



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE March 11, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a compilation report on the Cincinnati Sewer Utility, Cincinnati, Iowa, for the year ended June 30, 2014.

The Sewer Utility's receipts totaled \$98,485 for the year ended June 30, 2014. The receipts included \$97,901 from charges for service, \$556 from unrestricted interest on investments and \$28 of miscellaneous fees.

Disbursements for the year ended June 30, 2014 totaled \$74,395, and included \$51,316 for operations, \$22,044 for debt service and \$1,035 for capital outlay.

A copy of the compilation report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1423-0017-BC00.pdf>.

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CINCINNATI SEWER UTILITY
ACCOUNTANT'S COMPILATION REPORT
FINANCIAL STATEMENT
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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Cincinnati Sewer Utility

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Dave Rummans (Appointed)	Mayor	Nov 2013
Joe Sivetts	Mayor Pro tem	Jan 2016
Jared Opperman (Appointed)	Council Member	Nov 2013
Bob Wireman (Appointed)	Council Member	Nov 2013
Ron Shady	Council Member	Jan 2014
Robert Conger	Council Member	Jan 2016
Jane Logsdon	City Clerk	Indefinite
Mike Craver	Attorney	Indefinite
(After January 2014)		
Dave Rummans	Mayor	Jan 2018
Joe Sivetts	Mayor Pro tem	(Resigned)
Rebecca Clark (Appointed)	Mayor Pro tem	Nov 2015
Robert Conger	Council Member	(Resigned)
Jeff Lenik (Appointed)	Council Member	Nov 2015
Patricia Fowler	Council Member	Jan 2018
Ron Shady	Council Member	Jan 2018
Bob Wireman	Council Member	Jan 2018
Jane Logsdon	City Clerk	(Resigned)
Gail Finks (Appointed)	City Clerk	Indefinite
Mike Craver	Attorney	Indefinite

Cincinnati Sewer Utility



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Accountant's Compilation Report

To the Honorable Mayor and
Members of the City Council:

Management is responsible for the accompanying financial statement, other information and supplementary information listed in the table of contents of the Cincinnati Sewer Utility, Cincinnati, Iowa, as of and for the year ended June 30, 2014 in accordance with the basis of accounting described in Note 1 and for determining this is an acceptable basis of accounting.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the accompanying financial statement and we were not required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion or provide any form of assurance on the accompanying financial statement.


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.


The 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. This information is the representation of management. The information was subject to our compilation engagement. However, we have not audited or reviewed the information and, accordingly, we do not express an opinion, a conclusion or provide any assurance on such information.

The other information, the Sewer Utility's Budgetary Comparison Information on pages 15 and 16, was subject to our compilation engagement. However we have not audited or reviewed the information and, accordingly, we do not express an opinion, a conclusion or provide any assurance on it.

We are not independent with respect to the Cincinnati Sewer Utility.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 10, 2016

Cincinnati Sewer Utility

Financial Statement

Exhibit A

Cincinnati Sewer Utility

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

As of and for the year ended June 30, 2014

Operating receipts:	
Charges for service	\$ 97,901
Operating disbursements:	
Business type activities	51,316
	<hr/>
Excess of operating receipts over operating disbursements	46,585
Non-operating receipts (disbursements):	
Intergovernmental	
Interest on investments	556
Miscellaneous	28
Debt service	(22,044)
Capital outlay	(1,035)
	<hr/>
Net non-operating receipts (disbursements)	(22,495)
Excess of receipts over disbursements	24,090
Transfers in from other funds of the City	5,000
	<hr/>
Change in cash basis net position	29,090
Cash basis net position beginning of year	84,210
	<hr/>
Cash basis net position end of year	\$ 113,300
	<hr/>
Cash Basis Net Position	
Restricted for debt service	\$ 12,633
Unrestricted	100,667
	<hr/>
Total cash basis net position	\$ 113,300
	<hr/>

See accompanying accountant's compilation report.

Cincinnati Sewer Utility
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Cincinnati Sewer Utility is a department of the City of Cincinnati. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis.

The financial statement of the Cincinnati Sewer Utility is intended to present the financial position and results of the cash transactions of only that portion of the City of Cincinnati attributable to the transactions of the Cincinnati Sewer Utility.

B. Basis of Presentation

The accounts of the Sewer Utility are classified as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Measurement Focus and Basis of Accounting

The Sewer Utility maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Sewer Utility 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 Sewer Utility in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The Sewer Utility's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Sewer Utility 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 City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Sewer Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bond and Notes Payable

Annual debt service requirements to maturity for the sewer revenue bond and capital loan notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 11,377	10,019	21,396
2016	11,596	9,590	21,186
2017	11,826	9,150	20,976
2018	13,067	8,699	21,766
2019	13,320	8,206	21,526
2020-2024	74,870	32,981	107,851
2025-2029	96,521	17,404	113,925
2030-2032	35,000	2,130	37,130
Total	\$ 267,577	98,179	365,756

Sewer Revenue Bond

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay a \$157,800 sewer revenue bond issued in December 1988. The bond matures annually on July 1 and bears interest at 5.0% per annum, which is also due and payable every July 1. Proceeds from the bond provided financing for the construction of improvements to the sewer treatment plant. The bond is payable solely from sewer customer net receipts and is payable through 2029. Annual principal and interest payments on the bond required approximately 20% of net receipts. The total principal and interest remaining to be paid on the bond is \$145,466. For the current year, \$9,356 of principal and interest were paid and total customer net receipts were \$46,585.

The resolution providing for the issuance of the revenue bond includes the following provisions:

- (a) The bond will be only redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall make annual payments of \$9,356, including interest at 5.0% per annum, to Farmers Home Administration in the years 1991 through 2029, inclusive.

- (c) User rates shall be established at a level which produces and maintains net receipts at a level net less than 125% the amount of principal and interest on the bond falling due in the same year.
- (d) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (e) Additionally, monthly transfers to a sewer revenue reserve account shall be made until an amount equal to the principal and interest due in any subsequent year has been accumulated. This account is restricted for the purpose of paying principal and interest payments on the bond.
- (f) All users of the sewer system, including the City, shall pay for usage.

The City's net revenues for the year ended June 30, 2014 were greater than the required 125% of bond principal and interest falling due during the year.

The City has established a separate sewer revenue bond sinking account and monthly transfers to the account have been made.

The City has established a separate sewer reserve account and the required transfers have been made.

The City pays for use of the sewer system as required by the sewer revenue bond resolution.

Sewer Revenue Capital Loan Notes

On March 2, 2011, the City entered into an agreement with the Iowa Finance Authority for the issuance of up to \$193,000 of sewer revenue capital loan notes with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements, extensions and a new pump station for the sewer utility system. At June 30, 2013, the City had drawn \$181,656, the final loan amount. An initiation fee of 1% of the authorized borrowing for the sewer revenue capital loan notes was charged by the Iowa Finance Authority and withheld from the first proceeds of the sewer revenue capital loan notes drawn by the City.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue capital loan notes. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require approximately 26% of net receipts. The total amount of principal and interest remaining to be paid on the notes at June 30, 2014 is \$220,290. For the current year, \$12,250 of principal and interest was paid and total customer net receipts were \$46,585.

The resolution providing for the issuance of the sewer revenue capital loan notes includes the following provisions:

- (1) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (2) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

The City's net revenues for the year ended June 30, 2014 were greater than the required 110% of bond principal and interest falling due during the year.

(4) Pension and Retirement Benefits

The Sewer Utility 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.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the Sewer Utility is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Sewer Utility’s contribution to IPERS for the year ended June 30, 2014 was \$1,866, equal to the required contribution for the year.

(5) Interfund Transfers

The detail of interfund transfers in from other City funds for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
Enterprise: Sewer Utility	Enterprise: Water	<u>\$ 5,000</u>

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

(6) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Sewer Utility's share of the City's contributions to the Pool for the year ended June 30, 2014 were \$2,112.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the City's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

Cincinnati Sewer Utility

Other Information

Cincinnati Sewer Utility
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balance –
 Budget and Actual (Cash Basis)
 Other Information

Year ended June 30, 2014

	Actual	Budgeted Amount Original/Final	Final to Actual Variance
Receipts:			
Use of money and property	\$ 556	350	206
Charges for service	97,901	90,000	7,901
Miscellaneous	28	-	28
Total receipts	98,485	90,350	8,135
Disbursements:			
Business type activities	74,395	64,340	(10,055)
Excess deficiency of receipts over (under) disbursements	24,090	26,010	(1,920)
Other financing sources (uses), net	5,000	(22,044)	27,044
Change in cash balance	29,090	3,966	25,124
Cash balance beginning of year	84,210	4,584	79,626
Cash balance end of year	\$ 113,300	8,550	104,750

See accompanying accountant's compilation report.

Cincinnati Sewer Utility

Notes to Other Information – Budgetary Reporting

June 30, 2014

The Sewer Utility 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, which includes the Sewer Utility, on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions, not by fund. The Sewer Utility's disbursements are budgeted in the City's business type activities function. The Sewer Utility's budget is reflected in the original and final budgeted amount. The Sewer Utility's budget was not amended during the year.

During the year ended June 30, 2014, the Sewer Utility's disbursements in the business type activities function exceeded the amount budgeted.

Cincinnati Sewer Utility

Supplementary Information

Cincinnati Sewer Utility
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Farmer's Home Administration sewer revenue bond	Dec 15, 1988	5.00%	\$ 157,800
Sewer revenue capital loan notes	Mar 2, 2011 *	3.00%	\$ 181,656

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying accountant's compilation report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
103,746	-	4,169	99,577	5,187
175,000	-	7,000	168,000	5,250

Schedule 2

Cincinnati Sewer Utility

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	Sewer					Total
	Revenue Bond		Revenue Notes			
	Issued Dec 15, 1988		Issued March 2, 2011			
Interest Rates	Amount	Interest Rates	Amount			
2015	5.00 %	\$ 4,377	3.00 %	\$ 7,000	11,377	
2016	5.00	4,596	3.00	7,000	11,596	
2017	5.00	4,826	3.00	7,000	11,826	
2018	5.00	5,067	3.00	8,000	13,067	
2019	5.00	5,320	3.00	8,000	13,320	
2020	5.00	5,587	3.00	8,000	13,587	
2021	5.00	5,866	3.00	9,000	14,866	
2022	5.00	6,159	3.00	9,000	15,159	
2023	5.00	6,467	3.00	9,000	15,467	
2024	5.00	6,791	3.00	9,000	15,791	
2025	5.00	7,130	3.00	10,000	17,130	
2026	5.00	7,486	3.00	10,000	17,486	
2027	5.00	7,861	3.00	10,000	17,861	
2028	5.00	8,254	3.00	11,000	19,254	
2029	5.00	13,790	3.00	11,000	24,790	
2030		-	3.00	11,000	11,000	
2031		-	3.00	12,000	12,000	
2032		-	3.00	12,000	12,000	
Total		<u>\$ 99,577</u>		<u>\$ 168,000</u>	<u>267,577</u>	

See accompanying accountant's compilation report.

Cincinnati Sewer Utility

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the Sewer Utility, one individual has control over each of the following areas:
- (1) Cash – handling, reconciling and recording.
 - (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
 - (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (4) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
 - (5) Payroll – recordkeeping, preparing and distributing.
 - (6) Utilities – billing, collecting, depositing and posting.
 - (7) Debt – recordkeeping, compliance and debt payment processing.
 - (8) Computer system – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Sewer Utility should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City (including the Sewer Utility) has implemented as many control procedures as is possible with the limited staff available. The City Clerk is not a signatory on any accounts. The designated signatories and the City Council review the disbursements and a non-signatory Council Member reviews the bank statement reconciliations. A monthly financial packet is presented for the Council's approval and includes a balance sheet of all financial assets, and income and expenditures statement along with a profit and loss statement and a budget versus actual report for comparing year to date totals. An initial receipts register has been implemented for utility payments. The City has begun preparing updated financial and investment policies and procedures. The City has implemented new accounting software for a more accurate capture and reporting of receipts and disbursements. The City will continue to review procedures to see if additional oversight and control can be achieved.

Conclusion – Response accepted.

Cincinnati Sewer Utility

Schedule of Findings

Year ended June 30, 2014

- (B) Utilities – Utility billings, collections and delinquent accounts were not reconciled throughout the year and the Sewer Utility’s shut-off policy and procedures were not strictly enforced.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquent accounts. Established shut-off policies and procedures should be followed.

Response – The Sewer Utility has begun a utility billings, collections and delinquent account reconciliation. The Sewer Utility is currently enforcing the shut off policy and procedures. However, the Sewer Utility will evaluate the policy to determine if more concise language is needed to enable clear understanding of the policy by all parties involved.

Conclusion – Response accepted.

- (C) Computer System – The Sewer Utility does not have written policies for:

- (1) Requiring the use of a user name or password.
- (2) Requiring the maintenance of password privacy and confidentiality.
- (3) Requiring passwords to be changed at least every 60 to 90 days.
- (4) Requiring password history to be maintained to prevent employees from using the same password.
- (5) Usage of the internet.

Also, the Sewer Utility does not have a written disaster recovery plan.

Recommendation – The Sewer Utility should develop written policies addressing the above items to improve the Sewer Utility’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

Response – The City is in the process of preparing a written computer usage policy addressing the concerns for passwords, privacy, confidentiality, and internet usage. The City will prepare a written disaster recovery plan. The new policy and plan will also cover the Sewer Utility.

Conclusion – Response accepted.

Cincinnati Sewer Utility

Schedule of Findings

Year ended June 30, 2014

- (D) Accounting Policies and Procedures Manual – The Sewer Utility does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure Sewer Utility accounts are appropriately utilized.

Response – The City is in the process of developing an accounting policies and procedures manual which will also cover the Sewer Utility.

Conclusion – Response accepted.

- (E) Credit Cards – The Sewer Utility has credit cards for use by various employees while on Sewer Utility business. The Sewer Utility has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The Sewer Utility should adopt a formal written policy regulating the use of Sewer Utility credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The City is in the process of preparing a written credit card policy as part of its financial policy, which will cover the Sewer Utility as well and address the concerns of credit card control, authorization to use, purposes for use and the types of supporting documentation required to substantiate charges. The City currently requires supporting documentation for all disbursements.

Conclusion – Response accepted.

- (F) Disbursement Allocation – The Sewer Utility has no formal policy detailing how certain disbursements should be allocated.

Recommendation – The Sewer Utility should establish a written policy providing guidelines for proper and consistent allocation of these costs.

Response – The City is in the process of preparing a written financial policy which will cover the Sewer Utility as well as address the issues of consistent allocation of receipts, disbursements and costs.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Cincinnati Sewer Utility

Schedule of Findings

Year ended June 30, 2014

Findings Related to Statutory Matters:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will maintain tighter controls to monitor when disbursements are going to exceed the amount budgeted and will amend the budget accordingly.

Conclusion – Response accepted.

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

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

Response – The City is in the process of preparing a written investment policy in order to be in compliance with the provisions of Chapter 12B.10B of the Code of Iowa.

Conclusion – Response accepted.

- (3) Other Information Required by the Farmers Home Administration Sewer Bond Resolution

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Iowa Communities Assurance Pool	Property	\$ 850,214	Feb. 15, 2015
	General liability	1,000,000	Feb. 15, 2015
	Auto liability	1,000,000	Feb. 15, 2015
	Wrongful acts official liability	1,000,000	Feb. 15, 2015
	Law enforcement liability	1,000,000	Feb. 15, 2015
	Auto physical damage	117,300	Feb. 15, 2015
	Crime	5,000	Feb. 15, 2015
Iowa Municipalities Workers Compensation Association	Workers’ Compensation	1,000,000	Jul 1, 2014

Cincinnati Sewer Utility

Schedule of Findings

Year ended June 30, 2014

Statistical Information

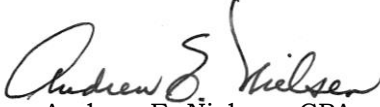
<u>Description</u>	<u>Amount</u>
Sewer customers served at June 30, 2014	192
Sewer rates in effect at June 30, 2014:	
First 1,000 gallons or less per month	\$ 29.36
All over 1,000 gallons, per month, per 1,000 gallons	11.91

Cincinnati Sewer Utility

Staff

This compilation was performed by:

Brian R. Brustkern, CPA, Manager
Christian E. Cottingham, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State