

Durant Municipal Electric Plant

**INDEPENDENT ACCOUNTANT'S
EXAMINATION REPORT**

**FOR THE PERIOD
January 1, 2018 Through December 31, 2018**

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**DURANT MUNICIPAL ELECTRIC PLANT
Durant, Iowa
Officials**

BOARD OF TRUSTEES

| NAME | TITLE | TERM EXPIRES |
|----------------|--------------|---------------------|
| David Paustian | Board Member | December 31, 2019 |
| Thomas J Head | Board Member | December 31, 2021 |
| Dave Krohn | Board Member | December 31, 2023 |

OFFICIALS

| NAME | TITLE |
|-------------------|-----------------|
| Tamara R. Allison | General Manager |
| Joel Meincke | Superintendent |

RANDY L. LINN, C.P.A.

Certified Public Accountants

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Independent Accountant's Examination Report

To The Board of Trustees
Durant Municipal Electric Plant

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa entities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the Durant Municipal Electric Plant for the period January 1, 2018 through December 31, 2018, including procedures related to the Utility's compliance with certain code of Iowa requirements identified below. The Durant Municipal Electric Plant's management, which agreed to the performance of the procedures performed, is responsible for the Utility's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected Board of Trustee meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the Utility's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the Board of Trustees.
5. I reviewed the Utility's funds for consistency with the recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
7. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

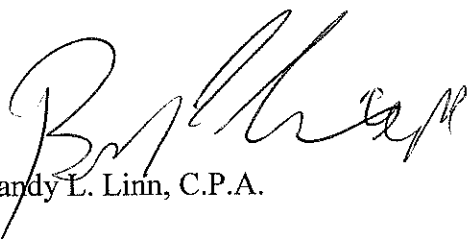
8. I reviewed debt and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and determined whether the debt and related proceeds and repayments were properly accounted for.
9. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
10. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified recommendations for the Utility. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an examination or review, the objective of which is the expression of opinion or conclusion on specific accounting records and related information of the utility, including compliance with specific code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, or had I performed an audit of the Durant Municipal Electric Plant, additional matters might have come to my attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the Utility, including the Utility's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Durant Municipal Electric Plant during the course of my examination. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Randy L. Linn, C.P.A.

June 29, 2019

Detailed Recommendations

Durant Municipal Electric Plant

Detailed Recommendations

For the Period January 1, 2018 Through December 31, 2018

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the Utility:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing, reconciling and approving financial reports.
- (6) Journal entries – preparing and journalizing.
- (7) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (8) Long-Term debt – recording, reconciling and performing transactions.
- (9) Computer system – controlling data inputs and outputs related to accounting systems.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the Utility should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including trustees. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.