



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

March 1, 2022

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

FINANCIAL HIGHLIGHTS:

The Water Work's receipts totaled \$1,594,998 for the year ended June 30, 2021, a 5.8% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$1,397,331, a 4.3% increase over the prior year.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 32 through 37 of this report. The findings address a lack of segregation of duties, Board meeting minutes not being published within 15 days and certain credit union deposits exceeding federal insurance. Sand provided the Water Works with recommendations to address each of the findings.

Two of the three findings discussed above are repeated from the prior year. The Board of Trustees has a fiduciary responsibility to provide oversight of the Water Works' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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EVANSDALE WATER WORKS
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENT
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2021

Evansdale Water Works



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February 10, 2022

Officials of the Evansdale Water Works
Evansdale, Iowa

Dear Board of Trustees of the Evansdale Water Works:

I am pleased to submit to you the financial and compliance audit report for the Evansdale Water Works for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Evansdale Water Works throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

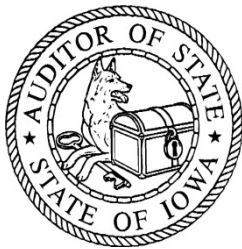
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Evansdale Water Works

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dorothy Wear	Trustee	Jan 2022
Fred B. Morris	Trustee	Jan 2024
Kent R. Patterson	Trustee	Resigned Oct 2020
Christie M. Tipton (Appointed Nov 2020)	Trustee	Jan 2026
Sandra E. Clements	Office Manager	Indefinite
Marianne S. Kurtenbach	Office Clerk	Indefinite
Patrick Galles	Attorney	Jan 2022



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Independent Auditor's Report

To the Board of Trustees of the Evansdale Water Works:

Report on the Financial Statement

We have audited the accompanying financial statement of the Evansdale Water Works, as of and for the year ended June 30, 2021, and the related Notes to Financial Statement listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water Works' preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Evansdale Water Works as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

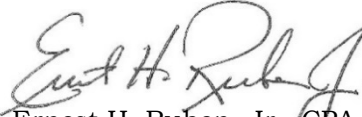
Our audit was conducted for the purpose of forming an opinion on the financial statement. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the Water Work's Proportionate Share of the Net Pension Liability and the Schedule of the Water Works' Contributions on pages 18 through 26, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2022 on our consideration of Evansdale Water Works internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Water Works' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Evansdale Water Work's internal control over financial reporting and compliance.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 10, 2022

Evansdale Water Works

Basic Financial Statement

Evansdale Water Works

Evansdale Water Works

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

As of and for the year ended June 30, 2021

Operating receipts:	
Charges for service	\$ 471,584
Miscellaneous	79,862
Total operating receipts	<u>551,446</u>
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	122,561
Distribution operation and maintenance	29,789
Administration	232,906
Total operating disbursements	<u>385,256</u>
Excess of operating receipts over operating disbursements	<u>166,190</u>
Non-operating receipts (disbursements):	
Interest on investments	4,179
Rent	50,358
Sewer, garbage and storm water fees collected for the City	989,015
Sewer, garbage and storm water fees remitted to the City	(989,015)
Capital outlay	(23,060)
Net non-operating receipts (disbursements)	<u>31,477</u>
Excess of receipts over disbursements	197,667
Transfers to the City for debt service	<u>(103,142)</u>
Change in cash balance	94,525
Cash balance beginning of year	<u>493,158</u>
Cash balance end of year	<u>\$ 587,683</u>
Cash Basis Fund Balance	
Restricted for customer deposits	\$ 119,297
Unrestricted	<u>468,386</u>
Total cash basis fund balance	<u>\$ 587,683</u>

See notes to financial statements.

Evansdale Water Works
Notes to Financial Statement
June 30, 2021

(1) Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

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

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

C. Basis of Accounting

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

D. Restricted Cash Basis Fund Balance

Funds set aside for customer deposits are classified as restricted.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The Water Works deposits in banks at June 30, 2021 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. Water Works deposits totaling \$132,025 in credit unions at June 30, 2021 were not entirely covered by national credit union insurance or collateralized with letters of credit.

The Water Works is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Water Works had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Water Works, except for those covered by another retirement system. Employees of the Water Works are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member’s earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member’s lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS’ Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Water Works contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Water Works’ contributions to IPERS for the year ended June 30, 2021 totaled \$14,801.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Water Works reported a liability of \$137,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works’ proportion of the net pension liability was based on the Water Works’ share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Water Works’ proportion was 0.001957%, which was a decrease of 0.000042% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Water Works’ pension expense, deferred outflows of resources and deferred inflows of resources totaled \$21,094, \$26,243 and \$14,564, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Water Works' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' proportionate share of the net pension liability	\$ 229,253	137,490	60,548

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(4) Other Postemployment Benefits (OPEB)

Plan Description – The Water Works operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The Water Works currently finances a fully insured plan through Wellmark. For the year ended June 30, 2021, the Water Works contributed \$22,222 and plan members eligible for benefits contributed \$3,000 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Evansdale Water Works and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement. The Water Works has 2 active and no inactive employees or beneficiaries currently receiving benefit payments.

(5) Compensated Absences

Water Works’ 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. These accumulations are not recognized as disbursements by the Water Works until used or paid. The Water Works’ approximate liability for earned vacation and sick leave payable to employees at June 30, 2021 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 6,500
Sick leave	<u>10,000</u>
Total	<u>\$ 16,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(6) Transfers

The detail of transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
City of Evansdale Debt Service	Enterprise: Water Operating	<u>\$ 103,142</u>

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

(7) Risk Management

The Water Works is included under the insurance for the City of Evansdale. The City of Evansdale is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Water Works' property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Water Works' contributions to the Pool for the year ended June 30, 2021 were \$5,329.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the member's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the member's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, 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 Water Works is also included under the City of Evansdale's commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000 respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including the Evansdale Water Works, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Evansdale Water Works. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Evansdale Water Works' operations and finances.

(9) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

Evansdale Water Works
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2021

	Actual	Less Amounts not Required to be Budgeted	Net
Receipts:			
Use of money and property	\$ 54,537	-	54,537
Charges for service	1,460,599	989,015	471,584
Miscellaneous	79,862	-	79,862
Total receipts	1,594,998	989,015	605,983
Disbursements:			
Business type activities	1,397,331	989,015	408,316
Excess of receipts over (under) disbursements	197,667	-	197,667
Other financing sources, net	(103,142)	-	(103,142)
Change in balances	94,525	-	94,525
Balances beginning of year	493,158	-	493,158
Balances end of year	\$ 587,683	-	587,683

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
Original	Final	Total
		Variance
58,100	58,100	(3,563)
472,990	472,990	(1,406)
86,320	86,320	(6,458)
617,410	617,410	(11,427)
690,079	690,079	281,763
(72,669)	(72,669)	270,336
-	-	(103,142)
(72,669)	(72,669)	167,194
407,435	407,435	85,723
334,766	334,766	252,917

Evansdale Water Works

Evansdale Water Works

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

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

During the year ending June 30, 2021, disbursements did not exceed the amount budgeted.

Evansdale Water Works

Schedule of the Water Work's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2021	2020	2019	2018
Water Works' proportion of the net pension liability	0.001957%	0.001999%	0.001906%	0.001872%
Water Works' proportionate share of the pension liability	\$ 137	116	121	125
Water Works' covered payroll	\$ 155	152	143	140
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	88.39%	76.32%	84.62%	89.29%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2017	2016
0.000953%	0.001639%
60	81
134	130
44.78%	62.31%
81.82%	85.19%

Evansdale Water Works

Schedule of Water Work's Contributions

Iowa Public Employees' Retirement System
For the Last Six Years
(In Thousands)

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 14,801	14,663	14,361	12,793
Contributions in relation to the statutorily required contribution	<u>(14,801)</u>	<u>(14,663)</u>	<u>(14,361)</u>	<u>(12,793)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water Works' covered payroll	\$ 156,788	155,330	152,134	143,256
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>
12,478	12,063
<u>(12,478)</u>	<u>(12,063)</u>
<u>-</u>	<u>-</u>
139,732	133,685
8.93%	9.02%

Evansdale Water Works

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

Evansdale Water Works

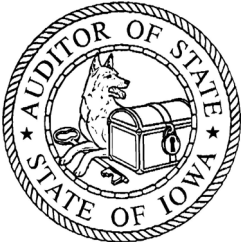
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2021

	Water Operating	Water Deposits	Sewer Deposits	Garbage Deposits
Receipts:				
Charges for service				
Sale of water	\$ 453,834	-	-	-
Service fees	6,950	-	-	-
Sewer and solid waste billing fees	10,800	-	-	-
Total receipts	<u>471,584</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous:				
Sales tax	29,320	-	-	-
Penalties	5,431	-	-	-
Customer deposits	-	11,485	17,211	7,475
Meter sales	4,337	-	-	-
Miscellaneous	4,603	-	-	-
Total operating receipts	<u>515,275</u>	<u>11,485</u>	<u>17,211</u>	<u>7,475</u>
Operating Disbursements:				
Business type activities:				
Plant operation and maintenance				
Personal services	77,726	-	-	-
Services and commodities	44,835	-	-	-
Total	<u>122,561</u>	<u>-</u>	<u>-</u>	<u>-</u>
Distribution operation and maintenance				
Personal services	16,942	-	-	-
Services and commodities	12,847	-	-	-
Total	<u>29,789</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administration:				
Personal services	137,060	-	-	-
Contractual services	-	8,925	11,323	5,730
Services and commodities	69,868	-	-	-
Total operating disbursements	<u>206,928</u>	<u>8,925</u>	<u>11,323</u>	<u>5,730</u>
Excess (deficiency) of operating receipts over (under) disbursements	<u>155,997</u>	<u>2,560</u>	<u>5,888</u>	<u>1,745</u>
Non-operating receipts (disbursements)				
Interest on investments	4,179	-	-	-
Rent	50,358	-	-	-
Sewer fees collected for the City	-	-	-	-
Garbage fees collected for the City	-	-	-	-
Storm water fees collected for the City	-	-	-	-
Sewer fees remitted to the City	-	-	-	-
Garbage fees remitted to the City	-	-	-	-
Storm water fees remitted to the City	-	-	-	-
Capital outlay	(23,060)	-	-	-
Total non-operating receipts (disbursements)	<u>31,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	187,474	2,560	5,888	1,745
Transfers to the city for debt service	(103,142)	-	-	-
Change in cash balances	84,332	2,560	5,888	1,745
Cash balances beginning of year	384,054	39,005	45,670	24,429
Cash balances end of year	<u>\$ 468,386</u>	<u>41,565</u>	<u>51,558</u>	<u>26,174</u>
Cash Basis Fund Balances				
Restricted for:				
Customer deposits	\$ -	41,565	51,558	26,174
Unrestricted				
Total cash basis fund balances	<u>468,386</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 468,386</u>	<u>41,565</u>	<u>51,558</u>	<u>26,174</u>

See accompanying independent auditor's report.

Sewer Collections	Garbage Collections	Storm Water Collections	Total
-	-	-	453,834
-	-	-	6,950
-	-	-	10,800
-	-	-	471,584
-	-	-	29,320
-	-	-	5,431
-	-	-	36,171
-	-	-	4,337
-	-	-	4,603
-	-	-	79,862
-	-	-	551,446
-	-	-	77,726
-	-	-	44,835
-	-	-	122,561
-	-	-	16,942
-	-	-	12,847
-	-	-	29,789
-	-	-	137,060
-	-	-	25,978
-	-	-	69,868
-	-	-	232,906
-	-	-	385,256
-	-	-	166,190
-	-	-	4,179
-	-	-	50,358
686,036	-	-	686,036
-	276,470	-	276,470
-	-	26,509	26,509
(686,036)	-	-	(686,036)
-	(276,470)	-	(276,470)
-	-	(26,509)	(26,509)
-	-	-	(23,060)
-	-	-	31,477
-	-	-	197,667
-	-	-	(103,142)
-	-	-	94,525
-	-	-	493,158
-	-	-	587,683
-	-	-	119,297
-	-	-	468,386
-	-	-	587,683



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

To the Board of Trustees of the Evansdale Water Works:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Evansdale Water Works as of and for the year ended June 30, 2021, and the related Notes to Financial Statement, and have issued our report thereon dated February 10, 2022. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Evansdale Water Works financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Evansdale Water Works financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Water Works' operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Works. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

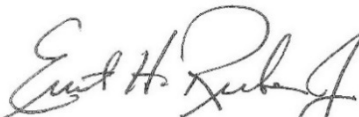
The Evansdale Water Works' Responses to the Findings

The Evansdale Water Works' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Evansdale Water Works' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Water Works' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Water Works' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Evansdale Water Works during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 10, 2022

Evansdale Water Works

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Water Works' financial statement.

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

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

Cause – The Water Works has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Water Works' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response – Procedures will be reviewed to see where more segregation of duties can be attained in a two-person office.

Conclusion – Response accepted.

Evansdale Water Works

Schedule of Findings

Year ended June 30, 2021

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Evansdale Water Works

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Water Works’ money for travel expenses of spouses of Water Works’ officials or employees were noted.
- (4) Business Transactions – No business transactions between Water Works and Water Works’ officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the Water Works, Water Works officials, Water Works employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of Water Works officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – Although minutes of Board proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The Water Works should comply with Chapter 372.13(6) of the Code of Iowa and publish meeting minutes within 15 days, as required.

Response – We will submit minutes earlier to comply with the Code of Iowa.

Conclusion – Response accepted.

- (8) Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the of Iowa and the Water Works’ investment policy were noted.

Chapter 12C.16 of the Code of Iowa requires public funds in excess of the federally insured amount of \$250,000 be secured by a letter of credit from the credit union in an amount equal to at least 110% of the uninsured total. The Water Works did not obtain a letter of credit from the credit union securing \$132,025 of uninsured deposits.

Recommendation – The Water Works should comply with Chapter 12C.16 of the Code of Iowa when deposits with a credit union exceeds \$250,000 covered by national credit union insurance.

Response – Now that we are aware of the \$250,000 limit, we will not exceed that amount without obtaining additional security. Our deposits have been below this figure since November 17, 2021.

Conclusion – Response accepted.

Evansdale Water Works

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Gwen D. Fangman, CPA, Manager
David A. Slocum, CPA, Staff Auditor
Jared M. Ernst, Assistant Auditor