

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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

June 28, 2019

Contact: Marlys Gaston
515/281-5834

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

The City's receipts totaled \$3,688,878 for the year ended June 30, 2018. The receipts included \$1,136,364 of property tax, \$90,521 of tax increment financing, \$1,322,320 of charges for service, \$437,406 of operating grants, contributions and restricted interest, \$149,407 of local option sales tax, \$24,745 of unrestricted interest on investments, \$465,866 of bond proceeds and \$62,249 of other general receipts.

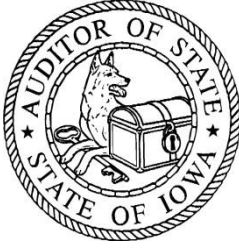
Disbursements for the year ended June 30, 2018 totaled \$4,709,726, and included \$514,755 for debt service, \$509,419 for public works, and \$502,461 for public safety. Also, disbursements for business type activities totaled \$2,319,721.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF DURANT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
JUNE 30, 2018

City of Durant



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Telephone (515) 281-5834 Facsimile (515) 281-6518

May 20, 2019

Officials of the City of Durant
Durant, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Durant, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Durant throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Durant

Officials

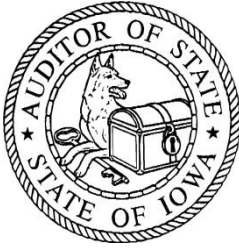
(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Spengler	Mayor	Jan 2018
Diane Quiram	Council Member	Jan 2018
Mick Gruemmer	Council Member	Jan 2018
Dan Sterner	Council Member	Jan 2018
Kevin Mundt	Council Member	Jan 2020
Brian Utter	Council Member	Jan 2020
Deana Cavin	City Clerk	Indefinite
Kathy Keese	Deputy City Clerk	Indefinite
Mitch Richman	Treasurer	Jan 2018
Gerald F. Denning	Attorney	Jan 2018

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Spengler	Mayor	Jan 2020
Kevin Mundt	Council Member	Jan 2020
Brian Utter	Council Member	Jan 2020
Diane Quiram	Council Member	Jan 2022
Dave Schulz	Council Member	Jan 2022
Dan Sterner	Council Member	Jan 2022
Deana Cavin	City Clerk	Indefinite
Kathy Keese	Deputy City Clerk	Indefinite
Mitch Richman	Treasurer	Jan 2020
Julie Sprague	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, 2018, 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 qualified and adverse audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for all of the City's component units which should be discretely presented 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 amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component units is \$1,707,421.

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 financial position of the aggregate discretely presented component units of the City of Durant as of June 30, 2018, 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 Qualified 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 distributions by fund of the total fund balances at July 1, 2017.

Qualified 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, 2017, 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, 2018, 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 5 to the financial statements, the City of Durant adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

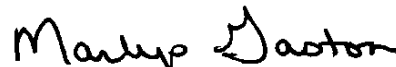
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Durant's basic financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part 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. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

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 28 through 34, 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 May 20, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Durant's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

May 20, 2019

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, 2018

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 502,461	31,998	95,449
Public works	509,419	151,422	244,140
Culture and recreation	405,624	19,825	63,309
Community and economic development	167,906	-	3,000
General government	236,944	44,251	33,983
Debt service	514,755	12,326	7,174
Capital projects	52,896	-	-
Total governmental activities	2,390,005	259,822	447,055
Business type activities:			
Water	1,229,648	295,858	-
Sewer	1,090,073	709,105	-
Total business type activities	2,319,721	1,004,963	-
Total Primary Government	\$ 4,709,726	1,264,785	447,055
Component Unit:			
Durant Volunteer Fire Fighters, Inc.	\$ 76,188	-	85,112
General Receipts and Transfers:			
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			
Franchise fees			
Miscellaneous			
Sale of capital assets			
Transfers			
Total general receipts and transfers			
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			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Governmental Activities	Business Type Activities	Total	Component Unit Durant Volunteer Fire Fighters. Inc.
(375,014)	-	(375,014)	
(113,857)	-	(113,857)	
(322,490)	-	(322,490)	
(164,906)	-	(164,906)	
(158,710)	-	(158,710)	
(495,255)	-	(495,255)	
(52,896)	-	(52,896)	
(1,683,128)	-	(1,683,128)	
-	(933,790)	(933,790)	
-	(380,968)	(380,968)	
-	(1,314,758)	(1,314,758)	
(1,683,128)	(1,314,758)	(2,997,886)	
			8,924
695,735	-	695,735	-
440,629	-	440,629	-
90,521	-	90,521	-
149,407	-	149,407	-
58,735	-	58,735	-
11,217	13,528	24,745	-
-	465,866	465,866	-
47,886	-	47,886	-
1,903	-	1,903	-
1,611	-	1,611	-
216	(216)	-	-
1,497,860	479,178	1,977,038	-
(185,268)	(835,580)	(1,020,848)	8,924
1,951,757	2,070,050	4,021,807	171,950
\$ 1,766,489	1,234,470	3,000,959	180,874
\$ 376,269	-	376,269	-
286,952	-	286,952	180,874
238,680	231,671	470,351	-
364,018	-	364,018	-
408,028	-	408,028	-
1,232	10,064	11,296	-
91,310	992,735	1,084,045	-
\$ 1,766,489	1,234,470	3,000,959	180,874

City of Durant

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

As of and for the year ended June 30, 2018

	Special		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 604,332	-	-
Tax increment financing	-	-	90,521
Other city tax	47,949	-	-
Licenses and permits	73,738	-	-
Use of money and property	33,316	-	7,175
Intergovernmental	50,762	233,745	477
Charges for service	151,422	-	-
Special assessments	-	-	-
Miscellaneous	134,241	10,395	-
Total receipts	1,095,760	244,140	98,173
Disbursements:			
Operating:			
Public safety	291,090	-	-
Public works	199,589	269,622	-
Culture and recreation	381,599	-	-
Community and economic development	79,519	-	88,387
General government	214,603	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,166,400	269,622	88,387
Excess (deficiency) of receipts over (under)disbursements	(70,640)	(25,482)	9,786
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	2,880	-	-
Transfers out	(129,376)	-	(2,664)
Total other financing sources (uses)	(126,496)	-	(2,664)
Change in cash balances	(197,136)	(25,482)	7,122
Cash balances beginning of year	288,446	401,751	186,560
Cash balances end of year	\$ 91,310	376,269	193,682
Cash Basis Fund Balances			
Restricted for:			
Streets	-	376,269	-
Fire	-	-	-
Debt service	-	-	193,682
Local option sales tax	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	91,310	-	-
Total cash basis fund balances	\$ 91,310	376,269	193,682

See notes to financial statements.

Revenue				
Fire Department	Local Option Sales Tax	Debt Service	Nonmajor	Total
-	-	440,629	91,403	1,136,364
-	-	-	-	90,521
-	101,458	-	-	149,407
-	-	-	-	73,738
-	-	7,174	-	47,665
83,033	-	22,037	4,752	394,806
-	-	-	-	151,422
-	-	12,326	-	12,326
2,025	-	-	-	146,661
85,058	101,458	482,166	96,155	2,202,910
117,974	-	-	93,397	502,461
-	-	-	40,208	509,419
-	-	-	24,025	405,624
-	-	-	-	167,906
-	-	-	22,341	236,944
-	-	514,755	-	514,755
-	-	-	52,896	52,896
117,974	-	514,755	232,867	2,390,005
(32,916)	101,458	(32,589)	(136,712)	(187,095)
1,611	-	-	-	1,611
45,701	-	-	83,675	132,256
-	-	-	-	(132,040)
47,312	-	-	83,675	1,827
14,396	101,458	(32,589)	(53,037)	(185,268)
272,556	262,560	77,587	462,297	1,951,757
286,952	364,018	44,998	409,260	1,766,489
-	-	-	-	376,269
286,952	-	-	-	286,952
-	-	44,998	-	238,680
-	364,018	-	-	364,018
-	-	-	408,028	408,028
-	-	-	1,232	1,232
-	-	-	-	91,310
286,952	364,018	44,998	409,260	1,766,489

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, 2018

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 283,518	706,843	990,361
Miscellaneous	12,340	2,262	14,602
Total operating receipts	295,858	709,105	1,004,963
Operating disbursements:			
Business type activities	171,831	265,086	436,917
Excess of operating receipts over operating disbursements	124,027	444,019	568,046
Non-operating receipts (disbursements):			
Interest on investments	7,790	5,738	13,528
Note proceeds	-	465,866	465,866
Debt service	(90,664)	(351,021)	(441,685)
Capital projects	(967,153)	(473,966)	(1,441,119)
Net non-operating receipts (disbursements)	(1,050,027)	(353,383)	(1,403,410)
Excess (deficiency) of receipts over (under) disbursements	(926,000)	90,636	(835,364)
Transfers out	(50)	(166)	(216)
Change in cash balances	(926,050)	90,470	(835,580)
Cash balances beginning of year	1,735,805	334,245	2,070,050
Cash balances end of year	\$ 809,755	424,715	1,234,470
Cash Basis Fund Balances			
Restricted for debt service	\$ 139,082	92,589	231,671
Restricted for deposits	10,064	-	10,064
Unrestricted	660,609	332,126	992,735
Total cash basis fund balances	\$ 809,755	424,715	1,234,470

See notes to financial statements.

City of Durant

Notes to Financial Statements

June 30, 2018

(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 4th Street, Durant, Iowa 52747.

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

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

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

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 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 classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the capital projects function prior to amending the budget.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2018 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. 72.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 330,000	77,545	72,000	20,721	402,000	98,266
2020	335,000	70,120	74,000	18,958	409,000	89,078
2021	340,000	62,595	76,000	17,141	416,000	79,736
2022	350,000	54,895	78,000	15,276	428,000	70,171
2023	355,000	47,695	79,000	13,363	434,000	61,058
2024-2028	1,210,000	147,600	348,000	36,620	1,558,000	184,220
2029-2033	410,000	22,688	27,000	7,710	437,000	30,398
Total	\$ 3,330,000	483,138	754,000	129,789	4,084,000	612,927

General Obligation 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, 2018, the City paid principle of \$55,000 and interest of \$7,875 on the bonds.

On July 15, 2015, the City issued \$1,030,000 of general obligation bonds to finance a new storm sewer system and miscellaneous other projects. The bonds bear interest at rates ranging from 2.00% to 2.40% per annum and mature in the year ending June 30, 2023. During the year ended June 30, 2018, the City paid principle of \$165,000 and interest of \$11,220 on the bonds.

On March 15, 2016, the City issued \$2,900,000 in general obligation corporate purpose bonds to finance the reconstruction of 8th Street. The bonds bear interest at rates ranging from 2.00% to 2.75% per annum and mature in the year ending June 30, 2031. During the year ended June 30, 2018, the City paid principle of \$100,000 and interest of \$65,675 on the bonds.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$182,000 of water revenue notes issued in August 2011 and \$716,000 issued April 2017. Proceeds from the notes provided financing for the purchase of new water meters and the construction of a new water tower. The notes are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the notes are expected to require 73% of net receipts. The total principal and interest remaining to be paid on the notes is \$883,789. For the current year, principal and interest paid and total customer net receipts were \$90,396 and \$124,027, respectively.

The resolutions providing for the issuance of the water revenue notes include 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 principle and interest on the notes.
- (b) The notes will only be redeemed from the future earnings of the water system of the City and the note holders hold a lien on the future earnings of the fund.
- (c) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principle and interest payments when due.

Sewer Revenue Notes

On June 30, 2017, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$6,446,441 of sewer revenue bonds with interest at .75% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee. At June 30, 2018, the City had drawn \$6,357,097 on the bond. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of certain wastewater treatment facilities and undertaking certain water resource restoration projects. An initiation fee of .50% of the authorized borrowing for the sewer revenue bonds was charged by the Iowa Finance Authority and was withheld from the first proceeds of the sewer revenue bonds drawn. The bonds are payable solely from sewer customer net receipts and the City has pledged future sewer customer receipts, net of specified operating disbursements to repay the bonds. A repayment schedule has not yet been adopted for these notes.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise, Sewer Fund for the purpose of making the note principle and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

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, 2018, the City paid the final payment of principal of \$106,000 and interest of \$2,385 on the loan.

(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2018 totaled \$52,995.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$369,968 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City’s proportion was 0.005554%, which was a decrease of 0.000188% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$65,733, \$184,102 and \$106,123, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 700,585	369,968	92,282

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(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. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members is \$376 for single and each family member covered. For the year ended June 30, 2018, the City contributed \$158,120 and plan members eligible for benefits contributed \$8,322 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	8
Total	<u>8</u>

(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, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 62,000
Compensatory time	6,000
Personal leave	20,000
Total	<u>\$ 88,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Urban Renewal Tax Increment	\$ 2,664
General	Business type funds Water	50
	Sewer	166
Special Revenue: Fire Department	General	45,701
Employee Benefits	General	83,675
Total		<u>\$ 132,256</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 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.

(9) Development Agreement/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, 2018.

During the year ended June 30, 2018, the City rebated \$87,946 of incremental property tax to the developer. The total cumulative principle amount rebated on the agreement is \$1,161,724 at June 30, 2018. The outstanding balance on the agreement at June 30, 2018 was approximately \$988,000.

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 \$65,538 payable in the succeeding year on the agreement is subject to the City's constitutional debt limitation.

(10) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2018, the City abated \$32,674 of property tax under the urban renewal and economic development agreements.

(11) Commitments

The City has entered into construction contracts totaling \$1,676,795 for sewer, water, and street construction projects. As of June 30, 2018, costs of \$1,145,382 have been paid on the contracts. The remaining \$531,413 will be paid as work on the projects progresses.

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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,136,363	-	1,136,363
Tax increment financing	90,521	-	90,521
Other city tax	149,407	-	149,407
Licenses and permits	73,738	-	73,738
Use of money and property	47,665	13,528	61,193
Intergovernmental	394,806	-	394,806
Charges for service	151,423	990,361	1,141,784
Special assessments	12,326	-	12,326
Miscellaneous	146,661	14,602	161,263
Total receipts	2,202,910	1,018,491	3,221,401
Disbursements:			
Public safety	502,461	-	502,461
Public works	509,419	-	509,419
Culture and recreation	405,624	-	405,624
Community and economic development	167,906	-	167,906
General government	236,944	-	236,944
Debt service	514,755	-	514,755
Capital projects	52,896	-	52,896
Business type activities	-	2,319,721	2,319,721
Total disbursements	2,390,005	2,319,721	4,709,726
Excess (deficiency) of receipts over (under) disbursements	(187,095)	(1,301,230)	(1,488,325)
Other financing sources, net	1,827	465,650	467,477
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(185,268)	(835,580)	(1,020,848)
Balances beginning of year	1,951,757	2,070,050	4,021,807
Balances end of year	\$ 1,766,489	1,234,470	3,000,959

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,153,788	1,133,878	2,485
90,610	90,610	(89)
223,515	206,197	(56,790)
14,190	26,490	47,248
38,148	95,795	(34,602)
363,383	378,167	16,639
1,031,700	1,037,651	104,133
10,000	10,809	1,517
81,760	143,429	17,834
<u>3,007,094</u>	<u>3,123,026</u>	<u>98,375</u>
569,017	565,650	63,189
567,931	597,095	87,676
448,047	479,330	73,706
157,164	203,164	35,258
234,877	295,953	59,009
513,855	515,105	350
-	225,000	172,104
<u>2,092,752</u>	<u>2,768,693</u>	<u>448,972</u>
<u>4,583,643</u>	<u>5,649,990</u>	<u>940,264</u>
(1,576,549)	(2,526,964)	1,038,639
-	113,105	354,372
(1,576,549)	(2,413,859)	1,393,011
<u>3,375,044</u>	<u>3,375,044</u>	<u>646,763</u>
<u>1,798,495</u>	<u>961,185</u>	<u>2,039,774</u>

City of Durant

Notes to Other Information – Budgetary Reporting

June 30, 2018

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise 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, two budget amendments decreased budgeted disbursements by \$126,083. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the capital projects function prior to the budget amendment.

City of Durant

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.005554%	0.005742%	0.004008%	0.003139%
City's proportionate share of the net pension liability	\$ 370	361	198	124
City's covered payroll	\$ 572	576	465	419
City's proportionate share of the net pension liability as a percentage of its covered payroll	64.69%	62.67%	42.58%	29.59%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Durant

Schedule of City Contributions

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

Other Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 53	52	53	43
Contributions in relation to the statutorily required contribution	(53)	(52)	(53)	(43)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 575	572	576	465
Contributions as a percentage of covered payroll	9.22%	9.09%	9.20%	9.25%

See accompanying independent auditor's report.

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.

2014	2013	2012
39	34	32
(39)	(34)	(32)
-	-	-
419	372	368
9.31%	9.14%	8.70%

City of Durant

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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 (unfunded actuarial liability) beginning June 30, 2015. 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.

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, 2018

	Special Revenue		
	Employee Benefits	Public Safety	Memorial Feldham Flower
Receipts:			
Property tax	\$ 91,403	-	-
Intergovernmental	4,752	-	-
Total receipts	96,155	-	-
Disbursements:			
Operating:			
Public safety	93,283	114	-
Public works	40,208	-	-
Cultures and recreation	24,025	-	-
General government	22,282	-	59
Capital projects	-	-	-
Total disbursements	179,798	114	59
Excess (deficiency) of receipts over (under) disbursements	(83,643)	(114)	(59)
Other financing uses:			
Transfers in	83,675	-	-
Change in cash balances	32	(114)	(59)
Cash balances beginning of year	-	338	1,035
Cash balances end of year	\$ 32	224	976
Cash Basis Fund Balances			
Restricted for:			
Capital projects	-	-	-
Other purposes	32	224	976
Total cash basis fund balances	\$ 32	224	976

See accompanying independent auditor's report.

Capital Projects	Total
-	91,403
-	4,752
-	96,155
-	93,397
-	40,208
-	24,025
-	22,341
52,896	52,896
52,896	232,867
(52,896)	(136,712)
-	83,675
(52,896)	(53,037)
460,924	462,297
408,028	409,260
408,028	408,028
-	1,232
408,028	409,260

City of Durant
 Schedule of Indebtedness
 Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate Purpose	Apr 15, 2011	0.85-3.50%	\$ 530,000
Corporate Purpose	Jul 15, 2015	2.00-2.40	1,030,000
Corporate Purpose	Mar 15, 2016	2.00-2.75	2,900,000
Total			
Revenue notes:			
Water	Aug 12, 2011	3.00%	\$ 182,000
Water	Apr 27, 2017	2.40	716,000
Sewer	Jun 30, 2017	.75	* 6,357,097
Total			
Loan agreement:			
Police station	Dec 10, 2014	2.25%	\$ 300,000

* The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
225,000	-	55,000	170,000	7,875	-
540,000	-	165,000	375,000	11,220	-
2,885,000	-	100,000	2,785,000	65,675	-
<u>\$ 3,650,000</u>	<u>-</u>	<u>320,000</u>	<u>3,330,000</u>	<u>84,770</u>	<u>-</u>
107,000	-	6,000	101,000	3,210	-
716,000	-	63,000	653,000	18,186	-
6,202,000	465,866	299,000	5,809,656	52,021	-
<u>\$ 7,025,000</u>	<u>465,866</u>	<u>368,000</u>	<u>6,563,656</u>	<u>73,417</u>	<u>-</u>
<u>\$ 106,000</u>	<u>-</u>	<u>106,000</u>	<u>-</u>	<u>2,385</u>	<u>-</u>

City of Durant

City of Durant
Bond and Note Maturities
June 30, 2018

General Obligation								
Year Ending June 30,	Corporate Purpose Issued Apr 15, 2011		Corporate Purpose Issued Jul 15, 2015		Corporate Purpose Issued Mar 15, 2016		Total	
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2019	3.50%	\$ 55,000	2.00%	\$ 170,000	2.00%	\$ 105,000	330,000	
2020	3.50	55,000	2.00	50,000	2.00	230,000	335,000	
2021	3.50	60,000	2.00	50,000	2.00	230,000	340,000	
2022		-	2.00	50,000	2.00	300,000	350,000	
2023		-	2.40	55,000	2.00	300,000	355,000	
2024		-		-	2.00	230,000	230,000	
2025		-		-	2.50	235,000	235,000	
2026		-		-	2.50	240,000	240,000	
2027		-		-	2.50	250,000	250,000	
2028		-		-	2.50	255,000	255,000	
2029		-		-	2.75	135,000	135,000	
2030		-		-	2.75	135,000	135,000	
2031		-		-	2.75	140,000	140,000	
Total		<u>\$170,000</u>		<u>\$ 375,000</u>		<u>\$ 2,785,000</u>	<u>3,330,000</u>	

Revenue Notes						
Year Ending June 30,	Water Issued Aug 12, 2011		Water Issued Apr 27, 2017		Total	
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2019	3.00%	\$ 6,000	2.40%	\$ 66,000	72,000	
2020	3.00	7,000	2.40	67,000	74,000	
2021	3.00	7,000	2.40	69,000	76,000	
2022	3.00	7,000	2.40	71,000	78,000	
2023	3.00	7,000	2.40	72,000	79,000	
2024	3.00	7,000	2.40	74,000	81,000	
2025	3.00	8,000	2.40	76,000	84,000	
2026	3.00	8,000	2.40	78,000	86,000	
2027	3.00	8,000	2.40	80,000	88,000	
2028	3.00	9,000		-	9,000	
2029	3.00	9,000		-	9,000	
2030	3.00	9,000		-	9,000	
2031	3.00	9,000		-	9,000	
Total		<u>\$ 101,000</u>		<u>\$ 653,000</u>	<u>754,000</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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

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 present 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, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2019. The financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed qualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance of July 1, 2017. 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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

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 which 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 Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

May 20, 2019

City of Durant
Schedule of Findings
Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – 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 documentation of independent review of journal entries.
- (2) Cash – preparing bank account reconciliations, performing cash receipt and disbursement functions and handling and recording cash.
- (3) Receipts – opening mail, collecting, depositing and recording. There is no evidence of independent review of receipt coding. Also an initial listing of mail receipts is not prepared and traced to the system by an independent person.
- (4) Utility receipts – billing, collecting, depositing, recording and reconciling, and entering rates in the system.
- (5) Payroll – recordkeeping, preparing, distributing and entering hourly rates into the payroll system.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. These reviews should be performed by independent persons and documented by the signature or initials of the reviewer and the date of the review.

City of Durant

Schedule of Findings

Year ended June 30, 2018

Response – The City will discuss Council members, staff, and the City Treasurer options to have more oversight and more active role from an elected member and or the Treasurer for payroll review and entering journal entries. This may mean changing pay periods and pay dates to allow for more time for review. We will also discuss the need for a documented independent review of bank reconciliations and utility rates entered into the system. We will also continue to look for ways to segregate duties related to cash, receipts and data input and output and custody of assets. The City Clerk will be requesting the Council to consider adding a part time person can also help with oversight and independent review in addition to City Treasurer, Mayor and Council.

Conclusion – Response accepted.

(B) Community Center Contracts

Criteria – The City rents out the Community Center to the public for personal events using two types of contracts, wedding and non-wedding contracts. Both contracts also allow for concession requests to be added to the overall fees for the event.

Condition – For 3 of the 5 contracts tested, the contract did not include concession requests for which receipts were collected.

Cause – The City has not established proper procedures to ensure all contracts are reviewed for accuracy and completeness.

Effect – Incomplete contract pricing increases the risk that the City may not recover all costs associated with Community Center rentals.

Recommendation – The City should ensure the Community Center rental contracts include all concession requests for each event to support the total owed to the City for each contract.

Response – The City will review receipts for contracts and ensure concession requests are paid for. The City will consider updating contract language to allow for payment plan with total due paid a week before event. (We are receiving full payments for rents and concessions, although some parties are making monthly payments.)

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Durant
 Schedule of Findings
 Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2018, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. 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 – City staff are working with another City to prepare more detailed records concerning capital projects progress and payments. Staff will reconcile the project expenses weekly with the budgeted amounts and prepare amendments whenever it is estimated to exceed budgeted amounts, especially projects that carry over from one fiscal year to another.

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
Scott Spengler, Mayor, Owner Spengler Auto Repair	Batteries, services	\$ 1,437

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

- (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 – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

Certain transfers were not authorized through the approved budget or approved by the City Council and listed in the minutes record.

Recommendation – The City should ensure that all transfers are properly approved in the adopted budget or the recorded minutes.

City of Durant

Schedule of Findings

Year ended June 30, 2018

Response – The transfer was from one checking account at the bank to another checking account. City staff thought it was considered cash. Staff will prepare a resolution for City Council approval from now on whenever any cash is transferred at the bank from one account to another.

Conclusion – Response acknowledged. The transfers in question were interfund transfers, not transfers between bank accounts. The City should ensure all interfund transfers are properly approved in the adopted budget or in the recorded City Council minutes.

- (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 and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- (9) 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.
- (10) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement as provided in the Code section. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

During the year ended June 30, 2018, the City transferred \$2,664 from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund to reimburse the General Fund for utility fees in the urban renewal area. These costs do not represent TIF indebtedness and, accordingly, are not allowable uses of tax increment financing receipts in accordance with Chapter 403.19 of the Code of Iowa.

Recommendation – The City should reimburse the TIF Fund from the General Fund. The City should also consult TIF counsel to determine if utility fees are an allowable “urban renewal project” as defined by Chapter 403.19(25) of the Code of Iowa. If the disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – We are consulting with John Danos, Dorsey & Whitney, legal counsel, concerning this use of TIF dollars. We will research the history of the Urban Renewal Area and seek to find the best solution for this issue.

Conclusion – Response accepted.

City of Durant

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Mark D. Newhall, Senior Auditor
Nicole L. Roethlisberger, Senior Auditor
Crystal D. Jimenez-Boender, Staff Auditor