

**EDDYVILLE MUNICIPAL WATERWORKS
EDDYVILLE, IOWA**

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

June 30, 2011

**Peak & Co., LLP
Certified Public Accountants
1370 NW 114th St., Suite 205
Clive, IA 50325**

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EDDYVILLE MUNICIPAL WATERWORKS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
C. Alan Katko	Waterworks Trustee	January 1, 2012
Richard Lewman	Waterworks Trustee	January 1, 2014
Michael Randell	Waterworks Trustee	January 1, 2015
Mickey A. Solano	Clerk	Indefinite

Eddyville Municipal Waterworks

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
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(515) 277-3077

Independent Auditor's Report

To the Board of Trustees of the
Eddyville Municipal Waterworks:

We have audited the accompanying financial statement of the Eddyville Municipal Waterworks, Eddyville, Iowa, as of and for the year ended June 30, 2011. This financial statement is the responsibility of Waterworks' officials. Our responsibility is to express an opinion on this 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in Note 1, the financial statement of the Eddyville Municipal Waterworks is intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Eddyville that is attributable to the transactions of the Waterworks.

In our opinion, the aforementioned financial statement presents fairly, in all material respects, the cash basis financial position of the Eddyville Municipal Waterworks as of June 30, 2011, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2012, on our consideration of the Eddyville Municipal Waterworks internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 13 through 14 is not a required part of the financial statement, but is 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.

The Waterworks has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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

Peak & Co., LLP
Certified Public Accountants

January 31, 2012

Financial Statement

EDDYVILLE MUNICIPAL WATERWORKS

Exhibit A

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS NET ASSETS

Year ended June 30, 2011

	<u>Enterprise Fund Water</u>
Operating receipts:	
Charges for service	\$ 81,105
Miscellaneous	<u>11,245</u>
Total operating receipts	<u>92,350</u>
Operating disbursements:	
Business type activities	<u>143,616</u>
Total operating disbursements	<u>143,616</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(51,266)</u>
Non-operating receipts (disbursements):	
Interest on investments	3,246
Rental income	<u>14,760</u>
Net non-operating receipts (disbursements)	<u>18,006</u>
Change in cash basis net assets	(33,260)
Cash basis net assets beginning of year	<u>309,648</u>
Cash basis net assets end of year	<u>\$ 276,388</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 276,388</u>
Total cash basis net assets	<u>\$ 276,388</u>

See notes to financial statement.

EDDYVILLE MUNICIPAL WATERWORKS

NOTES TO FINANCIAL STATEMENT

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Eddyville Municipal Waterworks is a component unit of the City of Eddyville, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Waterworks is governed by a three-member board of trustees appointed by the Mayor, subject to the approval of the City Council, which exercises oversight responsibility under this criteria.

B. Basis of Presentation

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

D. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

It does not appear the Waterworks deposits at June 30, 2011 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 Water 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.

Note 2. Cash and Pooled Investments (continued)

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

Interest rate risk – The Waterworks investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Waterworks.

Note 3. 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 4.50% of their annual covered salary and the Waterworks is required to contribute 6.95% of covered salary. Contribution requirements are established by State statute. The Waterworks' contributions to IPERS for the years ended June 30, 2011 was \$610, equal to the required contributions for the year.

Note 4. Risk Management

The Waterworks is a member in 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 645 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 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 due and payable in the current 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 to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current 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 Waterworks' property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Waterworks' annual contributions to the Pool for the year ended June 30, 2011 was paid by the City of Eddyville.

Note 4. Risk Management (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, 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 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. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Waterworks also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 each accident, \$1,000,000 memo limit and \$1,000,000 each employee limit. The Waterworks 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.

Note 5. Subsequent Events

The Waterworks has evaluated subsequent events through January 31, 2012, which is the date that the financial statement was available to be issued.

Required Supplementary Information

EDDYVILLE MUNICIPAL WATERWORKS

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

REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2011

	Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts:			
Use of money and property	\$ 18,006	\$ -	\$ 18,006
Charges for service	81,105	109,450	(28,345)
Miscellaneous	11,245	-	11,245
Total receipts	110,356	109,450	906
Disbursements:			
Business type activities	143,616	109,450	(34,166)
Change in cash basis net assets	(33,260)	-	(33,260)
Cash basis net assets beginning of year	309,648	-	309,648
Cash basis net assets end of year	\$ 276,388	\$ -	\$ 276,388

See accompanying independent auditor's report.

EDDYVILLE MUNICIPAL WATERWORKS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2011

The Eddyville 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.

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 there were not budget amendments.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted.

Other Supplementary Information

EDDYVILLE MUNICIPAL WATERWORKS

Schedule 1

COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS NET ASSETS
ENTERPRISE FUNDS

Year ended June 30, 2011

OPERATING RECEIPTS:

Charge for service -	
Sale of water to meter customers	\$ 78,984
Sales of water - tank service	226
Meter rent	1,695
Connection fees	200
	<u>81,105</u>
Miscellaneous -	
Sales tax collected	5,207
Refunds and reimbursements	3,438
Customer deposits	2,600
	<u>11,245</u>
Total operating receipts	<u>92,350</u>

OPERATING DISBURSEMENTS:

Business type activities -	
Water -	
Wages and payroll tax	56,992
Workers compensation	440
Uniforms	336
Dues and training	825
Vehicle operating costs	23,903
Electric and gas	8,073
Telephone	3,309
Tower maintenance	32,622
Printing and publication	478
Sales tax	5,229
Bad checks	233
Customer deposits	1,946
Technology	770
Chemicals	6,289
Office supplies	112
Postage and shipping	327
Water tests	1,142
Miscellaneous	590
Total operating disbursements	<u>143,616</u>

Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(51,266)</u>
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EDDYVILLE MUNICIPAL WATERWORKS

Schedule 1 (continued)

COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS NET ASSETS
ENTERPRISE FUNDS

Year ended June 30, 2011

NON-OPERATING RECEIPTS:

Interest on investments	\$ 3,246
Rental income	<u>14,760</u>
Total non-operating receipts	<u>18,006</u>
Net change in cash basis net assets	(33,260)
Cash basis net assets, beginning of year	<u>309,648</u>
Cash basis net assets, end of year	<u>\$ 276,388</u>

See accompanying independent auditor's report.

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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 a Financial Statement Performed in Accordance
with Government Auditing Standards

To the Board of Trustees of the
Eddyville Municipal Waterworks:

We have audited the accompanying financial statement of the Eddyville Municipal Waterworks, Eddyville, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 31, 2012. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Eddyville 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 statement, but not for the purpose of expressing an opinion on the effectiveness of Eddyville Municipal Waterworks internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eddyville 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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 Eddyville Municipal Waterworks financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eddyville Municipal Waterworks financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, 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, 2011 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.

Eddyville 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 Eddyville 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 Eddyville Municipal Waterworks and other parties to whom the Eddyville Municipal Waterworks may report, and 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 Eddyville 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 & Co., LLP
Certified Public Accountants

January 31, 2012

EDDYVILLE MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2011

Part I: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 **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 with the 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 should 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-11 **Reconciliation of Utility Billings, Collections and Delinquencies** – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared.

Recommendation – A listing of delinquent accounts should be prepared on a quarterly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Board of Trustees or an independent person should review the reconciliations and monitor delinquencies.

Response – We will review this situation.

Conclusion - Response accepted.

I-C-11 **Financial Reporting** – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board of Trustee members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – The management officials will attempt to read relevant accounting literature and attend professional education courses to improve in the ability to apply accounting principles.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

EDDYVILLE MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the business-type activities function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – We will implement this recommendation.

Conclusion – Response accepted.

- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-11 Travel Expense - No disbursements of Waterworks money for travel expenses of spouses of Waterworks officials or employees were noted.

- II-D-11 Business Transactions – No business transactions between the Waterworks and Waterworks officials or employees were noted.

- II-E-11 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 ensure that the coverage is adequate for current operations.

- II-F-11 Board of Trustee Minutes - No transactions were found that we believe should have been approved in the trustee minutes but was not. However, some trustee minutes and related claims were not timely published, as required by the Code of Iowa.

Recommendation – The Waterworks timely publish all minutes and claims, as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- II-G-11 Deposits and Investments - Instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Waterworks investment policy were noted.

The Waterworks does not have an investment policy. In addition, the Waterworks has not approved a depository, and the maximum amount which may be kept on deposit in each depository, as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The Waterworks should implement procedures to ensure compliance with Chapter 12B and 12C of the Code of Iowa in regards to an investment policy and depositories.

Response – We will implement this recommendation.

Conclusion – Response accepted.

EDDYVILLE MUNICIPAL WATERWORKS

SCHEDULE OF FINDINGS

Year ended June 30, 2011

- II-H-11 Utility 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. We noted that the utility rates currently charged by the Waterworks are not entirely consistent with the utility rates as documented in the resolution.

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

Response – We will implement this recommendation.

Conclusion - Response accepted.

- II-I-11 Miscellaneous – The Waterworks did not establish a separate fund for the utility meter deposits. Currently this activity is accounted for in the water fund.

Recommendation – The Waterworks should establish a separate fund for the utility meter deposits to properly account for the special requirement for the source of funds.

Response – We will implement this recommendation.

Conclusion - Response accepted.

- II-J-11 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. However, 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.