



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE January 23, 2009

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Durant, Iowa for the years ended June 30, 2008 and 2007.

The City's receipts totaled \$2,850,467 for the year ended June 30, 2008, a 45% increase over the prior year. The City's receipts totaled \$1,962,585 for the year ended June 30 2007, a 2 percent increase over fiscal 2006.

For the year ended June 30, 2008, receipts included \$746,760 in property tax, \$105,999 from tax increment financing, \$570,798 from charges for service, \$225,324 from operating grants, contributions and restricted interest, \$426,349 from capital grants, contributions and restricted interest, \$135,934 from local option sales tax, \$37,659 from unrestricted interest on investments, \$600,000 from note proceeds and \$1,644 from other general receipts.

For the year ended June 30, 2007, receipts included \$738,713 in property tax, \$118,670 from tax increment financing, \$581,288 from charges for service, \$215,513 from operating grants, contributions and restricted interest, \$191,031 from capital grants, contributions and restricted interest, \$87,921 from local option sales tax, \$29,055 from unrestricted interest on investments and \$394 from other general receipts.

Disbursements for the year ended June 30, 2008 totaled \$2,845,040, a 51 percent increase over the prior year, and included \$1,258,368 for public works, \$407,327 for debt service and \$286,812 for general government. Disbursements for business type activities totaled \$349,987.

Disbursements for the year ended June 30, 2007 totaled \$1,888,216, a 2% increase over the prior year, and included \$476,941 for public safety, \$352,032 for debt service and \$264,987 for public works. Disbursements for business type activities totaled \$345,766.

The significant increase in receipts and disbursements from fiscal 2007 to fiscal 2008 is due primarily to the West 2nd Avenue capital project, funded through a RISE grant received through the Iowa Department of Transportation, and street improvement note proceeds of \$600,000 received during fiscal 2008.

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

#

CITY OF DURANT

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

JUNE 30, 2008 AND 2007

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	16-19
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	20-23
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	24-25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		38-41
Notes to Required Supplementary Information – Budgetary Reporting		42
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	44-47
Schedule of Indebtedness	2	48-51
Bond and Note Maturities	3	52-53
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	54
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Schedule of Findings		59-68
Staff		69

City of Durant

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Rich Harmsen	Mayor	Jan 2008
Mark Clark	Mayor Pro tem	Jan 2008
Mike Foland	Council Member	Jan 2008
Mike McKinley	Council Member	Jan 2010
Nik Seibel	Council Member	Jan 2010
Dawn Smith	Council Member	Jan 2010
Jerry Tutskey	City Administrator	(Resigned Sept 2006)
Carla Graves	City Clerk	Indefinite
Kathy Keese	Deputy City Clerk	Indefinite
Philip L. Keese	Treasurer	(Resigned Oct 2007)
Gerald F. Denning	City Attorney	Indefinite
(After January 2008)		
Rich Harmsen	Mayor	Jan 2010
Mike McKinley	Mayor Pro tem	Jan 2010
Nik Seibel	Council Member	Jan 2010
Dawn Smith	Council Member	Jan 2010
Bill Miller	Council Member	Jan 2012
Dean Maiers	Council Member	Jan 2012
Greg LaFond (Appointed Jul 2007)	City Administrator	Indefinite
Carla Graves	City Clerk	Terminated May 2008
Kathy Keese	Deputy City Clerk	Indefinite
Gerald F. Denning	Attorney	Indefinite

City of Durant



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Durant, Iowa, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Durant's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the condensed financial information included in Note 11 for the discretely presented component unit, is based on the report of the other auditor.

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

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

As described in Note 11, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The reports of the other auditor, dated June 8, 2008 and July 23, 2007, respectively, expressed unqualified opinions on the financial statements.

The financial statements do not include financial data for a legally separate component unit of the City. U.S. generally accepted accounting principles require the financial data for this component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The receipts, disbursements and cash balance of the omitted component unit that should be blended with the governmental activities and aggregate remaining fund information are not included because the Durant Volunteer Fire Fighters, Inc. declined to make the financial data available to the City.

In our opinion, because of the omission of a component unit, as discussed above, the financial statements referred to above do not present fairly the respective cash basis financial position of the governmental activities and the aggregate remaining fund information of the City of Durant as of June 30, 2008 and 2007, and the respective changes in cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities and each major fund of the City of Durant as of June 30, 2008 and 2007, and the respective changes in cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2008 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 38 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Durant's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which is not presented herein) and expressed an adverse opinion on the financial statements of the governmental activities and the aggregate remaining fund information and an unqualified opinion on the financial statements of the business type activities and each major fund which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, because of the omission of a component unit, as discussed in the fifth paragraph, is not fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Durant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2008 and 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 56%, or approximately \$892,000, from fiscal year 2007 to fiscal year 2008, primarily due to the receipt of a \$402,000 RISE grant and note proceeds of \$600,000.
- Disbursements of the City's governmental activities increased 62%, or approximately \$952,000, in fiscal 2008 from fiscal 2007. Public works and general government disbursements increased approximately \$993,000 and \$95,000, respectively. Public safety disbursements decreased approximately \$216,000.
- The City's total cash basis net assets increased .4%, or approximately \$5,400, from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities increased approximately \$51,600 and the net assets of the business type activities decreased approximately \$46,200.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 3%, or approximately \$45,000, from fiscal year 2006 to fiscal year 2007. Property tax increased approximately \$31,000 and local option sales tax collections increased approximately \$21,000.
- Disbursements of the City's governmental activities increased 1%, or approximately \$13,000, in fiscal year 2007 from fiscal year 2006. Public safety disbursements increased approximately \$227,000. Public works and general government disbursements decreased approximately \$126,000 and \$73,000, respectively.
- The City's total cash basis net assets increased 7%, or approximately \$74,000, from June 30, 2006 to June 30, 2007. Of this amount, the net assets of the governmental activities increased approximately \$91,300 and the net assets of the business type activities decreased approximately \$16,900.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

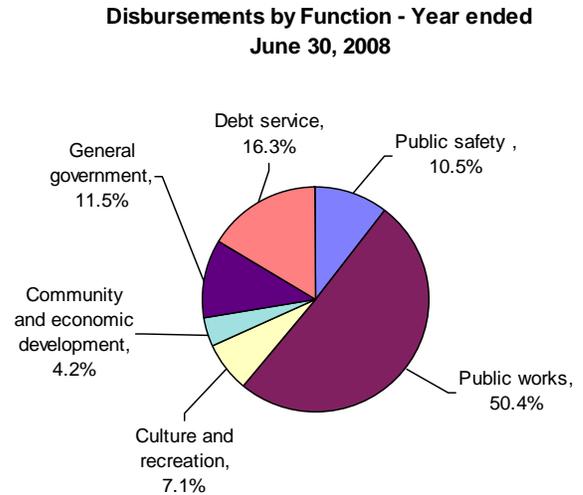
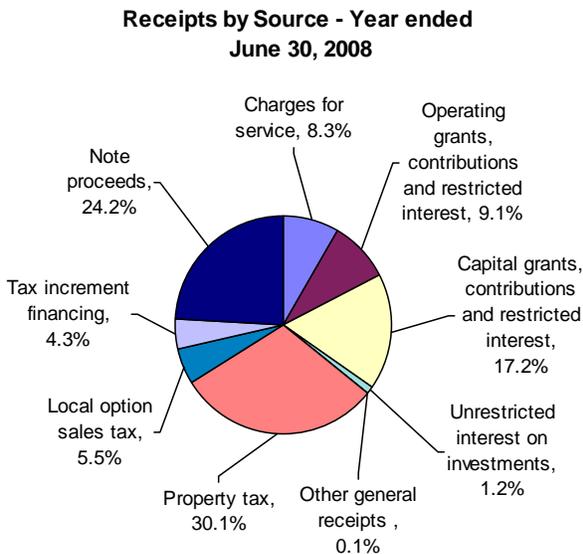
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

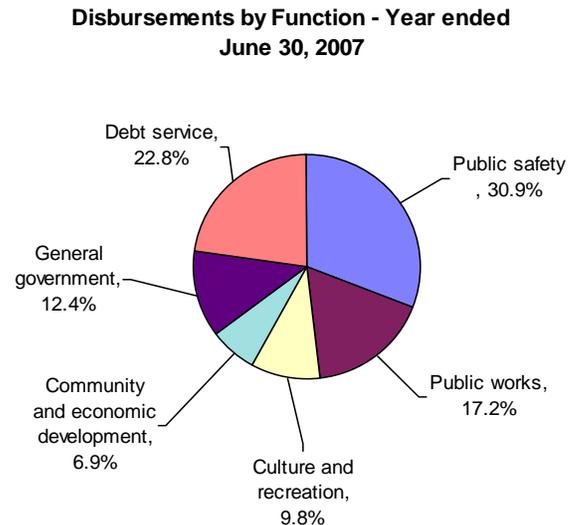
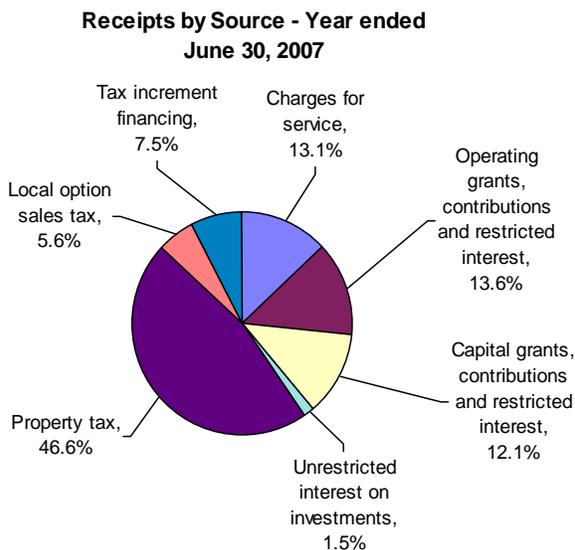
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from fiscal 2007 to fiscal 2008 and from fiscal 2006 to fiscal 2007, increasing from \$706,000 to \$757,000 and from \$615,000 to \$706,000, respectively. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
(Expressed in Thousands)			
	Year ended June 30,		
	2008	2007	2006
Receipts:			
Program receipts:			
Charges for service	\$ 205	208	194
Operating grants, contributions and restricted interest	225	216	230
Capital grants, contributions and restricted interest	426	191	206
General receipts:			
Property tax	747	739	708
Tax increment financing	106	119	117
Local option sales tax	136	88	67
Unrestricted interest on investments	29	23	12
Note proceeds	600	-	-
Other general receipts	2	-	5
Total receipts	<u>2,476</u>	<u>1,584</u>	<u>1,539</u>
Disbursements:			
Public safety	261	477	250
Public works	1,258	265	391
Culture and recreation	178	151	147
Community and economic development	104	106	122
General government	287	192	265
Debt service	407	352	355
Total disbursements	<u>2,495</u>	<u>1,543</u>	<u>1,530</u>
Change in cash basis net assets before transfers	(19)	41	9
Transfers, net	70	50	100
Change in cash basis net assets	51	91	109
Cash basis net assets beginning of year	<u>706</u>	<u>615</u>	<u>506</u>
Cash basis net assets end of year	<u>\$ 757</u>	<u>706</u>	<u>615</u>

For fiscal year 2008, the City's total receipts for governmental activities increased 56%, or approximately \$892,000. The total cost of all programs and services increased approximately \$952,000, or 62%. The significant increase in receipts was primarily the result of a RISE grant and note proceeds received during fiscal 2008. The increase in disbursements was primarily due to costs related to the West 2nd Avenue and turn lane projects.



For fiscal year 2007, the City's total receipts for governmental activities increased 3%, or approximately \$45,000. The total cost of all programs and services increased approximately \$13,000, or 1%, with no new programs added this year. The increase in receipts was primarily the result of increased property tax and local option sales tax collections.



The City maintained the existing property tax rates for 2008 and 2007. Based on the increases in the total assessed valuation, property tax receipts are budgeted to increase \$32,000 in fiscal 2009.

The cost of all governmental activities was \$2.495 million in fiscal year 2008 and \$1.543 million in fiscal year 2007 compared to \$1.530 million in fiscal year 2006. However, as shown in the Statement of Activities and Net Assets on pages 16-19, the amount taxpayers ultimately financed for these activities was only \$1.638 million in fiscal year 2008 and \$927,000 in fiscal year 2007 because some of the cost was paid by those directly benefited from the programs (\$205,000 in fiscal year 2008 and \$209,000 in fiscal year 2007) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$652,000 in fiscal year 2008 and \$407,000 in fiscal year 2007). Overall, the City's governmental activities from program receipts, including intergovernmental aid and fees for service, increased from approximately \$616,000 to approximately \$857,000 in 2008 and remained fairly stable from 2006 to 2007. The 2008 increase was principally due to receiving RISE grant proceeds for the West 2nd Avenue capital project. The City paid for the remaining "public benefit" portion of governmental activities (\$1,638,000 in fiscal year 2008 and \$927,000 in fiscal year 2007) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities			
(Expressed in Thousands)			
	Year ended June 30,		
	2008	2007	2006
Receipts:			
Program receipts:			
Charges for service:			
Water	\$ 148	149	150
Sewer	217	223	223
General receipts:			
Unrestricted interest on investments	8	6	6
Total receipts	<u>373</u>	<u>378</u>	<u>379</u>
Disbursements:			
Water	145	152	134
Sewer	204	193	193
Total disbursements	<u>349</u>	<u>345</u>	<u>327</u>
Change in cash basis net assets before transfers	24	33	52
Transfers, net	<u>(70)</u>	<u>(50)</u>	<u>(100)</u>
Change in cash basis net assets	(46)	(17)	(48)
Cash basis net assets beginning of year	<u>503</u>	<u>520</u>	<u>568</u>
Cash basis net assets end of year	<u>\$ 457</u>	<u>503</u>	<u>520</u>

Total business type activities receipts were \$373,000 in fiscal year 2008 and \$378,000 in fiscal year 2007 compared to \$379,000 in fiscal year 2006. The cash balance decreased approximately \$46,000 and \$17,000 from fiscal year 2007 to fiscal year 2008 and from fiscal year 2006 to fiscal year 2007, respectively. Total disbursements increased 1% to a total of \$349,000 for fiscal year 2008 and 6% to a total of \$345,000 for fiscal year 2007.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Durant completed the year, its governmental funds reported a combined fund balance of \$757,468 for fiscal year 2008 and \$705,869 for fiscal year 2007, an increase of approximately \$52,000 and approximately \$91,000 above the prior years' totals, respectively. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$3,445 from fiscal year 2007 to fiscal year 2008 to \$311,336 and increased \$17,885 from fiscal year 2006 to fiscal year 2007 to \$314,781. The fiscal year 2007 increase is primarily due to an increase in property tax collections over fiscal year 2006.
- The Special Revenue, Road Use Tax Fund cash balance increased \$28,799 from fiscal year 2007 to fiscal year 2008 to \$105,183 and increased \$9,969 from fiscal year 2006 to fiscal year 2007 to \$76,384. The fiscal year 2008 increase was a result of a decrease in public works disbursements for street repairs.
- The Special Revenue, Turn Lane Fund was established in fiscal year 2008 to account for disbursements related to the Turn Lane capital project. At the end of fiscal year 2008, the cash balance was \$(196,441). The deficit balance will be eliminated upon the receipt of grant proceeds.
- The Special Revenue, RISE-West 2nd Avenue Fund cash balance increased \$255,024 from fiscal year 2007 to fiscal year 2008 to \$254,024 and decreased \$12,696 from fiscal year 2006 to fiscal year 2007 to \$(1,000). The fiscal year 2008 increase is primarily due to the receipt of a RISE reimbursement from the Iowa Department of Transportation and note proceeds offset by disbursements for the RISE-West 2nd Avenue project. The fiscal year 2007 decrease was a result of a transfer to the General Fund.
- The Special Revenue, Local Option Sales Tax Fund was established in fiscal year 2007 to account for collections received from the local option sales tax. The fiscal year 2007 cash balance was \$58,626. The cash balance increased \$72,844 in fiscal year 2008 to \$131,470. The fiscal year 2008 increase was a result of no disbursements being made from the fund in either fiscal year 2007 or fiscal year 2008. The cash balance will be used to fund future street improvement projects.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$6,739 to \$105,572 in fiscal year 2008 and increased \$20,714 to \$98,833 in fiscal year 2007. The fiscal year 2007 increase was a result of decreased rebate payments to developers.
- The Debt Service Fund cash balance decreased \$42,874 to \$71,675 during fiscal year 2008 and increased \$31,776 to \$114,549 during fiscal year 2007. The fiscal year 2008 decrease was due to increased principal payments resulting from the issuance of general obligation notes during the fiscal year. The fiscal year 2007 increase was a result of the special assessments collected during the year and receipts exceeding disbursements for the past two years. Bond principal, interest and bond registrar fee payments totaled \$407,327 and \$352,032 during fiscal years 2008 and 2007, respectively.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$30,019 to \$79,618 during fiscal year 2008 and decreased \$26,445 to \$109,637 during fiscal year 2007. The decrease for both fiscal years was due primarily to transfers to the General Fund. Receipts in the Water Fund remained consistent from 2006 to 2008. Disbursements from fiscal 2007 to

fiscal 2008 remained constant while disbursements from fiscal 2006 to fiscal 2007 increased approximately \$18,000, or 13%, due to increased payroll expense and repair costs in fiscal 2007.

- The Sewer Fund cash balance decreased \$16,153 to \$377,381 during fiscal year 2008 and increased \$9,559 to \$393,534 during fiscal year 2007. These changes in balances were nominal.

BUDGETARY HIGHLIGHTS

Over the course of fiscal year 2008, the City amended its budget one time. The amendment was approved on March 11, 2008 and resulted in an increase in operating disbursements of \$46,238, primarily related to the acquisition of park land.

The City’s receipts were \$585,941 less than budgeted. This was primarily due to the City receiving less in Community Development Block Grant and RISE grant reimbursements than anticipated, even after the amendment.

Total disbursements were \$677,604 less than budgeted. Actual disbursements for public works, community and economic development and general government were less than budgeted, primarily due to the timing of the completion of the Norfolk Drive and Turning Lane projects.

The City exceeded the amount budgeted in the culture and recreation function for the year ended June 30, 2008, due primarily to the acquisition of park land. The City also exceeded the amount budgeted in the debt service function for the year ended June 30, 2008 due to principal and interest paid on general obligation notes issued during fiscal 2008.

Over the course of fiscal year 2007, the City amended its budget two times. The first amendment was approved on March 13, 2007 and resulted in an increase in operating disbursements of \$109,722, primarily related to the purchase of a fire truck. The second amendment was approved on June 26, 2007 to provide for additional public safety disbursements. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$173,843 less than budgeted. This was primarily due to the City receiving less in RISE grant reimbursements than anticipated.

Total disbursements were \$407,272 less than budgeted. Actual disbursements for public works were less than budgeted, primarily due to the timing of the Norfolk Drive project.

DEBT ADMINISTRATION

At June 30, 2008 and 2007, the City had \$2,804,000 and \$2,575,000, respectively, in bonds and other long-term debt outstanding, compared to \$2,890,000 at June 30, 2006, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)			
	June 30,		
	2008	2007	2006
General obligation bonds	\$ 620	680	735
General obligation notes	1,620	1,280	1,490
Revenue bonds	564	615	665
Total	\$ 2,804	2,575	2,890

Debt increased from fiscal year 2007 to fiscal year 2008 as a result of issuing general obligation notes for street improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,240,000 at June 30, 2008, plus tax increment financing rebate agreements of \$163,000 and net of cash on hand to service this debt of \$105,572, is below the City's constitutional debt limit of approximately \$4,500,000. The City's outstanding general obligation debt of \$1,960,000 for fiscal year 2007, plus tax increment financing rebate agreements of \$99,260 and net of cash on hand to service this debt of \$98,833, is below the City's constitutional debt limit of approximately \$4,400,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Durant's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. The City's fiscal year 2009 assessed value increased 7.9%, or approximately \$4 million, from the fiscal 2008 level.

The fiscal year 2009 budget includes total receipts of approximately \$2.75 million and disbursements of approximately \$2.6 million.

The fiscal year 2009 levy is \$15.56 per \$1,000 of taxable valuation, which is unchanged from fiscal year 2008 and includes an employee benefits levy of \$1.29 per \$1,000 of taxable property valuation.

At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances that could affect its financial health in the future.

- Residential development is continuing to occur, with subdivisions on both the north and south ends of town.
- The development of a second Industrial Park by the local economic development group is expected to assist growth in the long term.
- The City continues to apply for grants to use in fiscal 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deana Cavin, City Clerk, 402 6th Street, Durant, Iowa 52747.

Basic Financial Statements

City of Durant

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 260,807	7,177	63,413	-
Public works	1,258,368	108,556	157,381	402,937
Culture and recreation	178,286	27,334	4,530	459
Community and economic development	103,453	-	-	-
General government	286,812	62,198	-	-
Debt service	407,327	-	-	22,953
Total governmental activities	2,495,053	205,265	225,324	426,349
Business type activities:				
Water	145,410	148,118	-	-
Sewer	204,577	217,415	-	-
Total business type activities	349,987	365,533	-	-
Total	\$ 2,845,040	570,798	225,324	426,349
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal debt				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(190,217)	-	(190,217)
(589,494)	-	(589,494)
(145,963)	-	(145,963)
(103,453)	-	(103,453)
(224,614)	-	(224,614)
(384,374)	-	(384,374)
(1,638,115)	-	(1,638,115)
-	2,708	2,708
-	12,838	12,838
-	15,546	15,546
(1,638,115)	15,546	(1,622,569)
405,260	-	405,260
341,500	-	341,500
105,999	-	105,999
135,934	-	135,934
29,377	8,282	37,659
600,000	-	600,000
1,644	-	1,644
70,000	(70,000)	-
1,689,714	(61,718)	1,627,996
51,599	(46,172)	5,427
705,869	503,171	1,209,040
\$ 757,468	456,999	1,214,467
\$ 359,207	-	359,207
105,572	-	105,572
71,675	94,131	165,806
131,470	-	131,470
89,544	362,868	452,412
\$ 757,468	456,999	1,214,467

City of Durant

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 476,941	40,201	55,135	161,520
Public works	264,987	103,802	155,758	-
Culture and recreation	150,709	22,693	4,620	910
Community and economic development	105,533	-	-	-
General government	192,248	42,039	-	-
Debt service	352,032	-	-	28,601
Total governmental activities	1,542,450	208,735	215,513	191,031
Business type activities:				
Water	152,535	149,176	-	-
Sewer	193,231	223,377	-	-
Total business type activities	345,766	372,553	-	-
Total	\$ 1,888,216	581,288	215,513	191,031
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal debt				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(220,085)	-	(220,085)
(5,427)	-	(5,427)
(122,486)	-	(122,486)
(105,533)	-	(105,533)
(150,209)	-	(150,209)
(323,431)	-	(323,431)
(927,171)	-	(927,171)
-	(3,359)	(3,359)
-	30,146	30,146
-	26,787	26,787
(927,171)	26,787	(900,384)
383,506	-	383,506
355,207	-	355,207
118,670	-	118,670
87,921	-	87,921
22,728	6,327	29,055
394	-	394
50,000	(50,000)	-
1,018,426	(43,673)	974,753
91,255	(16,886)	74,369
614,614	520,057	1,134,671
\$ 705,869	503,171	1,209,040
\$ 76,384	-	76,384
98,833	-	98,833
114,549	76,100	190,649
102,322	-	102,322
313,781	427,071	740,852
\$ 705,869	503,171	1,209,040

City of Durant

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

As of and for the year ended June 30, 2008

	General	Road Use Tax	Turn Lane
Receipts:			
Property tax	\$ 375,282	-	-
Tax increment financing	-	-	-
Other city tax	63,090	-	-
Licenses and permits	26,325	-	-
Use of money and property	52,654	-	-
Intergovernmental	67,794	157,381	-
Charges for service	108,556	-	-
Special assessments	-	-	-
Miscellaneous	48,751	-	-
Total receipts	742,452	157,381	-
Disbursements:			
Operating:			
Public safety	260,807	-	-
Public works	122,114	128,582	196,441
Culture and recreation	173,286	-	-
Community and economic development	-	-	-
General government	285,475	-	-
Debt service	-	-	-
Total disbursements	841,682	128,582	196,441
Excess (deficiency) of receipts over (under) disbursements	(99,230)	28,799	(196,441)
Other financing sources (uses):			
Note proceeds	-	-	-
Operating transfers in	131,978	-	-
Operating transfers out	(36,193)	-	-
Total other financing sources (uses)	95,785	-	-
Net change in cash balances	(3,445)	28,799	(196,441)
Cash balances beginning of year	314,781	76,384	-
Cash balances end of year	\$ 311,336	105,183	(196,441)
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	311,336	-	-
Special revenue funds	-	105,183	(196,441)
Total cash basis fund balances	\$ 311,336	105,183	(196,441)

See notes to financial statements.

Special Revenue					
RISE - West 2nd Avenue	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Nonmajor	Total
-	-	-	341,500	29,978	746,760
-	-	105,999	-	-	105,999
-	72,844	-	-	-	135,934
-	-	-	-	-	26,325
-	-	-	-	608	53,262
402,937	-	-	-	-	628,112
-	-	-	-	-	108,556
-	-	-	22,953	-	22,953
-	-	-	-	-	48,751
402,937	72,844	105,999	364,453	30,586	1,876,652
-	-	-	-	-	260,807
747,913	-	-	-	63,318	1,258,368
-	-	-	-	5,000	178,286
-	-	103,453	-	-	103,453
-	-	-	-	1,337	286,812
-	-	-	407,327	-	407,327
747,913	-	103,453	407,327	69,655	2,495,053
(344,976)	72,844	2,546	(42,874)	(39,069)	(618,401)
600,000	-	-	-	-	600,000
-	-	36,193	-	-	168,171
-	-	(32,000)	-	(29,978)	(98,171)
600,000	-	4,193	-	(29,978)	670,000
255,024	72,844	6,739	(42,874)	(69,047)	51,599
(1,000)	58,626	98,833	114,549	43,696	705,869
254,024	131,470	105,572	71,675	(25,351)	757,468
-	-	105,572	71,675	-	177,247
-	-	-	-	-	311,336
254,024	131,470	-	-	(25,351)	268,885
254,024	131,470	105,572	71,675	(25,351)	757,468

City of Durant

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

As of and for the year ended June 30, 2007

	Special Revenue		
	General	Road Use Tax	RISE - West 2nd Avenue
Receipts:			
Property tax	\$ 367,256	-	-
Tax increment financing	-	-	-
Other city tax	29,295	-	-
Licenses and permits	59,660	-	-
Use of money and property	46,445	-	-
Intergovernmental	217,694	155,758	-
Charges for service	102,129	-	-
Special assessments	-	-	-
Miscellaneous	26,289	-	-
Total receipts	848,768	155,758	-
Disbursements:			
Operating:			
Public safety	476,941	-	-
Public works	120,871	144,116	-
Culture and recreation	150,709	-	-
Community and economic development	3,384	-	-
General government	186,724	1,673	1,000
Debt service	-	-	-
Total disbursements	938,629	145,789	1,000
Excess (deficiency) of receipts over (under) disbursements	(89,861)	9,969	(1,000)
Other financing sources (uses):			
Operating transfers in	123,269	-	37,000
Operating transfers out	(15,523)	-	(48,696)
Total other financing sources (uses)	107,746	-	(11,696)
Net change in cash balances	17,885	9,969	(12,696)
Cash balances beginning of year	296,896	66,415	11,696
Cash balances end of year	\$ 314,781	76,384	(1,000)
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	314,781	-	-
Special revenue funds	-	76,384	(1,000)
Total cash basis fund balances	\$ 314,781	76,384	(1,000)

See notes to financial statements.

Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Nonmajor	Total
-	-	355,207	16,250	738,713
-	118,670	-	-	118,670
58,626	-	-	-	87,921
-	-	-	-	59,660
-	-	-	895	47,340
-	-	-	-	373,452
-	-	-	-	102,129
-	-	28,601	-	28,601
-	-	-	930	27,219
58,626	118,670	383,808	18,075	1,583,705
-	-	-	-	476,941
-	-	-	-	264,987
-	-	-	-	150,709
-	102,149	-	-	105,533
-	-	-	2,851	192,248
-	-	352,032	-	352,032
-	102,149	352,032	2,851	1,542,450
58,626	16,521	31,776	15,224	41,255
-	4,193	39,000	14,330	217,792
-	-	(39,000)	(64,573)	(167,792)
-	4,193	-	(50,243)	50,000
58,626	20,714	31,776	(35,019)	91,255
-	78,119	82,773	78,715	614,614
58,626	98,833	114,549	43,696	705,869
-	98,833	114,549	-	213,382
-	-	-	-	314,781
58,626	-	-	43,696	177,706
58,626	98,833	114,549	43,696	705,869

Exhibit C

City of Durant

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

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 147,568	217,415	364,983
Miscellaneous	550	-	550
Total operating receipts	148,118	217,415	365,533
Operating disbursements:			
Business type activities	145,410	119,453	264,863
Excess of operating receipts over operating disbursements	2,708	97,962	100,670
Non-operating receipts (disbursements):			
Interest on investments	2,273	6,009	8,282
Debt service	-	(72,587)	(72,587)
Capital outlay	-	(12,537)	(12,537)
Total non-operating receipts (disbursements)	2,273	(79,115)	(76,842)
Excess of receipts over disbursements	4,981	18,847	23,828
Operating transfers out	(35,000)	(35,000)	(70,000)
Net change in cash balances	(30,019)	(16,153)	(46,172)
Cash balances beginning of year	109,637	393,534	503,171
Cash balances end of year	\$ 79,618	377,381	456,999
Cash Basis Fund Balances			
Reserved for debt service	\$ -	94,131	94,131
Unreserved	79,618	283,250	362,868
Total cash basis fund balances	\$ 79,618	377,381	456,999

See notes to financial statements.

City of Durant

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

As of and for the year ended June 30, 2007

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 148,176	223,377	371,553
Miscellaneous	1,000	-	1,000
Total operating receipts	149,176	223,377	372,553
Operating disbursements:			
Business type activities	122,243	104,600	226,843
Excess of operating receipts over operating disbursements	26,933	118,777	145,710
Non-operating receipts (disbursements):			
Interest on investments	1,914	4,413	6,327
Debt service	-	(76,400)	(76,400)
Capital outlay	(30,292)	(12,231)	(42,523)
Total non-operating receipts (disbursements)	(28,378)	(84,218)	(112,596)
Excess (deficiency) of receipts over (under) disbursements	(1,445)	34,559	33,114
Operating transfers out	(25,000)	(25,000)	(50,000)
Net change in cash balances	(26,445)	9,559	(16,886)
Cash balances beginning of year	136,082	383,975	520,057
Cash balances end of year	\$ 109,637	393,534	503,171
Cash Basis Fund Balances			
Reserved for debt service	\$ -	76,100	76,100
Unreserved	109,637	317,434	427,071
Total cash basis fund balances	\$ 109,637	393,534	503,171

See notes to financial statements.

City of Durant

Notes to Financial Statements

June 30, 2008 and 2007

(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 and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

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 discretely presented component unit. The discretely presented 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.

An additional component unit discussed below has been omitted from the financial statements even though its operational or financial relationship with the City is significant.

Discretely Presented Component Unit

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 Durant Municipal Electric Plant meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 11 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Durant Municipal Electric Plant, 601 4th Street, Durant, Iowa 52747.

Omitted Component Unit

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. The Corporation is governed by a five-member board elected by the voting, active members. The Durant Volunteer Fire Fighters, Inc. meets the definition of a component unit which should be blended but has declined to make its financial data available to the City. As a result, the component unit has been omitted from the financial statements.

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds (for both years unless otherwise noted):

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Turn Lane Fund is used to account for the costs of street improvements related to the turn lane project (for year ended June 30, 2008 only).

The RISE-West 2nd Avenue Fund is used to account for the grant funds received and costs of the related street improvement project.

The Local Option Sales Tax Fund is used to account for projects and other costs financed by local option sales tax.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and 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.

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

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 and 2007 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 disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation notes and sewer revenue bonds at June 30, 2008 are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 60,000	24,304	270,000	64,402	53,000	16,920	383,000	105,626
2010	65,000	21,952	290,000	54,015	56,000	15,330	411,000	91,297
2011	65,000	19,404	295,000	42,423	58,000	13,650	418,000	75,477
2012	70,000	16,856	245,000	30,323	60,000	11,910	375,000	59,089
2013	70,000	14,112	250,000	20,800	62,000	10,110	382,000	45,022
2014-2017	290,000	28,812	270,000	27,400	275,000	21,030	835,000	77,242
Total	\$ 620,000	125,440	1,620,000	239,363	564,000	88,950	2,804,000	453,753

General Obligation Notes

On November 15, 2007, the City issued \$600,000 of general obligation street improvement notes with an interest rate of 4.00% per annum. The notes were issued for the purpose of defraying a portion of the costs of various street improvements.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,000,000 in sewer revenue bonds issued in June 1997. Proceeds from the bonds provided financing for the construction of improvements and extensions to the Utility. The bonds are payable solely from sewer customer net receipts and are payable through 2017.

For the year ended June 30, 2008, principal and interest paid and total net operating receipts were \$72,279 and \$97,962, respectively. Annual principal and interest payments on the bonds required less than 75 percent of net receipts and the total principal and interest remaining to be paid on the bonds is \$652,950.

For the year ended June 30, 2007, principal and interest paid and total net operating receipts were \$76,068 and \$118,777, respectively. Annual principal and interest payments on the bonds required less than 65 percent of net receipts and the total principal and interest remaining to be paid on the bonds was \$725,229.

Annual debt service requirements to maturity for general obligation bonds, general obligation notes and sewer revenue bonds at June 30, 2008 are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 60,000	24,304	270,000	64,402	53,000	16,920	383,000	105,626
2010	65,000	21,952	290,000	54,015	56,000	15,330	411,000	91,297
2011	65,000	19,404	295,000	42,423	58,000	13,650	418,000	75,477
2012	70,000	16,856	245,000	30,323	60,000	11,910	375,000	59,089
2013	70,000	14,112	250,000	20,800	62,000	10,110	382,000	45,022
2014-2017	290,000	28,812	270,000	27,400	275,000	21,030	835,000	77,242
Total	\$ 620,000	125,440	1,620,000	239,363	564,000	88,950	2,804,000	453,753

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

- (a) The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, and to leave a balance of net operating revenues at least sufficient pay the principal and interest on the bonds as they come due.
- (b) 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.
- (c) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (d) 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.

Several City departments do not pay for sewer usage as required.

(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.

During the year ended June 30, 2008, most regular plan members were required to contribute 3.90% of their annual covered salary and the City was required to contribute 6.05% of covered salary. During the year ended June 30, 2007, most regular plan members were required to contribute 3.70% of their annual covered salary and the City was required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$23,770, \$25,797 and \$25,135, respectively, equal to the required contributions for each 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 hours payable to employees at June 30, 2008 and 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	June 30, 2008	June 30, 2007
Vacation	\$ 24,000	14,000
Personal leave	<u>8,000</u>	<u>5,000</u>
Total	<u>\$ 32,000</u>	<u>19,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008 and June 30, 2007, respectively.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefit Levy	\$ 29,978
	Urban Renewal Tax Increment	32,000
	Enterprise:	
	Water	35,000
	Sewer	35,000
		<u>131,978</u>
Special Revenue:	General	
Urban Renewal Tax Increment		<u>36,193</u>
Total		<u>\$ 168,171</u>

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	RISE - West 2nd Avenue	\$ 10,696
	Employee Benefit Levy	8,000
	Fire/Hartz Memorial	40,339
	Community Center Memorial	14,234
	Enterprise:	
	Water	25,000
	Sewer	25,000
		<u>123,269</u>
Special Revenue:	General	
Urban Renewal Tax Increment		<u>4,193</u>
Feldhahn Ball Park Expansion		<u>11,330</u>
CDBG	Special Revenue:	
	RISE - West 2nd Avenue	1,000
	Debt Service	2,000
		<u>3,000</u>
RISE - West 2nd Avenue	Debt Service	<u>37,000</u>
Debt Service	Special Revenue:	
	CDBG	2,000
	RISE - West 2nd Avenue	37,000
		<u>39,000</u>
Total		<u>\$ 217,792</u>

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

(7) 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.

(8) Deficit Balances

At June 30, 2008, the Special Revenue, Turn Lane, CDBG and Norfolk Iron Project Funds had deficit balances of \$196,441, \$3,188 and \$63,318, respectively. At June 30, 2007, the Special Revenue, Rise – West 2nd Avenue and CDBG Funds had deficit balances of \$1,000 and \$1,851, respectively. The deficit balances were a result of project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of grant funds.

(9) Urban Development and Rebate Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of incremental tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$3,099,000 at June 30, 2008 and \$949,000 at June 30, 2007.

During the year ended June 30, 2008 and June 30, 2007, the City rebated \$99,260 and \$97,956, respectively, of incremental tax to developers. The total cumulative principal amount rebated on the agreements is \$520,195 at June 30, 2008 and \$420,935 at June 30, 2007. The outstanding balance on the agreements at June 30, 2008 and June 30, 2007 was approximately \$2,579,000 and \$528,000, respectively.

The agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

Certain of the agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of those agreements not including an annual appropriation clause is subject to the constitutional debt limitation.

(10) Subsequent Event

On July 15, 2008, the City issued \$1,600,000 of general obligation corporate purpose and refunding notes. The notes were issued for the purpose of paying the costs of constructing street, waterworks system and storm water improvements, acquiring computer equipment and refunding the City's outstanding general obligation street improvement notes issued November 15, 2007. The notes are payable from a continuing annual levy of taxes against all taxable property of the City.

(11) Durant Municipal Electric Plant

The Durant Municipal Electric Plant provides electric service for the City. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for the Plant for the years ended December 31, 2007 and 2006.

Condensed Statement of Net Assets		
	December 31,	
	2007	2006
Assets		
Current assets	\$1,427,225	1,286,320
Capital assets, net of accumulated depreciation	1,581,720	1,522,360
Other	839	2,048
Total assets	3,009,784	2,810,728
Liabilities		
Current liabilities	220,065	210,422
Noncurrent liabilities	325,000	420,000
Total liabilities	545,065	630,422
Net Assets		
Invested in capital assets, net of related debt	1,155,847	1,012,360
Unrestricted	1,308,872	1,167,946
Total net assets	\$2,464,719	2,180,306

Condensed Statement of Revenues, Expenses and Changes in Net Assets		
	Year ended December 31,	
	2007	2006
Operating revenues:		
Electric sales	\$1,527,962	1,536,155
Other	2,262	2,264
Total operating revenues	1,530,224	1,538,419
Operating expenses:		
Production	822,313	781,204
Distribution	169,306	175,535
General and administrative	190,532	155,826
Depreciation	140,011	84,157
Total operating expenses	1,322,162	1,196,722
Operating income	208,062	341,697
Non-operating revenues (expenses):		
Interest income	29,098	13,040
Other income	84,611	39,022
Interest expense	(28,813)	(35,108)
Other expenses	(8,545)	(1,138)
Total non-operating revenues (expenses)	76,351	15,816
Net income	284,413	357,513
Net assets beginning of year	2,180,306	1,822,793
Net assets end of year	\$2,464,719	2,180,306

(12) Special Investigation

The City of Durant requested the Office of Auditor of State to perform a special investigation of the City as a result of concerns identified by City officials pertaining to certain payroll disbursements. The special investigation was performed for the period July 1, 2000 through May 6, 2008 and identified \$33,180 of improper payroll disbursements.

Copies of the special investigation report were filed with the Cedar County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office upon its completion.

(13) Litigation

The City is a defendant in a lawsuit seeking an unspecified amount of damages. The probability of loss, if any, is undeterminable.

City of Durant

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 746,760	-	746,760
Tax increment financing	105,999	-	105,999
Other city tax	135,934	-	135,934
Licenses and permits	26,325	-	26,325
Use of money and property	53,262	8,282	61,544
Intergovernmental	628,112	-	628,112
Charges for service	108,556	364,983	473,539
Special assessments	22,953	-	22,953
Miscellaneous	48,751	550	49,301
Total receipts	1,876,652	373,815	2,250,467
Disbursements:			
Public safety	260,807	-	260,807
Public works	1,258,368	-	1,258,368
Culture and recreation	178,286	-	178,286
Community and economic development	103,453	-	103,453
General government	286,812	-	286,812
Debt service	407,327	-	407,327
Business type activities	-	349,987	349,987
Total disbursements	2,495,053	349,987	2,845,040
Excess (deficiency) of receipts over (under) disbursements	(618,401)	23,828	(594,573)
Other financing sources (uses), net	670,000	(70,000)	600,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	51,599	(46,172)	5,427
Balances beginning of year	705,869	503,171	1,209,040
Balances end of year	\$ 757,468	456,999	1,214,467

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
741,071	746,063	697
104,000	104,000	1,999
115,992	121,750	14,184
23,525	18,720	7,605
57,450	57,245	4,299
1,808,964	1,212,330	(584,218)
543,800	545,800	(72,261)
36,000	23,500	(547)
5,850	7,000	42,301
<u>3,436,652</u>	<u>2,836,408</u>	<u>(585,941)</u>
377,162	303,165	42,358
1,406,285	1,419,132	160,764
160,200	148,100	(30,186)
133,962	201,000	97,547
665,577	698,216	411,404
342,849	347,850	(59,477)
390,371	405,181	55,194
<u>3,476,406</u>	<u>3,522,644</u>	<u>677,604</u>
(39,754)	(686,236)	91,663
-	600,000	-
(39,754)	(86,236)	91,663
<u>1,002,110</u>	<u>1,159,353</u>	<u>49,687</u>
<u>962,356</u>	<u>1,073,117</u>	<u>141,350</u>

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 738,713	-	738,713
Tax increment financing	118,670	-	118,670
Other city tax	87,921	-	87,921
Licenses and permits	59,660	-	59,660
Use of money and property	47,340	6,327	53,667
Intergovernmental	373,452	-	373,452
Charges for service	102,129	371,553	473,682
Special assessments	28,601	-	28,601
Miscellaneous	27,219	1,000	28,219
Total receipts	<u>1,583,705</u>	<u>378,880</u>	<u>1,962,585</u>
Disbursements:			
Public safety	476,941	-	476,941
Public works	264,987	-	264,987
Culture and recreation	150,709	-	150,709
Community and economic development	105,533	-	105,533
General government	192,248	-	192,248
Debt service	352,032	-	352,032
Business type activities	-	345,766	345,766
Total disbursements	<u>1,542,450</u>	<u>345,766</u>	<u>1,888,216</u>
Excess (deficiency) of receipts over (under) disbursements	41,255	33,114	74,369
Other financing sources (uses), net	50,000	(50,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	91,255	(16,886)	74,369
Balances beginning of year	614,614	520,057	1,134,671
Balances end of year	<u>\$ 705,869</u>	<u>503,171</u>	<u>1,209,040</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
726,084	729,084	9,629
119,900	119,900	(1,230)
95,210	75,736	12,185
18,620	20,880	38,780
44,000	52,675	992
319,500	559,850	(186,398)
550,300	533,338	(59,656)
20,000	39,000	(10,399)
123,324	5,965	22,254
<u>2,016,938</u>	<u>2,136,428</u>	<u>(173,843)</u>
343,723	478,110	1,169
532,400	535,206	270,219
186,900	223,764	73,055
119,895	113,415	7,882
235,515	230,960	38,712
352,365	352,065	33
354,968	361,968	16,202
<u>2,125,766</u>	<u>2,295,488</u>	<u>407,272</u>
(108,828)	(159,060)	233,429
-	399	(399)
(108,828)	(158,661)	233,030
<u>928,029</u>	<u>1,134,171</u>	<u>500</u>
<u>819,201</u>	<u>975,510</u>	<u>233,530</u>

City of Durant

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008 and 2007

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except its 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 and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During fiscal year 2008, one budget amendment increased budgeted disbursements by \$46,238. During fiscal year 2007, two budget amendments increased budgeted disbursements by \$169,722. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Durant

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

As of and for the year ended June 30, 2008

	CDBG	Norfolk Iron Project	Employee Benefit Levy	Special Feldhahn Memorial
Receipts:				
Property tax	\$ -	-	29,978	-
Use of money and property	-	-	-	22
Total receipts	-	-	29,978	22
Disbursements:				
Operating:				
Public works	-	63,318	-	-
Culture and recreation	-	-	-	-
General government	1,337	-	-	-
Total disbursements	1,337	63,318	-	-
Excess (deficiency) of receipts over (under) disbursements	(1,337)	(63,318)	29,978	22
Other financing uses:				
Operating transfers out	-	-	(29,978)	-
Net change in cash balances	(1,337)	(63,318)	-	22
Cash balances beginning of year	(1,851)	-	8,250	1,211
Cash balances end of year	\$ (3,188)	(63,318)	8,250	1,233
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ (3,188)	(63,318)	8,250	1,233

See accompanying independent auditor's report.

Revenue				
Fire/Hartz Memorial	Library Donations	Community Center Memorial	Feldhahn Ball Park Expansion	Total
-	-	-	-	29,978
-	456	3	127	608
-	456	3	127	30,586
-	-	-	-	63,318
-	-	-	5,000	5,000
-	-	-	-	1,337
-	-	-	5,000	69,655
-	456	3	(4,873)	(39,069)
-	-	-	-	(29,978)
-	456	3	(4,873)	(69,047)
21	24,639	45	11,381	43,696
21	25,095	48	6,508	(25,351)
21	25,095	48	6,508	(25,351)

City of Durant

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

As of and for the year ended June 30, 2007

	Special			
	Employee			
	Benefit	Feldhahn	Fire/Hartz	
	Levy	Memorial	Memorial	
	CDBG			
Receipts:				
Property tax	\$ -	16,250	-	-
Use of money and property	-	-	17	366
Miscellaneous	-	-	-	20
Total receipts	-	16,250	17	386
Disbursements:				
Operating:				
General government	2,851	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(2,851)	16,250	17	386
Other financing sources (uses):				
Operating transfers in	3,000	-	-	-
Operating transfers out	(2,000)	(8,000)	-	(40,339)
Total other financing sources (uses)	1,000	(8,000)	-	(40,339)
Net change in cash balances	(1,851)	8,250	17	(39,953)
Cash balances beginning of year	-	-	1,194	39,974
Cash balances end of year	\$ (1,851)	8,250	1,211	21
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ (1,851)	8,250	1,211	21

See accompanying independent auditor's report.

Revenue			
Library Donations	Community Center Memorial	Feldhahn Ball Park Expansion	Total
-	-	-	16,250
332	129	51	895
865	45	-	930
1,197	174	51	18,075
-	-	-	2,851
1,197	174	51	15,224
-	-	11,330	14,330
-	(14,234)	-	(64,573)
-	(14,234)	11,330	(50,243)
1,197	(14,060)	11,381	(35,019)
23,442	14,105	-	78,715
24,639	45	11,381	43,696
24,639	45	11,381	43,696

City of Durant
 Schedule of Indebtedness
 Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Jun 13, 1997	3.92%	\$ 1,113,000
General obligation notes:			
Street, sewer and sidewalk improvements	Mar 1, 1996	5.10-5.40%	\$ 670,000
Corporate purpose	Mar 1, 2003	3.15-4.00	1,655,000
Street improvement	Nov 15, 2007	4.00	600,000
Total			
Revenue bonds:			
Sewer	Jun 13, 1997	3.00%	\$ 1,000,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
680,000	-	60,000	620,000	24,996
225,000	-	50,000	175,000	10,200
1,055,000	-	160,000	895,000	38,324
-	600,000	50,000	550,000	12,667
\$ 1,280,000	600,000	260,000	1,620,000	61,191
615,000	-	51,000	564,000	21,279

City of Durant
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Jun 13, 1997	3.92%	\$ 1,113,000
General obligation notes:			
Street, sewer and sidewalk improvements	Mar 1, 1996	5.10-5.40%	\$ 670,000
Corporate purpose	Mar 1, 2003	3.15-4.00	1,655,000
Total			
Revenue bonds:			
Sewer	Jun 13, 1997	3.00%	\$ 1,000,000

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
735,000	55,000	680,000	28,812
275,000	50,000	225,000	14,330
1,215,000	160,000	1,055,000	42,722
\$ 1,490,000	210,000	1,280,000	57,052
665,000	50,000	615,000	26,068

Schedule 3

City of Durant
Bond and Note Maturities
June 30, 2008

Year Ending June 30,	General Obligation Bonds		General Obligation Notes						
	Sewer Improvement		Street, Sewer and Sidewalk Improvements		Corporate Purpose		Street Improvement		
	Issued Jun 13, 1997		Issued Mar 1, 1996		Issued Mar 1, 2003		Issued Nov 15, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2009	3.92%	\$ 60,000	5.20%	\$ 55,000	3.35%	\$ 165,000	4.00%	\$ 50,000	\$ 270,000
2010	3.92	65,000	5.30	60,000	3.55	175,000	4.00	55,000	290,000
2011	3.92	65,000	5.40	60,000	3.70	180,000	4.00	55,000	295,000
2012	3.92	70,000		-	3.85	185,000	4.00	60,000	245,000
2013	3.92	70,000		-	4.00	190,000	4.00	60,000	250,000
2014	3.92	70,000		-		-	4.00	65,000	65,000
2015	3.92	70,000		-		-	4.00	65,000	65,000
2016	3.92	75,000		-		-	4.00	70,000	70,000
2017	3.92	75,000		-		-	4.00	70,000	70,000
Total		<u>\$ 620,000</u>		<u>\$ 175,000</u>		<u>\$ 895,000</u>		<u>\$ 550,000</u>	<u>\$ 1,620,000</u>

Year Ending June 30,	Revenue Bonds	
	Sewer	
	Issued Jun 13, 1997	
Interest Rates	Amount	
2009	3.00%	\$ 53,000
2010	3.00	56,000
2011	3.00	58,000
2012	3.00	60,000
2013	3.00	62,000
2014	3.00	65,000
2015	3.00	67,000
2016	3.00	70,000
2017	3.00	73,000
Total		<u>\$ 564,000</u>

See accompanying independent auditor's report

City of Durant
Bond and Note Maturities
June 30, 2007

Year Ending June 30,	General Obligation Bonds		General Obligation Notes				Total
	Sewer Improvement		Street, Sewer and Sidewalk Improvements		Corporate Purpose		
	Issued Jun 13, 1997		Issued Mar 1, 1996		Issued Mar 1, 2003		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	3.92%	\$ 60,000	5.10%	\$ 50,000	3.15%	\$ 160,000	\$ 210,000
2009	3.92	60,000	5.20	55,000	3.35	165,000	220,000
2010	3.92	65,000	5.30	60,000	3.55	175,000	235,000
2011	3.92	65,000	5.40	60,000	3.70	180,000	240,000
2012	3.92	70,000		-	3.85	185,000	185,000
2013	3.92	70,000		-	4.00	190,000	190,000
2014	3.92	70,000		-		-	-
2015	3.92	70,000		-		-	-
2016	3.92	75,000		-		-	-
2017	3.92	75,000		-		-	-
Total		<u>\$ 680,000</u>		<u>\$ 225,000</u>		<u>\$1,055,000</u>	<u>\$1,280,000</u>

Year Ending June 30,	Revenue Bonds	
	Sewer	
	Issued Jun 13, 1997	
Interest Rates	Amount	
2008	3.00%	\$ 51,000
2009	3.00	53,000
2010	3.00	56,000
2011	3.00	58,000
2012	3.00	60,000
2013	3.00	62,000
2014	3.00	65,000
2015	3.00	67,000
2016	3.00	70,000
2017	3.00	73,000
Total		<u>\$ 615,000</u>

Schedule 4

City of Durant

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

For the Last Three Years

	2008	2007	2006
Receipts:			
Property tax	\$ 746,760	738,713	708,225
Tax increment financing	105,999	118,670	117,253
Other city tax	135,934	87,921	78,040
Licenses and permits	26,325	59,660	13,093
Use of money and property	53,262	47,340	41,314
Intergovernmental	628,112	373,452	278,247
Charges for service	108,556	102,129	132,219
Special assessments	22,953	28,601	73,441
Miscellaneous	48,751	27,219	89,894
Total	<u>\$ 1,876,652</u>	<u>1,583,705</u>	<u>1,531,726</u>
Disbursements:			
Operating:			
Public safety	\$ 260,807	476,941	250,388
Public works	1,258,368	264,987	390,894
Culture and recreation	178,286	150,709	146,749
Community and economic development	103,453	105,533	121,557
General government	286,812	192,248	265,436
Debt service	407,327	352,032	355,515
Total	<u>\$ 2,495,053</u>	<u>1,542,450</u>	<u>1,530,539</u>

See accompanying independent auditor's report.

**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**

City of Durant



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Durant, Iowa, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 5, 2008. Our report was modified to include a reference to other auditors for the audit of the discretely presented component unit. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed adverse opinions on the governmental activities and the aggregate remaining fund information due to the omission of a component unit which should be blended with the City's financial statements and we expressed unqualified opinions on the business type activities and each major fund. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were audited by other auditors who have issued complete financial statements under separate cover. This report does not include the results of the discretely presented component unit's auditors' testing of internal control over financial reporting or compliance and other matters which are reported in separately issued financial statements of the discretely presented component unit.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Durant's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a

misstatement of the City of Durant's financial statements that is more than inconsequential will not be prevented or detected by the City of Durant's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Durant's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (C), (D), (H) and (I) are material weaknesses.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards and which are described in Items (I) through (K). We also noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the years ended June 30, 2008 and 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2008

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and custody of assets.
- (2) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and 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, recording and reconciling.
- (6) Payroll – entering hourly rates to the payroll system.
- (7) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
- (8) Financial reporting – preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – The Financial Policy Manual under development will address the lack of segregation of duties through specific assignment of key financial activities among staff.

Conclusion – Response accepted.

(B) Written Accounting Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the City's financial accounting system. This written manual should provide the following benefits:

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

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

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

Response – The Financial Policy Manual is under development with a target date of January 1, 2009 for implementation. The manual will include policies related to areas such as payroll, purchasing, cash management and investments, leave accounting, utility billing, utility account reconciliation, subsidiary records for capital projects, special assessment policies, debt management, etc.

Conclusion – Response accepted.

- (C) Accounting Record Reconciliations – Monthly financial reports, general ledger/balance sheet printouts and bank balances were not reconciled during the year ended June 30, 2007. In addition, no financial reports or bank reconciliations could be located for the month of June 2007.

Recommendation – Monthly financial reports and general ledger/balance sheet printouts should be reconciled to the bank balances each month. The financial reports, general ledger/balance sheet printouts and reconciliation should be provided to City officials for review and approval each month. In addition, financial reports, general ledger/balance sheet printouts and bank reconciliations should be retained in accordance with City policy.

Response – We will comply.

Conclusion – Response accepted.

- (D) Reconciliation of Utility Billings, Collections and Delinquencies – The Utility billings, collections and delinquent accounts were not reconciled throughout the years ended June 30, 2008 and 2007 and a delinquent accounts listing was not prepared and retained.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquencies. The Council should review the reconciliation and monitor delinquencies.

Response – We agree. Reconciliation procedures are under development. Fortunately, utility delinquencies are not a major issue at this time.

Conclusion – Response accepted.

- (E) Information Systems – During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine 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 written accounting policies, applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

- Passwords are not periodically changed every 60 to 90 days. The City's software does not require the user to periodically change log-ins/passwords.
- User log-ins/passwords do not uniquely identify users because they are shared. A computer log is not maintained to document who recorded a transaction.
- Passwords are not required to be 6 characters in length or longer.
- Users are not restricted to programs and/or functions for which they have a legitimate need.

The City does not have written policies for:

- Logging off unattended computers.
- A disaster recovery plan.

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

Response – We agree. Major accounting systems are scheduled for upgrade or replacement in fiscal 2009. The current system does not allow for periodic changes in passwords. A policy has been adopted regarding the logging off of unattended computers. The City only recently initiated the off-site storage of back-up tapes. A complete disaster recovery plan will be developed.

Conclusion – Response accepted.

- (F) Community Center Contract – The City has a contract with the Durant Jaycees to provide bartending services for events held at the City-owned Community Center. According to City officials, if the bartender provided by the Durant Jaycees does not appear for an event, the Community Center's part-time employee will fulfill the obligation.

Recommendation – The City Council should evaluate whether the practice of allowing a City employee to act as bartender at events held at the Community Center should continue, including consideration of the potential liability to the City.

Response – We agree. The issue of the operation of the bar at the Community Center and the lack of a current up-to-date contract was identified and discussed with the City Council in the fall of 2007. Recent events, including the lack of any contractual payment during the first eight months of 2008 and the lack of accounting records and supporting documentation, has resulted in the City proposing substantially revised contract provisions. We anticipate the City Council will address the issue in late September or October of 2008.

Conclusion – Response accepted.

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

- (G) Payroll – Although time sheets were maintained and retained for all employees, there was no indication they had been reviewed and approved by the appropriate supervisory personnel prior to the preparation of payroll.

Recommendation – Time sheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by initials of the reviewer.

Response – The City’s new payroll procedures require all time reports to be reviewed and approved by the Supervisor and the City Administrator. In addition, all payroll adjustments are accomplished through the adoption of formal Resolutions of the City Council. Such Resolutions include the previous year’s wage or salary, the current year’s wage or salary and the proposed wage or salary. The Council member or Mayor signing payroll checks also has access to all time reports.

Conclusion – Response accepted.

- (H) Financial Reporting – During the audit, we identified certain material amounts of receipts misclassified by category. In addition, in May 2007, the City wrote and held a check for the purchase of land for ball park expansion. The check was held until October 2007 when a dispute with the landowner was resolved. This resulted in a material overstatement of disbursements for the year ended June 30, 2007 and understatement of disbursements for the year ended June 30, 2008. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receipts are properly classified and included in the City’s financial statements. The City should also establish procedures to ensure checks are not written and held.

Response – The City will develop and implement procedures regarding receipt and disbursement classifications. Proper cut-off dates for receipts and disbursements will be adhered to.

Conclusion – Response accepted.

The Office of Auditor of State issued a report dated June 23, 2008 on a special investigation of the City for the period July 1, 2000 through May 6, 2008 and identified \$33,180 of improper payroll disbursements. As part of the investigation, procedures of the City of Durant related to payroll and the Community Center were reviewed. Items (I) through (K) address the additional issues identified in the special investigation.

- (I) Payroll – During review of payroll, the following conditions were identified:

- (1) The City was not following the compensation plan outlined in section 3.01A of the Personnel Policy and Employee Handbook.
- (2) On an annual basis, the City Council reviews the hourly rate for each employee and approves any rate increases through a Resolution. The Resolution documents the new hourly rate and the approved percentage increase. During our review of payroll, we identified several instances

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

when the former City Clerk gave herself a pay increase which was not authorized. In addition, the Resolutions do not reflect both the current hourly rate and the proposed hourly rate for comparison.

- (3) The former City Clerk was not working a minimum of 40 hours per week in accordance with the City's policy.
- (4) The timecards, payroll registers or other supporting documentation for the pay period ended July 13, 2003 could not be located.

Recommendation – The Council should ensure all policies established are being followed or the policies should be amended. The City Clerk, City Administrator, a Council Member or an individual independent of payroll preparation should periodically compare the payroll checks to the payroll register and timesheets to ensure the amounts disbursed are appropriate and properly supported. The City Council should ensure all Resolutions include the current hourly rate and the proposed hourly rate to ensure the approved percentage increase is applied accurately.

Response – The City's new payroll procedures require all time reports to be reviewed and approved by the Supervisor and the City Administrator. In addition, all payroll adjustments are accomplished through the adoption of formal Resolutions of the City Council. Such Resolutions include the previous year's wage or salary, the current year's wage or salary and the proposed wage or salary. The Council member or Mayor signing payroll checks also has access to all time reports.

Conclusion – Response accepted.

- (J) Record Retention – During our investigation, we were unable to locate documentation for the July 13, 2003 pay period, including timecards and the payroll register. According to our discussion with City officials, Ms. Graves (the former City Clerk) requested an employee destroy 8 boxes of financial records. We were unable to determine which records were contained in the destroyed boxes. In addition, all Community Center receipts and rental information and utility reports and records were not maintained.

Recommendation – Supporting documentation (i.e. timecards, payroll registers, receipts, utility reports) should be maintained for a minimum of 5 years, with payroll registers being maintained for a minimum of 11 years per the policy approved by the City Council.

Response – We agree wholeheartedly with the auditor's recommendation. We also note that a substantial number of public documents are unaccounted for following the former City Clerk's suspension and termination.

Conclusion – Response accepted.

- (K) Community Center – During our review of the City's Community Center collections, the following conditions were identified:

- (1) Pre-numbered receipt books are not utilized.

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

- (2) Billings are not prepared on a regular basis.
- (3) Collections are not properly secured prior to deposit.
- (4) Reconciliations between billings and collections are not performed on a periodic basis.
- (5) A listing of all cash and checks received is not prepared prior to deposit.
- (6) Written agreements were not maintained after the event was held.

Recommendation – Pre-numbered receipts should be issued to ensure a sequence of receipts can be accounted for or all payments received should be received directly at City Hall. In addition, billings should be performed monthly or quarterly and all collections received should be locked in a secure location with limited access. Procedures should be established to ensure Community Center billings are reconciled to subsequent collections and delinquencies for each billing period. A Council member, or other independent individual designated by the City Council, should review the reconciliations and monitor delinquencies. A listing of all cash and checks should be prepared prior to deposit to ensure the completeness of receivables. All written agreements should be maintained.

Response – City management has demanded the production of financial records on numerous occasions in the last 15 months. A complicating factor has been the City's contract with a local non-profit organization regarding operation of the bar located in the Community Center. The City has provided notice of termination of the bar contract based on the lack of financial accountability and other operational concerns. Numerous improvements in financial accountability and operational controls are being implemented.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.” Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

Recommendation – The fiscal year 2008 budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Budgets will be monitored in the future to ensure amounts are amended prior to the budget being exceeded.

Conclusion – Response accepted.

- (2) Questionable Disbursements – We noted certain disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Grapevine	Sympathy (floral) arrangement	\$ 50
Durant Chamber of Commerce	Chamber golf outing for three City employees	52

According to the Attorney General’s opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – We respectfully disagree. Durant City Council members give freely of their time for minimal compensation. To suggest a sympathy (floral) arrangement for the grandfather of a Council Member is not consistent with the value of the member’s service.

In addition, the City is a member of the Chamber of Commerce. The annual golf outing provides an opportunity to discuss issues with members of the Chamber and their guests, to introduce City staff and to provide information regarding City programs and resources.

The City Council will, however, be presented with a formal policy to guide such expenditures in the future.

Conclusion – Response acknowledged. Article III, Section 31 of the Constitution of Iowa provides that public funds may only be spent for public benefit. This concept is

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

also addressed in various court cases and opinions of the Attorney General, including the opinion dated April 25, 1979. Disbursements in the “gray” area should be evaluated and determined through the criteria of “public purpose” and the Council should document the public purpose served, including how the public benefits through the disbursement of public funds for the particular purpose such as sympathy (floral) arrangements and golf outings. Documentation should be in the Council minutes and/or through established Council policy. The decision and documentation should be in place prior to spending the public funds.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council, Library Board and Park Board Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Minutes are not maintained for meetings held by either the Library Board or the Park Board as required by Chapter 21.3 of the Code of Iowa.

Recommendation – Both the Library Board and Park Board should maintain minutes of meetings held as required by Chapter 21.3 of the Code of Iowa.

Response – We agree and will comply.

Conclusion – Response accepted.

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

Chapter 12C.9 of the Code of Iowa requires interest earned on funds “being accumulated for the payment of principal and interest on indebtedness be used to pay the principal or interest as it comes due”. The City does not allocate interest earned on the Special Revenue, Urban Renewal Tax Increment and the Debt Service Funds, as required. The purpose of these funds is to accumulate resources to repay debt.

Recommendation – The City should allocate interest earned on the Special Revenue, Urban Renewal Tax Increment and Debt Service Funds to these funds as required by Chapter 12C.9 of the Code of Iowa.

Response – Investment income will be allocated to the various City funds based on the amounts contributed for investment by each fund.

Conclusion – Response accepted.

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

- (8) Revenue Bonds – Section 6 of the Sewer Revenue Bond resolution approved June 13, 1997 states, in part, “The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses and operation of the Utility.” Several City departments do not pay for sewer usage as required by the bond resolution.

Recommendation – The City should review the provisions of the Sewer Revenue Bond resolution and ensure the City pays for services as required by the bond resolution.

Response – We agree. The Department of Public Works is in the process of installing meters at City-owned facilities.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue, Turn Lane, CDBG and Norfolk Iron Project Funds, had deficit balances at June 30, 2008 of \$196,441, \$3,188 and \$63,318, respectively. The Special Revenue, RISE – West 2nd Avenue and CDBG Funds had deficit balances at June 30, 2007 of \$1,000 and \$1,851, respectively.

Recommendation – The City should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The deficits will be eliminated upon receipt of grant funds.

Conclusion – Response accepted.

- (10) Debt Service Fund Transfers – During fiscal 2007, the City transferred a total of \$39,000 from the Debt Service Fund to the Special Revenue, RISE – West 2nd Avenue and CDBG Funds to help defray certain project costs in these funds. In accordance with Chapter 384.4 of the Code of Iowa, project costs are not an allowable use of the debt service levy.

Corrective transfers were made by the City to reflect the proper balances in the related funds.

Recommendation – Procedures should be established to ensure debt service funds are used only for allowable purposes.

Response – The corrective transfer has been made and is reflected in the City’s financial statements.

Conclusion – Response accepted.

- (11) Urban Renewal Tax Increment Fund – During the years ended June 30, 2008 and June 30, 2007, the City expended \$4,193 of tax increment financing (TIF) receipts for annual dues paid to the Cedar County Economic Development Council. In addition, during fiscal 2008 the City transferred \$32,000 of TIF receipts to the General Fund for the purchase of a police squad car. These disbursements are not an allowable use of TIF receipts per Chapter 403 of the Code of Iowa.

City of Durant

Schedule of Findings

Years ended June 30, 2008 and 2007

Recommendation – The City should make a corrective transfer totaling \$40,386 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund and should establish procedures to ensure TIF receipts are used only for allowable purposes.

Response – We disagree with the finding related to TIF. The use of TIF monies to purchase a new squad car certainly reflects the need for new equipment to service the expanded revitalization district, including the South Industrial Park. However, the corrective transfers have been made and are reflected in the City's financial statement.

Conclusion – Response acknowledged. Chapter 403.6(2) of the Code of Iowa provides the City may enter into debt and collect related TIF receipts to "...install, construct and reconstruct streets, utilities, parks, playgrounds and other public improvements..." The purchase of a squad car does not meet the definition of a public improvement.

- (12) Tax Increment Financing (TIF) Debt Certification – On November 21, 2007, the City issued \$600,000 of general obligation notes to provide funds to pay the cost of constructing certain street improvements. The City certified the \$600,000 of general obligation notes as tax increment financing (TIF) debt in the December 2007 TIF debt certification filed with the County Auditor. However, at the time the improvements and related debt were approved and the debt was certified to the County as TIF debt, the geographic area earmarked for improvement was not included in the City's Urban Renewal Plan (Plan) and the City's Plan had not been properly amended to encompass the intended improvement area. Accordingly, in accordance with Chapter 403 of the Code of Iowa, the general obligation debt does not qualify as TIF debt to be certified and repaid through TIF receipts.

Recommendation – The City should immediately decertify as TIF debt the \$600,000 general obligation notes that were over certified in December 2007. The City should consult legal counsel to determine the propriety of re-certifying this debt in the future since the debt was approved prior to amending the City's Urban Renewal Plan to include the intended improvement area.

Response – We agree.

Conclusion – Response accepted.

City of Durant

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Jennifer Campbell, CPA, Senior Auditor II
Lori M. Dinville, Assistant Auditor
Joshua B. Ludwig, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State