



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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NEWS RELEASE

FOR RELEASE February 10, 2004

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on the Evansdale Municipal Waterworks, Evansdale, Iowa.

The Waterworks' receipts totaled \$861,413 for the year ended June 30, 2003, a six percent increase from 2002. The receipts included \$770,360 in charges for service and \$14,927 in interest on investments.

Disbursements for the year totaled \$858,130, a two percent decrease from the prior year, and included \$409,305 for operations and \$448,825 for sewer rental and solid waste collection fees remitted to the City of Evansdale.

A copy of the audit report is available for review in the Office of 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, 2003**

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## Evansdale Municipal Waterworks

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2003. 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, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

As discussed in note 9, the Evansdale Municipal Waterworks intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Waterworks' financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the Waterworks' financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. 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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 5, 2003

## **Financial Statements**



**Evansdale Municipal Waterworks**

Evansdale Municipal Waterworks  
Combined Statement of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2003

	<u>Proprietary Fund Type Enterprise</u>
Receipts:	
Use of money and property	\$ 27,977
Charges for service	770,360
Miscellaneous	<u>63,076</u>
Total receipts	<u>861,413</u>
Disbursements:	
Business type activities	409,305
Non-program	<u>448,825</u>
Total disbursements	<u>858,130</u>
Excess of receipts over disbursements	3,283
Balance beginning of year	<u>526,892</u>
Balance end of year	<u>\$ 530,175</u>

See notes to financial statements.

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Evansdale Municipal Waterworks

Statement of Indebtedness

Year ended June 30, 2003

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<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>
Loan agreement (note 6): City of Evansdale	Mar 1, 1999	4.3 - 4.4%	\$ 1,200,000	<u>1,110,000</u>

See notes to financial statements.

<u>Issued</u> <u>During</u> <u>Year</u>	<u>Redeemed</u> <u>During</u> <u>Year</u>	<u>Balance</u> <u>End of</u> <u>Year</u>	<u>Interest</u> <u>Paid</u>
-	50,000	1,060,000	48,991

Evansdale Municipal Waterworks

Notes to Financial Statements

June 30, 2003

**(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 balances. 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.

However, the City Council failed to approve the Waterworks submitted budget by resolution and include it in the City's published budget as required by the Code of Iowa. Due to the City Council's omission, a comparison of Waterworks activity to its legally adopted budget for the year ended June 30, 2003 can not be presented.

**(2) Cash and Pooled Investments**

The Waterworks' deposits in banks at June 30, 2003 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, 2003 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 \$129,885 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' contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$6,136, \$5,578 and \$5,348, 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, 2003 was as follows:

Type of Benefit	Amount
Vacation	\$ 5,900
Sick leave	<u>3,300</u>
Total	<u>\$ 9,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

**(5) Loans provided 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, 2003, the final payment of \$5,465 was received.

On March 15, 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, 2003, \$15,671 was received and applied to the loan balance, leaving \$784 in interest outstanding.

**(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% to 4.40% per annum. Semi annual interest payments began December 1, 1999 and principal payments began June 1, 2001. The outstanding loan balance at June 30, 2003 was \$1,060,000.

**(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, 2004. The contract balance of \$77,735 will be paid as work on the project progresses.

**(9) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the Waterworks' financial activities.

## **Supplemental Information**



Evansdale Municipal Waterworks  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2003

	General	Water Tower Project
Receipts:		
Use of money and property:		
Interest on investments	\$ 13,486	1,441
Lease of property	13,050	-
	26,536	1,441
Charges for service:		
Sale of water	194,028	-
Service fees	4,498	-
Installations and connections	4,067	-
Water tower fees	111,022	-
Solid waste collection fees	-	-
Sewer rental fees	-	-
Sewer and garbage billing charges	7,920	-
	321,535	-
Miscellaneous:		
Sales tax collected	15,644	-
Penalties	3,726	-
Customer deposits	-	-
Meter sales	2,035	-
City loan payments	21,136	-
Miscellaneous	2,330	-
	44,871	-
Total receipts	392,942	1,441
Disbursements:		
Administration:		
Personal services	79,123	-
Services and commodities	43,364	-
	122,487	-
Plant and collection:		
Personal services	73,683	-
Services and commodities	25,795	-
Capital outlay	57,220	-
Debt service:		
Principal redeemed	50,000	-
Interest paid	48,991	-
	255,689	-

Water Meter Deposits	Sewer Rental Deposits	Solid Waste Deposits	Sewer Rental Collections	Solid Waste Collections	Total
-	-	-	-	-	14,927
-	-	-	-	-	13,050
-	-	-	-	-	27,977
-	-	-	-	-	194,028
-	-	-	-	-	4,498
-	-	-	-	-	4,067
-	-	-	-	-	111,022
-	-	-	-	125,987	125,987
-	-	-	322,838	-	322,838
-	-	-	-	-	7,920
-	-	-	322,838	125,987	770,360
-	-	-	-	-	15,644
-	-	-	-	-	3,726
7,740	6,562	3,903	-	-	18,205
-	-	-	-	-	2,035
-	-	-	-	-	21,136
-	-	-	-	-	2,330
7,740	6,562	3,903	-	-	63,076
7,740	6,562	3,903	322,838	125,987	861,413
-	-	-	-	-	79,123
4,786	5,355	3,243	-	-	56,748
4,786	5,355	3,243	-	-	135,871
-	-	-	-	-	73,683
-	-	-	-	-	25,795
-	-	-	-	-	57,220
-	-	-	-	-	50,000
-	-	-	-	-	48,991
-	-	-	-	-	255,689

Evansdale Municipal Waterworks  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2003

	General	Water Tower Project
Disbursements (continued):		
Distribution:		
Personal services	7,346	-
Services and commodities	10,399	-
	17,745	-
	395,921	-
Non-program:		
Solid waste collection fees remitted to City	-	-
Sewer rental fees remitted to City	-	-
	-	-
Total disbursements	395,921	-
Excess (deficiency) of receipts over (under) disbursements	(2,979)	1,441
Balance beginning of year	407,072	44,424
Balance end of year	\$ 404,093	45,865

See accompanying independent auditor's report.

Water Meter Deposits	Sewer Rental Deposits	Solid Waste Deposits	Sewer Rental Collections	Solid Waste Collections	Total
-	-	-	-	-	7,346
-	-	-	-	-	10,399
-	-	-	-	-	17,745
4,786	5,355	3,243	-	-	409,305
-	-	-	-	125,987	125,987
-	-	-	322,838	-	322,838
-	-	-	322,838	125,987	448,825
4,786	5,355	3,243	322,838	125,987	858,130
2,954	1,207	660	-	-	3,283
27,476	30,249	17,671	-	-	526,892
30,430	31,456	18,331	-	-	530,175

**Evansdale Municipal Waterworks**



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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, 2003, and have issued our report thereon dated December 5, 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 certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Waterworks' operations for the year ended June 30, 2003 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 5, 2003

Evansdale Municipal Waterworks

Schedule of Findings

Year ended June 30, 2003

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No matters were noted.

**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, 2003.
- (2) Certified Budget - Although the Waterworks prepared and adopted a resolution for its budget, the budget was not properly approved by resolution of the Council of the City of Evansdale. In addition, the budget was not properly included in and published with the City of Evansdale's budget as required by Chapter 384.16 of the Code of Iowa.

Recommendation - We are unable to determine the legal proprietary of the Waterworks' budget. In the future, the Waterworks should coordinate with the City of Evansdale to ensure its budget is properly approved by resolution of the Council and properly published as required.

Response - In the future, we will continue to provide the City Clerk with all necessary forms and information, but we will also request a copy of their budget so that we can verify our information is included, before the proposed budget is published.

Conclusion - Response accepted.

- (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 the coverage is adequate for current operations.



Evansdale Municipal Waterworks

Schedule of Findings

Year ended June 30, 2002

- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

Minutes of the November 20, 2002 Board meeting were not published immediately following the meeting as required by Chapter 388.4(4) of the Code of Iowa.

Recommendation - The Waterworks should publish minutes as required.

Response - We will make every effort to have the minutes sent to the Waterloo Courier in time so that they can publish them within 15 days of the date of the meeting.

Conclusion - Response accepted.

- (8) 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 Waterworks' investment policy were noted.

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Evansdale Municipal Waterworks

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Jennifer Campbell, CPA, Staff Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State