



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**NEWS RELEASE**

FOR RELEASE

October 28, 2002

Contact: Andy Nielsen  
515/281-5515

Auditor of State Richard Johnson today released an audit report on the City of Durant, Iowa.

Johnson reported that the City's receipts totaled \$1,638,935 for the year ended June 30, 2002. The receipts included \$487,771 in property tax, \$109,711 in tax increment financing collections, \$164,008 from the state, \$449,018 in charges for service and \$62,930 in interest on investments.

Disbursements for the year totaled \$1,654,257, and included \$393,419 for community protection, \$152,629 for human development, \$884,239 for home and community environment and \$223,970 for policy and administration.

This report contains recommendations to the City Council and other city officials. For example, the City should segregate accounting duties to the extent possible with the existing personnel, and procedures should be established to reconcile utility billings, collections, and delinquencies for each billing period. The City has responded to each item in the report and stated that corrective action is being taken.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

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**CITY OF DURANT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2002**

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**City of Durant**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2002)</b>		
Robert Mannhardt	Mayor	Jan 2004
Chris Daniel	Mayor Pro tem	Jan 2004
Joey Gehrls	Council Member	Jan 2002
Teresa Benischek	Council Member	Jan 2002
Wesley H. Muller	Council Member	Jan 2002
Ken Behrens	Council Member	Jan 2004
Philip L. Keese	Treasurer	Jan 2002
Jerry Tutskey	Administrator	Indefinite
Carla Graves	Clerk	Indefinite
Gerald F. Denning	Attorney	Indefinite
<b>(After January 2002)</b>		
Robert Mannhardt	Mayor	Jan 2004
Chris Daniel	Mayor Pro tem	Jan 2004
Ken Behrens	Council Member	Jan 2004
Teresa Benischek	Council Member	Jan 2006
Wesley H. Muller	Council Member	Jan 2006
Matthew Weih	Council Member	Jan 2006
Philip L. Keese	Treasurer	Jan 2004
Jerry Tutskey	Administrator	Indefinite
Carla Graves	Clerk	Indefinite
Gerald F. Denning	Attorney	Indefinite

**City of Durant**



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**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Durant, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Durant's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

The financial statements referred to above do not include the financial transactions of the Durant Municipal Electric Plant, a component unit of the City of Durant, pertaining to the Enterprise Funds, which should be included in order to conform with U.S. generally accepted accounting principles. The Durant Municipal Electric Plant was excluded since the financial transactions of this component unit use a different basis of accounting.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2001, and for the effects on the financial statements of the omission of the Durant Municipal Electric Plant, as discussed in the preceding paragraphs, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Durant as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 22, 2002 on our consideration of the City of Durant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 22, 2002

**City of Durant**



## **Financial Statements**

City of Durant  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Receipts:</b>				
Property tax	\$ 312,139	-	175,632	-
Tax increment financing collections	-	109,711	-	-
Other city tax	62,928	-	-	-
Licenses and permits	13,700	-	-	-
Use of money and property	79,646	3,137	-	-
Intergovernmental	88,104	256,324	-	-
Charges for service	96,458	1,278	-	-
Special assessments	-	-	9,074	-
Miscellaneous	22,683	51,701	-	-
<b>Total receipts</b>	<b>675,658</b>	<b>422,151</b>	<b>184,706</b>	<b>-</b>
<b>Disbursements:</b>				
Community Protection Program	334,393	59,026	-	-
Human Development Program	152,629	-	-	-
Home and Community Environment Program	102,279	254,789	177,040	-
Policy and Administration Program	223,970	-	-	-
<b>Total disbursements</b>	<b>813,271</b>	<b>313,815</b>	<b>177,040</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	(137,613)	108,336	7,666	-
<b>Other financing sources (uses):</b>				
Operating transfers in	163,517	-	2,605	-
Operating transfers out	(109,330)	(821)	-	(2,605)
<b>Total other financing sources (uses)</b>	<b>54,187</b>	<b>(821)</b>	<b>2,605</b>	<b>(2,605)</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(83,426)	107,515	10,271	(2,605)
Balance beginning of year	698,987	222,353	102,928	2,605
Balance end of year	<b>\$ 615,561</b>	<b>329,868</b>	<b>113,199</b>	<b>-</b>

See notes to financial statements.

Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust	Total (Memorandum Only)
-	-	487,771
-	-	109,711
-	-	62,928
-	-	13,700
2,938	249	85,970
-	-	344,428
351,282	-	449,018
-	-	9,074
1,499	452	76,335
355,719	701	1,638,935
-	-	393,419
-	-	152,629
350,131	-	884,239
-	-	223,970
350,131	-	1,654,257
5,588	701	(15,322)
-	-	166,122
(50,000)	(3,366)	(166,122)
(50,000)	(3,366)	-
(44,412)	(2,665)	(15,322)
705,786	60,996	1,793,655
661,374	58,331	1,778,333

City of Durant  
 Comparison of Receipts, Disbursements and Changes in Balances -  
 Actual to Budget  
 Year ended June 30, 2002

	Actual	Less Funds Not Required be Budgeted
<b>Receipts:</b>		
Property tax	\$ 487,771	-
Tax increment financing collections	109,711	-
Other city tax	62,928	-
Licenses and permits	13,700	-
Use of money and property	85,970	2,234
Intergovernmental	344,428	-
Charges for service	449,018	-
Special assessments	9,074	-
Miscellaneous	76,335	51,701
Total receipts	1,638,935	53,935
<b>Disbursements:</b>		
Community Protection Program	393,419	45,287
Human Development Program	152,629	-
Home and Community Environment Program	884,239	-
Policy and Administration Program	223,970	-
Total disbursements	1,654,257	45,287
Excess (deficiency) of receipts over (under) disbursements	(15,322)	8,648
Balance beginning of year	1,793,655	81,140
Balance end of year	\$1,778,333	89,788

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
487,771	479,378	8,393	102%
109,711	107,000	2,711	103%
62,928	62,846	82	100%
13,700	20,515	(6,815)	67%
83,736	103,824	(20,088)	81%
344,428	362,772	(18,344)	95%
449,018	452,448	(3,430)	99%
9,074	10,000	(926)	91%
24,634	86,250	(61,616)	29%
<u>1,585,000</u>	<u>1,685,033</u>	<u>(100,033)</u>	<u>94%</u>
348,132	371,112	22,980	94%
152,629	191,554	38,925	80%
884,239	911,402	27,163	97%
223,970	287,842	63,872	78%
<u>1,608,970</u>	<u>1,761,910</u>	<u>152,940</u>	<u>91%</u>
(23,970)	(76,877)		
<u>1,712,515</u>	<u>1,712,114</u>		
<u>1,688,545</u>	<u>1,635,237</u>		

City of Durant  
Statement of Indebtedness  
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General obligation bonds:</b>			
Sewer improvement - Series A	Jun 13, 1997	3.92%	\$1,113,000
<b>General obligation notes:</b>			
Sewer and water improvements	Jun 26, 1992	6.20%	\$ 220,000
Street, sewer and sidewalk improvements	Mar 1, 1996	4.55-5.40	670,000
Total			
<b>Revenue bonds:</b>			
Sewer - Series C	Jun 13, 1997	3.92%	\$1,000,000
<b>Rural Community 2000 Loan:</b>			
Water improvements	Jul 1, 1991	2.00%	\$ 76,102

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
985,000	-	45,000	940,000	38,612
50,000	-	25,000	25,000	3,050
495,000	-	40,000	455,000	24,585
\$ 545,000	-	65,000	480,000	27,635
887,000	-	41,000	846,000	34,770
16,449	-	8,143	8,306	329

City of Durant

Notes to Financial Statements

June 30, 2002

**(1) Summary of Significant Accounting Policies**

The City of Durant is a political subdivision of the State of Iowa located in Cedar, Scott and Muscatine Counties. It was first incorporated in 1867 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, culture, recreation, public improvements and general administrative services.

**A. Reporting Entity**

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

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

**Blended Component Unit**

The following component unit is an entity that is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund.

The Durant Volunteer Fire Fighters, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Durant Fire Department. In accordance with criteria set by the Governmental Accounting Standards Board, the Durant Volunteer Fire Fighters, Inc. meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.



### Excluded Component Unit

The following component unit is an entity that is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. However, the financial transactions of this component unit have not been displayed because it uses a different basis of accounting.

The Durant Municipal Electric Plant was established under Chapter 388 of the Code of Iowa. It is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Plant is governed by a three-member board appointed by the Mayor and approved by the City Council. The financial statements are available at the City Clerk's office.

### Jointly Governed Organizations

The City also 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: Cedar County Assessor's Conference Board, Cedar County Emergency Management Commission, Cedar County Joint E911 Service Board, Cedar County Solid Waste Commission and the Cedar County Economic Development Commission.

## B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

### Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and special assessment long-term debt.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

### Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

### Fiduciary Funds

Trust Funds - The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include expendable trust funds.

#### C. Basis of Accounting

The City of Durant 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.

#### D. Budgets and Budgetary Accounting

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 blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

#### E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosures requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Long-Term Debt**

Bonds/Notes Payable

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

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 50,000	36,848	65,000	24,355	43,000	33,163	158,000	94,366
2004	50,000	34,888	45,000	20,985	44,000	31,478	139,000	87,351
2005	50,000	32,928	45,000	18,892	46,000	29,753	141,000	81,573
2006	55,000	30,968	50,000	16,755	48,000	27,950	153,000	75,673
2007	55,000	28,812	50,000	14,330	50,000	26,068	155,000	69,210
2008	60,000	26,656	50,000	11,830	51,000	24,108	161,000	62,594
2009	60,000	24,304	55,000	9,280	53,000	22,109	168,000	55,693
2010	65,000	21,952	60,000	6,420	56,000	20,031	181,000	48,403
2011	65,000	19,404	60,000	3,240	58,000	17,836	183,000	40,480
2012	70,000	16,856	-	-	60,000	15,562	130,000	32,418
2013	70,000	14,112	-	-	62,000	13,210	132,000	27,322
2014	70,000	11,368	-	-	65,000	10,780	135,000	22,148
2015	70,000	8,624	-	-	67,000	8,232	137,000	16,856
2016	75,000	5,880	-	-	70,000	5,606	145,000	11,486
2017	75,000	2,940	-	-	73,000	2,862	148,000	5,802
Total	\$ 940,000	316,540	480,000	126,087	846,000	288,748	2,266,000	731,375

The resolution providing for the issuance of the revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the municipal sanitary sewer system of the City and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking fund for the purpose of making the bond principal and interest payment when due.
- (c) Additional monthly transfers to a separate sewer revenue bond reserve fund shall be made until specific minimum balances have been accumulated. The fund is to be used solely for the purpose of paying principal and interest of the bonds.

Rural Community 2000 Loan Payable

On July 1, 1991 the City entered into a loan agreement with the Iowa Department of Economic Development through the Rural Community 2000 Program for water improvements. The loan is to be repaid in ten equal annual installments of \$8,472, including 2.00% per annum interest, with the final installment due on November 24, 2002. The outstanding balance of the loan at June 30, 2002 was \$8,306.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available

financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002 was \$20,736, equal to the required contribution for that year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and personal leave termination payments payable to employees at June 30, 2002, primarily related to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 14,000
Personal leave	<u>5,000</u>
Total	<u>\$ 19,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2002.

**(6) Risk Management**

The City of Durant 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 the fiscal year ended June 30, 2002.

**(7) Development and Rebate Agreements**

The City has entered into two development agreements to assist in certain urban renewal projects. The City agreed to rebate incremental taxes paid by the developers in exchange for development of an industrial facility and a physician's office and pharmacy building constructed by the developers as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated to the industrial facility developer at 100 percent for seven years and to the physician's office and pharmacy building developer at 85 percent for five years, beginning with the tax year in which the property taxes on the completed value of the improvements are first paid.

During the year ended June 30, 2002, the City rebated \$34,641 of incremental taxes under the agreements.

**(8) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Community Protection Program exceeded the amount budgeted prior to the budget being amended.

## **Supplemental Information**

**Schedule 1**

City of Durant  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Fire	Playground	Park Board Bingo	Total
Receipts:					
Property tax	\$ 312,139	-	-	-	312,139
Other city tax:					
Local option sales tax	54,695	-	-	-	54,695
Cable franchise tax	8,233	-	-	-	8,233
	62,928	-	-	-	62,928
Licenses and permits:					
Liquor	2,845	-	-	-	2,845
Cigarette	600	-	-	-	600
Building and concrete	9,596	-	-	-	9,596
Miscellaneous	659	-	-	-	659
	13,700	-	-	-	13,700
Use of money and property:					
Interest on investments	56,243	-	-	363	56,606
Community center rent	20,744	-	-	-	20,744
Community center concessions	2,296	-	-	-	2,296
	79,283	-	-	363	79,646
Intergovernmental:					
State allocation	20,757	-	-	-	20,757
Bank franchise tax	8,825	-	-	-	8,825
Library contract	5,022	-	-	-	5,022
Refunds	102	-	-	-	102
Fire contracts	-	53,398	-	-	53,398
	34,706	53,398	-	-	88,104
Charges for service:					
Garbage	89,422	-	-	-	89,422
Grave opening	2,080	-	-	-	2,080
Summer program fees	2,550	-	-	-	2,550
Miscellaneous	2,406	-	-	-	2,406
	96,458	-	-	-	96,458
Miscellaneous:					
Sales tax collected	9,120	-	-	-	9,120
Fines	899	-	-	-	899
Bingo proceeds	-	-	-	8,516	8,516
Community center miscellaneous	2,710	-	-	-	2,710
Miscellaneous	-	1,438	-	-	1,438
	12,729	1,438	-	8,516	22,683
Total receipts	611,943	54,836	-	8,879	675,658

City of Durant  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Fire	Playground	Park Board Bingo	Total
<b>Disbursements:</b>					
<b>Community Protection Program:</b>					
<b>Police:</b>					
Personal services	128,285	-	-	-	128,285
Contractual services	6,479	-	-	-	6,479
Commodities	6,809	-	-	-	6,809
Capital outlay	1,172	-	-	-	1,172
	<u>142,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,745</u>
Street lighting	4,845	-	-	-	4,845
<b>Ambulance:</b>					
Contractual services	5,019	-	-	-	5,019
<b>Disaster services:</b>					
Contractual services	1,921	-	-	-	1,921
<b>Animal control:</b>					
Commodities	72	-	-	-	72
<b>Fire:</b>					
Personal services	-	1,884	-	-	1,884
Contractual services	-	14,338	-	-	14,338
Commodities	-	7,205	-	-	7,205
Capital outlay	-	156,364	-	-	156,364
	<u>-</u>	<u>179,791</u>	<u>-</u>	<u>-</u>	<u>179,791</u>
	<u>154,602</u>	<u>179,791</u>	<u>-</u>	<u>-</u>	<u>334,393</u>
<b>Human Development Program:</b>					
<b>Park Board Bingo</b>					
Personal services	-	-	-	2,262	2,262
Contractual services	-	-	-	139	139
Commodities	-	-	-	2,619	2,619
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,020</u>	<u>5,020</u>
<b>Library:</b>					
Contractual services	35,001	-	-	-	35,001
Commodities	56	-	-	-	56
	<u>35,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,057</u>

**Schedule 1**

City of Durant  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Fire	Playground	Park Board Bingo	Total
<b>Disbursements (continued):</b>					
<b>Human Development Program :</b>					
<b>Parks:</b>					
Contractual services	10,393	-	-	-	10,393
Commodities	2,569	-	-	-	2,569
	12,962	-	-	-	12,962
<b>Community center:</b>					
Personal services	50,324	-	-	-	50,324
Contractual services	43,191	-	-	-	43,191
Commodities	6,075	-	-	-	6,075
	99,590	-	-	-	99,590
	147,609	-	-	5,020	152,629
<b>Home and Community Environment Program :</b>					
<b>Shop:</b>					
Contractual services	8,805	-	-	-	8,805
Commodities	2,831	-	-	-	2,831
	11,636	-	-	-	11,636
<b>Garbage collection:</b>					
Contractual services	88,427	-	-	-	88,427
Commodities	2,216	-	-	-	2,216
	90,643	-	-	-	90,643
	102,279	-	-	-	102,279
<b>Policy and Administration Program :</b>					
<b>Council:</b>					
Personal services	4,999	-	-	-	4,999
Contractual services	354	-	-	-	354
	5,353	-	-	-	5,353
<b>Administrator:</b>					
Personal services	55,919	-	-	-	55,919
Contractual services	835	-	-	-	835
	56,754	-	-	-	56,754
<b>Mayor:</b>					
Personal services	1,967	-	-	-	1,967
<b>Clerk / Administration:</b>					
Personal services	51,225	-	-	-	51,225
Contractual services	472	-	-	-	472
Commodities	21	-	-	-	21
	51,718	-	-	-	51,718



City of Durant  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Fire	Playground	Park Board Bingo	Total
<b>Disbursements (continued):</b>					
<b>Policy and Administration Program :</b>					
<b>Legal services:</b>					
Contractual services	6,300	-	-	-	6,300
<b>Elections:</b>					
Commodities	1,076	-	-	-	1,076
<b>Planning and zoning:</b>					
Personal services	1,766	-	-	-	1,766
<b>City Hall:</b>					
Personal services	305	-	-	-	305
Contractual services	92,754	-	-	-	92,754
Commodities	5,199	-	-	-	5,199
Capital outlay	778	-	-	-	778
	99,036	-	-	-	99,036
	223,970	-	-	-	223,970
<b>Total disbursements</b>	<b>628,460</b>	<b>179,791</b>	<b>-</b>	<b>5,020</b>	<b>813,271</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(16,517)</b>	<b>(124,955)</b>	<b>-</b>	<b>3,859</b>	<b>(137,613)</b>
<b>Other financing sources (uses):</b>					
<b>Operating transfers in (out):</b>					
<b>General:</b>					
General	-	98,836	-	(10,494)	88,342
Park Board Bingo	10,494	-	-	-	10,494
Fire	(98,836)	-	-	-	(98,836)
<b>Special Revenue:</b>					
Tree Maintenance	821	-	-	-	821
<b>Enterprise:</b>					
Water Utility	25,000	-	-	-	25,000
Sewer Utility	25,000	-	-	-	25,000
<b>Expendable Trust:</b>					
Pharmacy Donations	3,097	-	-	-	3,097
Feldhahn Concession	269	-	-	-	269
<b>Total other financing sources (uses)</b>	<b>(34,155)</b>	<b>98,836</b>	<b>-</b>	<b>(10,494)</b>	<b>54,187</b>
<b>Deficiency of receipts and other financing sources under disbursements and other financing uses</b>	<b>(50,672)</b>	<b>(26,119)</b>	<b>-</b>	<b>(6,635)</b>	<b>(83,426)</b>
<b>Balance beginning of year</b>	<b>606,728</b>	<b>69,444</b>	<b>4,295</b>	<b>18,520</b>	<b>698,987</b>
<b>Balance end of year</b>	<b>\$ 556,056</b>	<b>43,325</b>	<b>4,295</b>	<b>11,885</b>	<b>615,561</b>

See accompanying independent auditor's report.

City of Durant  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2002

	Road Use Tax	Tree Maintenance
<b>Receipts:</b>		
Tax increment financing collections	\$ -	-
Use of money and property:		
Interest on investments	347	-
Intergovernmental:		
Road use tax allocation	134,324	-
Economic Development Set-Aside Grant	-	-
Charges for service:	134,324	-
Miscellaneous	1,278	-
Miscellaneous:		
Donations	-	-
Total receipts	135,949	-
<b>Disbursements:</b>		
Community Protection Program:		
Contractual services	13,042	-
Commodities	697	-
	13,739	-
Home and Community Environment Program:		
Personal services	39,482	-
Contractual services	31,957	-
Commodities	4,908	-
Capital outlay	21,801	-
	98,148	-
Total disbursements	111,887	-
Excess of receipts over disbursements	24,062	-
<b>Other financing uses:</b>		
Operating transfers out:		
General:		
General	-	(821)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	24,062	(821)
Balance beginning of year	79,197	821
Balance end of year	\$ 103,259	-

See accompanying independent auditor's report.

Urban Renewal Tax Increment Financing	Economic Development Set-Aside	Durant Volunteer Fire Fighters Inc.	Total
109,711	-	-	109,711
556	-	2,234	3,137
-	-	-	134,324
-	122,000	-	122,000
-	122,000	-	256,324
-	-	-	1,278
-	-	51,701	51,701
110,267	122,000	53,935	422,151
-	-	-	13,042
-	-	45,287	45,984
-	-	45,287	59,026
-	-	-	39,482
34,641	122,000	-	188,598
-	-	-	4,908
-	-	-	21,801
34,641	122,000	-	254,789
34,641	122,000	45,287	313,815
75,626	-	8,648	108,336
-	-	-	(821)
75,626	-	8,648	107,515
60,012	1,183	81,140	222,353
135,638	1,183	89,788	329,868

**Schedule 3**

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City of Durant  
Schedule of Cash Transactions  
Debt Service Fund  
Year ended June 30, 2002

Receipts:	
Property tax	\$ 175,632
Special assessments	9,074
Total receipts	<u>184,706</u>
Disbursements:	
Home and Community Environment Program:	
Debt service:	
Principal redemption	110,000
Interest payments	66,247
Administration fee	793
Total disbursements	<u>177,040</u>
Excess of receipts over disbursements	7,666
Other financing sources:	
Operating transfer in:	
Capital Projects	2,605
Excess of receipts and other financing sources over disbursements	10,271
Balance beginning of year	<u>102,928</u>
Balance end of year	<u><u>\$ 113,199</u></u>

See accompanying independent auditor's report.

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City of Durant  
Schedule of Cash Transactions  
Capital Projects Fund  
Year ended June 30, 2002

Receipts:	
None	\$ -
Disbursements:	
None	<u>-</u>
Excess of receipts over disbursements	-
Other financing uses:	
Operating transfer out:	
Debt Service	<u>(2,605)</u>
Deficiency of receipts under disbursements and other financing uses	(2,605)
Balance beginning of year	<u>2,605</u>
Balance end of year	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

**Schedule 5**

City of Durant  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2002

	Water Utility	Sewer Utility	Sewer Reserve	Sewer Sinking	Total
<b>Receipts:</b>					
Use of money and property:					
Interest on investments	\$ 882	2,056	-	-	2,938
<b>Charges for service:</b>					
Sale of water	131,190	-	-	-	131,190
Installations and connections	260	2,580	-	-	2,840
Sewer rental fees	-	213,405	-	-	213,405
Meter sales	1,401	-	-	-	1,401
Portable meters	2,446	-	-	-	2,446
	135,297	215,985	-	-	351,282
<b>Miscellaneous:</b>					
Customer deposits	1,021	-	-	-	1,021
Miscellaneous	478	-	-	-	478
	1,499	-	-	-	1,499
Total receipts	137,678	218,041	-	-	355,719
<b>Disbursements:</b>					
Home and Community Environment Program :					
Administration, plant and collection and distribution:					
Personal services	52,387	44,268	-	-	96,655
Contractual services	19,293	25,675	-	-	44,968
Commodities	31,514	36,360	-	-	67,874
Capital outlay	16,540	39,408	-	-	55,948
	119,734	145,711	-	-	265,445
<b>Debt service:</b>					
Principal redemption	8,143	-	-	41,000	49,143
Interest payments	329	-	-	34,770	35,099
Fees	-	-	-	444	444
	8,472	-	-	76,214	84,686
Total disbursements	128,206	145,711	-	76,214	350,131
Excess (deficiency) of receipts over (under) disbursements	9,472	72,330	-	(76,214)	5,588

City of Durant  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2002

	Water Utility	Sewer Utility	Sewer Reserve	Sewer Sinking	Total
Other financing sources (uses):					
Operating transfers in (out):					
General:					
General	(25,000)	(25,000)	-	-	(50,000)
Enterprise:					
Sewer Utility	-	-	-	76,100	76,100
Sewer Sinking	-	(76,100)	-	-	(76,100)
Total other financing sources (uses)	(25,000)	(101,100)	-	76,100	(50,000)
Deficiency of receipts and other financing sources under disbursements and other financing uses	(15,528)	(28,770)	-	(114)	(44,412)
Balance beginning of year	220,620	402,666	76,100	6,400	705,786
Balance end of year	\$ 205,092	373,896	76,100	6,286	661,374

See accompanying independent auditor's report.

City of Durant  
 Combining Schedule of Cash Transactions

Expendable Trust Funds  
 Year ended June 30, 2002

	Feldhahn Flower	Pharmacy Donations	Library Donations
<b>Receipts:</b>			
Use of money and property:			
Interest on investments	\$ -	13	87
Miscellaneous:			
Donations	-	-	-
Total receipts	-	13	87
<b>Disbursements:</b>			
None	-	-	-
Excess of receipts over disbursements	-	13	87
<b>Other financing uses:</b>			
Operating transfers out:			
General:			
General	-	(3,097)	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	-	(3,084)	87
Balance beginning of year	1,236	3,084	20,822
Balance end of year	\$ 1,236	-	20,909

See accompanying independent auditor's report.



Lamp Memorial	Feldhahn Concession	Park Board Bingo Donations	Total
22	-	127	249
452	-	-	452
474	-	127	701
-	-	-	-
474	-	127	701
-	(269)	-	(3,366)
474	(269)	127	(2,665)
5,069	269	30,516	60,996
5,543	-	30,643	58,331

**Schedule 7**

**City of Durant**  
**Bonds and Note Maturities**

**June 30, 2002**

Year Ending June 30,	General Obligation Bonds/ Notes							Total
	Sewer Improvement-Series A		Sewer and Water Improvements		Street, Sewer and Sidewalk Improvements			
	Issued Jun 13, 1997		Issued Jun 26, 1992		Issued Mar 1, 1996			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2003	3.92%	\$ 50,000	6.00%	\$ 25,000	4.55%	\$ 40,000	\$ 115,000	
2004	3.92	50,000	-	-	4.65	45,000	95,000	
2005	3.92	50,000	-	-	4.75	45,000	95,000	
2006	3.92	55,000	-	-	4.85	50,000	105,000	
2007	3.92	55,000	-	-	5.00	50,000	105,000	
2008	3.92	60,000	-	-	5.10	50,000	110,000	
2009	3.92	60,000	-	-	5.20	55,000	115,000	
2010	3.92	65,000	-	-	5.30	60,000	125,000	
2011	3.92	65,000	-	-	5.40	60,000	125,000	
2012	3.92	70,000	-	-	-	-	70,000	
2013	3.92	70,000	-	-	-	-	70,000	
2014	3.92	70,000	-	-	-	-	70,000	
2015	3.92	70,000	-	-	-	-	70,000	
2016	3.92	75,000	-	-	-	-	75,000	
2017	3.92	75,000	-	-	-	-	75,000	
<b>Total</b>		<b>\$ 940,000</b>		<b>\$ 25,000</b>		<b>\$ 455,000</b>	<b>\$ 1,420,000</b>	

Year Ending June 30,	Revenue Bonds	
	Sewer	
	Issued Jun 13, 1997	
Interest Rates	Amount	
2003	3.92%	\$ 43,000
2004	3.92	44,000
2005	3.92	46,000
2006	3.92	48,000
2007	3.92	50,000
2008	3.92	51,000
2009	3.92	53,000
2010	3.92	56,000
2011	3.92	58,000
2012	3.92	60,000
2013	3.92	62,000
2014	3.92	65,000
2015	3.92	67,000
2016	3.92	70,000
2017	3.92	73,000
<b>Total</b>		<b>\$ 846,000</b>

See accompanying independent auditor's report.



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Durant, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 22, 2002. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

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

Comments involving statutory and other legal matters about the City of Durant's operations for the year ended June 30, 2002 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. Prior audit statutory comments have been resolved except for item (2).

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Durant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Durant's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses. Prior audit reportable conditions have been resolved except for items (A) and (G).

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Durant 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.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 22, 2002

City of Durant  
Schedule of Findings  
Year ended June 30, 2002

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One of two individuals have control over one or more of the following areas:

- (1) Accounting system - performance of all accounting functions and custody of assets.
- (2) Cash - preparing bank account reconciliations, cash receipt and disbursement functions, handling and recording cash.
- (3) Long-term debt - recording, reconciling and performing cash functions.
- (4) Receipts - collecting, depositing, journalizing and recording.
- (5) Utility receipts - billing, collecting, depositing and recording.
- (6) Computer usage - performance of all general accounting functions and overall control of data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Staff understands the issue associated with internal controls and a small organization. We will continue to be vigilant regarding proper controls.

Conclusion - Response accepted.

- (B) Utility Reconciliation - Utility billings, collections and accounts receivable were not reconciled throughout the year and accounts receivable listings were not retained.

Recommendation - Procedures should be established to reconcile utility billings, collections and accounts receivable monthly or for each billing period. The City Administrator or Council should review the reconciliations, including tracing reconciling items to supporting documentation. The City should retain the accounts receivable listings.

Response - A procedure has established and will be implemented.

Conclusion - Response accepted.

City of Durant  
Schedule of Findings  
Year ended June 30, 2002

- (C) Record of Investments – A detailed record of investment transactions was not maintained. Although the City Treasurer, who is also Vice-President of the City’s local depository, periodically prints a summary of the City’s investments on the bank’s computer, this summary is not maintained as part of the City’s monthly accounting record and does not include the recommended detailed information by transaction.

Recommendation – A detailed report of investment transactions should be maintained as part of the City’s monthly accounting records. This record should include investment number, investment amount, purchase date, redemption date, notation of how the investment was redeemed (including a new investment number or the bank account into which it was deposited), interest rate and amount of principal and interest received.

Response – This recommendation has been accepted and will be implemented.

Conclusion – Response accepted.

- (D) Disbursements – Although disbursements were approved by the Council, not all were approved by the Council prior to disbursement. The City does not have a written disbursement approval policy allowing certain items to be and prior to Council approval.

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to Council approval. All City disbursements should be approved by the Council prior to disbursement with the exception of those specifically allowed by a policy.

Response – A resolution will be established to cover disbursements paid prior to Council approval.

Conclusion – Response accepted.

- (E) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

- Passwords are not periodically changed. The City’ software does not require the user to periodically change log-ins/passwords.

The City does not have written policies for:

- Password privacy and confidentiality.
- Logging off unattended computers.
- Ensuring that only software licensed to the City is installed on computers.
- Usage of the Internet.

City of Durant  
Schedule of Findings  
Year ended June 30, 2002

- Requiring user profiles to help limit access to programs to those who have a legitimate need.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer-based systems.

Response – A policy will be developed.

Conclusion – Response accepted.

- (F) Bingo Proceeds – Bingo proceeds are recorded in the City’s records net of payouts.

Recommendation – To provide better financial accountability over bingo activity, the City should record bingo proceeds and payouts at gross amounts.

Response – Recommendation accepted. We will implement immediately.

Conclusion – Response accepted.

- (G) Accounting Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the City. This manual should provide the following benefits.

- (1) Help achieve uniformity in accounting and in the application of policies and procedures.
- (2) Save supervisory time by recording decisions so that they will not have to be made each time the same or similar situation arises.
- (3) Aid in training additional or replacement personnel.

Recommendation – An office procedures and standardized accounting manual should be prepared.

Response – A written manual will be established. Procedures have been documented but not yet formalized.

Conclusion – Response accepted.

City of Durant  
 Schedule of Findings  
 Year ended June 30, 2002

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

- (1) Official Depositories - A resolution naming the official depository has been approved by the City. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2002.
- (2) Certified Budget - Although the City acted to amend the budget in March 2002, disbursements in the Community Protection Program exceeded the amount budgeted prior to the amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual appropriation.

Recommendation - The budget should have been amended as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The Code of Iowa will be followed as stated.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Art Horst, Public Works employee, owner of Horst Plumbing	Supplies	\$ 77

In accordance with Chapter 362.5(11) of the Code of Iowa, this transaction does not appear to represent a conflict of interest since total transactions with the individual were less than \$2,500 within the fiscal year.

- (6) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of the Council proceedings were published, the publication did not include an explanation of the claim in accordance with an Attorney General's opinion dated April 12, 1978. Also, the publication did not include total disbursements from each fund and did not have a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.



City of Durant  
Schedule of Findings  
Year ended June 30, 2002

Recommendation – The City should publish minutes as required, including the purpose of claims, total disbursements by fund and a summary of receipts.

Response – Recommendation accepted. We will comply with regulations as recommended.

Conclusion – Response accepted.

- (8) Deposits and Investments – Except as noted below, no instances on non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

Interest on investments made from the Road Use Tax Fund has been credited to this Fund. In accordance with Chapter 12C.7(2) of the Code of Iowa, interest earned on Road Use Tax Fund should be recorded in the General Fund.

Interest on investments made from the Debt Service Fund were not recorded in this fund. In accordance with Chapter 12C.9 of the Code of Iowa, interest earned on bond proceeds and funds being accumulated for the payment of principal and interest should be used to pay the principal and interest as it comes due or be credited to the project fund for which the indebtedness was issued.

Recommendation – The City should record interest earned on the Road Use Tax Fund in the General Fund as required by Chapter 12C.7(2) of the Code of Iowa. The City should record interest earned on investments from the Debt Service Fund in that fund as required by Chapter 12C.9 of the Code of Iowa.

Response – Completed. Interest is now recorded per the recommendation.

Conclusion – Response accepted.

- (9) Revenue Bonds – We noted no instances of non-compliance with the provisions of the City's revenue bond resolution.

- (10) Electronic Record Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – Contact will be made with the local financial institution regarding necessary procedures for implementing this process.

Conclusion – Response accepted.

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City of Durant

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Kimberly M. Knight, Staff Auditor  
Scott D. Bantz, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State