



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 9, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Denison, Iowa.

The City's receipts totaled \$11,368,843 for the year ended June 30, 2011, a 23% increase over the prior year. The receipts included \$2,801,953 in property tax, \$600,561 from tax increment financing, \$1,108,021 from charges for service, \$1,087,868 from operating grants, contributions and restricted interest, \$566,015 from capital grants, contributions and restricted interest, \$4,094,202 from bond proceeds, \$680,119 from local option sales tax, \$112,081 from hotel/motel tax, \$280,382 from grants and contributions not restricted to specific purpose, \$2,801 from unrestricted interest on investments and \$34,840 from other general receipts.

Disbursements for the year totaled \$11,605,301, a 25% increase over the prior year, and included \$1,660,329 for public safety, \$1,380,420 for debt service and \$1,045,519 for general government. Also, the City paid \$4,213,882 to an escrow agent to refund bonds and notes. Disbursements for business type activities totaled \$387,532.

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

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1120-0220-B00F.pdf>.

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CITY OF DENISON

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

JUNE 30, 2011

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City of Denison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Fineran	Mayor	Jan 2012
Jean Heiden	Mayor Pro tem	Jan 2014
Daniel Ahart	Council Member	Jan 2012
Gordon Hough	Council Member	Jan 2012
Cecil Blum, Jr.	Council Member	(Resigned)
Nathan Mahrt (Appointed)	Council Member	Nov 2011
Pedro Rodriguez	Council Member	Jan 2014
Kevin Flanagan	City Manager	Indefinite
Lisa Koch	Clerk	Indefinite
Rick Franck	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Denison's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Denison Volunteer Fire Association, which represents 79 percent and 80 percent, respectively, of the net assets and receipts of the discretely presented component units. We also did not audit the financial statements of the Denison Municipal Utilities, a discretely presented component unit with condensed financial information presented in Note 9. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Denison Volunteer Fire Association and Denison Municipal Utilities, is based on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As described in Note 9, the City has chosen to present condensed financial information for the Denison Municipal Utilities, a discretely presented component unit, since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The report of the other auditor, dated November 17, 2011 expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2011 on our consideration of the City of Denison's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denison's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Denison provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 24%, or approximately \$2,139,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$308,000, capital grants, contributions and restricted interest decreased approximately \$887,000 and bond proceeds increased approximately \$2,689,000.
- Disbursements for governmental activities increased 27%, or approximately \$2,353,000, over fiscal year 2010. Payment to the escrow agent increased approximately \$3,719,000 and capital project disbursements decreased approximately \$1,570,000.
- The City's total cash basis net assets decreased 12%, or approximately \$236,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$210,000 and the assets of the business type activities decreased approximately \$26,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

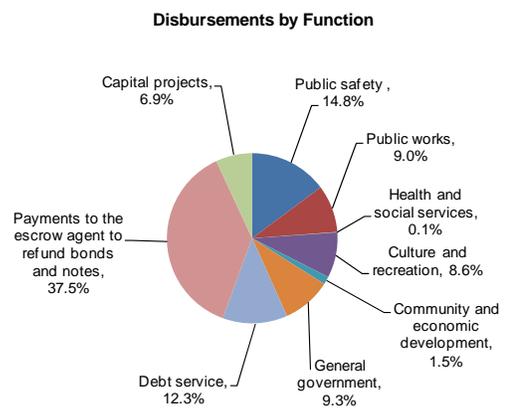
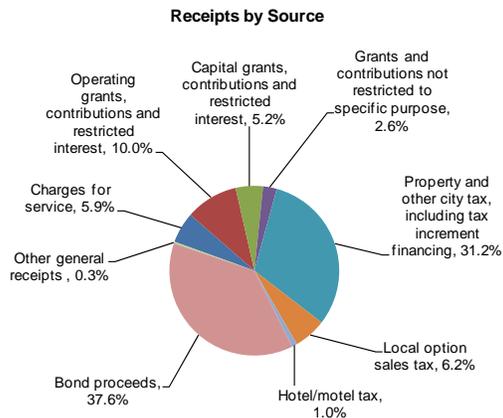
2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Solid Waste Fund, which is considered to be a major fund of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from approximately \$1.84 million to approximately \$1.63 million. The following analysis focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 648	556
Operating grants, contributions and restricted interest	1,088	1,176
Capital grants, contributions and restricted interest	566	1,453
General receipts:		
Property and other city tax, including tax increment financing	3,402	3,094
Local option sales tax	680	582
Hotel/motel tax	112	100
Grants and contributions not restricted to specific purpose	280	294
Unrestricted interest on investments	3	4
Bond proceeds	4,094	1,405
Other general receipts	35	105
Total receipts	<u>10,908</u>	<u>8,769</u>
Disbursements:		
Public safety	1,660	1,495
Public works	1,005	1,301
Health and social services	8	9
Culture and recreation	970	879
Community and economic development	163	222
General government	1,046	793
Debt service	1,380	1,329
Capital projects	771	2,341
Payments to escrow agent to refund bonds and notes	4,214	495
Total disbursements	<u>11,217</u>	<u>8,864</u>
Change in cash basis net assets before transfers	(309)	(95)
Transfers, net	99	75
Change in cash basis net assets	(210)	(20)
Cash basis net assets beginning of year	<u>1,837</u>	<u>1,857</u>
Cash basis net assets end of year	<u>\$ 1,627</u>	<u>1,837</u>



The City's total receipts for governmental activities increased 24%, or approximately \$2,139,000. The total cost of all programs and services increased approximately \$2,353,000, or 27%, with no new programs added this year. The significant increase in receipts was primarily due to the receipt of bond proceeds and the related disbursements to an escrow agent to refund certain bonds and notes.

The City increased property tax rates for fiscal year 2011 by an average of 1%. This increase, in conjunction with an increase in assessed valuation, increased the City's property tax receipts other than tax increment financing approximately \$343,000 in fiscal year 2011. Property tax receipts are budgeted to decrease approximately \$13,000 next year.

The cost of all governmental activities this year was approximately \$11.2 million compared to approximately \$8.9 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$4.7 million because some of the cost was paid by those directly benefited from the programs (\$648,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,654,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$8.71 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest, bond proceeds and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 460	458
Disbursements:		
Solid waste	387	388
Change in cash basis net assets before transfers	73	70
Transfers, net	(99)	(75)
Change in cash basis net assets	(26)	(5)
Cash basis net assets beginning of year	71	76
Cash basis net assets end of year	\$ 45	71

Total business type activities receipts for the fiscal year were approximately \$460,000 compared to approximately \$458,000 last year. Total disbursements for the fiscal year decreased slightly from the prior year to approximately \$387,000. The cash balance decreased approximately \$26,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Denison completed the year, its governmental funds reported a combined fund balance of \$1,627,290, a decrease of approximately \$210,000 from last year's total of \$1,837,232. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$7,473 over the prior year to \$622,864. Receipts increased 7% and disbursements increased 6%. Intergovernmental receipts increased \$120,618, due primarily to receipt of a smoke alarm grant.

- The Special Revenue, Road Use Tax Fund cash balance increased \$46,430 to \$424,750. Receipts increased 2%, or approximately \$13,000. Disbursements decreased 11%, or approximately \$71,000.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$56,615 to \$455,093. Receipts increased 7% and disbursements increased 12%. The City levied additional property tax to cover higher health insurance costs.
- The Special Revenue, Local Option Sales Tax Fund was established to account for special sales tax collected. At the end of the fiscal year, the cash balance was \$88,760, a decrease of \$86,626 from the previous year. Receipts increased 17%, or approximately \$97,000, during the fiscal year. Net transfers from the Local Option Sales Tax Fund increased \$276,817, mainly due to increases in transfers to the General and Capital Projects Funds.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$196,347 to \$36,495. Transfers out increased \$142,596 from the previous year due to increases in transfers to the Debt Service Fund. The City issued general obligation refunding bonds to refund the urban renewal revenue bonds and paid \$119,680 previously held in reserve for the revenue bonds to the refunding bond agent.
- The Special Revenue, Denison Foundation Fund cash balance decreased \$14,951 to \$230,632. Receipts decreased 70%, or approximately \$97,000, due to decreased contributions from the Denison Municipal Utilities. Disbursements decreased 26%, or approximately \$19,000.
- The Debt Service Fund cash balance increased \$2,447 to \$89,861. Receipts increased 43% and disbursements increased 14%.
- The Capital Projects Fund cash balance increased \$76,475 to (\$477,644). The increase was due primarily to transfers in from the Special Revenue, Local Option Sales Tax Fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Solid Waste Fund cash balance decreased \$26,516 to \$44,747 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once on May 17, 2011. The amendment increased other city tax receipts and operating disbursements in the public safety, public works, community and economic development and general government functions. The amendment was made for unanticipated receipts and disbursements.

The City's receipts were \$1,012,599 less than budgeted. This was primarily due to the City receiving \$1,047,804 less than budgeted for intergovernmental receipts due to projects not being completed in the current year and the City not starting a street project in the current year. In addition, the City received \$239,354 less than budgeted for use of money and property due to the overall economic downturn and resulting peripheral impacts on receipts, particularly with respect to the City's airport fuel sales.

Even with the amendment, total disbursements were \$78,236 more than the amended budget in the general government function. Total disbursements were \$1,222,283 less than the amended budget. Actual disbursements for the capital projects and community and economic development functions were \$618,801 and \$300,730, respectively, less than the amended budget due to the lack of available grant funding and the resulting postponed status of the related projects within both the capital projects and community and economic development functions.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$8,410,000 in bonds and other long-term debt outstanding, compared to \$9,330,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2011	2010
General obligation bonds/notes	\$ 7,940	7,875
Revenue bonds/notes	470	1,455
Total	\$ 8,410	9,330

During the year, the City issued \$4,090,000 of general obligation refunding bonds and redeemed general obligation and revenue notes/bonds of \$5,010,000, including \$945,000 of urban renewal tax increment revenue bonds and \$2,955,000 of general obligation bonds and notes which were refunded.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation of \$7,940,000 is below its constitutional debt limit of \$14,002,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Denison's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of these factors is the decrease in property valuations used to calculate tax askings and levy rates. The total tax asking decreased \$13,238 overall due to property valuations for fiscal year 2012 decreasing \$1,195,679 and the overall tax rate decreasing less than 1%.

These factors were taken into account when adopting the budget for fiscal year 2012. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to increase approximately \$600,000. The increase is due primarily to increases in amounts budgeted for public works and capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$419,000 by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Denison

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,660,329	127,100	168,402	-
Public works	1,004,931	51,540	742,748	-
Health and social services	7,585	-	-	-
Culture and recreation	970,454	382,828	77,002	-
Community and economic development	163,450	1,775	47,649	-
General government	1,045,519	84,753	23,464	-
Debt service	1,380,420	-	28,603	-
Capital projects	771,199	-	-	566,015
Total governmental activities	7,003,887	647,996	1,087,868	566,015
Business type activities:				
Solid waste	387,532	460,025	-	-
Total Primary Government	\$ 7,391,419	1,108,021	1,087,868	566,015
Component Units:				
Denison Library Friends	\$ 26,312	-	5,430	-
Denison Volunteer Firefighters Association	23,512	-	19,023	-
Total component units	\$ 49,824	-	24,453	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds, net of \$66,552 premium, \$61,350 discount and \$1,000 fee				
Payments to escrow agent to refund bonds and notes				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Debt service				
Streets				
Employee benefits				
Infrastructure or other city purpose				
Urban renewal purposes				
Community and economic development				
Culture, recreation and tourism				
Law enforcement				
Library gifts and memorials				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Units	
Governmental Activities	Business Type Activities	Total	Denison Library Friends	Denison Volunteer Firefighters Association
(1,364,827)	-	(1,364,827)	-	-
(210,643)	-	(210,643)	-	-
(7,585)	-	(7,585)	-	-
(510,624)	-	(510,624)	-	-
(114,026)	-	(114,026)	-	-
(937,302)	-	(937,302)	-	-
(1,351,817)	-	(1,351,817)	-	-
(205,184)	-	(205,184)	-	-
(4,702,008)	-	(4,702,008)	-	-
-	72,493	72,493	-	-
(4,702,008)	72,493	(4,629,515)	-	-
-	-	-	(20,882)	-
-	-	-	-	(4,489)
-	-	-	(20,882)	(4,489)
\$ 2,370,748	-	2,370,748	-	-
431,205	-	431,205	-	-
600,561	-	600,561	-	-
680,119	-	680,119	-	-
112,081	-	112,081	-	-
280,382	-	280,382	-	-
2,801	-	2,801	-	3,001
4,094,202	-	4,094,202	-	-
(4,213,882)	-	(4,213,882)	-	-
34,840	-	34,840	-	-
99,009	(99,009)	-	-	-
4,492,066	(99,009)	4,393,057	-	3,001
(209,942)	(26,516)	(236,458)	(20,882)	(1,488)
1,837,232	71,263	1,908,495	66,386	172,378
\$ 1,627,290	44,747	1,672,037	45,504	170,890
\$ 244,994	-	244,994	-	-
285,279	-	285,279	-	-
522,440	-	522,440	-	-
88,760	-	88,760	-	-
36,495	-	36,495	-	-
230,632	-	230,632	-	-
11,485	-	11,485	-	-
47,748	-	47,748	-	-
42,525	-	42,525	-	-
140,817	-	140,817	-	121,990
(23,885)	44,747	20,862	45,504	48,900
\$ 1,627,290	44,747	1,672,037	45,504	170,890

City of Denison

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

As of and for the year ended June 30, 2011

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,601,770	-	756,614	-
Tax increment financing	-	-	-	-
Other city tax	120,473	-	3,972	680,119
Licenses and permits	87,219	-	-	-
Use of money and property	178,535	-	-	148
Intergovernmental	487,262	693,415	-	-
Charges for service	259,883	-	-	-
Special assessments	-	-	-	-
Miscellaneous	206,655	-	20,266	-
Total receipts	2,941,797	693,415	780,852	680,267
Disbursements:				
Operating:				
Public safety	1,273,056	-	375,924	1,184
Public works	229,952	542,838	175,201	33,600
Health and social services	6,998	-	587	-
Culture and recreation	812,820	-	154,460	-
Community and economic development	103,815	-	-	-
General government	928,314	-	100,807	16,398
Debt service	-	37,863	-	-
Capital projects	-	-	-	-
Total disbursements	3,354,955	580,701	806,979	51,182
Excess (deficiency) of receipts over (under) disbursements	(413,158)	112,714	(26,127)	629,085
Other financing sources (uses):				
Bond proceeds, net of \$66,552 premium, \$61,350 discount and \$1,000 fee	-	-	-	-
Payments to escrow agent	-	-	-	-
Operating transfers in	437,047	-	-	16,416
Operating transfers out	(16,416)	(66,284)	(30,488)	(732,127)
Total other financing sources (uses)	420,631	(66,284)	(30,488)	(715,711)
Net change in cash balances	7,473	46,430	(56,615)	(86,626)
Cash balances beginning of year, as restated	615,391	378,320	511,708	175,386
Cash balances end of year	\$ 622,864	424,750	455,093	88,760
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	155,133	-	-
Streets	-	269,617	-	-
Employee benefits	67,347	-	455,093	-
Infrastructure or other city purpose	-	-	-	88,760
Urban renewal purposes	-	-	-	-
Community and economic development	-	-	-	-
Culture, recreation and tourism	11,485	-	-	-
Law enforcement	47,748	-	-	-
Library gifts and memorials	42,525	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Fire station	127,480	-	-	-
Capital equipment and improvements	167,889	-	-	-
Culture, recreation and tourism	11,485	-	-	-
Unassigned	146,905	-	-	-
Total cash basis fund balances	\$ 622,864	424,750	455,093	88,760

See notes to financial statements.

Urban Renewal Tax Increment	Denison Foundation	Debt Service	Capital Projects	Nonmajor	Total
-	-	429,169	-	-	2,787,553
600,561	-	-	-	-	600,561
-	-	2,036	-	-	806,600
-	-	-	-	-	87,219
-	191	-	-	1,232	180,106
-	-	-	538,299	39,002	1,757,978
-	-	-	-	-	259,883
-	-	-	27,494	-	27,494
-	40,583	28,603	222	10,893	307,222
600,561	40,774	459,808	566,015	51,127	6,814,616
-	-	-	-	10,165	1,660,329
-	-	-	-	23,340	1,004,931
-	-	-	-	-	7,585
-	-	-	-	3,174	970,454
-	55,725	-	-	3,910	163,450
-	-	-	-	-	1,045,519
-	-	1,342,557	-	-	1,380,420
-	-	-	771,199	-	771,199
-	55,725	1,342,557	771,199	40,589	7,003,887
600,561	(14,951)	(882,749)	(205,184)	10,538	(189,271)
-	-	4,094,202	-	-	4,094,202
(119,680)	-	(4,094,202)	-	-	(4,213,882)
-	-	885,196	281,659	1,234	1,621,552
(677,228)	-	-	-	-	(1,522,543)
(796,908)	-	885,196	281,659	1,234	(20,671)
(196,347)	(14,951)	2,447	76,475	11,772	(209,942)
232,842	245,583	87,414	(554,119)	144,707	1,837,232
36,495	230,632	89,861	(477,644)	156,479	1,627,290
-	-	89,861	-	-	244,994
-	-	-	-	15,662	285,279
-	-	-	-	-	522,440
-	-	-	-	-	88,760
36,495	-	-	-	-	36,495
-	230,632	-	-	-	230,632
-	-	-	-	-	11,485
-	-	-	-	-	47,748
-	-	-	-	-	42,525
-	-	-	-	140,817	140,817
-	-	-	-	-	127,480
-	-	-	-	-	167,889
-	-	-	-	-	11,485
-	-	-	(477,644)	-	(330,739)
36,495	230,632	89,861	(477,644)	156,479	1,627,290

City of Denison

City of Denison

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

As of and for the year ended June 30, 2011

	<u>Enterprise</u> <u>Solid Waste</u>
Operating receipts:	
Charges for service	\$ 460,025
Operating disbursements:	
Business type activities	<u>387,532</u>
Excess of operating receipts over operating disbursements	<u>72,493</u>
Transfers:	
Operating transfers in	991
Operating transfers out	<u>(100,000)</u>
Total transfers	<u>(99,009)</u>
Net change in cash balances	(26,516)
Cash balances beginning of year	<u>71,263</u>
Cash balances end of year	<u>\$ 44,747</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 44,747</u>

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Units

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

The Denison 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.

The Denison Municipal Utilities was established under Chapter 388 of the Code of Iowa to operate the City's municipal utilities. The Municipal Utilities is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 9 was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Denison Municipal Utilities, W. Broadway & 7th St., P.O. Box 518, Denison, Iowa 51442.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

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

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

The City also reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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 imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,255,928 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

(3) Bonds/Notes Payable

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

Year Ending June 30,	General Obligation Bonds/Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,070,000	238,183	45,000	23,913	1,115,000	262,096
2013	1,085,000	204,842	45,000	21,790	1,130,000	226,632
2014	1,070,000	179,013	50,000	19,620	1,120,000	198,633
2015	930,000	152,652	55,000	17,109	985,000	169,761
2016	870,000	128,230	55,000	14,336	925,000	142,566
2017 - 2021	2,680,000	307,371	220,000	28,633	2,900,000	336,004
2022 - 2023	235,000	19,497	-	-	235,000	19,497
Total	\$ 7,940,000	1,229,788	470,000	125,401	8,410,000	1,355,189

Childhood Center Revenue Notes

On July 1, 2001, the City entered into a revenue note agreement with United Bank of Iowa in Ida Grove to borrow \$350,000 to construct a building to be leased to the Crawford County Early Childhood Center (Childhood Center). The notes are payable through 2021 solely from revenues received by the City from the Childhood Center pursuant to a lease. Annual principal and interest payments on the notes will require 100% of the lease payments. The total principal and interest remaining to be paid on the notes is \$299,380. For the current year, principal and interest paid and receipts from the Childhood Center were \$28,362. The resolution providing for the issuance of the revenue notes includes the following provisions:

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

During the year ended June 30, 2011, the City was in compliance with the note provisions.

Road Use Tax Revenue Notes

On May 1, 2004, the City entered into a revenue note agreement with Ruan Securities Corporation to borrow \$395,000 to purchase equipment for the street department and street improvement projects. The notes are payable solely from road use tax funds received from the State of Iowa and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 6% of road use tax receipts. The total principal and interest remaining to be paid on the notes is \$296,021. For the current year, principal and interest paid and road use tax receipts were \$37,413 and \$693,415, respectively. The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the road use tax funds received from the State of Iowa.
- (b) At the time of the delivery of the notes, a separate reserve account of \$39,275 shall be established.
- (c) Sufficient monthly transfers shall be made to a separate road use tax revenue sinking account for the purpose of making note principal and interest payments when due.

- (d) All funds remaining in the road use tax fund after payment of road related improvements and services authorized by state law and required transfers shall be placed in a surplus revenue account. This account is restricted to payments to the sinking and reserve accounts if these accounts are in default. If the sinking and reserve accounts are fully funded, the surplus may be used for road related improvements and services authorized by state law.

During the year ended June 30, 2011, the City was in compliance with the note provisions.

General Obligation Refunding Bonds

On October 1, 2010, the City issued \$4,090,000 of general obligation refunding bonds, series 2010. The City entered into an escrow agreement with Bankers Trust Company, N.A., and deposited the proceeds from the refunding bonds. The bonds were issued for the purpose of refunding the outstanding balance of \$945,000 of the \$1,310,000 of urban renewal tax increment revenue bonds, issued August 15, 2005; the outstanding balance maturing after June 1, 2012 of \$1,850,000 of the \$3,740,000 of general obligation corporate purpose notes, issued August 1, 2003; the outstanding balance maturing after June 1, 2012 of \$720,000 of the \$1,320,000 of general obligation street improvement bonds, issued January 15, 2006 and the outstanding balance maturing after June 1, 2012 of \$385,000 of the \$650,000 of general obligation street improvement bonds, issued October 1, 2006.

In addition to the proceeds of the 2010 general obligation refunding bonds, the City paid \$119,680 to the escrow account which had been held in a separate reserve fund established for debt service for the urban renewal tax increment revenue bonds, issued August 15, 2005.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$141,000.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$133,325, \$126,933 and \$124,584, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 41 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$450 – \$540 for single coverage and \$880 - \$1,350 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$506,398 and plan members eligible for benefits contributed \$18,007 to the plan.

(6) Compensated Absences

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

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory leave and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 25,000
Compensatory leave	17,000
Sick leave	<u>11,000</u>
Total	<u>\$ 53,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 30,488
	Local Option Sales Tax	306,559
	Enterprise:	
	Solid Waste	100,000
		<u>437,047</u>
Special Revenue:	General	
Local Option Sales Tax		<u>16,416</u>
Debt Service	Special Revenue:	
	Road Use Tax	66,284
	Local Option Sales Tax	161,684
	Urban Renewal Tax Increment	657,228
		<u>885,196</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	261,659
	Urban Renewal Tax Increment	20,000
		<u>281,659</u>
Special Revenue:	Special Revenue:	
Trees Forever	Local Option Sales Tax	<u>1,234</u>
Enterprise:	Special Revenue:	
Solid Waste	Local Option Sales Tax	<u>991</u>
Total		<u>\$ 1,622,543</u>

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

(8) Construction Commitments

The City entered into construction contracts for various construction and street improvements during the year ended June 30, 2011. The unpaid contract balances at June 30, 2011 totaled \$201,661.

(9) Denison Municipal Utilities

The Denison Municipal Utilities provides electric, sewer, water and joint treatment for industrial waste services to the City. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. Following is the condensed financial information for the Municipal Utilities for the year ended June 30, 2011.

Condensed Statement of Net Assets	
Assets:	
Current and other assets	\$ 14,604,169
Capital assets	26,827,615
Total assets	<u>41,431,784</u>
Liabilities:	
Long-term debt	3,434,191
Other liabilities	2,494,290
Total liabilities	<u>5,928,481</u>
Net assets:	
Invested in capital assets, net of related debt	22,770,294
Restricted for debt service and customer deposits	776,067
Unrestricted	11,956,942
Total net assets	<u>\$ 35,503,303</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets	
Operating revenues:	
Sales to customers	\$ 14,253,648
Other	35,179
Total operating revenues	<u>14,288,827</u>
Operating expenses:	
Electric	\$ 8,550,470
Water	1,328,597
Sewer	766,274
Joint treatment	888,117
Depreciation	1,326,990
	<u>12,860,448</u>
Operating income	1,428,379
Non-operating revenues (expenses):	
Miscellaneous	482,528
Interest income	114,121
Interest expense	(143,095)
Total non-operating revenues (expenses)	<u>453,554</u>
Net income	1,881,933
Net assets beginning of year	<u>33,621,370</u>
Net assets end of year	<u>\$ 35,503,303</u>

(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.

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, 2011, the City transferred \$30,488 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

(11) Deficit Balance

The Capital Projects Fund had a deficit balance of \$477,644 at June 30, 2011. The deficit will be eliminated with local option sales tax receipts.

(12) Special Investigation

The City requested the Office of Auditor of State to perform a special investigation of the City as a result of concerns identified with the City’s Fire Department. The Auditor of State’s special investigation report dated November 8, 2011 identified \$95,896 of improper and unsupported disbursements for the period July 1, 2005 through March 31, 2010. Of this amount, \$72,795 was paid by the City of Denison and \$23,101 was paid by the Crawford County EMS Association. The \$72,795 paid by the City includes \$64,256 of improper disbursements, which consists of \$39,805 improperly paid to businesses owned and operated by the former Fire Chief, \$12,957 improperly paid to other vendors, \$5,076 of personal purchases made with the City’s credit card and \$6,418 of improper travel reimbursements.

Copies of the special investigation report have been filed with the Crawford County Attorney’s Office, the Attorney General’s Office and the Division of Criminal Investigation.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue, Emergency Levy
Balances June 30, 2010, as previously reported	\$ 614,919	472
Change in fund type classification per implementation of GASB Statement No. 54	<u>472</u>	<u>(472)</u>
Balances July 1, 2010, as restated	<u>\$ 615,391</u>	<u>-</u>

In addition, the beginning cash basis net assets of the Denison Volunteer Firefighters Association reported as a discretely presented component unit in the City’s Statement of Activities and Net Assets – Cash Basis, was restated as of July 1, 2010 to correct an error. The correction increased the beginning balance by \$84,974 to \$172,378.

Required Supplementary Information

City of Denison

City of Denison

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 2,787,553	-	2,787,553
Tax increment financing	600,561	-	600,561
Other city tax	806,600	-	806,600
Licenses and permits	87,219	-	87,219
Use of money and property	180,106	-	180,106
Intergovernmental	1,757,978	-	1,757,978
Charges for service	259,883	460,025	719,908
Special assessments	27,494	-	27,494
Miscellaneous	307,222	-	307,222
Total receipts	<u>6,814,616</u>	<u>460,025</u>	<u>7,274,641</u>
Disbursements:			
Public safety	1,660,329	-	1,660,329
Public works	1,004,931	-	1,004,931
Health and social services	7,585	-	7,585
Culture and recreation	970,454	-	970,454
Community and economic development	163,450	-	163,450
General government	1,045,519	-	1,045,519
Debt service	1,380,420	-	1,380,420
Capital projects	771,199	-	771,199
Business type activities	-	387,532	387,532
Total disbursements	<u>7,003,887</u>	<u>387,532</u>	<u>7,391,419</u>
Excess (deficiency) of receipts over (under) disbursements	(189,271)	72,493	(116,778)
Other financing sources (uses), net	<u>(20,671)</u>	<u>(99,009)</u>	<u>(119,680)</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(209,942)	(26,516)	(236,458)
Balances beginning of year	<u>1,837,232</u>	<u>71,263</u>	<u>1,908,495</u>
Balances end of year	<u>\$ 1,627,290</u>	<u>44,747</u>	<u>1,672,037</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
2,800,579	2,800,579	(13,026)
609,636	609,636	(9,075)
128,176	803,433	3,167
27,350	27,350	59,869
419,460	419,460	(239,354)
3,165,037	2,805,782	(1,047,804)
708,100	708,100	11,808
-	-	27,494
112,900	112,900	194,322
<u>7,971,238</u>	<u>8,287,240</u>	<u>(1,012,599)</u>
1,827,748	1,842,048	181,719
1,081,403	1,131,805	126,874
10,141	10,141	2,556
973,501	975,001	4,547
344,500	464,180	300,730
835,123	967,283	(78,236)
1,386,744	1,386,744	6,324
1,390,000	1,390,000	618,801
446,500	446,500	58,968
<u>8,295,660</u>	<u>8,613,702</u>	<u>1,222,283</u>
(324,422)	(326,462)	209,684
-	-	(119,680)
(324,422)	(326,462)	90,004
<u>1,478,031</u>	<u>1,478,031</u>	<u>430,464</u>
<u>1,153,609</u>	<u>1,151,569</u>	<u>520,468</u>

City of Denison

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital 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 \$318,042. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the general government function.

Other Supplementary Information

City of Denison

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

As of and for the year ended June 30, 2011

	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust	Special I-Jobs
Receipts:					
Use of money and property	\$ -	1,232	-	-	-
Intergovernmental	-	-	-	-	39,002
Miscellaneous	4,950	-	1,250	4,693	-
Total receipts	4,950	1,232	1,250	4,693	39,002
Disbursements:					
Operating:					
Public safety	-	-	-	10,165	-
Public works	-	-	-	-	23,340
Culture and recreation	-	1,146	1,271	-	-
Community and economic development	3,910	-	-	-	-
Total disbursements	3,910	1,146	1,271	10,165	23,340
Excess (deficiency) of receipts over (under) disbursements	1,040	86	(21)	(5,472)	15,662
Other financing sources:					
Operating transfers in	1,234	-	-	-	-
Net change in cash balances	2,274	86	(21)	(5,472)	15,662
Cash balances beginning of year	(1,734)	114,418	10,970	17,269	-
Cash balances end of year	\$ 540	114,504	10,949	11,797	15,662
Cash Basis Fund Balances					
Restricted for:					
Streets	\$ -	-	-	-	15,662
Other purposes	540	114,504	10,949	11,797	-
Total cash basis fund balances	\$ 540	114,504	10,949	11,797	15,662

See accompanying independent auditor's report.

Revenue			
Memorial Gardens	Boulders Center Trust	Johnson Park Bridge	Total
-	-	-	1,232
-	-	-	39,002
-	-	-	10,893
-	-	-	51,127
-	-	-	10,165
-	-	-	23,340
-	757	-	3,174
-	-	-	3,910
-	757	-	40,589
-	(757)	-	10,538
-	-	-	1,234
-	(757)	-	11,772
620	2,250	914	144,707
620	1,493	914	156,479
-	-	-	15,662
620	1,493	914	140,817
620	1,493	914	156,479

City of Denison
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose	Aug 1, 2003	1.70-4.30%	\$ 3,740,000
Street improvement	Jan 15, 2006	3.65-4.30	1,320,000
Local option sales tax	May 15, 2006	3.80-4.55	1,700,000
Street improvement	Oct 1, 2006	3.75-4.15	650,000
Corporate purpose	Mar 15, 2008	3.50-6.00	880,000
Street improvement	Mar 15, 2008	2.85-4.30	405,000
Corporate purpose - refunding	Jul 1, 2009	1.10-3.50	1,435,000
Refunding	Oct 1, 2010	2.00-2.40	4,090,000
Total			
Revenue bonds/notes:			
Childhood center	Jul 1, 2001	4.75-5.70%	\$ 350,000
Road use tax	May 1, 2004	2.05-5.20	395,000
Urban renewal tax increment	Aug 15, 2005	3.05-4.45	1,310,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,545,000	-	2,190,000	355,000	22,950
975,000	-	845,000	130,000	9,820
1,380,000	-	100,000	1,280,000	59,250
515,000	-	450,000	65,000	5,038
800,000	-	45,000	755,000	43,375
370,000	-	25,000	345,000	14,380
1,290,000	-	195,000	1,095,000	30,923
-	4,090,000	175,000	3,915,000	55,760
\$ 7,875,000	4,090,000	4,025,000	7,940,000	241,496
245,000	-	15,000	230,000	13,362
265,000	-	25,000	240,000	12,413
945,000	-	945,000	-	-
\$ 1,455,000	-	985,000	470,000	25,775

City of Denison
Bond/Note Maturities
June 30, 2011

Year Ending June 30,	Corporate Purpose		Street Improvement		Local Option Sales Tax		General Obligation	
	Issued Aug 1, 2003		Issued Jan 15, 2006		Issued May 15, 2006		Street Improvement	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.40%	\$ 355,000	3.90%	\$ 130,000	4.00%	105,000	3.90%	\$ 65,000
2013		-		-	4.10	110,000		-
2014		-		-	4.15	115,000		-
2015		-		-	4.20	120,000		-
2016		-		-	4.30	125,000		-
2017		-		-	4.35	130,000		-
2018		-		-	4.40	135,000		-
2019		-		-	4.45	140,000		-
2020		-		-	4.50	145,000		-
2021		-		-	4.55	155,000		-
2022		-		-		-		-
2023		-		-		-		-
Total		<u>\$ 355,000</u>		<u>\$ 130,000</u>		<u>\$ 1,280,000</u>		<u>\$ 65,000</u>

Year Ending June 30,	Revenue Notes				
	Childhood Center		Road Use Tax		Total
	Issued Jul 1, 2001		Issued May 1, 2004		
Interest Rates	Amount	Interest Rates	Amount		
2012	5.35%	\$ 20,000	4.20%	\$ 25,000	45,000
2013	5.40	20,000	4.35	25,000	45,000
2014	5.45	20,000	4.50	30,000	50,000
2015	5.50	25,000	4.65	30,000	55,000
2016	5.55	25,000	4.80	30,000	55,000
2017	5.55-5.60	25,000	4.95	30,000	55,000
2018	5.60	25,000	5.10	35,000	60,000
2019	5.65	25,000	5.20	35,000	60,000
2020	5.65-5.70	25,000		-	25,000
2021	5.70	20,000		-	20,000
Total		<u>\$ 230,000</u>		<u>\$ 240,000</u>	<u>470,000</u>

See accompanying independent auditor's report.

Bonds/Notes									
Corporate Purpose		Street Improvement		Corp Purpose-Refunding		Refunding			
Issued Mar 15, 2008		Issued Mar 15, 2008		Issued July 1, 2009		Issued Oct 1, 2010			
Interest		Interest		Interest		Interest			
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total	
4.30%	\$ 45,000	3.30%	\$ 25,000	1.90%	\$ 195,000	2.00%	\$ 150,000	1,070,000	
4.55	50,000	3.40	25,000	2.10	195,000	2.00	705,000	1,085,000	
4.80	50,000	3.55	25,000	2.40	175,000	2.00	705,000	1,070,000	
5.05	55,000	3.70	25,000	2.60	180,000	2.00	550,000	930,000	
5.30	55,000	3.85	25,000	2.90	85,000	2.00	580,000	870,000	
5.50	60,000	4.00	30,000	3.10	85,000	2.00	590,000	895,000	
5.65	65,000	4.05	30,000	3.30	90,000	2.20	350,000	670,000	
5.80	65,000	4.10	30,000	3.50	90,000	2.40	285,000	610,000	
5.90	70,000	4.15	30,000		-		-	245,000	
6.00	75,000	4.20	30,000		-		-	260,000	
6.00	80,000	4.25	35,000		-		-	115,000	
6.00	85,000	4.30	35,000		-		-	120,000	
	<u>\$ 755,000</u>		<u>\$ 345,000</u>		<u>\$ 1,095,000</u>		<u>\$ 3,915,000</u>	<u>7,940,000</u>	

City of Denison

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

For the Last Nine Years

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 2,787,553	2,444,638	2,246,204	2,148,752
Tax increment financing	600,561	635,143	738,227	662,631
Other city tax	806,600	696,400	659,497	674,898
Licenses and permits	87,219	149,016	66,412	69,214
Use of money and property	180,106	190,225	181,905	210,635
Intergovernmental	1,757,978	2,022,765	1,433,805	1,323,886
Charges for service	259,883	312,204	455,166	265,759
Special assessments	27,494	38,968	29,668	37,920
Miscellaneous	307,222	876,060	478,667	492,595
Total	\$ 6,814,616	7,365,419	6,289,551	5,886,290
Disbursements:				
Operating:				
Public safety	\$ 1,660,329	1,495,033	1,368,729	1,368,015
Public works	1,004,931	1,300,901	1,280,531	1,051,195
Health and social services	7,585	8,587	7,877	9,105
Culture and recreation	970,454	879,424	914,219	809,028
Community and economic development	163,450	222,102	293,880	217,581
General government	1,045,519	793,121	716,396	806,279
Debt service	1,380,420	1,824,434	1,226,574	1,315,254
Capital projects	771,199	2,340,834	1,137,105	1,118,990
Total	\$ 7,003,887	8,864,436	6,945,311	6,695,447

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
2,187,386	2,073,291	2,087,521	2,135,128	1,854,448
494,404	425,836	417,671	319,292	519,558
607,044	646,521	604,991	532,164	523,997
65,521	37,570	46,149	31,199	32,810
248,607	128,376	77,770	68,661	47,347
2,380,969	1,210,342	1,413,492	1,349,715	1,109,095
273,638	212,371	197,352	235,334	411,741
63,745	111,173	23,287	156,734	-
405,886	636,182	612,662	537,069	176,427
6,727,200	5,481,662	5,480,895	5,365,296	4,675,423
1,384,149	1,269,071	1,216,268	1,212,053	1,231,143
1,092,494	916,930	802,145	863,252	855,477
7,665	10,398	6,406	9,489	11,392
862,449	592,860	521,236	543,157	540,320
346,308	227,392	246,706	209,126	76,026
661,247	900,186	887,499	478,426	544,350
1,681,161	1,242,378	850,961	638,433	495,734
2,291,216	5,682,712	3,133,687	3,690,442	859,204
8,326,689	10,841,927	7,664,908	7,644,378	4,613,646

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Denison, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 21, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report includes a reference to other audits. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Denison Volunteer Firefighters Association and the Denison Municipal Utilities, as described in our report on the City of Denison's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Denison's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Denison's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Denison's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Denison's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Denison's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Denison and other parties to whom the City of Denison may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 21, 2011

City of Denison

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the City, one or two individuals have control over each of the following areas:

- (1) Cash – handling petty cash, reconciling and depositing.
- (2) Investments – investing, recording and custody.
- (3) Receipts – collecting, depositing, recording and daily reconciling.

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

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

Responses:

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

Library Friends – The president reviewed the bank statements against the check book records at five meetings throughout the year. At each fundraiser, the designated money taker counts the money and records the amount. In the future, the money taker will fill out and sign the deposit ticket.

Conclusions – City response accepted. The Library Friends should review its control procedures and utilize employees and Board Members to obtain the maximum internal control possible.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Denison

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, the City will amend the budget prior to having disbursements exceed the budget limits.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kim Ingerslev, Boulder Conference Center Board Member, owner of PCS	Computer service	\$ 1,780

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

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

Response – The City no longer contracts for services from Mr. Ingerslev, who remains a Boulders Board member. The funds disbursed were in accordance with prior service contract agreements. Future disbursements will not exceed the Code of Iowa limitations.

Conclusion – Response accepted.

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

City of Denison

Schedule of Findings

Year ended June 30, 2011

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted, except as follows:

Interest earned on the balances in the Special Revenue, Urban Renewal Tax Increment and Debt Service Funds is not credited to the Special Revenue, Urban Renewal Tax Increment and Debt Service Funds, respectively. In accordance with Chapter 12C.9 of the Code of Iowa, such interest shall be used to pay the principal or interest on the indebtedness.

Recommendation – The City should comply with Chapter 12C.9 of the Code of Iowa and allocate interest to the proper funds.

Response – In the future, the City will comply with Chapter 12C.9 of the Code of Iowa and use such interest to pay the principal and interest on incurred indebtedness.

Conclusion – Response accepted.

- (8) Revenue Bonds/Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- (9) Financial Condition – The Capital Projects Fund had a deficit balance of \$477,644 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response – The City is undertaking a comprehensive deficit balance elimination regimen which should result in all deficit balances from past projects being eliminated by fiscal year 2013. The City will use local option sales tax receipts to accomplish this goal.

Conclusion – Response accepted.

- (10) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of taxes to generate dollars to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

City of Denison

Schedule of Findings

Year ended June 30, 2011

The following were noted related to the TIF debt certificate filed with the County on November 16, 2010:

The City requested \$227,786 of TIF revenue on Form 2 of the TIF debt certificate for a deficit balance in the Capital Project Fund related to the conference center. The deficit balance is a result of project disbursements exceeding the amount of debt issued for the project. Although the conference center is located within the City's urban renewal area, the City Council did not formally approve the excess amount spent on the project as TIF debt or certify the amount as debt on Form 1.1 of the TIF debt certificate.

The City certified \$7,100 of project costs on Form 1.1 for the airport parallel taxiway project. Although the project is located within the City's urban renewal area, the City Council did not formally approve the amount (i.e., loan from the Capital Projects Fund) as TIF debt. In addition, the City transferred \$20,000 from the Special Revenue, Urban Renewal Tax Increment Fund to the Capital Projects Fund for the airport parallel taxiway project, which exceeds the amount certified by \$12,900.

The City plans to finance a portion of the 2009 general obligation refunding bonds with TIF revenue. However, the City has not certified the full portion planned to be financed with TIF revenue.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications, including the amount of TIF debt to be certified, the propriety of the use of tax increment financing receipts to pay project costs rather than debt incurred and reimbursements to the Special Revenue, Urban Renewal Tax Increment Fund for excess amounts transferred to other funds.

Response – The City will consult with TIF legal counsel in determining the future disposition of the City's TIF certifications particularly in reference to but not limited to the amount of TIF debt to be certified, the propriety of TIF receipts used to pay project costs rather than those incurring debt, and reimbursements needed to the Special Revenue Urban Renewal TIF Fund for excess amounts transferred to other funds. The City's future Urban Renewal TIF activities will be in accordance with Iowa Code requirements.

Conclusion – Response accepted.

City of Denison

Schedule of Findings

Year ended June 30, 2011

- (11) Clothing Allowance – The City provides a clothing allowance to certain employees of the public works, code enforcement and police departments. The amounts paid were not paid through payroll and, therefore, were not subject to withholdings or reported as wages.

Recommendation – The City should consult the Internal Revenue Service regarding the disposition of this matter.

Response – The City will issue payments for clothing allowances to City employees through payroll procedures in the future, allowing for payments to be subject to withholdings and reported as taxable wages, in accordance with the rules and regulations promulgated by the Internal Revenue Service.

Conclusion – Response accepted.

City of Denison

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Michael R. Field, Senior Auditor
Daniel W. Henaman, Staff Auditor
Hannah K. Hass, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State