

Durant Municipal Electric Utility

**INDEPENDENT ACCOUNTANT'S
EXAMINATION REPORT**

**FOR THE PERIOD
January 1, 2014 Through December 31, 2014**

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DURANT MUNICIPAL ELECTRIC UTILITY
Durant, Iowa
Officials

BOARD OF TRUSTEES

NAME	TITLE	TERM EXPIRES
David Paustian	Board Member	December 31, 2019
Brad Mumm	Board Member	December 31, 2015
Dave Krohn	Board Member	December 31, 2017

OFFICIALS

NAME	TITLE
Tamara R. Allison	General Manager
Joel Meincke	Superintendent

HUCKFELDT & SMITH

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIABILITY COMPANY

Randy L. Linn, CPA
David A. Schebler, CPA
Randall B. Sovey, CPA

Independent Accountant's Examination Report

To The Board of Trustees
Durant Municipal Electric Utility

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa entities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Durant Municipal Electric Utility for the period January 1, 2014 through December 31, 2014. The Durant Municipal Electric Utility's management, which agreed to the performance of the procedures performed, is responsible for the Utility's records.

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

The procedures we performed are summarized as follows:

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

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

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

We were not engaged to and did not conduct an audit of the operations of the Durant Municipal Electric Utility, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the Utility's financial statements. Had we performed additional procedures, or had we performed an audit of the Durant Municipal Electric Utility, additional matters might have come to our attention that would have been reported to you.

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

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


Heather H. Smith
Huckfeldt & Smith P.L.C.

July 6, 2015

Detailed Recommendations

Durant Municipal Electric Utility

Detailed Recommendations

For the Period January 1, 2014 Through December 31, 2014

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

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

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

(B) Deposits and Investments – The Utility has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Board should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Durant Municipal Electric Utility

Detailed Recommendations

For the Period January 1, 2014 Through December 31, 2014

- (C) Accounting Procedures Manual – We encourage the development of office procedures and standardized accounting manuals for the Utility. In addition, we encourage obtaining or developing user manuals/help guides for the accounting software the Utility utilizes. These manuals and guides would provide the following benefits:
- (1) Aid in training additional or replacement personnel.
 - (2) Help achieve uniformity in accounting and in the application of policies and procedures.
 - (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
 - (4) Ensure utility accounts are appropriately utilized.
 - (5) Improve the efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

Recommendation – Office procedures and accounting manuals should be developed or obtained.