



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

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Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 29, 2017

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Evansdale Water Works, Evansdale, Iowa.

The Water Works' receipts totaled \$1,026,384 for the year ended June 30, 2016. The receipts included \$363,340 of charges for services, \$71,583 of miscellaneous operating receipts, \$3,162 of interest on investments, \$36,035 of rental income, \$153,933 of bond proceeds and \$398,331 of sewer, garbage and storm water fees collected for the City of Evansdale.

Disbursements for the year ended June 30, 2016 totaled \$841,242, including operating disbursements of \$333,792, capital outlay of \$109,119 and \$398,331 of sewer, garbage and storm water fees remitted to the City of Evansdale.

A copy of the audit report is available for review in the office of the Evansdale Water Works, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1623-0049-B00F>.

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EVANSDALE WATER WORKS
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

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Evansdale Water Works

Officials

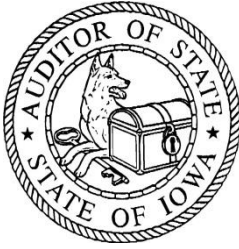
(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sharon K. Loftus	Trustee	Jan 2016
Chad Borwig	Trustee	Jan 2018
Dona R. Frickson	Trustee	(Resigned Aug 2015)
Cecil A. Azbill (Appointed Aug 2015)	Trustee	Jan 2020
Sandra E. Clements	Office Manager	Indefinite
Charlotte A. White	Office Clerk	Indefinite
Patrick Galles	Attorney	Jan 2016

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chad Borwig	Trustee	Jan 2018
Cecil A. Azbill	Trustee	Jan 2020
Sharon K. Loftus	Trustee	Jan 2022
Sandra E. Clements	Office Manager	Indefinite
Charlotte A. White	Office Clerk	Indefinite
Patrick Galles	Attorney	Jan 2018

Evansdale Water Works



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Independent Auditor's Report

To the Board of Trustees of the Evansdale Water Works:

Report on the Financial Statement

We have audited the accompanying financial statement of the Evansdale Water Works, as of and for the year ended June 30, 2016, and the related Notes to Financial Statement listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water Works' preparation and fair presentation of the financial statement 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 Water Works' 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Evansdale Water Works as of June 30, 2016, and the 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, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is 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 statement. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statement. 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 statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the Water Works' Proportionate Share of the Net Pension Liability and the Schedule of Water Works' Contributions on pages 20 through 26, has not been subjected to the auditing procedures applied in the audit of the basic financial statement 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 June 22, 2017 on our consideration of the Evansdale Water Works' 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 Evansdale Water Works' internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

June 22, 2017

Basic Financial Statement

Evansdale Water Works

Evansdale Water Works

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the year ended June 30, 2016

Operating receipts:	
Charges for service	\$ 363,340
Miscellaneous	71,583
Total operating receipts	434,923
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	114,326
Distribution operation and maintenance	33,883
Administration	185,583
Total operating disbursements	333,792
Excess of operating receipts over operating disbursements	101,131
Non-operating receipts (disbursements):	
Interest on investments	3,162
Property rent	36,035
Sewer, garbage and storm water fees collected for the City	398,331
Sewer, garbage and storm water fees remitted to the City	(398,331)
Bond proceeds from the City	153,933
Capital outlay	(109,119)
Net non-operating receipts (disbursements)	84,011
Excess of receipts over disbursements	185,142
Transfers to the City for debt service	(72,192)
Change in cash balance	112,950
Cash balance beginning of year	537,444
Cash balance end of year	\$ 650,394
Cash Basis Fund Balance	
Restricted for customer deposits	90,543
Restricted for capital projects	60,538
Unrestricted	499,313
Total cash basis fund balance	\$ 650,394

See notes to financial statements.

Evansdale Water Works

Evansdale Water Works

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Evansdale Water Works is a component unit of the City of Evansdale, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Water Works is governed by a three-member Board of Trustees appointed by the Mayor and then approved by the City Council, which exercises oversight responsibility under this criteria.

B. Basis of Presentation

The accounts of the Water Works are organized as an Enterprise Fund. Enterprise funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise 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 an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

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

D. Restricted Cash Basis Fund Balance

Funds set aside for customer deposits are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The Water Works deposits in banks at June 30, 2016 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 Water Works 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 Board of Trustees; 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 Water Works had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Water Works, except for those covered by another retirement system. Employees of the Water Works 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, 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.

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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Water Works contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Water Works' contributions to IPERS for the year ended June 30, 2016 totaled \$12,063.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Water Works reported a liability of \$80,988 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Water Works' proportion was 0.001639%, which was a decrease of 0.00010% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Water Works' pension expense, deferred outflows of resources and deferred inflows of resources totaled \$7,515, \$17,650 and \$22,270, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 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 geometric 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
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 Water Works 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 Water Works' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Water Works' proportionate share of the net pension liability	\$ 150,868	80,988	22,016

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.

(4) Other Postemployment Benefits (OPEB)

Plan Description – The City of Evansdale operates a single-employer health benefit plan in which the Water Works participates. The plan provides medical/prescription drug benefits for employees, retirees and their spouses. The Water Works has 3 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 Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City of Evansdale. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Water Works and plan members are \$441 for single coverage, \$834 for employee plus child coverage, \$903 for employee plus spouse coverage and \$1,353 for family coverage. For the year ended June 30, 2016, the Water Works contributed \$11,982 and plan members eligible for benefits contributed \$1,500 to the plan.

(5) Compensated Absences

Water Works employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Water Works until used or paid. The Water Works' approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2016, is as follows:

Type of Benefit	Amount
Vacation	\$ 11,000
Compensatory time	1,000
Sick leave	9,000
Total	<u>\$ 21,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

(6) Transfers

The detail of transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
City of Evansdale: Debt Service	Enterprise: Water Operating	<u>\$ 72,192</u>

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

(7) Risk Management

The Water Works is included under the insurance for the City of Evansdale. The City of Evansdale is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Waterworks' property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Water Works' contributions to the Pool for the year ended June 30, 2016 were \$6,587.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the member's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the member's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Water Works is also included under the City of Evansdale's commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000 respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) New Accounting Pronouncement

The Evansdale Water Works adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statement. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statement.

Evansdale Water Works

Other Information

Evansdale Water Works
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balance –
 Budget and Actual (Cash Basis)

Other Information

Year ended June 30, 2016

	Actual	Less Amounts not Required to be Budgeted	Net
Receipts:			
Use of money and property	\$ 39,197	-	39,197
Charges for service	761,671	398,331	363,340
Miscellaneous	71,583	-	71,583
Total receipts	872,451	398,331	474,120
Disbursements:			
Business type activities	841,242	398,331	442,911
Excess of receipts over disbursements	31,209	-	31,209
Other financing sources, net	81,741	-	81,741
Change in cash balance	112,950	-	112,950
Cash balance beginning of year	537,444	-	537,444
Cash balance end of year	\$ 650,394	-	650,394

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
38,500	38,500	697
355,800	355,800	7,540
65,225	65,225	6,358
459,525	459,525	14,595
455,075	779,359	336,448
4,450	(319,834)	351,043
-	155,000	(73,259)
4,450	(164,834)	277,784
385,338	537,443	1
389,788	372,609	277,785

Evansdale Water Works

Notes to Other Information – Budgetary Reporting

June 30, 2016

The Evansdale Water Works prepares a budget on the cash basis of accounting for all funds except sewer, garbage and storm water fees collected for and remitted to the City and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes the Water Works, on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions, not by fund. The Water Works' disbursements are budgeted in the business type activities function. During the year the Water Works adopted one budget amendment, increasing budgeted disbursements by \$324,284.

During the year ending June 30, 2016, disbursements did not exceed the amount budgeted.

Evansdale Water Works

Schedule of the Water Works' Proportionate Share of the Net Pension Liability

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

Other Information

	<u>2016</u>
Water Works' proportion of the net pension liability	0.001639%
Water Works' proportionate share of the net pension liability	\$ 81
Water Works' covered-employee payroll	\$ 130
Water Works' proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.31%
IPERS' net position as a percentage of the total pension liability	85.19%

* 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.

Evansdale Water Works

Evansdale Water Works
Schedule of Water Works Contributions
Iowa Public Employees' Retirement System
For the Last Fiscal Year
(In Thousands)

Other Information

	<u>2016</u>
Statutorily required contribution	\$ 12,063
Contributions in relation to the statutorily required contribution	<u>(12,063)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Water Works' covered-employee payroll	\$ 133,685
Contributions as a percentage of covered-employee payroll	9.02%

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 Water Works will present information for those years for which information is available.

See accompanying independent auditor's report.

Evansdale Water Works

Notes to Other Information – Pension Liability

Year ended June 30, 2016

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.

Legislative action in 2008 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.

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% 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 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 future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

Evansdale Water Works
Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Balance
Enterprise Fund Accounts

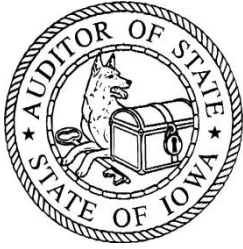
As of and for the year ended June 30, 2016

	Water Operating	Water Deposits	Sewer Deposits	Garbage Deposits
Operating receipts:				
Charges for service:				
Sale of water	\$ 346,062	-	-	-
Service fees	5,004	-	-	-
Water tower fees	1,474	-	-	-
Sewer and solid waste billing fees	10,800	-	-	-
	<u>363,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous:				
Sales tax	25,517	-	-	-
Penalties	4,796	-	-	-
Customer deposits	-	10,309	10,393	7,115
Meter sales	10,412	-	-	-
Miscellaneous	3,041	-	-	-
	<u>43,766</u>	<u>10,309</u>	<u>10,393</u>	<u>7,115</u>
Total operating receipts	<u>407,106</u>	<u>10,309</u>	<u>10,393</u>	<u>7,115</u>
Operating disbursements:				
Business type activities:				
Plant operation and maintenance:				
Personal services	73,558	-	-	-
Services and commodities	40,768	-	-	-
	<u>114,326</u>	<u>-</u>	<u>-</u>	<u>-</u>
Distribution operation and maintenance:				
Personal services	21,748	-	-	-
Services and commodities	12,135	-	-	-
	<u>33,883</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administration:				
Personal services	110,659	-	-	-
Contractual services	-	8,796	8,426	5,355
Services and commodities	52,347	-	-	-
	<u>163,006</u>	<u>8,796</u>	<u>8,426</u>	<u>5,355</u>
Total operating disbursements	<u>311,215</u>	<u>8,796</u>	<u>8,426</u>	<u>5,355</u>
Excess of operating receipts over operating disbursements	<u>95,891</u>	<u>1,513</u>	<u>1,967</u>	<u>1,760</u>
Non-operating receipts (disbursements):				
Interest on investments	3,162	-	-	-
Property rent	36,035	-	-	-
Sewer fees collected for the City	-	-	-	-
Garbage fees collected for the City	-	-	-	-
Storm water fees collected for the City	-	-	-	-
Sewer fees remitted to the City	-	-	-	-
Garbage fees remitted to the City	-	-	-	-
Storm water fees remitted to the City	-	-	-	-
Bond proceeds from the City	153,933	-	-	-
Capital outlay	(109,119)	-	-	-
Total non-operating receipts (disbursements)	<u>84,011</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	<u>179,902</u>	<u>1,513</u>	<u>1,967</u>	<u>1,760</u>
Transfers to the City for debt service	<u>(72,192)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	107,710	1,513	1,967	1,760
Cash balances beginning of year	452,141	34,174	31,770	19,359
Cash balances end of year	<u>\$ 559,851</u>	<u>35,687</u>	<u>33,737</u>	<u>21,119</u>

See accompanying independent auditor's report.

Sewer Collections	Garbage Collections	Storm Water Collections	Total
-	-	-	346,062
-	-	-	5,004
-	-	-	1,474
-	-	-	10,800
-	-	-	363,340
-	-	-	25,517
-	-	-	4,796
-	-	-	27,817
-	-	-	10,412
-	-	-	3,041
-	-	-	71,583
-	-	-	434,923
-	-	-	73,558
-	-	-	40,768
-	-	-	114,326
-	-	-	21,748
-	-	-	12,135
-	-	-	33,883
-	-	-	110,659
-	-	-	22,577
-	-	-	52,347
-	-	-	185,583
-	-	-	333,792
-	-	-	101,131
-	-	-	3,162
-	-	-	36,035
242,003	-	-	242,003
-	145,824	-	145,824
-	-	10,504	10,504
(242,003)	-	-	(242,003)
-	(145,824)	-	(145,824)
-	-	(10,504)	(10,504)
-	-	-	153,933
-	-	-	(109,119)
-	-	-	84,011
-	-	-	185,142
-	-	-	(72,192)
-	-	-	112,950
-	-	-	537,444
-	-	-	650,394

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



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

To the Board of Trustees of the Evansdale Water Works:

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 statement of the Evansdale Water Works as of and for the year ended June 30, 2016, and the related Notes to Financial Statement, and have issued our report thereon dated June 22, 2017. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Evansdale Water Works' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Evansdale Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Evansdale Water Works' 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 material weakness.

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 Evansdale Water Works financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Evansdale Water Works financial statement is 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.

Comments involving statutory and other legal matters about the Water Works' operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Water Works. 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 Evansdale Water Works' Response to the Finding

The Evansdale Water Works' response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Water Works' response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 Water Works' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Water Works' 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 Evansdale Water Works 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

June 22, 2017

Evansdale Water Works

Schedule of Findings

Year ended June 30, 2016

Finding Related to the Financial Statement:

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 Water Works' financial statement.

Condition – Generally, one or two individuals have control over each of the following areas for the Water Works:

- (1) Cash – handling, reconciling and recording.
- (2) Bank reconciliation – preparing bank account reconciliations, handling cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
- (3) Receipts – opening mail, collecting, depositing, posting and reconciling.
- (4) Disbursements – check writing, signing and posting.
- (5) Compensated absences – no review by an independent person.
- (6) Utilities – no independent review of rates entered into the computer system.

Cause – The Water Works 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 Water Works' 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 – We realize segregation of duties is difficult with a limited number of office employees. However, the Water Works should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including officials. Independent reviews of reconciliations, compensated absences records and utility rates entered into the computer system should be documented by the signature or initials of the independent reviewer and the date of the review.

Evansdale Water Works

Schedule of Findings

Year ended June 30, 2016

Response – I will prepare several suggestions for the Board to review at their next meeting concerning ways to involve a Board member in reviewing reconciliations and signing/dating them. Daily activities such as utility receipting and bank deposits will be reviewed to see where steps can be segregated more and also be signed off on for documentation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Evansdale Water Works

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – The budget certified by the City of Evansdale includes an amount for the Evansdale Water Works. Disbursements during the year ended June 30, 2016 did not exceed the amount budgeted.
- (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 Water Works money for travel expenses of spouses of Water Works officials or employees were noted.
- (4) Business Transactions – No business transactions between the Water Works and Water Works officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of Water Works officials and employees is carried by the City of Evansdale in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board 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 Water Works’ investment policy were noted.

Evansdale Water Works

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Jenny M. Podrebarac, Senior Auditor II
Eileen D. Loomis, Staff Auditor
Jacob N. Bennett, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State