

DRAFT

Water and Sewer Stabilization Fund

Current Year Comment

The City maintains a water and sewer stabilization fund which accounts for amounts put aside for the needs of both the City's water and sewer activities. In the current year, the City did not properly allocate the split of investment earnings to the sewer fund. This resulted in the sewer not being allocated \$112,067 of investment earnings. For financial statement purposes, the interest has been properly allocated and the stabilization fund balance has been allocated to both the water and sewer enterprise funds. The need to make these allocations opens up areas in which errors may occur and management may make incorrect financial decisions if the balances are not allocated correctly.

Recommendation

We recommend that the City set up separate water and sewer stabilization funds, this will make it more efficient to ensure that the investment income is being allocated to the water and sewer funds accurately. It will also aid in the preparation of the City's financial statements. Currently, a journal entry is recorded to allocate the water and sewer stabilization fund balance to the applicable enterprise fund for preparation of the City's financial statements.