

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

State Capitol Building  
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 23, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Durant, Iowa.

The City's receipts totaled \$3,226,328 for the year ended June 30, 2015. The receipts included \$1,046,052 in property tax, \$165,433 from tax increment financing, \$151,719 from local option sales tax, \$1,120,210 from charges for service, \$370,017 from operating grants, contributions and restricted interest, \$300,000 of note proceeds and \$72,897 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$2,840,672, and included \$764,878 for public safety, \$438,813 for public works and \$267,267 for debt service. Disbursements for business type activities totaled \$727,313.

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/1521-0137-B00F.pdf>.

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**CITY OF DURANT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2015**

Table of Contents

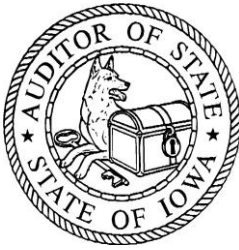
		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-27
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Other Information – Budgetary Reporting		32
Schedule of the City’s Proportionate Share of the Net Pension Liability		33
Schedule of City Contributions		34
Notes to Other Information – Pension Liability		35-36
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	38-39
Schedule of Indebtedness	2	40-41
Bond and Note Maturities	3	42-43
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>		45-46
Schedule of Findings		47-50
Staff		51

**City of Durant**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Dawn Smith	Mayor	(Resigned Dec 2014)
Scott Spengler (Appointed Jan 2015)	Mayor	Nov 2015
Doug Beland	Council Member	Jan 2016
Scott Spengler	Council Member	(Resigned Jan 2015)
Brain Utter	Council Member	Jan 2016
Diane Quiram	Council Member	Jan 2018
Mick Gruemer	Council Member	Jan 2018
Dan Sterner	Council Member	Jan 2018
Deana Cavin	City Clerk	Indefinite
Kathy Keese	Deputy City Clerk	Indefinite
Mitch Richman	Treasurer	Jan 2016
Gerald F. Denning	Attorney	Indefinite

**City of Durant**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Durant, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

*Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units*

The financial statements do not include financial data for one of the City's legally separate component units because the Durant Municipal Electric Plant reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting.

Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts and disbursements of the aggregate discretely presented component units have not been determined. The amount by which this departure would affect the cash basis net position of the aggregate discretely presented component units is \$1,231,839.

#### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of the City of Durant as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

#### *Basis for Modified Opinions*

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2014.

#### *Modified Opinions*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Durant as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Emphasis of a Matter

As discussed in Note 4 to the financial statements, the City of Durant adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

#### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Durant's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.



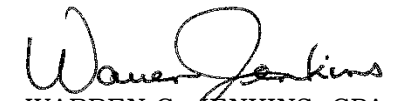
Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2015 on our consideration of the City of Durant's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Durant's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 24, 2015

**City of Durant**

## **Basic Financial Statements**

City of Durant

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
Governmental activities:			
Public safety	\$ 764,878	2,538	160,255
Public works	438,813	149,088	190,807
Culture and recreation	244,197	40,277	9,470
Community and economic development	193,969	9,934	1,909
General government	204,235	100,953	-
Debt service	267,267	9,332	1,909
Capital projects	-	6,988	-
Total governmental activities	2,113,359	319,110	364,350
Business type activities:			
Water	177,613	292,310	-
Sewer	549,700	508,790	5,667
Total business type activities	727,313	801,100	5,667
<b>Total Primary Government</b>	<b>\$ 2,840,672</b>	<b>1,120,210</b>	<b>370,017</b>
<b>Component Unit:</b>			
Durant Volunteer Fire Fighters, Inc.	\$ 37,094	54,278	440

**General Receipts:**

Property and other city tax levied for:  
 General purposes  
 Debt service  
 Tax increment financing  
 Local option sales tax  
 Commercial/industrial tax replacement  
 Unrestricted interest on investments  
 Note proceeds  
 Sale of capital assets  
 Miscellaneous  
 Total general receipts  
 Change in cash basis net position  
 Cash basis net position beginning of year  
 Cash basis net position end of year

**Cash Basis Net Position**

Restricted:  
 Streets  
 Fire  
 Debt service  
 Local option sales tax  
 Other purposes  
 Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Durant Volunteer Fire Fighters, Inc.
Governmental Activities	Business Type Activities	Total	
(602,085)	-	(602,085)	
(98,918)	-	(98,918)	
(194,450)	-	(194,450)	
(182,126)	-	(182,126)	
(103,282)	-	(103,282)	
(256,026)	-	(256,026)	
6,988	-	6,988	
(1,429,899)	-	(1,429,899)	
-	114,697	114,697	
-	(35,243)	(35,243)	
-	79,454	79,454	
(1,429,899)	79,454	(1,350,445)	
			17,624
670,765	-	670,765	-
375,287	-	375,287	-
165,433	-	165,433	-
151,719	-	151,719	-
35,818	-	35,818	-
2,083	4,322	6,405	-
300,000	-	300,000	-
696	-	696	-
29,978	-	29,978	-
1,731,779	4,322	1,736,101	-
301,880	83,776	385,656	17,624
1,169,683	1,329,115	2,498,798	202,463
\$ 1,471,563	1,412,891	2,884,454	220,087
\$ 290,072	-	290,072	-
401,472	-	401,472	220,087
346,060	83,089	429,149	-
346,868	-	346,868	-
1,527	-	1,527	-
85,564	1,329,802	1,415,366	-
\$ 1,471,563	1,412,891	2,884,454	220,087

City of Durant

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

As of and for the year ended June 30, 2015

	Special		
	General	Road Use Tax	Fire Department
<b>Receipts:</b>			
Property tax	\$ 551,969	-	-
Tax increment financing	-	-	-
Other city tax	46,949	-	-
Licenses and permits	68,099	-	-
Use of money and property	34,810	-	-
Intergovernmental	28,604	190,496	150,791
Charges for service	149,088	-	-
Special assessments	-	-	-
Miscellaneous	88,889	-	3,741
Total receipts	<u>968,408</u>	<u>190,496</u>	<u>154,532</u>
<b>Disbursements:</b>			
Operating:			
Public safety	539,398	-	150,078
Public works	194,815	213,719	-
Culture and recreation	225,186	-	-
Community and economic development	35,276	-	-
General government	185,651	-	-
Debt service	-	-	-
Total disbursements	<u>1,180,326</u>	<u>213,719</u>	<u>150,078</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(211,918)</u>	<u>(23,223)</u>	<u>4,454</u>
<b>Other financing sources (uses):</b>			
Note proceeds	300,000	-	-
Sale of capital assets	-	-	696
Transfers in	2,718	-	41,865
Transfers out	(41,865)	-	-
Total other financing sources (uses)	<u>260,853</u>	<u>-</u>	<u>42,561</u>
Change in cash balances	48,935	(23,223)	47,015
Cash balances beginning of year	101,198	313,295	354,457
Cash balances end of year	<u>\$ 150,133</u>	<u>290,072</u>	<u>401,472</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	290,072	-
Fire	-	-	401,472
Debt service	-	-	-
Local option sales tax	-	-	-
Other purposes	-	-	-
Unassigned	150,133	-	-
Total cash basis fund balances	<u>\$ 150,133</u>	<u>290,072</u>	<u>401,472</u>

See notes to financial statements.

Revenue				
Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Nonmajor	Total
-	-	375,287	118,796	1,046,052
-	165,433	-	-	165,433
104,770	-	-	-	151,719
-	-	-	-	68,099
-	1,909	1,909	-	38,628
-	452	12,108	4,123	386,574
-	-	-	-	149,088
-	-	9,332	6,988	16,320
-	-	-	-	92,630
104,770	167,794	398,636	129,907	2,114,543
-	-	-	75,402	764,878
-	-	-	30,279	438,813
-	-	-	19,011	244,197
-	158,693	-	-	193,969
-	-	-	18,584	204,235
-	-	267,267	-	267,267
-	158,693	267,267	143,276	2,113,359
104,770	9,101	131,369	(13,369)	1,184
-	-	-	-	300,000
-	-	-	-	696
-	-	3,188	-	47,771
(3,188)	(2,718)	-	-	(47,771)
(3,188)	(2,718)	3,188	-	300,696
101,582	6,383	134,557	(13,369)	301,880
245,286	173,000	32,120	(49,673)	1,169,683
346,868	179,383	166,677	(63,042)	1,471,563
-	-	-	-	290,072
-	-	-	-	401,472
-	179,383	166,677	-	346,060
346,868	-	-	-	346,868
-	-	-	1,527	1,527
-	-	-	(64,569)	85,564
346,868	179,383	166,677	(63,042)	1,471,563

**City of Durant**



City of Durant

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

As of and for the year ended June 30, 2015

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 285,410	508,790	794,200
Miscellaneous	6,900	-	6,900
Total operating receipts	292,310	508,790	801,100
Operating disbursements:			
Business type activities	138,557	217,390	355,947
Excess of operating receipts over operating disbursements	153,753	291,400	445,153
Non-operating receipts (disbursements):			
Intergovernmental	-	5,667	5,667
Interest on investments	2,754	1,568	4,322
Debt service	(10,062)	(70,780)	(80,842)
Capital outlay	(28,994)	(261,530)	(290,524)
Net non-operating receipts (disbursements)	(36,302)	(325,075)	(361,377)
Change in cash balances	117,451	(33,675)	83,776
Cash balances beginning of year	907,640	421,475	1,329,115
Cash balances end of year	\$ 1,025,091	387,800	1,412,891
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 798	82,291	83,089
Unrestricted	1,024,293	305,509	1,329,802
Total cash basis fund balances	\$ 1,025,091	387,800	1,412,891

See notes to financial statements.

City of Durant

Notes to Financial Statements

June 30, 2015

**(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.

Except as noted, these financial statements present the City of Durant (the primary government) and its discretely presented component units. The financial statements do not include financial data for the Durant Municipal Electric Plant, a legally separate entity which should be reported as a 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.

Discretely Presented 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 organization is governed by a five-member board elected by the voting, active members. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Durant Volunteer Fire Fighters, Inc. meets the definition of a component unit which should be discretely presented.

### Excluded Component Unit

The Durant Municipal Electric Plant (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. Financial statements for the Plant were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Durant Municipal Electric Plant, 601 4<sup>th</sup> Street, Durant, Iowa 52747.

### Jointly Governed Organizations

The City participates in several jointly governed organizations which 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 Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Fire Department Fund is used to account for receipts from township contributions for fire protection and used for operating expenses of the Fire Department.

The Local Option Sales Tax Fund is used to account for receipts from the tax authorized by referendum to be used for maintenance and improvements to the City's sewer and street systems.

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function.

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

The City's deposits in banks and credit unions at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had 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/notes, revenue bonds and loan agreement are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 125,000	15,262	110,000	18,645	76,000	7,860
2017	130,000	11,638	115,000	14,355	79,000	5,580
2018	55,000	7,875	115,000	9,755	6,000	3,210
2019	55,000	5,950	120,000	5,040	6,000	3,030
2020	55,000	4,025	-	-	7,000	2,850
2021-2025	60,000	2,100	-	-	36,000	11,100
2026-2030	-	-	-	-	43,000	5,310
2031	-	-	-	-	9,000	270
Total	\$ 480,000	46,850	460,000	47,795	262,000	39,210

Year Ending June 30,	Police Station Loan Agreement		Total		Total
	Principal	Interest	Principal	Interest	
2016	94,000	6,768	405,000	48,535	453,535
2017	100,000	4,635	424,000	36,208	460,208
2018	106,000	2,385	282,000	23,225	305,225
2019	-	-	181,000	14,020	195,020
2020	-	-	62,000	6,875	68,875
2021-2025	-	-	96,000	13,200	109,200
2026-2030	-	-	43,000	5,310	48,310
2031	-	-	9,000	270	9,270
Total	300,000	13,788	1,502,000	147,643	1,649,643

General Obligation Bonds/Notes

On June 13, 1997, the City issued \$1,113,000 of general obligation bonds to finance a portion of the costs for construction of a wastewater treatment system. The bonds bear interest at 3.92% per annum and mature during the year ending June 30, 2017. During the year ended June 30, 2015, the City paid principal of \$70,000 and interest of \$3,850 on the bonds.

On April 15, 2011, the City issued \$530,000 of general obligation corporate purpose bonds. The bonds bear interest at rates ranging from .85% to 3.50% per annum and mature during the year ending June 30, 2021. During the year ended June 30, 2015, the City paid principal of \$50,000 and interest of \$11,538 on the bonds.

On July 15, 2008, the City issued \$1,600,000 of general obligation corporate purpose notes. The notes bear interest at rates ranging from 2.90% to 4.20% per annum and mature during the year ending June 30, 2019. During the year ended June 30, 2015, the City paid principal of \$105,000 and interest of \$22,582 on the notes.

## Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,000,000 of 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. Annual principal and interest payments on the bonds are expected to require less than 25% of net receipts. The total principal and interest remaining to be paid on the bonds is \$149,480. During the year ended June 30 2015, principal and interest paid and total customer net receipts were \$70,675 and \$291,400, respectively.

The resolution providing for the issuance of the sewer 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 of net operating revenues equal to at least 110% of the principal and interest on the bonds.
- (b) The bonds will only be redeemed from the future earnings of the sanitary sewer system of the City and the bond holders hold a lien on the future earnings of the fund.
- (c) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (d) Additional monthly transfers to a separate sewer revenue bond reserve account shall be made until a specific minimum balance has been accumulated. The account is to be used solely for the purpose of paying principal and interest on the bonds.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$182,000 of water revenue bonds issued in August 2011. The bonds are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 7% of net receipts. The total principal and interest remaining to be paid on the bonds is \$151,730. During the year ended June 30, 2015, principal and interest paid and total customer net receipts were \$9,750 and \$153,753, respectively.

The resolutions providing for the issuance of the water 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 equal to at least 110% of the principal and interest on the bonds.
- (b) The bonds will only be redeemed from the future earnings of the water system and the bond holders hold a lien on the future earnings of the fund.

- (c) Sufficient monthly transfers shall be made to a separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

#### Police Station Loan Agreement

On December 10, 2014, the City entered into a \$300,000 loan agreement to provide funds for a new police station. The loan agreement bears interest at 2.25% per annum and matures during the year ending June 30, 2018. During the year ended June 30, 2015, the City paid interest of \$3,188 on the loan. The first principal payment is due June 1, 2016.

#### **(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection member's monthly IPERS benefits includes:

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



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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. In addition, protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$43,433.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$124,499. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.003139 percent, which was a decrease of 0.001033 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$15,757, \$8,974 and \$103,834, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$ 349,100	\$ 124,469	\$ (65,026)

Pension Plan Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 31 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the City and plan members is \$348 for both single and family coverage. For the year ended June 30, 2015, the City contributed \$126,371 and plan members eligible for benefits contributed \$6,649 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time 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, compensatory time and personal leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 62,000
Compensatory time	8,000
Personal leave	21,000
Total	<u>\$ 91,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Urban Renewal Tax Increment	\$ 2,718
Special Revenue: Fire Department	General	41,865
Debt Service	Special Revenue: Local Option Sales Tax	3,188
Total		<u>\$ 47,771</u>

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

**(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omission; 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.

**(9) Deficit Balances**

The Special Revenue, Employee Benefits Fund had a deficit balance of \$20,357 at June 30, 2015. The deficit balance was the result of employee benefit costs exceeding receipts for the fiscal year. The deficit will be eliminated through a transfer from the General Fund.

The Capital Projects Fund had a deficit balance of \$44,212 at June 30, 2015. The deficit balance was a result of project costs incurred prior to the availability of funds. The deficit will be eliminated through a transfer from the General Fund and the future collection of special assessments.

**(10) Related Party Transactions**

During the year ended June 30, 2015, the City paid \$11,558 to the volunteer Fire Chief for painting. These transactions may represent a conflict of interest since the transactions exceeded \$2,500 and the services were not competitively bid.

**(11) Urban Development and Rebate Agreement**

The City has entered into a development agreement for an urban renewal project. The agreement requires the City to rebate portions of incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of a commercial project by the developer. The total to be paid by the City under the agreement is not to exceed \$2,150,000 at June 30, 2015.

During the year ended June 30, 2015, the City rebated \$158,693 of incremental property tax to the developer. The total cumulative principal amount rebated on the agreement is \$772,198 at June 30, 2015. The outstanding balance on the agreement at June 30, 2015 was approximately \$1,378,000.

The agreement is not a general obligation of the City. However, the agreement is subject to the constitutional debt limitation of the City.

The agreement includes an annual appropriation clause and, accordingly, only the \$158,693 payable in the succeeding year on the agreement is subject to the City's constitutional debt limitation.

**(12) Commitments**

The City has entered into construction contracts totaling \$5,398,953 for a storm sewer construction project and waste water treatment facility. As of June 30, 2015, costs of \$105,158 have been paid on the contracts. The remaining \$5,293,795 will be paid as work on the projects progresses.

**(13) Subsequent Events**

In July 2015, the City issued \$1,030,000 of general obligation corporate purpose and refunding bonds for the purpose of funding a storm water project and redeeming \$460,000 of general obligation notes issued in July 2008. The bonds bear interest at rates ranging from 2.00% to 2.40% per annum and mature in varying annual amounts ranging from \$100,000 to \$355,000, with the final maturity due in the year ending June 30, 2023.

In July 2015, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$6,250,000 of sewer revenue bonds with interest at 1.75% per annum for the purpose of paying the costs of planning, designing and constructing improvements and extensions to the municipal sanitary sewer system.

**City of Durant**

## **Other 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

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
<b>Receipts:</b>			
Property tax	\$ 1,046,052	-	1,046,052
Tax increment financing	165,433	-	165,433
Other city tax	151,719	-	151,719
Licenses and permits	68,099	-	68,099
Use of money and property	38,628	4,322	42,950
Intergovernmental	386,574	5,667	392,241
Charges for service	149,088	794,200	943,288
Special assessments	16,320	-	16,320
Miscellaneous	92,630	6,900	99,530
Total receipts	2,114,543	811,089	2,925,632
<b>Disbursements:</b>			
Public safety	764,878	-	764,878
Public works	438,813	-	438,813
Culture and recreation	244,197	-	244,197
Community and economic development	193,969	-	193,969
General government	204,235	-	204,235
Debt service	267,267	-	267,267
Business type activities	-	727,313	727,313
Total disbursements	2,113,359	727,313	2,840,672
Excess (deficiency) of receipts over (under) disbursements	1,184	83,776	84,960
Other financing sources, net	300,696	-	300,696
Excess of receipts and other financing sources over disbursements and other financing uses	301,880	83,776	385,656
Balances beginning of year	1,169,683	1,329,115	2,498,798
Balances end of year	\$ 1,471,563	1,412,891	2,884,454

See accompanying independent auditor's report.



Budgeted Amounts		Final to
Original	Final	Total Variance
1,062,747	1,062,747	(16,695)
161,333	161,333	4,100
165,811	205,458	(53,739)
7,600	14,200	53,899
38,092	39,620	3,330
359,566	375,233	17,008
886,000	962,540	(19,252)
17,000	13,240	3,080
56,800	185,016	(85,486)
2,754,949	3,019,387	(93,755)
829,172	817,049	52,171
381,808	478,469	39,656
253,467	272,388	28,191
180,000	192,360	(1,609)
195,264	224,849	20,614
385,230	336,970	69,703
5,227,121	1,965,659	1,238,346
7,452,062	4,287,744	1,447,072
(4,697,113)	(1,268,357)	1,353,317
5,330,000	1,600,000	(1,299,304)
632,887	331,643	54,013
2,141,206	2,498,796	2
2,774,093	2,830,439	54,015

City of Durant

Notes to Other Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise 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 the year, one budget amendment decreased budgeted disbursements by \$3,164,318. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function.

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City of Durant

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.003139%
City's proportionate share of the net pension liability	\$ 124
City's covered-employee payroll	\$ 419
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.59%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Durant  
 Schedule of City Contributions  
 Iowa Public Employees' Retirement System  
 Last 4 Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 43,433	39,216	34,144	32,041
Contributions in relation to the statutorily required contribution	<u>(43,433)</u>	<u>(39,216)</u>	<u>(34,144)</u>	<u>(32,041)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 464,729	418,874	372,393	367,642
Contributions as a percentage of covered-employee payroll	9.35%	9.36%	9.17%	8.72%

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Durant

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**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, 2015

	Special Revenue		
	Employee Benefits	Public Safety	Memorial Feldham Flower
Receipts:			
Property tax	\$ 118,796	-	-
Intergovernmental	4,123	-	-
Special assessments	-	-	-
Total receipts	122,919	-	-
Disbursements:			
Operating:			
Public safety	75,402	-	-
Public works	30,279	-	-
Culture and recreation	19,011	-	-
General government	18,584	-	-
Total disbursements	143,276	-	-
Change in cash balances	(20,357)	-	-
Cash balances beginning of year	-	449	1,078
Cash balances end of year	\$ (20,357)	449	1,078
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ -	449	1,078
Unassigned	(20,357)	-	-
Total cash basis fund balances	\$ (20,357)	449	1,078

See accompanying independent auditor's report.



Capital Projects	Total
-	118,796
-	4,123
6,988	6,988
6,988	129,907
-	75,402
-	30,279
-	19,011
-	18,584
-	143,276
6,988	(13,369)
(51,200)	(49,673)
(44,212)	(63,042)
-	1,527
(44,212)	(64,569)
(44,212)	(63,042)

City of Durant  
 Schedule of Indebtedness  
 Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Jun 13, 1997	3.92%	\$ 1,113,000
Corporate purpose	Apr 15, 2011	0.85-3.50	530,000
Total			
General obligation notes:			
Corporate purpose	Jul 15, 2008	2.90-4.20%	\$ 1,600,000
Revenue bonds:			
Sewer	Jun 13, 1997	3.00%	\$ 1,000,000
Water	Aug 12, 2011	3.00	182,000
Total			
Loan agreement:			
Police station	Dec 10, 2014	2.25%	\$ 300,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
220,000	-	70,000	150,000	3,850
380,000	-	50,000	330,000	11,538
<u>\$ 600,000</u>	<u>-</u>	<u>120,000</u>	<u>480,000</u>	<u>15,388</u>
<u>565,000</u>	<u>-</u>	<u>105,000</u>	<u>460,000</u>	<u>22,582</u>
210,000	-	67,000	143,000	3,675
125,000	-	6,000	119,000	3,750
<u>\$ 335,000</u>	<u>-</u>	<u>73,000</u>	<u>262,000</u>	<u>7,425</u>
<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>3,188</u>

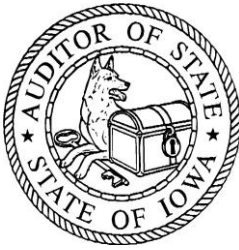
City of Durant  
Bond and Note Maturities  
June 30, 2015

Year Ending June 30,	General Obligation Bonds					General Obligation Notes	
	Sewer Improvement		Corporate Purpose			Corporate Purpose	
	Issued June 13, 1997		Issued April 15, 2011			Issued July 15, 2008	
	Interest		Interest			Interest	
Rates	Amount	Rates	Amount	Total	Rates	Amount	
2016	3.92%	\$ 75,000	2.75%	\$ 50,000	125,000	3.90%	\$ 110,000
2017	3.92	75,000	2.75	55,000	130,000	4.00	115,000
2018	-	-	3.50	55,000	55,000	4.10	115,000
2019	-	-	3.50	55,000	55,000	4.20	120,000
2020	-	-	3.50	55,000	55,000	-	-
2021	-	-	3.50	60,000	60,000	-	-
2022	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-
Total		<u>\$ 150,000</u>		<u>\$ 330,000</u>	<u>480,000</u>		<u>\$ 460,000</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**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, 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 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 governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Durant, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2015. Our report expressed modified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2014. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Durant Municipal Electric Plant.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Durant's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Durant's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Durant's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

#### 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 no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### The City of Durant's Responses to the Findings


The City of Durant's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Durant's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 24, 2015



City of Durant

Schedule of Findings

Year ended June 30, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL 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. A limited number of individuals are responsible for the following areas:

- (1) Accounting and information system – performing all general accounting functions, including journal entries, controlling all data input and output and custody of assets. There is no independent review of journal entries.
- (2) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no evidence of independent review of the bank reconciliations.
- (3) Receipts – opening mail, collecting, depositing, journalizing and recording.
- (4) Utility receipts – billing, collecting, depositing, recording and reconciling.
- (5) Payroll – recordkeeping, preparing, distributing and entering hourly rates into the payroll system. There is no independent review of payroll records.
- (6) Financial reporting – preparing, reconciling and distributing.

For the Durant Volunteer Fire Fighters, Inc., one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Durant Volunteer Fire Fighters, Inc. should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials. Independent reviews of reconciliations, journal entries and other records should be documented by the signature or initials of the independent reviewer and the date of the review.

Responses -

City – We have purchased “reviewed by” stamps with a required initial and date for the Mayor, City Clerk, Deputy City Clerk and City Treasurer to use when they review payroll, accounts payable, and bank reconciliations. We will provide the monthly bank reconciliations with the certificate of deposit reconciliations to the City Treasurer so he can review the bank reconciliations. We will make an effort to initial and date paperwork we review for each other. We will make a conscious effort to rotate duties for preparing payroll and utility billings. This will help with checks and balances but will also provide cross-training. We will continue to seek ways to involve City Council members with some of the monthly oversights.

Durant Volunteer Fire Fighters, Inc. – We will continue to have two signatures on every check written. The Fire Chief will review and initial the reconciliation report at each monthly Department meeting. We will discuss other options at this month’s meeting.

Conclusion – Responses accepted.

City of Durant

Schedule of Findings

Year ended June 30, 2015

- (B) Computer Systems – During our review of internal control, the existing control activities in the City’s computer 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 systems were noted:

The City does not have written policies for:

- Requiring password changes every 60 to 90 days. The City’s software does not require the user to change log-ins/passwords periodically.
- Requiring unique user log-ins/passwords and maintaining password privacy and confidentiality.
- Requiring passwords to be at least eight characters in length.
- Requiring unattended computers be logged off.
- Internet usage.

Also, although the City has a written disaster recovery plan, the plan does not include all of the required elements.

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

Response – As of September 2014, we have a full time public works employee who has an extensive IT background. We plan to write better policies to include the password changes, logging off and confidentiality. We already can log onto a computer using our own ID and passwords, so we do not have to share passwords for each computer. We are logging off our computers.

Conclusion – Response accepted.

- (C) Financial Reports – The City Clerk’s financial reports provided to the City Council each month did not include comparisons of actual disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendment to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons to the certified budget by function.

Response – We plan to update the check listing for City Council packets and include the comparison of actual disbursements by function to budget. We also plan to provide this to each department supervisor so they can track their spending and budgets.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Durant  
 Schedule of Findings  
 Year ended June 30, 2015

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

- (1) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response - This was an oversight on the City Clerk’s part. We had a severe windstorm June 17, 2014 and there was not time to do an amendment. We also had two projects that were supposed to start after July 1, but started early. We plan to make better budgeting decisions, including some extra cushion for emergencies.

Conclusion – Response accepted.

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

Name, Title, and Business Connection	Transaction Description	Amount
Shawn Jepson, Volunteer Fire Chief, self-employed	Painting	\$11,558
Scott Spengler, Mayor, Owner of Spengler Auto Repair	Auto repair service work	1,129

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Scott Spengler do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the year.

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Shawn Jepson may represent a conflict of interest since the total transactions exceed \$2,500 during the fiscal year and the transactions were not competitively bid.

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

City of Durant

Schedule of Findings

Year ended June 30, 2015

Response - We will be more diligent in seeking bids for such projects. We will note in the City Council minutes if we do not receive additional bids for such projects. We will also try to utilize public works employees on small projects that would not otherwise require a bid.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Financial Condition – At June 30, 2015, the Special Revenue, Employee Benefits Fund and the Capital Projects Fund had deficit balances of \$20,357 and \$44,212, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – We have prepared resolutions for City Council approval to make transfers from the General Fund to wipe out the deficits. We will no longer carry a deficit in the Special Revenue, Employee Benefits or Capital Projects Funds.

Conclusion – Response accepted.

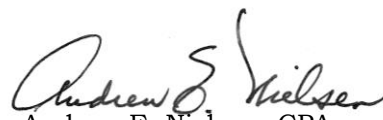
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

City of Durant

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Gwen D. Fangman, CPA, Senior Auditor II  
Jesse J. Harthan, Staff Auditor  
Tara H. Williams, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State