



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ February 17, 2005 _____

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 \$877,677 for the year ended June 30, 2004, a 2 percent increase from 2003. The receipts included \$797,467 in charges for service, miscellaneous operating receipts of \$52,835 and \$12,098 in interest on investments.

Disbursements for the year totaled \$911,374, a 6 percent increase from the prior year, and included operating disbursements of \$345,838, debt service of \$96,791 and \$468,745 for sewer rental and solid waste fees collected and 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 STATEMENT AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-9
Financial Statement:	<u>Exhibit</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A	12
Notes to Financial Statement		13-15
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis)		18
Notes to Required Supplementary Information – Budgetary Reporting		19
Other Supplementary Information:	<u>Schedule</u>	
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	1	22-25
Schedule of Indebtedness	2	26-27
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		29-30
Schedule of Findings		31
Staff		32

Evansdale Municipal Waterworks

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Danton G. Burkett	Trustee	Dec 31, 2005
Carol Erickson	Trustee	Dec 31, 2007
Cecil A. Azbill, Jr.	Trustee	Dec 31, 2009
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 statement of the Evansdale Municipal Waterworks, Evansdale, Iowa, as of and for the year ended June 30, 2004. This financial statement is the responsibility of Evansdale Municipal Waterworks' management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was 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 statement of the Evansdale Municipal Waterworks is 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.

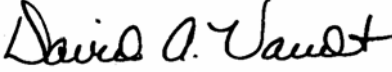
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Evansdale Municipal Waterworks as of June 30, 2004, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


As discussed in Note 9, during the year ended June 30, 2004, the Evansdale Municipal Waterworks adopted 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2004 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 9 and 18 through 19 are not required parts of the financial statement, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statement taken as a whole. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statement and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statement taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Evansdale Municipal Waterworks provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Waterworks' financial statement, which follows.

2004 FINANCIAL HIGHLIGHTS

- The Waterworks' total receipts increased 2%, or \$16,264, from fiscal year 2003 to fiscal year 2004.
- The Waterworks' total disbursements increased \$53,244, or 6%, from fiscal year 2003 to fiscal year 2004.
- The Waterworks' total cash basis net assets decreased 6%, or \$33,697, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Evansdale Municipal Waterworks has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Evansdale Municipal Waterworks' cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Evansdale Municipal Waterworks' cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Evansdale Municipal Waterworks' financial statement. The annual report consists of a financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Waterworks' financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Evansdale Municipal Waterworks' receipts and disbursements and whether the Waterworks' cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Required Supplementary Information further explains and supports the financial statement with a comparison of the Waterworks' budget for the year.

Other Supplementary Information provides detailed information about the individual Enterprise Funds. In addition, the Schedule of Indebtedness provides details of the Waterworks' debt at June 30, 2004.

FINANCIAL ANALYSIS OF THE EVANSDALE MUNICIPAL WATERWORKS

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Evansdale Municipal Waterworks and the disbursements paid by the Waterworks, both operating and non-operating. The statement also presents a fiscal snapshot of the Waterworks' cash balances at year end. Over time, readers of the financial statement are able to determine the Evansdale Municipal Waterworks financial position by analyzing the increase and decrease in cash basis net assets.

Receipts are received for both metered and unmetered sales of water, extensions of water mains and taps for service lines, water turn on/off fees, rent for tower space on the water tower and miscellaneous fees. The City of Evansdale pays the Evansdale Municipal Waterworks contract fees to include sewer and garbage charges on the water bill and costs involved in preparing the billing i.e. meter reading for sewer rates, data entry of meter reads, sales tax return preparation and payment. A summary of cash receipts, disbursements and changes in net assets for the year ended June 30, 2004 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2004	2003
Receipts:		
Use of money and property	\$ 27,375	27,977
Charges for service	328,722	321,535
Sewer rental and solid waste collection fees collected for City	468,745	448,825
Miscellaneous	52,835	63,076
Total receipts	<u>877,677</u>	<u>861,413</u>
Disbursements:		
Administration	145,405	135,871
Plant operation and maintenance	184,196	156,698
Distribution operation and maintenance	16,237	17,745
Sewer rental and solid waste collection fees remitted to City	468,745	448,825
Debt service:		
Principal redeemed	50,000	50,000
Interest paid	46,641	48,991
Service fee	150	-
Total disbursements	<u>911,374</u>	<u>858,130</u>
Net change in cash basis net assets	(33,697)	3,283
Cash basis net assets beginning of year	<u>530,175</u>	<u>526,892</u>
Cash basis net assets end of year	<u>\$ 496,478</u>	<u>530,175</u>

The larger portion of the Waterworks' net assets (83%) are unrestricted cash basis net assets, used in the routine operations for the plant, distribution and administrative areas of the Waterworks and for capital improvements to the plant and distribution areas. State and federal laws and regulations require the Evansdale Municipal Waterworks to perform specific maintenance and monitoring functions in the collection and treatment of water sources before final distribution. The remaining net assets (17%) are restricted for customer deposits.

COMMITMENTS

At June 30, 2004, the Evansdale Municipal Waterworks had \$1,010,000 of outstanding loan indebtedness to the City of Evansdale. The loan was issued March 1, 1999.

ECONOMIC FACTORS

Evansdale is currently experiencing a sizeable increase in new housing starts. However, current economic conditions beyond the Evansdale Municipal Waterworks Trustees' control play a significant roll in the daily operations of the water plant and distribution services. These conditions include, but are not limited to:

- the need to constantly maintain facilities, wells, vehicles and machinery.
- the need to comply with federal and state regulations for the production of water and well-head protection.
- the need to maintain up-to-date technology at a reasonable cost.
- the fluctuation of the cost of the chemicals and energy used to produce quality water.

CONTACTING THE EVANSDALE WATERWORKS' FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Evansdale Municipal Waterworks' finances and to show the Waterworks' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Evansdale Municipal Waterworks at 123 North Evans Road, Evansdale, Iowa 50707 or 319-233-5524.

Evansdale Municipal Waterworks

Financial Statement

Exhibit A

Evansdale Municipal Waterworks

Statement of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2004

Operating receipts:	
Charges for service	\$ 328,722
Miscellaneous	52,835
Total operating receipts	<u>381,557</u>
Operating disbursements:	
Business type activities:	
Administration	145,405
Plant and collection	184,196
Distribution	16,237
Total operating disbursements	<u>345,838</u>
Excess of operating receipts over operating disbursements	35,719
Non-operating receipts (disbursements):	
Interest on investments	12,098
Lease of property	15,277
Solid waste collection fees collected for City	139,368
Sewer rental fees collected for City	329,377
Solid waste collection fees remitted to City	(139,368)
Sewer rental fees remitted to City	(329,377)
Debt service:	
Principal redeemed	(50,000)
Interet paid	(46,641)
Service fee	(150)
Total non-operating receipts (disbursements)	<u>(69,416)</u>
Change in cash basis net assets	(33,697)
Cash basis net assets beginning of year	<u>530,175</u>
Cash basis net assets end of year	<u>\$ 496,478</u>
Cash Basis Net Assets	
Restricted for customer deposits	\$ 84,514
Unrestricted	<u>411,964</u>
Total cash basis net assets	<u>\$ 496,478</u>

See notes to financial statement.

Evansdale Municipal Waterworks

Notes to Financial Statement

June 30, 2004

(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. Basis of Presentation

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 Enterprise Funds in the financial statement. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services 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 statement of the Waterworks 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. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Restricted Assets and Net Assets – Funds set aside for customer water deposits are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The Waterworks' deposits in banks at June 30, 2004 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, 2004 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 \$127,083 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 for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Waterworks' contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$6,583, \$6,136 and \$5,578, 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 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, 2004 was as follows:

Type of Benefit	Amount
Vacation	\$ 5,900
Sick leave	<u>7,400</u>
Total	<u>\$ 13,300</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(5) Loans provided to the City of Evansdale

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, 2004, the final payment of interest for \$784 was received.

(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, 2004 was \$1,010,000.

(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, 2005. The contract balance of \$62,060 will be paid as work on the project progresses.

(9) Accounting Change

For the year ended June 30, 2004, the Waterworks implemented 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.

Implementation of these standards had no effect on the beginning balances of the Waterworks.

Evansdale Municipal Waterworks

Required Supplementary Information

Evansdale Municipal Waterworks

Budgetary Comparison Schedule of Receipts, Disbursements
and Changes in Balances – Budget and Actual (Cash Basis)

Required Supplementary Information

Year ended June 30, 2004

	Actual	Less Funds not Required to be Budgeted	Net	Original and Final Budgeted Amounts	Final to Net Variance
Receipts:					
Use of money and property	\$ 27,375	-	27,375	26,784	591
Charges for service	797,467	468,745	328,722	327,080	1,642
Miscellaneous	52,835	-	52,835	22,305	30,530
Total receipts	<u>877,677</u>	<u>468,745</u>	<u>408,932</u>	<u>376,169</u>	<u>32,763</u>
Disbursements:					
Business type activities	<u>911,374</u>	<u>468,745</u>	<u>442,629</u>	<u>520,647</u>	<u>78,018</u>
Change in cash basis net assets	(33,697)	-	(33,697)	(144,478)	110,781
Balance beginning of year	<u>530,175</u>	<u>-</u>	<u>530,175</u>	<u>-</u>	<u>530,175</u>
Balance end of year	<u>\$ 496,478</u>	<u>-</u>	<u>496,478</u>	<u>(144,478)</u>	<u>640,956</u>

See accompanying independent auditor's report.

Evansdale Municipal Waterworks

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

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 and hearing for all funds except for the sewer rental and solid waste collections made for and remitted to the City of Evansdale. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. The Waterworks' disbursements are budgeted in the business type activities function.

During the year ended June 30, 2004, disbursements did not exceed the amount budgeted.

Evansdale Municipal Waterworks

Other Supplementary Information

Evansdale Municipal Waterworks

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets

Enterprise Funds

Year ended June 30, 2004

	General	Water Tower Project	Water Meter Deposits	Sewer Rental Deposits	Solid Waste Deposits
Operating receipts:					
Sale of water	\$ 203,202	-	-	-	-
Service fees	3,682	-	-	-	-
Installations and connections	2,125	-	-	-	-
Water tower fees	111,243	-	-	-	-
Sewer and garbage billing charges	8,470	-	-	-	-
	<u>328,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous:					
Sales tax collected	16,233	-	-	-	-
Penalties	3,574	-	-	-	-
Customer deposits	-	-	9,389	8,113	3,845
Meter sales	5,727	-	-	-	-
Miscellaneous	5,954	-	-	-	-
	<u>31,488</u>	<u>-</u>	<u>9,389</u>	<u>8,113</u>	<u>3,845</u>
Total operating receipts	<u>360,210</u>	<u>-</u>	<u>9,389</u>	<u>8,113</u>	<u>3,845</u>
Operating disbursements:					
Business type activities:					
Administration:					
Personal services	86,373	-	-	-	-
Services and commodities	41,837	-	6,498	6,742	3,955
	<u>128,210</u>	<u>-</u>	<u>6,498</u>	<u>6,742</u>	<u>3,955</u>
Plant and collection:					
Personal services	79,916	-	-	-	-
Services and commodities	27,781	-	-	-	-
Capital outlay	57,884	18,615	-	-	-
	<u>165,581</u>	<u>18,615</u>	<u>-</u>	<u>-</u>	<u>-</u>
Distribution:					
Personal services	3,609	-	-	-	-
Services and commodities	12,628	-	-	-	-
	<u>16,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>310,028</u>	<u>18,615</u>	<u>6,498</u>	<u>6,742</u>	<u>3,955</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>50,182</u>	<u>(18,615)</u>	<u>2,891</u>	<u>1,371</u>	<u>(110)</u>

Sewer Rental Collections	Solid Waste Collections	Total
-	-	203,202
-	-	3,682
-	-	2,125
-	-	111,243
-	-	8,470
-	-	<u>328,722</u>
-	-	16,233
-	-	3,574
-	-	21,347
-	-	5,727
-	-	5,954
-	-	<u>52,835</u>
-	-	<u>381,557</u>
-	-	86,373
-	-	59,032
-	-	<u>145,405</u>
-	-	79,916
-	-	27,781
-	-	76,499
-	-	<u>184,196</u>
-	-	3,609
-	-	12,628
-	-	16,237
-	-	<u>345,838</u>
-	-	35,719

Evansdale Municipal Waterworks

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets

Enterprise Funds

Year ended June 30, 2004

	General	Water Tower Project	Water Meter Deposits	Sewer Rental Deposits	Solid Waste Deposits
Non-operating receipts (disbursements):					
Interest on investments	11,027	926	45	50	50
Lease of property	15,277	-	-	-	-
Solid waste collection fees collected for City	-	-	-	-	-
Sewer rental fees collected for City	-	-	-	-	-
Solid waste collection fees remitted to City	-	-	-	-	-
Sewer rental fees remitted to City	-	-	-	-	-
Debt service:					
Principal redeemed	(50,000)	-	-	-	-
Interest paid	(46,641)	-	-	-	-
Service fee	(150)	-	-	-	-
Total non-operating receipts (disbursements)	<u>(70,487)</u>	<u>926</u>	<u>45</u>	<u>50</u>	<u>50</u>
Net change in cash basis net assets	(20,305)	(17,689)	2,936	1,421	(60)
Cash basis net assets beginning of year	<u>404,093</u>	<u>45,865</u>	<u>30,430</u>	<u>31,456</u>	<u>18,331</u>
Cash basis net assets end of year	<u>\$ 383,788</u>	<u>28,176</u>	<u>33,366</u>	<u>32,877</u>	<u>18,271</u>
Cash Basis Fund Balances:					
Reserved for customer deposits	\$ -	-	33,366	32,877	18,271
Unreserved	<u>383,788</u>	<u>28,176</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 383,788</u>	<u>28,176</u>	<u>33,366</u>	<u>32,877</u>	<u>18,271</u>

See accompanying independent auditor's report.

Sewer Rental Collections	Solid Waste Collections	Total
-	-	12,098
-	-	15,277
-	139,368	139,368
329,377	-	329,377
-	(139,368)	(139,368)
(329,377)	-	(329,377)
-	-	(50,000)
-	-	(46,641)
-	-	(150)
-	-	(69,416)
-	-	(33,697)
-	-	530,175
-	-	496,478
-	-	84,514
-	-	411,964
-	-	496,478

Evansdale Municipal Waterworks

Schedule of Indebtedness

Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Loan agreement: 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
1,060,000	-	50,000	1,010,000	46,641

Evansdale Municipal Waterworks



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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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 statement of the Evansdale Municipal Waterworks, Evansdale, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 2, 2004. Our report expressed an unqualified opinion on the financial statement which was 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 statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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.

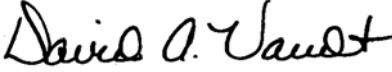
Comments involving statutory and other legal matters about the Waterworks' operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Waterworks. Since our audit was based on tests and samples, not 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 statement 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 statement 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 2, 2004

Evansdale Municipal Waterworks

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting 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, 2004.
- (2) Certified Budget – The budget certified by the City of Evansdale includes amounts budgeted for the Evansdale Municipal Waterworks. Disbursements during the year ended June 30, 2004 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 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.

Although minutes of the Board were published, they were not always 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 try to get the minutes to the Waterloo Courier within one week to allow more time for the Courier to publish.

Conclusion – Response accepted.

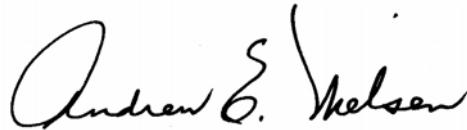
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Waterworks' investment policy were noted.

Evansdale Municipal Waterworks

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Heather B. Allen, Staff 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