



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

July 26, 2024

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$13,321,743 for the year ended June 30, 2023, a 6.7% decrease. Disbursements for the year ended June 30, 2023 totaled \$12,548,965, a 6.2% decrease from the prior year. The decrease in receipts is primarily due to a smaller bond issuance in the fiscal year ended June 30, 2023. The decrease in disbursements is primarily due to a bond refunding that occurred in the fiscal year ended June 30, 2022.

AUDIT FINDINGS:

Sand reported nine findings related to the receipt and disbursement of taxpayer funds. They are found on pages 57 through 64 of this report. The findings address issues such as a lack of segregation of duties, a lack of policies for the review of journal entries, the lack of reconciliations of utility billings, collections and delinquent accounts, and a lack of policies regarding the tracking of certain property tax receipts. Sand provided the City with recommendations to address each of the findings.

Two of the 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, 2023

City of Denison



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

July 1, 2024

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, 2023. 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

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City of Denison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pamela Soseman	Mayor	Jan 2024
John Granzen, Sr.	Council Member	Jan 2024
Gregory Miller	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)
Jodie Flaherty	City Clerk	Indefinite
Matthew Brick	Attorney	Indefinite



**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

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, 2023, 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 and Unmodified Opinions 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, 2023, or the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions 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, 2023, 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 audit opinions.

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

The financial statements do not include financial data for one of the City's legally separate component units because the Denison Municipal Utilities reports in accordance with accounting principles generally accepted in the United States of America, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for all component units. The City has not issued such reporting entity financial statements. The amounts for which this departure affects the receipts, disbursements and cash balance of the aggregate discretely presented component units is \$31,265,671, \$34,504,313 and \$6,878,214, respectively.

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.

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 GAAS 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 judgment 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 judgment 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 judgment, 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, 2022 (which are not presented herein) and expressed unmodified opinions on governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Denison Municipal Utilities. 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 GAAS. Because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 34 through 42 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 July 1, 2024 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

July 1, 2024

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, 2023

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 2,452,047	96,900	108,720	-
Public works	1,857,466	208,202	1,187,673	1,854,731
Health and social services	13,212	-	-	-
Culture and recreation	1,285,809	237,764	89,243	-
Community and economic development	319,008	22,216	6,875	32,430
General government	1,416,182	44,980	-	-
Debt service	1,570,960	-	-	-
Capital projects	3,115,839	14,149	10,112	179,821
Total governmental activities	12,030,523	624,211	1,402,623	2,066,982
Business type activities:				
Solid waste	518,442	530,743	-	-
Total Primary Government	\$ 12,548,965	1,154,954	1,402,623	2,066,982
Component Units:				
Denison Library Friends	\$ 66,155	-	8,011	-
Denison Volunteer Firefighters Association	44,263	-	44,079	-
Total Component Units	\$ 110,418	-	52,090	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Commercial/industrial tax replacement				
American Rescue Plan Act				
Unrestricted interest on investments				
Bond proceeds, including premium of \$47,566, less issuance cost of \$55,025				
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				
Cash Basis Net Position				
Restricted for:				
Debt service				
Streets				
Employee benefits				
Capital projects				
Infrastructure or other city purposes				
Culture, recreation and tourism				
Law enforcement				
Library				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units	
Governmental Activities	Business Type Activities	Total	Denison Library Friends	Denison Volunteer Firefighters Association
(2,246,427)	-	(2,246,427)		
1,393,140	-	1,393,140		
(13,212)	-	(13,212)		
(958,802)	-	(958,802)		
(257,487)	-	(257,487)		
(1,371,202)	-	(1,371,202)		
(1,570,960)	-	(1,570,960)		
<u>(2,911,757)</u>	<u>-</u>	<u>(2,911,757)</u>		
(7,936,707)	-	(7,936,707)		
-	12,301	12,301		
<u>(7,936,707)</u>	<u>12,301</u>	<u>(7,924,406)</u>		
			(58,144)	-
			<u>-</u>	<u>(184)</u>
			<u>(58,144)</u>	<u>(184)</u>
3,674,155	-	3,674,155	-	-
1,016,236	-	1,016,236	-	-
200,134	-	200,134	-	-
1,072,574	-	1,072,574	-	-
177,594	-	177,594	-	-
291,789	-	291,789	-	-
127,282	-	127,282	-	-
616,334	-	616,334	-	-
42,840	-	42,840	-	-
1,157,541	-	1,157,541	-	-
102,891	-	102,891	-	-
217,814	-	217,814	-	-
<u>8,697,184</u>	<u>-</u>	<u>8,697,184</u>	<u>-</u>	<u>-</u>
760,477	12,301	772,778	(58,144)	(184)
<u>5,008,052</u>	<u>227,862</u>	<u>5,235,914</u>	<u>283,290</u>	<u>285,035</u>
<u>\$ 5,768,529</u>	<u>240,163</u>	<u>6,008,692</u>	<u>225,146</u>	<u>284,851</u>
\$ 170,455	-	170,455	-	-
309,443	-	309,443	-	-
448,672	-	448,672	-	-
2,077,087	-	2,077,087	-	-
423,287	-	423,287	-	-
62,823	-	62,823	-	-
14,000	-	14,000	-	-
142,639	-	142,639	-	-
738,508	-	738,508	225,146	284,851
<u>1,381,615</u>	<u>240,163</u>	<u>1,621,778</u>	<u>-</u>	<u>-</u>
<u>\$ 5,768,529</u>	<u>240,163</u>	<u>6,008,692</u>	<u>225,146</u>	<u>284,851</u>

City of Denison

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

As of and for the year ended June 30, 2023

	Special			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 2,492,870	-	1,174,692	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	1,072,574
Other city tax	184,187	-	-	-
Licenses and permits	70,794	-	-	-
Use of money and property	133,697	-	-	-
Intergovernmental	483,734	1,152,219	31,891	-
Charges for service	355,455	-	-	-
Special assessments	4,687	-	-	-
Miscellaneous	137,042	-	62,996	-
Total receipts	3,862,466	1,152,219	1,269,579	1,072,574
Disbursements:				
Operating:				
Public safety	1,827,355	-	621,777	-
Public works	327,336	1,282,510	247,620	-
Health and social services	12,526	-	686	-
Culture and recreation	1,057,147	-	163,515	52,004
Community and economic development	160,944	-	-	50,000
General government	1,249,255	-	127,990	38,937
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	4,634,563	1,282,510	1,161,588	140,941
Excess (deficiency) of receipts over (under) disbursements	(772,097)	(130,291)	107,991	931,633
Other financing sources (uses):				
Bond proceeds, including premium of \$47,566 less issuance costs of \$55,025	-	-	-	-
Sale of capital assets	54,638	-	-	-
Transfers in	740,281	-	-	25,371
Transfers out	(25,371)	(89,740)	(40,000)	(1,016,196)
Total other financing sources (uses)	769,548	(89,740)	(40,000)	(990,825)
Change in cash balances	(2,549)	(220,031)	67,991	(59,192)
Cash balances beginning of year	1,809,998	529,474	340,899	482,479
Cash balances end of year	\$ 1,807,449	309,443	408,890	423,287
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	-	-	-
Streets	-	309,443	-	-
Employee benefits	39,782	-	408,890	-
Capital projects	-	-	-	-
Infrastructure or other city purposes	-	-	-	423,287
Culture, recreation and tourism	62,823	-	-	-
Law enforcement	14,000	-	-	-
Library	142,639	-	-	-
Other purposes	166,590	-	-	-
Assigned for:				
Fire station	377,286	-	-	-
Capital equipment and improvements	242,288	-	-	-
Culture, recreation and tourism	62,823	-	-	-
Unassigned	699,218	-	-	-
Total cash basis fund balances	\$ 1,807,449	309,443	408,890	423,287

See notes to financial statements.

Revenue				
Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
-	1,016,236	-	-	4,683,798
200,134	-	-	-	200,134
-	-	-	-	1,072,574
-	-	-	-	184,187
-	-	-	-	70,794
-	-	11,305	146	145,148
-	27,560	2,621,117	-	4,316,521
-	-	9,734	23,266	388,455
-	-	4,415	-	9,102
-	-	39,881	105,013	344,932
200,134	1,043,796	2,686,452	128,425	11,415,645
-	-	-	2,915	2,452,047
-	-	-	-	1,857,466
-	-	-	-	13,212
-	-	-	13,143	1,285,809
75,000	-	-	33,064	319,008
-	-	-	-	1,416,182
-	1,570,960	-	-	1,570,960
-	-	3,115,839	-	3,115,839
75,000	1,570,960	3,115,839	49,122	12,030,523
125,134	(527,164)	(429,387)	79,303	(614,878)
-	-	1,157,541	-	1,157,541
-	-	163,176	-	217,814
-	556,589	58,873	-	1,381,114
(209,807)	-	-	-	(1,381,114)
(209,807)	556,589	1,379,590	-	1,375,355
(84,673)	29,425	950,203	79,303	760,477
99,619	126,084	1,418,091	201,408	5,008,052
14,946	155,509	2,368,294	280,711	5,768,529
14,946	155,509	-	-	170,455
-	-	-	-	309,443
-	-	-	-	448,672
-	-	2,077,087	-	2,077,087
-	-	-	-	423,287
-	-	-	-	62,823
-	-	-	-	14,000
-	-	-	-	142,639
-	-	291,207	280,711	738,508
-	-	-	-	377,286
-	-	-	-	242,288
-	-	-	-	62,823
-	-	-	-	699,218
14,946	155,509	2,368,294	280,711	5,768,529

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, 2023

	<u>Enterprise Solid Waste</u>
Operating receipts:	
Charges for service	\$ 530,743
Operating disbursements:	
Business type activities	<u>518,442</u>
Change in cash balance	<u>12,301</u>
Cash balance beginning of year	<u>227,862</u>
Cash balance end of year	<u>\$ 240,163</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 240,163</u>

See notes to financial statements.

City of Denison

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

Excluded Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments: is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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, 2023, disbursements did not exceed the amounts budgeted.

(2)

(3) Cash and Pooled Investments

The City's deposits in banks at June 30, 2023 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 \$2,149,658. 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, 2023, 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	\$ 14,671	13,589	N/A
U.S. equities	174,630	634,005	N/A
Total Denison Library Friends	<u>\$ 189,301</u>	<u>647,594</u>	
Denison Volunteer Firefighters Association			
Mutual funds	<u>\$ 151,271</u>	<u>154,824</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)

(4) Lease Agreements

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%.

Year Ending June 30,	Golf Course Clubhouse		Total
	Principal	Interest	
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	3,201	11,799	15,000
2029-2033	16,991	58,009	75,000
2034-2038	18,759	56,241	75,000
2039-2043	20,713	54,287	75,000
2044-2048	22,867	52,133	75,000
2049-2053	25,249	49,751	75,000
2054-2058	27,876	47,124	75,000
2059-2063	30,777	44,223	75,000
2064-2068	33,980	41,020	75,000
2069-2073	37,515	37,485	75,000
2074-2078	41,423	33,577	75,000
2079-2083	45,733	29,267	75,000
2084-2088	50,493	24,507	75,000
2089-2093	55,747	19,253	75,000
2094-2098	61,549	13,451	75,000
2099-2103	67,957	7,043	75,000
2104-2105	29,124	876	30,000
Total	\$ 602,142	627,858	1,230,000

The City owns the Boulders Conference Center which the City leases to a tenant for the purposes of operating the conference center. On October 1, 2022, the City entered into an agreement lasting until August 31, 2026. The City is to receive monthly payments of \$2,500 per month, except for the months of December 2022 through April 2023 when the City will receive payments of \$500 per month. The lease may be renewed for three additional terms of one year, with monthly payments each year of \$2,700, \$2,800 and \$2,900, respectively. This agreement has an implicit rate of 4.8%.

Year Ending June 30,	Boulders Conference Center		
	Principal	Interest	Total
2024	\$ 22,406	7,594	30,000
2025	23,505	6,495	30,000
2026	24,659	5,341	30,000
2027	27,905	4,095	32,000
2028	30,710	2,690	33,400
2029-2030	39,208	1,192	40,400
Total	\$ 168,393	27,407	195,800

(5) Long-Term Debt

Bonds and Notes

A summary of changes in bonds and notes payable for the year ended June 30, 2023 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,180,000	1,165,000	1,420,000	5,925,000	1,340,000
Loan agreement - Direct borrowing	98,000	-	48,000	50,000	50,000
Governmental activities total	<u>\$ 6,278,000</u>	<u>1,165,000</u>	<u>1,468,000</u>	<u>5,975,000</u>	<u>1,390,000</u>

General Obligation Bonds

A summary of the City's June 30, 2023 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Issued Mar 21, 2013			Corporate Purpose Issued Sep 1, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	1.95%	\$ 190,000	3,705	3.00%	\$ 155,000	19,500
2025		-	-	3.00	160,000	14,850
2026		-	-	3.00	165,000	10,050
2027		-	-	3.00	170,000	5,100
2028		-	-		-	-
2029-2033		-	-		-	-
Total		<u>\$ 190,000</u>	<u>3,705</u>		<u>\$ 650,000</u>	<u>49,500</u>

Year Ending June 30,	Corporate Purpose Issued Aug 15, 2017			Corporate Purpose Issued July 9, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	2.00%	\$ 65,000	7,600	3.00%	\$ 110,000	19,200
2025	2.00	70,000	6,300	3.00	110,000	15,900
2026	2.00	70,000	4,200	3.00	115,000	12,600
2027	3.00	70,000	2,100	3.00	120,000	8,575
2028		-	-	3.50	125,000	4,375
2029-2033		-	-		-	-
Total		<u>\$ 275,000</u>	<u>20,200</u>		<u>\$ 580,000</u>	<u>60,650</u>

Year Ending June 30,	Corporate Purpose Issued Nov 1, 2019			Corporate Purpose and Refunding Issued Sep 15, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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	2.00	90,000	5,600	2.00	100,000	6,100
2029-2033	2.00	190,000	5,700	2.00	205,000	6,200
Total		<u>\$ 635,000</u>	<u>50,530</u>		<u>\$ 930,000</u>	<u>60,600</u>

Year Ending June 30,	Corporate Purpose and Refunding Issued Feb 14, 2022			Corporate Purpose Issued Mar 22, 2023		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2024	2.00%	\$ 310,000	33,900	4.80%	\$ 85,000	19,448
2025	2.00	310,000	27,700	4.80	100,000	12,240
2026	2.00	120,000	21,500	4.80	105,000	7,440
2027	2.00	120,000	19,100	4.80	50,000	2,400
2028	2.00	125,000	16,700	-	-	-
2029-2033	2.00-3.00	515,000	37,900	-	-	-
		<u>\$ 1,500,000</u>	<u>156,800</u>		<u>\$ 340,000</u>	<u>41,528</u>

Year Ending June 30,	Corporate Purpose Issued Mar 22, 2023			Total		
	Interest			Principal	Interest	Total
	Rates	Principal	Interest			
2024	5.00%	\$ -	42,840	\$ 1,340,000	176,963	1,516,963
2025	5.00	-	35,950	935,000	135,380	1,070,380
2026	5.00	-	35,950	760,000	110,660	870,660
2027	5.00	60,000	35,950	775,000	88,625	863,625
2028	5.00	115,000	32,950	555,000	65,725	620,725
2029-2033	4.00-5.00	650,000	81,200	1,560,000	131,000	1,691,000
		<u>\$ 825,000</u>	<u>264,840</u>	<u>\$ 5,925,000</u>	<u>708,353</u>	<u>6,633,353</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, 2023, the City paid \$240,000 of principal and \$8,145 of interest on the bonds.

On June 1, 2015, the City issued \$2,405,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for the purpose of refunding the outstanding balances of the City's general obligation corporate purpose bonds, series 2008A; general obligation street improvement bonds, series 2008B; general obligation corporate purpose and refunding bonds, series 2009; and general obligation refunding bonds, series 2010. During the year ended June 30, 2023, the City paid \$35,000 of principal and \$700 of interest on the bonds.

On June 1, 2015, the City issued \$570,000 of general obligation bonds with interest rates of 1.10% to 2.75% per annum. The bonds were issued for the purpose of refunding the outstanding balance of the City's taxable general obligation corporate purpose bonds, series 2008A. During the year ended June 30, 2023, the City paid \$75,000 of principal and \$2,063 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, 2023, the City paid \$150,000 of principal and \$24,000 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, 2023, the City paid \$65,000 of principal and \$8,900 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, 2023, the City paid \$105,000 of principal and \$22,350 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, 2023, the City paid \$115,000 of principal and \$15,620 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, 2023, the City paid \$45,000 of principal and \$383 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, 2023, the City paid \$290,000 of principal and \$24,400 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, 2023, the City paid \$300,000 of principal and \$39,900 of interest on the bonds.

On March 22, 2023, the City issued \$340,000 of general obligation bonds with an interest rate of 4.80% per annum. The bonds were issued for financing land acquisition for future housing development. No payments were made during the year ended June 30, 2023, and the first payment is due on December 1, 2023.

On March 22, 2023, the City issued \$825,000 of general obligation bonds with interest rates ranging from 4.00% to 5.00% per annum. The bonds were issued for financing street, sewer, storm water, municipal park and airport improvements, and acquiring and improving property for housing needs. No payments were made during the year ended June 30, 2023, and the first payment is due on December 1, 2023.

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, 2023, the City paid \$48,000 of principal and \$2,281 of interest on the loan.

Year	Loan Agreement - Direct Borrowing		
	Issued Jun 1, 2015		
Ending	Interest		
June 30,	Rates	Principal	Interest
2024	2.45%	\$ 50,000	1,225

(6) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2023, 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, 2023 totaled \$249,784.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$498,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.013197%, which was a decrease of 0.154512% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(25,763), \$1,327,951 and \$1,409,767, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
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 of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 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)	\$ 1,535,142	498,610	(413,076)

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.

(7) 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 \$589 for single coverage to \$1,728 for family coverage. For the year ended June 30, 2023, the City contributed \$535,858, and plan members eligible for benefits contributed \$29,541 to the plan. At June 30, 2023, 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, 2023, the following employees were covered by the benefit terms:

Active employees	<u>39</u>
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(8) 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, 2023, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 40,000
Compensatory leave	37,000
Sick leave	9,000
Total	<u>\$ 86,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 40,000
	Local Option Sales Tax	<u>700,281</u>
		740,281
Special Revenue:	General	
Local Option Sales Tax		<u>25,371</u>
Debt Service	Special Revenue:	
	Road Use Tax	89,740
	Local Option Sales Tax	257,042
	Urban Renewal Tax Increment	<u>209,807</u>
		556,589
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>58,873</u>
Total		<u>\$ 1,381,114</u>

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

(10) 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, 2023, no repayments were made. The outstanding balance at June 30, 2023 is \$130,000.

(11) 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.

(12) Employee Health Insurance Plan

The City self-funds dental coverage for its employees. The plan is funded by the City and is administered by Tristar Benefit Administrators. 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, 2023, 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. Total disbursements paid for the year ended June 30, 2023 totaled \$26,996.

(13) 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, 2023, the City made no payments and had paid cumulative payments of \$49,760 for the construction of 2 units.

On March 15, 2022, the City entered into an agreement with the Chamber and Development Council for Crawford County (Developer) for the rehabilitation and restoration of the Denison Community Room. Upon completion of the project, the City will issue an economic development grant totaling \$50,000 to the Developer, subject to certified costs and expenses of the project. During the year ended June 30, 2023, construction was completed, and the City rebated \$50,000 of incremental property tax to the developer.

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, 2023, the City rebated \$25,000 of incremental property tax to the developer. At June 30, 2023, the remaining balance to be paid on the agreement was \$150,000.

(14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2023, \$34,344 of property tax was diverted from the City under the urban renewal and economic development agreements.

(15) Subsequent Events

In April 2024, the City issued \$2,960,000 of general obligation bonds for the purpose of financing street construction, storm water drainage, bridge and sidewalk improvements, acquiring and installing street lighting, signage and signalization improvements, airport improvements, improvements at existing municipal parks, constructing furnishing and equipping a municipal wellness center and undertaking improvements to the municipal aquatic center.

City of Denison

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, 2023

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Receipts:			
Property tax	\$ 4,683,798	-	4,683,798
Tax increment financing	200,134	-	200,134
Other city tax	1,256,761	-	1,256,761
Licenses and permits	70,794	-	70,794
Use of money and property	145,148	-	145,148
Intergovernmental	4,316,521	-	4,316,521
Charges for service	388,455	530,743	919,198
Special assessments	9,102	-	9,102
Miscellaneous	344,932	-	344,932
Total receipts	<u>11,415,645</u>	<u>530,743</u>	<u>11,946,388</u>
Disbursements:			
Public safety	2,452,047	-	2,452,047
Public works	1,857,466	-	1,857,466
Health and social services	13,212	-	13,212
Culture and recreation	1,285,809	-	1,285,809
Community and economic development	319,008	-	319,008
General government	1,416,182	-	1,416,182
Debt service	1,570,960	-	1,570,960
Capital projects	3,115,839	-	3,115,839
Business type activities	-	518,442	518,442
Total disbursements	<u>12,030,523</u>	<u>518,442</u>	<u>12,548,965</u>
Excess (deficiency) of receipts over (under) disbursements	(614,878)	12,301	(602,577)
Other financing sources (uses), net	<u>1,375,355</u>	<u>-</u>	<u>1,375,355</u>
Change in balances	760,477	12,301	772,778
Balances beginning of year	<u>5,008,052</u>	<u>227,862</u>	<u>5,235,914</u>
Balances end of year	<u>\$ 5,768,529</u>	<u>240,163</u>	<u>6,008,692</u>

See notes to financial statements.

Budgeted Amounts		Final to
Original	Final	Total Variance
4,666,242	4,666,242	17,556
208,872	208,872	(8,738)
1,155,481	1,195,478	61,283
67,650	67,650	3,144
159,900	206,400	(61,252)
6,007,739	7,336,707	(3,020,186)
901,600	1,023,200	(104,002)
4,000	9,500	(398)
319,220	901,560	(556,628)
13,490,704	15,615,609	(3,669,221)
2,824,483	2,871,983	419,936
1,782,006	2,080,456	222,990
13,217	13,217	5
1,350,470	1,472,274	186,465
268,020	375,420	56,412
1,714,686	1,777,218	361,036
1,671,410	1,671,410	100,450
7,795,895	9,902,255	6,786,416
518,500	527,250	8,808
17,938,687	20,691,483	8,142,518
(4,447,983)	(5,075,874)	4,473,297
1,180,000	2,337,542	(962,187)
(3,267,983)	(2,738,332)	3,511,110
5,518,467	5,518,467	(282,553)
2,250,484	2,780,135	3,228,557

City of Denison

City of Denison

Notes to Other Information – Budgetary Reporting

June 30, 2023

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 \$2,752,796. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements did not exceed budgeted amounts.

City of Denison

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

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability (asset)	0.013197%	0.167709% **	0.021682%	0.019956%
City's proportionate share of the net pension liability (asset)	\$ 499	(579)	1,523	1,156
City's covered payroll	\$ 2,520	2,422	2,464	2,430
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.80%	-23.91%	61.81%	47.57%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

* 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.

2019	2018	2017	2016	2015
0.020465%	0.021632%	0.020954%	0.018079%	0.015688%
1,295	1,441	1,319	893	622
2,292	2,255	2,140	1,985	1,927
56.50%	63.90%	61.64%	44.99%	32.28%
83.62%	82.21%	81.82%	85.19%	87.61%

City of Denison

Schedule of City Contributions

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

Other Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 250	237	230	236
Contributions in relation to the statutorily required contribution	<u>(250)</u>	<u>(237)</u>	<u>(230)</u>	<u>(236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,659	2,520	2,422	2,464
Contributions as a percentage of covered payroll	9.40%	9.40%	9.50%	9.58%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
236	211	207	197	187	180
(236)	(211)	(207)	(197)	(187)	(180)
-	-	-	-	-	-
2,430	2,292	2,255	2,140	1,985	1,927
9.71%	9.21%	9.18%	9.21%	9.42%	9.34%

City of Denison

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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, 2023

	Special				
	Trees Forever	Library Trust	Aquatic Trust	Dog Pound Trust	Memorial Gardens
Receipts:					
Use of money and property	\$ -	146	-	-	-
Charges for service	-	-	-	-	-
Miscellaneous	-	-	37,229	28,479	-
Total receipts	-	146	37,229	28,479	-
Disbursements:					
Operating:					
Public safety	-	-	-	2,915	-
Culture and recreation	-	-	12,905	-	-
Community and economic development	-	-	-	-	-
Total disbursements	-	-	12,905	2,915	-
Change in cash balances	-	146	24,324	25,564	-
Cash balances beginning of year	997	105,489	21,777	23,437	620
Cash balances end of year	\$ 997	105,635	46,101	49,001	620
Cash Basis Fund Balances					
Restricted for other purposes	\$ 997	105,635	46,101	49,001	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
-	-	-	-	-	-	-	-	-	146
-	-	-	-	1,050	21,616	600	-	-	23,266
-	-	6,875	-	-	-	-	-	32,430	105,013
-	-	6,875	-	1,050	21,616	600	-	32,430	128,425
-	-	-	-	-	-	-	-	-	2,915
-	-	-	-	-	-	-	238	-	13,143
-	-	6,657	-	105	13,339	-	-	12,963	33,064
-	-	6,657	-	105	13,339	-	238	12,963	49,122
-	-	218	-	945	8,277	600	(238)	19,467	79,303
914	374	14,232	2,464	468	22,805	-	746	7,085	201,408
914	374	14,450	2,464	1,413	31,082	600	508	26,552	280,711
914	374	14,450	2,464	1,413	31,082	600	508	26,552	280,711

City of Denison

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

For the Last Ten Years

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 4,683,798	4,335,046	4,352,716	3,990,902
Tax increment financing	200,134	214,864	305,885	161,644
Local option sales tax	1,072,574	1,057,954	1,036,356	850,506
Other city tax	184,187	177,453	137,058	267,665
Licenses and permits	70,794	77,855	107,995	68,349
Use of money and property	145,148	147,927	145,461	170,598
Intergovernmental	4,316,521	4,896,386	3,181,906	2,298,630
Charges for service	388,455	379,191	274,511	348,216
Special assessments	9,102	12,408	33,904	8,360
Miscellaneous	344,932	295,222	287,675	257,853
Total	\$ 11,415,645	11,594,306	9,863,467	8,422,723
Disbursements:				
Operating:				
Public safety	\$ 2,452,047	2,285,210	2,141,606	2,063,288
Public works	1,857,466	1,723,178	1,411,623	1,433,695
Health and social services	13,212	13,752	8,925	10,093
Culture and recreation	1,285,809	1,146,276	1,079,847	1,074,531
Community and economic development	319,008	203,897	199,497	177,600
General government	1,416,182	1,502,232	1,442,798	1,446,545
Debt service	1,570,960	1,592,463	1,571,939	1,435,602
Capital projects	3,115,839	3,657,749	2,351,854	1,513,813
Total	\$ 12,030,523	12,124,757	10,208,089	9,155,167

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
3,962,473	3,770,819	3,497,610	3,418,084	3,121,748	3,116,913
411,761	473,883	718,893	845,250	812,030	879,459
707,359	780,075	791,493	728,253	745,066	714,213
237,464	237,489	254,524	243,356	212,432	124,790
72,836	77,597	81,145	67,177	65,441	84,377
195,594	189,590	205,768	215,291	210,749	232,750
1,817,217	2,329,345	2,206,475	3,132,673	2,089,350	1,987,274
403,964	317,334	288,031	320,246	390,580	365,864
13,332	11,854	15,803	21,553	28,183	17,357
457,692	414,732	273,923	305,244	393,337	419,422
8,279,692	8,602,718	8,333,665	9,297,127	8,068,916	7,942,419
2,183,605	2,274,307	2,592,238	1,982,289	1,880,934	2,117,390
1,678,058	1,517,149	1,239,622	1,118,895	1,273,063	1,190,600
19,192	7,288	10,832	8,605	9,389	8,426
1,189,221	1,078,462	1,123,944	1,055,992	940,560	950,481
320,515	256,431	220,457	235,619	431,485	149,030
1,408,894	1,249,408	1,192,694	1,152,903	1,002,797	1,016,581
1,656,083	1,774,987	1,707,333	1,682,546	1,861,248	1,645,746
502,934	1,344,084	1,912,173	2,515,716	1,767,534	2,664,725
8,958,502	9,502,116	9,999,293	9,752,565	9,167,010	9,742,979

City of Denison

City of Denison
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2023

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	\$ 121,569
Total U.S. Department of Housing and Urban Development			<u>121,569</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 3-19-0026-019-2023	1,730,418 15,723
Total U.S. Department of Transportation			<u>1,746,141</u>
U.S. Department of the Treasury:			
COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	FY2023	143,890
Total U.S. Department of the Treasury			<u>143,890</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	90,763
Total U.S. Department of Homeland Security			<u>90,763</u>
Total:			<u>\$ 2,102,363</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, 2023. 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
Telephone (515) 281-5834

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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 1, 2024. 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 2023-001 through 2023-003 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 2023-004 and 2023-005 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 noncompliance 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, 2023 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

July 1, 2024

City of Denison



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

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

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, 2023. The City of Denison's major federal program is identified in Part I 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, 2023.

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 judgment 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 judgment 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-006. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-006, to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Denison’s response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Denison’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Brian R. Brustkern, CPA
Deputy Auditor of State

July 1, 2024

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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 noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing 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, 2023

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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, the Denison Library Friends' and the Denison Volunteer Firefighters Association's 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, having custody of the City's assets, and detailed accounts payable functions 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. Also, the duties of issuing receipts and voiding receipts are not segregated.
- (2) Denison Library Friends, Inc. – One person is responsible for receipt, disbursement, recording and reconciling functions.
- (3) Denison Volunteer Firefighters Association – One person is responsible for disbursement preparation, disbursement approval, and making disbursements. Also, there is no initial listing of receipts being prepared.

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, the Denison Library Friends' and the Denison Volunteer Firefighters Association's 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, the Denison Library Friends and the Denison Volunteer Firefighters Association 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, 2023

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 Library Friends Board count money from the lock box/wall safe together every month. The Friends Board member initials all deposits. Bills are read and approved at the five yearly meetings of the Denison Library Friends Board. A Friends of the Library Board member initials the bank ledger/reconciliation.

Denison Volunteer Firefighters Association – The Association will work to improve internal procedures to limit the risk areas as a result of a lack of segregation of duties.

Conclusions – Responses accepted.

2023-002

Journal Entries

Criteria – An effective internal control system provides for internal controls related to preparation of journal entries by all employees. Supporting documentation for all journal entries supports the accuracy of the entries by the employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – The City's accounting system software provider prepares certain journal entries for the City. The City does not review these entries to ensure that the entries were made correctly.

Cause – The City has a limited number of employees and procedures have not been designed to clearly document the review and approval of journal entries.

Effect – Lack of independent approval of transactions could adversely affect the City's 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 – To strengthen controls, journal entries should be reviewed by an independent person to ensure they are recorded correctly.

Response – The City will establish an internal procedure to ensure an independent person reviews all journal entries and confirm supporting documentation from the software provider is attached to all journal entries.

Conclusion – Response accepted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-003 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections, and delinquent accounts were not reconciled throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts.

Effect – The condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. An elected official or other independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will establish an internal procedure to work with Denison Municipal Utilities to create and verify a monthly reconciliation of solid waste utility billings.

Conclusion – Response accepted.

2023-004 Property Tax Receipts

Criteria – Property taxes may be levied for various purposes as allowed for by the Code of Iowa. Any receipts that come from a levy that is for a specific purpose, need to be spent in accordance with that purpose.

Condition – The City is levying for liability, property and self-insurance costs. However, the City is not tracking these receipts to ensure that they are spent only on liability, property and self-insurance costs.

Cause – Policies have not been established and procedures have not been implemented to ensure these receipts are being tracked.

Effect – Receipts could be used for purposes other than what the levy was for.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Recommendation – The City should develop policies and procedures to ensure that property tax receipts are being used in accordance with their respective levy.

Response – The City will track liability, property and self-insurance costs to ensure all property tax receipts are being used in accordance with the respective levy.

Conclusion – Response accepted.

2023-005

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.

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 adopted a new personnel policy in January 2024 and will review it on an annual basis.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

Assistance Listing Number 20.106: Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs

Entity Identifying Number: 3-19-0026-017-2022, 3-19-0026-019-2023

Federal Award Year: 2022, 2023

Prior Year Finding Number: N/A

U.S. Department of Transportation

2023-006 SF-425 Federal Reports

Criteria – The Uniform Guidance, Part 200.303, requires the City establish and maintain effective internal control over the federal award which provides reasonable assurance the City is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The SF-425 report, “Federal Financial Report”, is the annual summary of financial activity for the federal award. Airport Improvement Program policy requires that the recipients of airport improvement program grants must submit an SF-425 report at least annually for each grant no later than 90 days after the end of the federal fiscal year (i.e., September 30).

Condition – The City did not submit two reports for federal fiscal year ending September 30, 2023 until May 6, 2024. Also, both reports understated total expenditures for the projects in the federal fiscal year ended September 30, 2023. In addition, there is no documentation that the City is reviewing these reports prior to submission.

Cause – The City contracts with an outside vendor to ensure that the reports are prepared and submitted. However, due to an oversight by the vendor the reports were not submitted timely and expenditure amounts were misstated. In addition, the City does not have policies and procedures in place to ensure that these reports are reviewed prior to submission.

Effect – The lack of policies and procedures in place by the City could result in late submission of reports and inaccurate reports.

Recommendation – Procedures should be established to ensure that all federal reporting is done timely and accurately. These policies should include an independent review of reports prior to submission. If the City chooses to use an outside vendor, the City should develop policies and procedures to ensure that the vendor is submitting reports timely and accurately, as well as procedures to review these reports before they are submitted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Response – The City will develop policies and procedures to ensure that all federal reporting is done timely and accurately. Also, those policies and procedures should ensure that these reports are independently reviewed before submission.

Conclusion – Response accepted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part IV: Other Findings Related to Required Statutory Reporting:

- 2023-A Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.
- 2023-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.
- 2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2023-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 Granzen, City Council Member, Owner of Granzen Plumbing and Heating	Plumbing services	\$ 3,312

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

- 2023-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.
- 2023-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.
- 2023-G City Council Minutes – Disbursements for outstanding bonds were not approved by the Council. Also, disbursements for remittances of payroll withholdings were not approved by the Council.

Recommendation – The City Council should approve all disbursements, including disbursements made electronically.

Response – Electronic payments will be approved by the City Council.

Conclusion – Response accepted.

- 2023-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Denison

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

- 2023-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 as required by Chapter 384.22(2)(a) of the Code of Iowa and no exceptions were noted.
- 2023-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.
- 2023-K Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The Denison Swim Team maintains a savings account and a checking account for certain operations. These transactions and resulting balances are not included in the City’s accounting records.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Denison Swim Team should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – The City will add the Denison Swim Team’s savings and checking account balances to the City’s accounting records and these balances will be reported to the City Council on a monthly basis.

Conclusion – Response accepted.

City of Denison

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Tiffany M. Ainger, CPA, Manager
Brett S. Gillen, CPA, Senior II Auditor
Nathan A. DeWit, Staff Auditor
Jared M. Ernst, CPA, Staff Auditor