credit reduction, if applicable. 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. During the year ended June 30, 2022, the City made no payments under the agreement.

**(13) Subsequent Events**

In March 2023, the City issued \$340,000 of general obligation bonds for financing land acquisition for future housing development. The City also issued \$825,000 to finance tuck-pointing at City Hall and the Library, exterior repairs at City Hall, and to finance street, sewer, storm water, municipal park and airport improvements and acquiring and improving property for housing needs.

**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, 2022

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 4,335,046	-	4,335,046
Tax increment financing	214,864	-	214,864
Other city tax	1,235,407	-	1,235,407
Licenses and permits	77,855	-	77,855
Use of money and property	147,927	-	147,927
Intergovernmental	4,896,386	-	4,896,386
Charges for service	379,191	529,155	908,346
Special assessments	12,408	-	12,408
Miscellaneous	295,222	-	295,222
Total receipts	<u>11,594,306</u>	<u>529,155</u>	<u>12,123,461</u>
Disbursements:			
Public safety	2,285,210	-	2,285,210
Public works	1,723,178	-	1,723,178
Health and social services	13,752	-	13,752
Culture and recreation	1,146,276	-	1,146,276
Community and economic development	203,897	-	203,897
General government	1,502,232	-	1,502,232
Debt service	1,592,463	-	1,592,463
Capital projects	3,657,749	-	3,657,749
Business type activities	-	485,057	485,057
Total disbursements	<u>12,124,757</u>	<u>485,057</u>	<u>12,609,814</u>
Excess (deficiency) of receipts over (under) disbursements	(530,451)	44,098	(486,353)
Other financing sources (uses), net	<u>1,384,126</u>	<u>-</u>	<u>1,384,126</u>
Change in balances	853,675	44,098	897,773
Balances beginning of year	<u>4,154,377</u>	<u>183,764</u>	<u>4,338,141</u>
Balances end of year	<u>\$ 5,008,052</u>	<u>227,862</u>	<u>5,235,914</u>

See notes to financial statements.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
4,395,616	4,395,616	(60,570)
254,195	254,195	(39,331)
934,047	934,047	301,360
67,650	67,650	10,205
190,700	190,700	(42,773)
7,390,517	7,233,114	(2,336,728)
927,600	927,600	(19,254)
8,500	8,500	3,908
259,383	286,883	8,339
<u>14,428,208</u>	<u>14,298,305</u>	<u>(2,174,844)</u>
2,584,073	2,584,073	298,863
1,618,741	1,808,941	85,763
11,217	14,217	465
1,316,795	1,319,795	173,519
321,900	324,400	120,503
1,617,122	1,671,122	168,890
1,593,621	1,593,621	1,158
7,644,374	7,564,771	3,907,022
512,500	512,500	27,443
<u>17,220,343</u>	<u>17,393,440</u>	<u>4,783,626</u>
(2,792,135)	(3,095,135)	2,608,782
<u>1,487,039</u>	<u>1,428,039</u>	<u>(43,913)</u>
(1,305,096)	(1,667,096)	2,564,869
<u>2,864,612</u>	<u>2,864,612</u>	<u>1,473,529</u>
<u>1,559,516</u>	<u>1,197,516</u>	<u>4,038,398</u>

**City of Denison**

City of Denison

Notes to Other Information – Budgetary Reporting

June 30, 2022

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 \$173,097. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements did not exceed budgeted amounts.

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City of Denison

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability (asset)	0.167709% **	0.021682%	0.019956%	0.020465%
City's proportionate share of the net pension liability (asset)	\$ (579)	1,523	1,156	1,295
City's covered payroll	\$ 2,422	2,464	2,430	2,292
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-23.91%	61.81%	47.57%	56.50%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%

\* 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.

\*\* Overall plan net pension asset.

See accompanying independent auditor's report.

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2018	2017	2016	2015
0.021632%	0.020954%	0.018079%	0.015688%
1,441	1,319	893	622
2,255	2,140	1,985	1,927
63.90%	61.64%	44.99%	32.28%
82.21%	81.82%	85.19%	87.61%



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City of Denison

Schedule of City Contributions

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

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 237	230	236	236
Contributions in relation to the statutorily required contribution	<u>(237)</u>	<u>(230)</u>	<u>(236)</u>	<u>(236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,520	2,422	2,464	2,430
Contributions as a percentage of covered payroll	9.40%	9.50%	9.58%	9.71%

See accompanying independent auditor's report.

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2018	2017	2016	2015	2014	2013
211	207	197	187	180	168
(211)	(207)	(197)	(187)	(180)	(168)
-	-	-	-	-	-
2,292	2,255	2,140	1,985	1,927	1,818
9.21%	9.18%	9.21%	9.42%	9.34%	9.24%

City of Denison

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2022

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, 2022

	Special				
	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust	Memorial Gardens
Receipts:					
Use of money and property	\$ -	77	-	-	-
Charges for service	-	-	-	-	-
Miscellaneous	-	-	10,250	2,194	-
Total receipts	-	77	10,250	2,194	-
Disbursements:					
Operating:					
Culture and recreation	-	-	4,646	-	-
Community and economic development	-	-	-	-	-
Total disbursements	-	-	4,646	495	-
Change in cash balances	-	77	5,604	1,699	-
Cash balances (deficit) beginning of year	997	105,412	16,173	21,738	620
Cash balances end of year	\$ 997	105,489	21,777	23,437	620
<b>Cash Basis Fund Balances</b>					
Restricted for other purposes	\$ 997	105,489	21,777	23,437	620

See accompanying independent auditor's report.

Revenue									
Johnson Park Bridge	Tuckers Park	Holiday Decorations	Dog Park	Adult Softball	Denison Little League	Market in the Park	Aquatic Mini Golf	Uptown Improvement	Total
-	-	-	-	-	-	-	-	-	77
-	-	-	-	1,010	25,046	250	-	-	26,306
-	-	23,051	752	-	-	-	-	9,725	45,972
-	-	23,051	752	1,010	25,046	250	-	9,725	72,355
-	-	-	4,054	-	-	-	619	-	9,319
-	-	18,217	-	-	19,386	2,390	-	25,607	65,600
-	-	18,217	4,054	-	19,386	2,390	619	25,607	75,414
-	-	4,834	(3,302)	1,010	5,660	(2,140)	(619)	(15,882)	(3,059)
914	374	9,398	5,766	(542)	17,145	2,140	1,365	22,967	204,467
914	374	14,232	2,464	468	22,805	-	746	7,085	201,408
914	374	14,232	2,464	468	22,805	-	746	7,085	201,408

City of Denison

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

For the Last Ten Years

	2022	2021	2020	2019
Receipts:				
Property tax	\$ 4,335,046	4,352,716	3,990,902	3,962,473
Tax increment financing	214,864	305,885	161,644	411,761
Local option sales tax	1,057,954	1,036,356	850,506	707,359
Other city tax	177,453	137,058	267,665	237,464
Licenses and permits	77,855	107,995	68,349	72,836
Use of money and property	147,927	145,461	170,598	195,594
Intergovernmental	4,896,386	3,181,906	2,298,630	1,817,217
Charges for service	379,191	274,511	348,216	403,964
Special assessments	12,408	33,904	8,360	13,332
Miscellaneous	295,222	287,675	257,853	457,692
Total	<u>\$ 11,594,306</u>	<u>9,863,467</u>	<u>8,422,723</u>	<u>8,279,692</u>
Disbursements:				
Operating:				
Public safety	\$ 2,285,210	2,141,606	2,063,288	2,183,605
Public works	1,723,178	1,411,623	1,433,695	1,678,058
Health and social services	13,752	8,925	10,093	19,192
Culture and recreation	1,146,276	1,079,847	1,074,531	1,189,221
Community and economic development	203,897	199,497	177,600	320,515
General government	1,502,232	1,442,798	1,446,545	1,408,894
Debt service	1,592,463	1,571,939	1,435,602	1,656,083
Capital projects	3,657,749	2,351,854	1,513,813	502,934
Total	<u>\$ 12,124,757</u>	<u>10,208,089</u>	<u>9,155,167</u>	<u>8,958,502</u>

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
3,770,819	3,497,610	3,418,084	3,121,748	3,116,913	2,964,959
473,883	718,893	845,250	812,030	879,459	754,556
780,075	791,493	728,253	745,066	714,213	683,478
237,489	254,524	243,356	212,432	124,790	121,387
77,597	81,145	67,177	65,441	84,377	69,174
189,590	205,768	215,291	210,749	232,750	210,648
2,329,345	2,206,475	3,132,673	2,089,350	1,987,274	2,367,130
317,334	288,031	320,246	390,580	365,864	392,947
11,854	15,803	21,553	28,183	17,357	20,528
414,732	273,923	305,244	393,337	419,422	371,382
<b>8,602,718</b>	<b>8,333,665</b>	<b>9,297,127</b>	<b>8,068,916</b>	<b>7,942,419</b>	<b>7,956,189</b>
2,274,307	2,592,238	1,982,289	1,880,934	2,117,390	2,368,217
1,517,149	1,239,622	1,118,895	1,273,063	1,190,600	1,114,074
7,288	10,832	8,605	9,389	8,426	7,814
1,078,462	1,123,944	1,055,992	940,560	950,481	925,265
256,431	220,457	235,619	431,485	149,030	325,577
1,249,408	1,192,694	1,152,903	1,002,797	1,016,581	953,436
1,774,987	1,707,333	1,682,546	1,861,248	1,645,746	1,592,617
1,344,084	1,912,173	2,515,716	1,767,534	2,664,725	2,706,366
<b>9,502,116</b>	<b>9,999,293</b>	<b>9,752,565</b>	<b>9,167,010</b>	<b>9,742,979</b>	<b>9,993,366</b>



**City of Denison**

City of Denison  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2022

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Iowa Economic Development Authority:			
Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii	14.228	20-HSG-002	\$ 107,614
Total U.S. Department of Housing and Urban Development			<u>107,614</u>
U.S. Department of Transportation:			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-19-0026-017-2022	1,750,551
Total U.S. Department of Transportation			<u>1,750,551</u>
U.S. Department of the Treasury:			
COVID-19, Coronavirus State and Local Fiscal Recovery Funds	21.027	FY2022	86,994
Total U.S. Department of the Treasury			<u>86,994</u>
U.S. Department of Homeland Security:			
Passed through Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4421-DRIA	673,616
Total U.S. Department of Homeland Security			<u>673,616</u>
Total			<u>\$ 2,618,775</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Denison under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Denison, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Denison.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – The City of Denison has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006  
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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 auditing standards generally accepted in the United States of America 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 Denison, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 29, 2023. 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.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Denison's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denison's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that 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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-001 through 2022-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-004 and 2022-005 to be significant deficiencies.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denison's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 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.

#### City of Denison's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Denison's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Denison's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

#### 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.



Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

August 29, 2023

**City of Denison**



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

Rob Sand  
Auditor of State

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**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance**

To the Honorable Mayor and Members of the City Council:

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the City of Denison, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Denison's major federal program for the year ended June 30, 2022. The City of Denison's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Denison complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Denison and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Denison's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Denison's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Denison's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about the City of Denison's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Denison's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Denison's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Denison's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

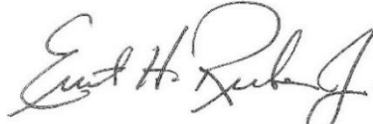
## Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Ernest H. Ruben, Jr.", written in a cursive style.

Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

August 29, 2023



City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued 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 cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. An adverse opinion was issued on the financial statements of the aggregate discretely presented component units due to the omission of the Denison Municipal Utilities.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listings Number 20.106 – Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Denison did not qualify as a low-risk auditee.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

**Part II: Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2022-001     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 opening mail, 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.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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 – The treasurer and a member of the Friends count money from the lock box/wall safe together every month. The Friends member initials all deposits. Bills are read and approved at the five yearly meetings of the Denison Library Friends Board. We could have the Friends member review and sign bank reconciliations.

Conclusions – Responses accepted.

2022-002 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.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Response – The City has established internal procedures adequate to ensure a greater degree of work segregation and oversight are incorporated in bank reconciliations, by having an independent person review the bank reconciliations starting with May 2022.

Conclusion – Response accepted.

2022-003 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial statements.

Condition – The City issued \$2,100,000 of General Obligation bonds during the year. Of this amount, \$769,750 was used to refund the outstanding series 2014 general obligation debt; however, the City did not record the \$769,750 debt proceeds nor the corresponding debt refunding in the accounting records. This was corrected for financial reporting purposes.

Cause – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions.

Effect – The City’s receipts and disbursements were not properly recorded in the City’s accounting records and material adjustments to the City’s financial statements were necessary.

Recommendation – The City should ensure bond proceeds and payments of debt are properly recorded in the City’s financial statements. The City’s receipts and disbursements should be compared to the accounting records by an independent person and the evidence of review should be documented.

Response – In the future, the City will show all bond payoffs within the City’s financial software.

Conclusion – Response acknowledged. In addition to recording the repayment, the City should ensure the bond proceeds are recorded.

2022-004 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 and Questioned Costs

Year ended June 30, 2022

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.

2022-005

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 and Questioned Costs

Year ended June 30, 2022

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.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal controls over the major program were noted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

**Part IV: Other Findings Related to Required Statutory Reporting:**

- 2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.
- 2022-B 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.
- 2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Koch, Spouse of City Clerk, Owner of Verlin Plumbing	Plumbing services	\$ 6,722
John Granzen, City Council Member, Owner of Granzen Plumbing and Heating	Plumbing services	10,788
Daniel McGinnis, Police Sergeant, Owner of Blue Lines Cleaning, LLC	Carpet cleaning and water softener leak	185

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

The transactions with Verlin Plumbing and Granzen Plumbing and Heating may represent a conflict of interest since the transactions exceeded \$6,000 and were not entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

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

Response – We will contact legal counsel and more closely monitor Chapter 362.5(3)(d) in the future.

Conclusion – Response accepted.

- 2022-E 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.
- 2022-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.



City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

- 2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 2022-H 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.
- 2022-I 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.
- 2022-J Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Denison properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

City of Denison

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy  
Tiffany M. Ainger, CPA, Manager  
Cole L. Hocker, CPA, Manager  
Selina V. Johnson, CPA, Senior II  
Craig S. Miller, Staff Auditor  
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Hunter W. Penton, Assistant Auditor  
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