



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE February 13, 2003

Contact: Andy Nielsen
515/281-5515

The Office of Auditor of State today released an audit report on the Evansdale Municipal Waterworks, Evansdale, Iowa.

The Waterworks' receipts totaled \$815,471 for the year ended June 30, 2002, an eleven percent increase from 2001. The receipts included \$701,549 in charges for service and \$20,941 in interest on investments. The increase in receipts is due to an increase in sewer rates.

Disbursements for the year totaled \$876,598, a forty-eight percent decrease from the prior year, and included \$486,479 for operations and \$390,119 for sewer rental and solid waste collection fees remitted to the City of Evansdale. The decrease in disbursements is due to the substantial completion of the water tower construction project in the prior year.

A copy of the audit report is available for review in the office of the Auditor of State and the Waterworks' office.

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EVANSDALE MUNICIPAL WATERWORKS
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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Evansdale Municipal Waterworks

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------------|--------------------------------|---------------------|
| (Before January 2002) | | |
| Willard C. Dale | Trustee | Dec 31, 2001 |
| Cecil A. Azbill, Jr. | Trustee | Dec 31, 2003 |
| Danton G. Burkett | Trustee | Dec 31, 2005 |
| Bennie L. Johnson | Plant and Distribution Foreman | Indefinite |
| Judy L. Derifield | Secretary | (Resigned) |
| Sandra E. Clements (Appointed) | Secretary | Indefinite |
| Eugene Edler | Treasurer | Indefinite |
| Pat Galles | Attorney | Indefinite |
| (After January 2002) | | |
| Cecil A. Azbill, Jr. | Trustee | Dec 31, 2003 |
| Danton G. Burkett | Trustee | Dec 31, 2005 |
| Carol Erickson | Trustee | Dec 31, 2007 |
| Bennie L. Johnson | Plant and Distribution Foreman | Indefinite |
| Sandra E. Clements | Secretary | Indefinite |
| Eugene Edler | Treasurer | Indefinite |
| Pat Galles | Attorney | Indefinite |

Evansdale Municipal Waterworks



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Independent Auditor's Report

To the Board of Trustees of the
Evansdale Municipal Waterworks:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Evansdale Municipal Waterworks, Evansdale, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of Evansdale Municipal Waterworks' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in note 1, the financial statements of the Evansdale Municipal Waterworks are intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Evansdale that is attributable to the transactions of the Waterworks.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the Evansdale Municipal Waterworks as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2003 on our consideration of the Evansdale Municipal Waterworks' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included on Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 3, 2003

Evansdale Municipal Waterworks

Financial Statements

Evansdale Municipal Waterworks

Evansdale Municipal Waterworks
Combined Statement of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

| | <u>Proprietary Fund Type Enterprise</u> |
|--|---|
| Receipts: | |
| Use of money and property | \$ 33,319 |
| Charges for service | 701,549 |
| Miscellaneous | 80,603 |
| Total receipts | <u>815,471</u> |
| Disbursements: | |
| Home and Community Environment Program | 486,479 |
| Non-program | 390,119 |
| Total disbursements | <u>876,598</u> |
| Deficiency of receipts under disbursements | (61,127) |
| Balance beginning of year | <u>588,019</u> |
| Balance end of year | <u>\$ 526,892</u> |

See notes to financial statements.

Evansdale Municipal Waterworks

Comparison of Receipts, Disbursements and Changes in Balances -
Actual to Budget

Year ended June 30, 2002

| | <u>Actual</u> |
|--|-------------------|
| Receipts: | |
| Use of money and property | \$ 33,319 |
| Charges for service | 701,549 |
| Miscellaneous | 80,603 |
| Total receipts | <u>815,471</u> |
| Disbursements: | |
| Home and Community Environment Program | 486,479 |
| Non-program | <u>390,119</u> |
| Total disbursements | <u>876,598</u> |
| Deficiency of receipts under disbursements | (61,127) |
| Balance beginning of year | <u>588,019</u> |
| Balance end of year | <u>\$ 526,892</u> |

See notes to financial statements.

| Less Funds not Required to be Budgeted | Net | Budget | Variable Favorable (Unfavorable) | Net as % of Budget |
|---|----------------|----------------|---|-----------------------------------|
| - | 33,319 | 32,526 | 793 | 102% |
| 390,119 | 311,430 | 307,273 | 4,157 | 101% |
| - | 80,603 | 64,851 | 15,752 | 124% |
| <u>390,119</u> | <u>425,352</u> | <u>404,650</u> | <u>20,702</u> | <u>105%</u> |
| - | 486,479 | 581,020 | 94,541 | 84% |
| 390,119 | - | - | - | - |
| <u>390,119</u> | <u>486,479</u> | <u>581,020</u> | <u>94,541</u> | <u>84%</u> |
| - | (61,127) | (176,370) | | |
| - | 588,019 | 289,945 | | |
| <u>-</u> | <u>526,892</u> | <u>113,575</u> | | |

Evansdale Municipal Waterworks

Statement of Indebtedness

Year ended June 30, 2002

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---|---------------|----------------|--------------------------|
| Loan agreement (note 6): City of Evansdale | Mar 1, 1999 | 4.3 - 4.4% | \$ 1,200,000 |

See notes to financial statements.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 1,155,000 | - | 45,000 | 1,110,000 | 50,775 |

Evansdale Municipal Waterworks

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Evansdale Municipal Waterworks is a component unit of the City of Evansdale, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Waterworks is governed by a three member board of trustees appointed by the City Council, which exercises oversight responsibility under this criteria.

B. Fund Accounting

The accounts of the Waterworks are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balance. The various funds are classified as follows in the financial statements:

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

The Evansdale Municipal Waterworks maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Waterworks 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 Waterworks in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

(2) Cash and Pooled Investments

The Waterworks' deposits in banks at June 30, 2002 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The Waterworks' deposits in credit unions at June 30, 2002 were covered by federal depository insurance.

The Waterworks 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.

In addition, the Waterworks had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$117,446 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Pension and Retirement Systems

The Waterworks contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Waterworks is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Waterworks' contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$5,578, \$5,348 and \$5,581, respectively, equal to the required contributions for each year.

(4) Compensated Absences

Waterworks' employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave is payable when used or upon retirement. If paid upon retirement, the total accumulated banked hours are reduced by one-fourth, not to exceed 240 hours.

These accumulations are not recognized as disbursements by the Waterworks until used or paid. The Waterworks' approximate liability for earned compensated absences payable to employees at June 30, 2002, is as follows:

| Type of Benefit | Amount |
|-----------------|-----------------|
| Vacation | \$ 4,200 |
| Sick leave | <u>3,200</u> |
| Total | <u>\$ 7,400</u> |

This liability has been computed based on rates of pay in effect at June 30, 2002.

(5) Loans to the City of Evansdale

On January 17, 1995, the Waterworks Board of Trustees approved a loan to the City of Evansdale's Special Revenue Fund, East Heights Tax Increment Financing District for \$149,400. The loan bears no interest and is to be used for the sole purpose of constructing and engineering the Evansdale Drive Water Extension Project. The loan matures December 31, 2014 and is not subject to a predetermined payback schedule. Revenue from the Special Revenue Fund, East Heights Tax Increment Financing District will be used to repay the loan on a priority basis. During the year ended June 30, 2002, \$40,604 was received, and the outstanding loan balance at June 30, 2002 is \$5,465.

On March 5, 2002, the Waterworks Board of Trustees approved a loan to the City of Evansdale's Special Revenue Fund, Northwest Tax Increment Financing District for \$15,671. The loan bears 5% simple interest and is to be used for the sole purpose of constructing and engineering the Technology Drive Water System. The loan matures June 30, 2012 and is not subject to a predetermined payback schedule. Revenue from the Special Revenue Fund, Northwest Tax Increment Financing District will be used to repay the loan on a priority basis. During the year ended June 30, 2002, no payments were received on this loan.

(6) Loan from the City of Evansdale

On March 1, 1999, the Waterworks entered into a loan agreement with the City of Evansdale for \$1,200,000 to construct a water tower. The loan is to be repaid in sixteen (16) annual installments, including semi annual interest payments ranging from 4.30 percent to 4.40 percent per annum. Semi annual interest payments began December 1, 1999 and principal payments began June 1, 2001. The outstanding loan balance at June 30, 2002 is \$1,110,000.

(7) Risk Management

The Evansdale Municipal Waterworks 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Construction Commitment

The Waterworks entered into a construction contract in a prior year for a water tower project. Final completion of the project is expected during the year ending June 30, 2003. The contract balance of \$77,735 will be paid as work on the project progresses.

Supplemental Information

Evansdale Municipal Waterworks
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

| | General | Water Tower Project |
|---|----------------|---------------------------|
| Receipts: | | |
| Use of money and property: | | |
| Interest on investments | \$ 17,252 | 3,689 |
| Lease of property | 12,378 | - |
| | <u>29,630</u> | <u>3,689</u> |
| Charges for service: | | |
| Sale of water | 190,936 | - |
| Service fees | 3,753 | - |
| Installations and connections | 350 | - |
| Water tower fees | 108,581 | - |
| Solid waste collection fees | - | - |
| Sewer rental fees | - | - |
| Sewer and garbage billing charges | 7,810 | - |
| | <u>311,430</u> | <u>-</u> |
| Miscellaneous: | | |
| Sales tax collected | 14,983 | - |
| Penalties | 3,715 | - |
| Customer deposits | - | - |
| Meter sales | 1,483 | - |
| City loan payments | 40,604 | - |
| Miscellaneous | 4,600 | - |
| | <u>65,385</u> | <u>-</u> |
| Total receipts | <u>406,445</u> | <u>3,689</u> |
| Disbursements: | | |
| Home and Community Environment Program: | | |
| Administration: | | |
| Personal services | 70,440 | - |
| Contractual services | 37,465 | - |
| Commodities | 4,265 | - |
| | <u>112,170</u> | <u>-</u> |

| Water Meter Deposits | Sewer Rental Deposits | Solid Waste Deposits | Sewer Rental Collections | Solid Waste Collections | Total |
|----------------------------|-----------------------------|----------------------------|--------------------------------|-------------------------------|---------|
| - | - | - | - | - | 20,941 |
| - | - | - | - | - | 12,378 |
| - | - | - | - | - | 33,319 |
| - | - | - | - | - | 190,936 |
| - | - | - | - | - | 3,753 |
| - | - | - | - | - | 350 |
| - | - | - | - | - | 108,581 |
| - | - | - | - | 123,265 | 123,265 |
| - | - | - | 266,854 | - | 266,854 |
| - | - | - | - | - | 7,810 |
| - | - | - | 266,854 | 123,265 | 701,549 |
| - | - | - | - | - | 14,983 |
| - | - | - | - | - | 3,715 |
| 5,063 | 5,963 | 4,070 | - | - | 15,096 |
| - | - | - | - | - | 1,483 |
| - | - | - | - | - | 40,604 |
| 46 | 51 | 25 | - | - | 4,722 |
| 5,109 | 6,014 | 4,095 | - | - | 80,603 |
| 5,109 | 6,014 | 4,095 | 266,854 | 123,265 | 815,471 |
| - | - | - | - | - | 70,440 |
| 5,382 | 6,135 | 3,490 | - | - | 52,472 |
| - | - | - | - | - | 4,265 |
| 5,382 | 6,135 | 3,490 | - | - | 127,177 |

Evansdale Municipal Waterworks
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

| | General | Water Tower Project |
|---|-------------------|---------------------------|
| Disbursements (continued): | | |
| Home and Community Environment Program: | | |
| Plant and collection: | | |
| Personal services | 68,833 | - |
| Contractual services | 18,682 | - |
| Commodities | 7,464 | - |
| | <u>94,979</u> | <u>-</u> |
| Capital outlay | <u>100,758</u> | <u>49,363</u> |
| Debt service: | | |
| Principal payments on loan from City of Evansdale | 45,000 | - |
| Interest payments on loan from City of Evansdale | 50,775 | - |
| Professional fees | 151 | - |
| | <u>95,926</u> | <u>-</u> |
| Distribution: | | |
| Personal services | 7,989 | - |
| Contractual services | 1,694 | - |
| Commodities | 8,593 | - |
| | <u>18,276</u> | <u>-</u> |
| | <u>422,109</u> | <u>49,363</u> |
| Non-program: | | |
| Solid waste collection fees remitted to City | - | - |
| Sewer rental fees remitted to City | - | - |
| | <u>-</u> | <u>-</u> |
| Total disbursements | <u>422,109</u> | <u>49,363</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(15,664)</u> | <u>(45,674)</u> |
| Other financing sources (uses): | | |
| Operating transfers in (out): | | |
| General | - | 52,000 |
| Water Tower Project | (52,000) | - |
| Total other financing sources (uses) | <u>(52,000)</u> | <u>52,000</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (67,664) | 6,326 |
| Balance beginning of year | <u>474,736</u> | <u>38,098</u> |
| Balance end of year | <u>\$ 407,072</u> | <u>44,424</u> |

See accompanying independent auditor's report.

| Water Meter Deposits | Sewer Rental Deposits | Solid Waste Deposits | Sewer Rental Collections | Solid Waste Collections | Total |
|----------------------------|-----------------------------|----------------------------|--------------------------------|-------------------------------|----------|
| - | - | - | - | - | 68,833 |
| - | - | - | - | - | 18,682 |
| - | - | - | - | - | 7,464 |
| - | - | - | - | - | 94,979 |
| - | - | - | - | - | 150,121 |
| - | - | - | - | - | 45,000 |
| - | - | - | - | - | 50,775 |
| - | - | - | - | - | 151 |
| - | - | - | - | - | 95,926 |
| - | - | - | - | - | 7,989 |
| - | - | - | - | - | 1,694 |
| - | - | - | - | - | 8,593 |
| - | - | - | - | - | 18,276 |
| 5,382 | 6,135 | 3,490 | - | - | 486,479 |
| - | - | - | - | 123,265 | 123,265 |
| - | - | - | 266,854 | - | 266,854 |
| - | - | - | 266,854 | 123,265 | 390,119 |
| 5,382 | 6,135 | 3,490 | 266,854 | 123,265 | 876,598 |
| (273) | (121) | 605 | - | - | (61,127) |
| - | - | - | - | - | 52,000 |
| - | - | - | - | - | (52,000) |
| - | - | - | - | - | - |
| (273) | (121) | 605 | - | - | (61,127) |
| 27,749 | 30,370 | 17,066 | - | - | 588,019 |
| 27,476 | 30,249 | 17,671 | - | - | 526,892 |

Evansdale Municipal Waterworks



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STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting**

To the Board of Trustees of the
Evansdale Municipal Waterworks:

We have audited the financial statements of the Evansdale Municipal Waterworks as of and for the year ended June 30, 2002, and have issued our report thereon dated January 3, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Evansdale Municipal Waterworks' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Waterworks' operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Waterworks. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Evansdale Municipal Waterworks' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Waterworks' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Evansdale Municipal Waterworks and other parties to whom the Waterworks may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

WARREN G.JENKINS, CPA
Chief Deputy Auditor of State

January 3, 2003

Evansdale Municipal Waterworks

Schedule of Findings

Year ended June 30, 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

- (A) Computer System Disaster Recovery Plan - The Waterworks does not have a written disaster recovery plan.

Recommendation - The Waterworks should develop and approve a written computer system recovery plan, which at a minimum should include:

- (1) Identification of critical applications.
- (2) Identification of staff responsibilities.
- (3) Identification of steps for recovery of the system.
- (4) Identification of computer equipment needed for temporary processing.
- (5) Identification of business location(s) which could be used to process critical applications in the event of an emergency.
- (6) Requirement that a copy of the disaster recovery plan is kept off site.
- (7) Requirement to keep system backups current and off-site.
- (8) Inventory of all hardware and components.
- (9) Inventory of all software applications.
- (10) Requirement that copies of all user documentation and policy and procedures manuals be located off-site.
- (11) A determination of whether the disaster recovery plan is adequately tested.

Response - We will work to obtain an agreement with the bank or a church to allow us some secure space such as a lockable classroom or vault access and desk space. If our computers were damaged or destroyed, our computer company representative said they should be able to get us up and going in seventy-two hours. We will get this all in writing before June 30, 2003.

Conclusion - Response accepted.

Evansdale Municipal Waterworks

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been approved by the Waterworks. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amount budgeted.
- (3) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No disbursements of Waterworks' money for travel expenses of spouses of Waterworks' officials or employees were noted.
- (5) Business Transactions - No business transactions between the Waterworks and Waterworks' officials or employees were noted.
- (6) Bond Coverage - Surety bond coverage of Waterworks' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Waterworks' investment policy were noted.
- (9) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the Waterworks to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Waterworks retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The Waterworks should obtain and retain an image of both the front and back of each cancelled check as required.

Response - I will call the bank today and inform them that we need this done.

Conclusion - Response accepted.

Evansdale Municipal Waterworks

Staff

This audit was performed by:

**Steven M. Nottger, CPA, Manager
Jennifer Campbell, Staff Auditor**

**Andrew E. Nielsen, CPA
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