

CHARITON MUNICIPAL WATERWORKS
CHARITON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, IA 50265

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CHARITON MUNICIPAL WATERWORKS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
George Holder	Chairman	December 31, 2009
Roger Bingham	Vice-Chairman	December 31, 2011
Byron Welch	Secretary	December 31, 2013
Glenn Goodsell*	Superintendent	Indefinite
Bruce Hamersley**	Superintendent	Indefinite
Ruth A. Ryun	Treasurer	Indefinite

* - Terminated in August, 2007.

** - Began in January, 2008.

Chariton Municipal Waterworks

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Independent Auditor's Report

To the Board of Trustees
Chariton Municipal Waterworks

We have audited the accompanying financial statements of the business type activities of the Chariton Municipal Waterworks, Chariton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the Waterworks' basic financial statements listed in the table of contents. These financial statements are the responsibility of the Waterworks' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Chariton Municipal Waterworks are intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Chariton that is attributable to the transactions of the Waterworks.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Chariton Municipal Waterworks, at June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2009, on our consideration of the Chariton Municipal Waterworks internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. 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 assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 10 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Chariton Municipal Waterworks' basic financial statements. Other supplementary information included in Schedule 1, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP
Certified Public Accountants

January 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Chariton Municipal Waterworks (Waterworks) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Waterworks financial statements, which follow.

The Waterworks is a component unit of the City of Chariton, Iowa.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the Waterworks business type activities increased 2%, or approximately \$30,000, from fiscal 2007 to fiscal 2008.
- Expenses increased 20%, or approximately \$222,000, in fiscal 2008 from fiscal 2007.
- The Waterworks net assets decreased 2%, or approximately \$69,000, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

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

Proprietary Fund Financial Statements consist of a Statement of Net Assets and a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows. These provide information about the activities of the Waterworks as a whole and present an overall view of the Waterworks finances.

The Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the Waterworks Funds.

REPORTING THE WATERWORKS FINANCIAL ACTIVITIES

Proprietary Fund Financial Statements

One of the most important questions asked about the Waterworks finances is, “Is the Waterworks as a whole better or worse off as a result of the year’s activities?” The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the Waterworks assets and liabilities, with the difference between the two reported as “net assets”. Over time, increases or decreases in the City’s net assets may serve as a useful indicator of whether the financial position of the Waterworks is improving or deteriorating.

The Statement of Activities presents information showing how the Waterworks net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report the following kind of activity:

- Business type activities include the Waterworks. These activities are financed primarily by user charges.

Fund Financial Statements

Proprietary funds account for the Waterworks Enterprise Funds. These funds report services for which the Waterworks charges customers for the service it provides. The Waterworks is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for business type activities.

	Net Assets (Expressed in Thousands)	
	June 30, 2008	2007
Current and other assets	\$ 826	1,155
Capital assets	4,306	4,203
Total assets	5,132	5,358
Long-term liabilities	1,438	1,545
Other liabilities	63	113
Total liabilities	1,501	1,658
Net assets:		
Invested in capital assets, net of related debt	2,974	2,747
Restricted	476	454
Unrestricted	181	499
Total net assets	\$ 3,631	3,700

Net assets of business type activities decreased from FY07 by approximately \$69,000, or 1.9%. The largest portion of the Waterworks net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$181,000 at the end of this year.

	Changes in Net Assets (Expressed in Thousands)	
	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,162	1,151
General revenues:		
Unrestricted investment earnings	28	39
Miscellaneous	71	42
Total revenues	1,261	1,232
Program expenses:		
Water	1,330	1,109
Total expenses	1,330	1,109
Increase (Decrease) in net assets	(69)	123
Net assets beginning of year	3,700	3,577
Net assets end of year	\$ 3,631	3,700

The Waterworks net assets decreased approximately \$69,000 during the year. The Waterworks revenues increased only slightly over the prior year while total expenses were approximately \$221,000 higher than the prior fiscal year.

INDIVIDUAL MAJOR FUND ANALYSIS

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the Waterworks, ended fiscal 2008 with a \$3,630,811 net asset balance compared to the prior year ending net asset balance of \$3,700,303.

BUDGETARY HIGHLIGHTS

The Chariton Municipal Waterworks prepares a budget on the cash basis of accounting and submits it to the City of Chariton. Over the course of the year, the Waterworks amended its budget one time, increasing budgeted disbursements by \$566,000. The Waterworks actual receipts were greater than the budgeted receipts. In addition, budgeted disbursements were \$150,910 more than actual disbursements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Waterworks had approximately \$4.3 million invested in a broad range of capital assets, including land, buildings, equipment, vehicles and infrastructure. This is a net increase (including additions and deletions) of approximately \$103,000, or 2.4 percent over last year.

Capital Assets at Year End (Expressed in Thousands)		
	June 30,	
	2008	2007
Land	\$ 48	48
Improvements and buildings	30	48
Equipment and vehicles	27	45
Infrastructure	4,201	4,062
Total	\$ 4,306	4,203

The Waterworks had depreciation expense of \$267,179 in FY08 and total accumulated depreciation of \$5,882,435 at June 30, 2008. More detailed information about the Waterworks capital assets is presented in Note 4 to the financial statements.

For business type activities, major additions included purchase of a skidloader, water tower repair and water main replacements.

Long-Term Debt

At June 30, 2008, the Waterworks had approximately \$1,438,000 in revenue notes and bonds and other debt outstanding compared to approximately \$1,545,000 at June 30, 2007, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)		
	June 30,	
	2008	2007
Revenue notes	\$ 605	760
Revenue bonds	727	696
Compensated absences	106	89
Total	\$ 1,438	1,545

Additional information about the Waterworks long-term debt is presented in note 5 to the financial statements.

ECONOMIC FACTORS BEARING ON THE WATERWORKS FUTURE

Several economic factors affected decisions made by the Waterworks in setting its fiscal 2009 budget, including water main replacements, upkeep of current mains, plant and distribution improvements and fees that are changed.

CONTACTING THE WATERWORKS FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the Waterworks finances to show the Waterworks accountability for the money it receives. If you have any questions or require additional information please contact the Waterworks Superintendent, 101 Albia Road, Box 866, Chariton, Iowa 50049.

Basic Financial Statements

CHARITON MUNICIPAL WATERWORKS

Exhibit A

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Business Type</u> <u>Activities</u>
Assets	
Cash and pooled investments	\$ 119,553
Receivables, net of allowance for uncollectible amounts (\$12,818)	
Accounts, consumers and other	125,251
Estimated unbilled usage	54,014
Accrued interest	1,924
Inventories	9,273
Prepaid insurance	17,592
Restricted assets	
Cash and pooled investments	475,961
Cost of bond issue (net of accumulated amortization)	22,290
Capital assets (net of accumulated depreciation)	4,305,871
Total assets	<u>5,131,729</u>
Liabilities	
Accounts payable	49,879
Accrued payroll	9,021
Accrued interest payable	4,195
Long - term liabilities:	
Portion due or payable within one year:	
Revenue notes payable	110,000
Revenue bonds payable	36,000
Compensated absences	106,091
Portion due or payable after one year:	
Revenue notes payable	495,000
Revenue bonds payable	690,732
Total liabilities	<u>1,500,918</u>
Net Assets	
Invested in capital assets, net of related debt	2,974,139
Restricted for:	
Meter deposits	89,354
Reserve	195,000
Revenue bond retirement	16,523
Funded replacement	175,084
Unrestricted	180,711
Total net assets	<u>\$ 3,630,811</u>

See notes to financial statements.

CHARITON MUNICIPAL WATERWORKS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

Exhibit B

Year ended June 30, 2008

Operating revenues:	
Charges for service:	
Water	\$ 1,153,179
Miscellaneous	<u>8,727</u>
Total operating revenues	<u>1,161,906</u>
Operating expenses:	
Business type activities:	
Plant operation	471,586
Distribution operation	202,456
Accounting and collection	185,490
Administration	106,795
Repairs and minor equipment	34,169
Depreciation and amortization	<u>270,693</u>
Total operating expenses	<u>1,271,189</u>
Operating loss	<u>(109,283)</u>
Nonoperating revenues (expenses):	
Interest income	28,219
Interest expense	(59,764)
Miscellaneous	68,937
Sale of fixed assets	<u>2,399</u>
Total nonoperating revenues (expenses)	<u>39,791</u>
Change in net assets	(69,492)
Net assets, beginning of year	<u>3,700,303</u>
Net assets, end of year	<u>\$ 3,630,811</u>

See notes to financial statements.

CHARITON MUNICIPAL WATERWORKS

Exhibit C

STATEMENT OF CASH FLOWS

Year ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers and users	\$ 1,169,988
Cash received from other revenues	8,727
Cash paid for personal services	(360,564)
Cash paid to suppliers	(672,307)
Net cash provided by operating activities	<u>145,844</u>
Cash flows from noncapital financing activities:	
Miscellaneous income	<u>68,937</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(369,831)
Disposition of fixed assets	2,399
Proceeds of revenue bonds	65,308
Principal paid on revenue notes and bonds	(190,000)
Interest and service fee paid on revenue notes and bonds	(60,439)
Net cash used for capital and related financing activities	<u>(552,563)</u>
Cash flows from investing activities:	
Interest on investments	<u>26,597</u>
Net (decrease) in cash and cash equivalents	(311,185)
Cash and cash equivalents at beginning of year	<u>906,699</u>
Cash and cash equivalents at end of year	<u>\$ 595,514</u>

See notes to financial statements.

CHARITON MUNICIPAL WATERWORKS

Exhibit C

STATEMENT OF CASH FLOWS

Year ended June 30, 2008

Reconciliation of operating income to net cash provided by operating activities:

Operating loss	\$ (109,283)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	270,693
Decrease in receivables	16,809
(Increase) in inventories	(1,611)
Decrease in prepaid insurance	516
(Decrease) in accounts payable, accrued payroll and compensated absences	(31,280)
Net cash provided by operating activities	<u>\$ 145,844</u>

Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:

Current assets:	
Cash and pooled investments	\$ 119,553
Restricted assets:	
Cash and pooled investments:	
Meter deposits	89,354
Reserve	195,000
Revenue bond retirement	16,523
Funded replacement	175,084
Cash and cash equivalents at year end	<u>\$ 595,514</u>

See notes to financial statements.

CHARITON MUNICIPAL WATERWORKS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

The Chariton Municipal Waterworks is a component unit of the City of Chariton, Iowa, as determined by the criteria specified by the Governmental Accounting Standards Board. The Waterworks operates under a trustee form of government provided by the Code of Iowa. A three-member board of trustees is appointed by the City Council of Chariton to six year staggered terms. The Waterworks provides water service to residents, businesses and industry in Chariton.

The financial statements of the Chariton Municipal Waterworks have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Chariton Municipal Waterworks has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Waterworks also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Waterworks are such that exclusion would cause the Waterworks financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Waterworks to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Waterworks.

Based on the above criteria, there are no agencies or entities which should be combined with the financial statements of the Waterworks. However, based on these criteria, the Waterworks is a component unit of the City of Chariton for financial reporting purposes. The City of Chariton has financial accountability for the Waterworks because it appoints a voting majority of the Waterworks' Board of Trustees and provides financial benefit to the Waterworks.

B. Basis of Presentation

Proprietary Fund Financial Statements – The Statement of Net Assets report information on all of the nonfiduciary activities of the Waterworks. The business type activities rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the Waterworks nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions, enabling legislation or through Board of Trustee action.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Note 1. Summary of Significant Accounting Policies (continued)

The accounts of the Waterworks are organized on the basis of funds. The operations are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The water accounts are classified in the Enterprise Fund. The Enterprise Fund is utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The proprietary funds of the Waterworks apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Waterworks maintains its financial records on the cash basis. The financial statements of the Waterworks are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most Waterworks funds are pooled and invested. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Inventories - Inventories are valued at cost using the first-in / first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Note 1. Summary of Significant Accounting Policies (continued)

Restricted Assets - Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include meter deposits restricted for application to unpaid customer accounts or for refund to customers, a reserve fund and a funded replacement fund, as required by the revenue note indentures.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable business type activities columns in the Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the Waterworks as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	\$1,000
Equipment and vehicles	1,000
Infrastructure	1,000

Capital assets of the Waterworks are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Improvements other than buildings	10-50 years
Vehicles	5 years
Equipment	5-10 years
Infrastructure	20-40 years

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, death or retirement. A liability is recorded when incurred in the proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008.

Long-term Liabilities – In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the business type activities column in the Statement of Net Assets.

E. Budgets and Budgetary Accounting

The Waterworks adopts a cash basis budget for operating purposes. The Waterworks also submits a cash basis (legal) budget to the City Council for approval in the City’s budget process. The legal budget may be amended during the year utilizing the statutory procedures available to the City.

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The Waterworks deposits in banks at June 30, 2008 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 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 Waterworks had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Note 3. Bond Issue Costs

The costs relating to the issuing of the revenue bonds are being amortized over the term of the bonds.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 47,900	-	-	47,900
Total capital assets not being depreciated	47,900	-	-	47,900
Capital assets being depreciated:				
Improvements and buildings	324,452	-	-	324,452
Equipment and vehicles	384,940	14,238	15,000	384,178
Infrastructure, water network	9,061,183	370,593	-	9,431,776
Total capital assets being depreciated	9,770,575	384,831	15,000	10,140,406
Less accumulated depreciation for:				
Improvements and buildings	276,531	18,263	-	294,794
Equipment and vehicles	339,501	17,929	-	357,430
Infrastructure, water network	4,999,224	230,987	-	5,230,211
Total accumulated depreciation	5,615,256	267,179	-	5,882,435
Total capital assets being depreciated, net	4,155,319	117,652	15,000	4,257,971
Business type activities capital assets, net	\$ 4,203,219	117,652	15,000	4,305,871

Depreciation expense was charged to the business type activities – water fund.

Note 5. Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within one Year
Business type activities:					
Revenue notes	\$ 760,000	-	155,000	605,000	110,000
Revenue bonds	696,424	65,308	35,000	726,732	36,000
Compensated absences	88,260	17,831	-	106,091	106,091
Total	\$1,544,684	83,139	190,000	1,437,823	252,091

Annual debt service requirements to maturity for the revenue notes and bonds payable are as follows:

Year Ending June 30,	Revenue Notes			Revenue Bonds			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2009	4.60%	\$ 110,000	\$ 28,533	3.00%	\$ 36,000	\$ 21,876	\$ 146,000	\$ 50,409
2010	4.65%	115,000	23,473	3.00%	36,000	20,720	151,000	44,193
2011	4.70%	120,000	18,125	3.00%	37,000	19,640	157,000	37,765
2012	4.75%	125,000	12,485	3.00%	37,000	18,530	162,000	31,015
2013	4.85%	135,000	6,547	3.00%	38,000	17,420	173,000	23,967
2014	-	-	-	3.00%	38,000	16,380	38,000	16,380
2015	-	-	-	3.00%	39,000	15,140	39,000	15,140
2016	-	-	-	3.00%	40,000	13,970	40,000	13,970
2017	-	-	-	3.00%	40,000	12,770	40,000	12,770
2018	-	-	-	3.00%	41,000	11,670	41,000	11,670
2019	-	-	-	3.00%	41,000	10,340	41,000	10,340
2020	-	-	-	3.00%	42,000	9,110	42,000	9,110
2021	-	-	-	3.00%	43,000	7,850	43,000	7,850
2022	-	-	-	3.00%	43,000	6,560	43,000	6,560
2023	-	-	-	3.00%	44,000	5,270	44,000	5,270
2024	-	-	-	3.00%	45,000	3,950	45,000	3,950
2025	-	-	-	3.00%	45,000	2,600	45,000	2,600
2026	-	-	-	3.00%	41,732	1,250	41,732	1,250
		<u>\$ 605,000</u>	<u>\$ 89,163</u>		<u>\$ 726,732</u>	<u>\$ 215,046</u>	<u>\$ 1,331,732</u>	<u>\$ 304,209</u>

Revenue Notes and Bonds

The Waterworks has pledged future water customer revenues, net of specified operating expenses, to repay \$1,455,000 in water revenue notes issued in 1998. Proceeds from the notes provided financing for the construction of water main replacements. The notes are payable solely from water customer net revenues and are payable through fiscal year 2013. Annual principal and interest payments on the notes are expected to require less than 88 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$694,163. For the current year, principal and interest paid and total customer net revenues were \$191,508 and \$161,410 respectively.

Note 5. Changes in Long-Term Liabilities (continued)

The Waterworks has pledged future water customer revenues, net of specified operating expenses, to repay \$800,000 in water revenue bonds issued in August, 2006. Proceeds from the bonds provided financing for the repair of the plant and water towers. The bonds are payable solely from water customer net revenues and are payable through fiscal year 2026. Annual principal and interest payments on the bonds are expected to require less than 34 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$941,778. For the current year, principal and interest paid and total customer net revenues were \$57,029 and \$161,410 respectively.

Revenue Notes

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the Waterworks and the bondholders hold a lien on the future earnings.
- (B) \$145,000 will be set aside in a "Reserve Fund".
- (C) A sum of 1/6 of the interest coming due on the next succeeding interest payment date plus 1/12 of the next succeeding principal payment date shall be paid into a "Sinking Fund".

Revenue Bonds

On August 7, 2006, the Waterworks entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and the Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$800,000 of water revenue bonds with interest at 3.00% per annum. The agreement also requires the Waterworks to annually pay .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa for the purpose of paying the costs of construction, improvement and extensions to the municipal waterworks system. The Waterworks will receive disbursements from the Trustee upon request to reimburse the Waterworks for the costs as they are incurred. At June 30, 2008, the Waterworks had drawn \$796,732 of the \$800,000 authorized. Wells Fargo Bank Iowa, N.A. has the remaining \$3,268 held in trust which the Waterworks will request as the project progresses. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld in fiscal year 2007 by the bank from the first proceeds of the water revenue bonds drawn by the Waterworks. Although the Waterworks is still drawing funds on the water revenue bonds, a formal repayment schedule has been adopted for the debt.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- (A) The bonds will only be redeemed from the future earnings of the Waterworks and the bond holders hold a lien on the future earnings of the funds.
- (B) The Board shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (C) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of installment principal due shall be made to a water revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (D) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the water system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

Note 6. Interest Cost

It is the Waterworks policy to capitalize interest cost on construction in progress to the extent such construction is capitalized on the statement of net assets. For the year ended June 30, 2008, the Waterworks incurred total interest cost of \$59,764 and no interest costs were capitalized.

Note 7. Pension and Retirement Benefits

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 3.90% of their annual salary and the Waterworks is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Waterworks contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$15,988, \$14,671 and \$14,436 respectively, equal to the required contributions for each year.

Note 8. Risk Management

The Chariton 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. The Waterworks assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

CHARITON MUNICIPAL WATERWORKS

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS)

REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2008

	Proprietary Funds Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Use of money and property	\$ 26,597	12,000	12,000	14,597
Charges for service	1,178,715	1,190,441	1,190,441	(11,726)
Miscellaneous	68,937	35,610	35,610	33,327
Total receipts	<u>1,274,249</u>	<u>1,238,051</u>	<u>1,238,051</u>	<u>36,198</u>
Disbursements:				
Business type activities	1,653,141	1,238,051	1,804,051	150,910
Total disbursements	<u>1,653,141</u>	<u>1,238,051</u>	<u>1,804,051</u>	<u>150,910</u>
Excess (deficiency) of receipts over over (under) disbursements	(378,892)	-	(566,000)	187,108
Other financing sources, net	<u>67,707</u>	-	-	<u>(67,707)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(311,185)	-	(566,000)	254,815
Balances beginning of year	<u>906,699</u>	-	-	<u>906,699</u>
Balances end of year	<u>\$ 595,514</u>	-	<u>(566,000)</u>	<u>1,161,514</u>

See accompanying independent auditor's report.

CHARITON MUNICIPAL WATERWORKS
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2008

	Proprietary Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 1,274,249	(15,187)	1,259,062
Expenses	1,653,141	(322,188)	1,330,953
Net	(378,892)	307,001	(71,891)
Other financing sources, net	67,707	(65,308)	2,399
Beginning net assets	906,699	2,793,604	3,700,303
Ending net assets	\$ 595,514	3,035,297	3,630,811

See accompanying independent auditor's report.

CHARITON MUNICIPAL WATERWORKS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Year ended June 30, 2008

The Chariton 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. The budget approved by the City Council includes the budget of the Waterworks.

Formal and legal budgetary control is based upon classes of disbursements, known as functions, not by fund. The Waterworks disbursements are budgeted in the business type activities function. During the year, one budget amendment increased budgeted disbursements by \$566,000. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2008, Waterworks disbursements did not exceed the amounts budgeted.

Other Supplementary Information

CHARITON MUNICIPAL WATERWORKS

Schedule I

SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 2008

Plant Operation	
Salaries	\$ 113,149
Power and propane	51,761
Chemicals	114,891
Supplies	16,886
Telephone	1,136
Contract labor	134,680
Maintenance materials and labor	19,569
Other expenses	19,514
Total plant operation	<u>\$ 471,586</u>
Distribution Operation	
Salaries	\$ 95,834
Vehicle maintenance	17,281
Insurance	31,728
Supplies	4,114
Utilities	9,769
Telephone	2,234
Maintenance material and labor	41,191
Other expenses	305
Total distribution operation	<u>\$ 202,456</u>
Accounting and Collection	
Salaries	\$ 95,971
Meter reading	1,550
Office supplies	5,319
Sales tax	57,981
Postage	11,850
Telephone	2,368
Utilities	4,115
Other expenses	6,336
Total accounting and collection	<u>\$ 185,490</u>
Administration	
Employee benefits	\$ 76,700
Audit and filing fee	3,285
Safety, schools, miscellaneous	22,548
Legal	4,262
Total administration	<u>\$ 106,795</u>
Repairs and Minor Equipment	
Lake improvements	\$ 5,700
Office equipment	750
Distribution improvements	16,894
Engineering	10,825
Total repairs and minor equipment	<u>\$ 34,169</u>
Depreciation and Amortization	
Depreciation	\$ 267,178
Amortization	3,515
Total depreciation and amortization	<u>\$ 270,693</u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP
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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
Chariton Municipal Waterworks

We have audited the accompanying financial statements of the business type activities of the Chariton Municipal Waterworks, Chariton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the Waterworks basic financial statements listed in the table of contents and have issued our report thereon dated January 15, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chariton Municipal Waterworks internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Chariton Municipal Waterworks internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chariton Municipal Waterworks internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be a material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Chariton Municipal Waterworks ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Chariton Municipal Waterworks financial statements that is more than inconsequential will not be prevented or detected by Chariton Municipal Waterworks internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Chariton Municipal Waterworks internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08 and I-B-08 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Waterworks operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Waterworks. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Chariton Municipal Waterworks responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Waterworks responses, we did not audit Chariton Municipal Waterworks responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the Chariton Municipal Waterworks and other parties to whom the Chariton Municipal 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 Chariton 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.

Peak & Gerdes, LLP
Certified Public Accountants

January 15, 2009

CHARITON MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

I-A-08 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. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Waterworks should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The Waterworks could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-08 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The Waterworks does not have the internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that Waterworks officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

INSTANCES OF NONCOMPLIANCE

No matters were reported.

CHARITON MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

II-A-08 Certified Budget - The budget certified by the City of Chariton includes amounts budgeted for the Chariton Municipal Waterworks. Disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted in the business type activities function of the Chariton Municipal Waterworks.

II-B-08 Questionable Disbursements - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of Waterworks money for travel expenses of spouses of Waterworks officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the Waterworks and Waterworks officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mark Savage, Employee, Son owns Savage Dirt Works	Dirt work	\$ 9,900
Mark Savage, Employee, Brother owns ARS Construction	Construction, hauling	\$ 99,427

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions may represent conflicts of interest since total transactions with each individual were greater than \$1,500 during the fiscal year.

Recommendation – The Waterworks consult with their Attorney on the above to determine a proper resolution of the matter.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-E-08 Bond Coverage - Surety bond coverage of Waterworks officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CHARITON MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2008

- II-F-08 Board of Trustee Minutes - Except as noted below, no transactions were found that we believe should have been approved in the trustee minutes but were not.

An instance was noted where an invoice was not documented as approved in the Board minutes, or published in the newspaper as required by the Code of Iowa. In addition, for some invoices paid, the supporting documentation provided to the Waterworks was insufficient.

Recommendation – The Waterworks implement procedures to ensure compliance with the Code of Iowa in relation to publications and approval of invoices. In addition, adequate supporting documentation should be obtained prior to the payment of invoices.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- II-G-08 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 Water Works investment policy were noted

- II-H-08 Revenue Bonds - No instances of non-compliance with the water revenue notes and bonds provisions were noted.

- II-I-08 Delinquent Accounts – For delinquent water service accounts, the Waterworks does not consistently turn over the accounts to the County Treasurer for collection. For example, in fiscal year 2008, only one delinquent account was turned over to the County Treasurer for collection. During the fiscal year, the Waterworks wrote off several delinquent accounts as uncollectible; however, the accounts written off were not approved by the Board.

Recommendation – The Waterworks consider turning over delinquent accounts to the County Treasurer for collection. Also, the Board should approve all delinquent accounts written off as uncollectible.

Response – We will review these issues.

Conclusion – Response accepted.

- II-J-08 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Waterworks to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. In some cases, the Waterworks retains cancelled checks through electronic image, but in other cases the Waterworks did not obtain an image of the front and/or back of each cancelled check as required.

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

Response – We will implement this recommendation.

Conclusion - Response accepted.

CHARITON MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2008

II-K-08 Revenue Bonds Interest – The average interest rate on the remaining portion of the 1998 bond issue is approximately 4.70%. The bond agreements allow the Waterworks to refinance or pay off these bonds. If the Waterworks refinanced these bonds, a significant amount of interest could be saved.

Recommendation – The Waterworks analyze all aspects of its operation, including financing decisions, to ensure the business decisions made are prudent and efficient.

Response – We will continually review the financing decisions to ensure the decisions made are prudent and efficient.

Conclusion – Response accepted.

II-L-08 Pay Rates – We noted that there was not always written authorization for employee and independent contractor pay rates.

Recommendation – Written authorization of pay rates should be obtained for all employees and independent contractors.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

II-M-08 Waterworks Procedures – The Waterworks did not have a working meter at the plant which records gallons of water pumped. As a result, the Waterworks is unable to compare the number of gallons of water pumped with the number of gallons of water billed. Therefore, the Waterworks is unable to identify any unusual changes, such as large water loss amounts.

For three vendors, the engineer did not complete a change order extending the time of performance, or assess liquidated damages on the construction contractors when the projects exceeded the time of performance. In addition, for two vendors, change orders were not prepared when the scope of the projects changed.

On some construction projects, it is unclear if the contractors who worked on Waterworks construction projects bought their materials sales tax free from its vendors, or if the Waterworks needs to file a claim for a sales tax refund on these projects. If the Waterworks needs to file a claim for the sales tax refund on these projects, the refund amount could amount to several thousand dollars. As of the audit fieldwork, the Waterworks has not filed a claim for sales tax refunds on these projects.

Recommendation – The Waterworks implement procedures to compare the number of gallons of water pumped to the number of gallons of water billed, and follow up on any unusual variances. In addition, the Waterworks should either extend the time of performance on the construction contracts, or assess liquidated damages on contracts which exceeded the time of performance, and prepare and approve change orders when the scope of the projects change. Also, the Waterworks should file a claim for the sales tax refund on construction projects, as appropriate.

Response – We will implement these recommendations.

Conclusion – Response accepted.

CHARITON MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2008

II-N-08 Water Rates – Section 384.83 and 384.84 of the Code of Iowa requires that utility rates must be established by resolution of the Board of Trustees, published in the same manner as an ordinance. However, the July, 2007 increase in utility rates was not published in the newspaper, as required by the Code of Iowa.

Recommendation – The Waterworks follow the above Code sections on future utility rate changes.

Response – We will implement this recommendation.

Conclusion – Response accepted.