OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE July 5, 2016

Auditor of State Mary Mosiman today released an audit report on the Regional Utility Service Systems Commission.

The Regional Utility Service Systems Commission had total revenues of $1,488,352 for the year ended June 30, 2015, a 25% increase over the prior year. The revenues included user fees of $545,796, membership dues of $138,696 and rural development grant revenue of $751,454. The significant increase in revenues was due primarily to increases in user fees and rural development grants.

Expenses for the year ended June 30, 2015 totaled $674,880, a 30% decrease from the prior year, and included $168,198 for salaries and benefits, $89,735 for interest expense and $85,074 for legal and professional fees. The significant decrease in expenses was primarily due to a prior year loss for the discontinuance of projects.

A copy of the audit report is available for review in the Regional Utility Service Systems Commission's office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1514-0022-B00F.

# # #

REGIONAL UTILITY SERVICE SYSTEMS COMMISSION

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

JUNE 30, 2015

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Regional Utility Service Systems Commission

Officials

Name	Title	Representing
Daryl Wood	Chairperson	Keokuk County
Lee Dimmitt	Vice-Chairperson	Jefferson County
Chris Ball	Secretary/Treasurer	Louisa County
Jim Cary	Member	Des Moines County
Ron Fedler	Member	Lee County
Greg Kenning	Member	Wapello County
Greg Moeller	Member	Henry County
Jack Seward, Jr.	Member	Washington County
Mike Vander Molen	Member	Mahaska County
Bob Waugh	Member	Van Buren County
Bruce Hudson	Executive Director	

Regional Utility Service Systems Commission

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Regional Utility
Service Systems Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional Utility Service Systems Commission as of and for the year ended June 30, 2015, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements 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 Commission's 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 statements.

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 statements referred to above present fairly, in all material respects, the financial position of the Regional Utility Service Systems Commission as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 9, the Regional Utility Service Systems Commission adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 8 through 11 and 30 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Utility Service Systems Commission's basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2016 on our consideration of the Regional Utility Service Systems Commission's 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 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 in considering the Regional Utility Service Systems Commission's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Regional Utility Service Systems Commission (Commission) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30 2015. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues increased $285,236, or 63.2%, over the prior fiscal year. User fees increased $176,519 and membership fees increased $59,696.
- The Commission's operating expenses were 2.8%, or $15,900, more in fiscal year 2015 than in fiscal year 2014.
- The Commission's net position at June 30, 2015 increased 13.3%, or $813,472, over the restated June 30, 2014 net position.

USING THIS ANNUAL REPORT

The Regional Utility Service Systems Commission is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. 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 Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

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 the Commission's proportionate share of the net pension liability and related contributions.

Supplementary information includes the Schedule of Expenditures of Federal Awards which provides details of the federal programs benefiting the Commission.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal years 2015 and 2014 totaled approximately $6,925,000 and $6,225,000, respectively. This represents an increase of approximately $700,000 over fiscal year 2014 and is due primarily to increased funding from the United States Department of Agriculture for rural development grants. A summary of the Commission's net position is presented below.

Net Position		
	June 30,	
	2015	2014 (Not Restated)
Current assets	$ 626,806	215,717
Restricted investments	226,487	193,672
Capital assets, net of accumulated depreciation	9,288,248	8,681,143
Total assets	10,141,541	9,090,532
Deferred outflows of resources	16,838	-
Current liabilities	647,752	91,988
Noncurrent liabilities	2,550,796	2,773,793
Total liabilities	3,198,548	2,865,781
Deferred inflows of resources	34,438	-
Net position:		
Net investment in capital assets	6,242,104	5,825,428
Restricted for debt service	205,692	185,898
Unrestricted	477,597	213,425
Total net position	$ 6,925,393	6,224,751

The unrestricted portion of the Commission's net position (7%) may be used to meet the Commission's obligations as they come due. The net investment in capital assets (e.g., land, buildings and equipment portion of net position (90%) are resources allocated to capital assets. The remaining net position is restricted to pay revenue notes.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are from sewer users in communities where sewer systems have been completed and assessments from member counties. Operating expenses are expenses paid to operate the sewer systems. Non-operating revenues and expenses are for grant income, interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is presented below.

Changes in Net Position		
	Year ended June 30,	
	2015	2014 (Not Restated)
Operating revenues:		
User fees	$ 545,796	369,277
Membership dues	138,696	79,000
Other	52,355	3,334
Total operating revenues	736,847	451,611
Operating expenses:		
Salaries and benefits	168,198	150,516
Operator labor and contractual services	43,723	44,179
Auto	5,047	6,757
Repair and maintenance	45,932	39,211
Utilities	11,401	11,331
Office	8,931	10,034
Legal and professional	85,074	82,465
Insurance	4,941	8,643
Testing	4,465	3,031
Depreciation	186,762	181,858
Miscellaneous	20,671	31,220
Total operating expenses	585,145	569,245
Operating income (loss)	151,702	(117,634)
Non-operating revenues (expenses):		
Rural development grant	751,454	254,810
Reimbursement from Washington County for the discontinuance of projects	-	386,194
Reimbursement from Lee County for project rehabiliation	-	44,000
Other grants	-	50,024
Interest income	51	123
Loss due to discontinuance of projects	-	(308,988)
Interest expense	(89,735)	(90,847)
Net non-operating revenues	661,770	335,316
Change in net position	813,472	217,682
Net position beginning of year, as restated	6,111,921	6,007,069
Net position end of year	$ 6,925,393	6,224,751

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with an increase in net position during the fiscal year.

In fiscal year 2015, operating revenues increased $285,236, or 63.2%. User fees for all systems totaled approximately $546,000, an increase of approximately $177,000 over for fiscal year 2014. Operating expenses increased approximately $15,900, or 2.8%. Non-operating revenues increased approximately $16,000.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes user fees and membership dues reduced by payments to employees and suppliers. Cash received and used by capital and related financing activities includes grant receipts, proceeds from borrowings, the acquisition of capital assets and the repayment of debt. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2015, the Commission had approximately $9,288,000 invested in capital assets, net of accumulated depreciation of approximately $1,245,000. Depreciation expense totaled $186,762 for fiscal year 2015. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2015 and June 30, 2014, the Commission had approximately $2,799,000 of bonds and other debt outstanding as show below.

Outstanding Debt at Year-End

	June 30, 2015	June 30, 2014
Revenue bonds	$ 2,496,077	2,526,436
Revolving loans	166,263	166,263
Interim financing note	136,646	105,951
Total	$ 2,798,986	2,798,650

Additional information about the Commission's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The Commission has improved its financial position during the current fiscal year. The net position increased approximately $813,000, primarily due to increased funding from the United States Department of Agriculture for rural development grants.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Regional Utility Service Systems Commission, 1501 W. Washington St., Ste. 103, Mt. Pleasant, IA 52641.

Regional Utility Service Systems Commission

Basic Financial Statements

Regional Utility Service Systems Commission

Statement of Net Position

June 30, 2015

Assets	
Current assets:	
Cash and cash equivalents	$ 284,833
Receivables:	
Accounts	121,219
Grants	218,156
Prepaid insurance	2,598
Total current assets	626,806
Noncurrent assets:	
Restricted investments	226,487
Capital assets, net of accumulated depreciation	9,288,248
Total noncurrent assets	9,514,735
Total assets	10,141,541
Deferred Outflows of Resources	
Pension related deferred outflows	16,838
Liabilities	
Current liabilities:	
Accounts payable	284,594
Accrued interest payable	20,795
Interim financing note payable	136,646
Revolving loans payable	166,263
Current portion of revenue bonds payable	35,582
Compensated absenses	3,872
Total current liabilities	647,752
Noncurrent liabilities:	
Revenue bonds payable, less current portion	2,460,495
Net pension liability	90,301
Total noncurrent liabilities	2,550,796
Total liabilities	3,198,548
Deferred Inflows of Resources	
Pension related deferred inflows	34,438
Net position	
Net investment in capital assets	6,242,104
Restricted for debt service	205,692
Unrestricted	477,597
Total net position	$ 6,925,393

See notes to financial statements.

Regional Utility Service Systems Commission

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2015

Operating revenues:	
User fees	$ 545,796
Membership dues	138,696
Other	52,355
Total operating revenues	736,847
Operating expenses:	
Salaries and benefits	168,198
Operator labor and contractual services	43,723
Auto	5,047
Repair and maintenance	45,932
Utilities	11,401
Office	8,931
Legal and professional fees	85,074
Insurance	4,941
Testing	4,465
Depreciation	186,762
Miscellaneous	20,671
Total operating expenses	585,145
Operating income	151,702
Non-operating revenues (expenses):	
Rural development grant	751,454
Interest income	51
Interest expense	(89,735)
Net non-operating revenues	661,770
Change in net position	813,472
Net position beginning of year, as restated	6,111,921
Net position end of year	$ 6,925,393

See notes to financial statements.

Regional Utility Service Systems Commission

Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:		
Cash received from user fees	$	537,169
Cash received from membership dues		98,271
Other operating receipts		52,355
Cash paid to suppliers and employees		(418,800)
Net cash provided by operating activities		268,995
Cash flows from capital and related financing activities:		
Rural development grant		545,798
Acquisition of capital assets		(546,709)
Payment to restricted bond investment accounts		(32,815)
Proceeds from long-term borrowings		30,695
Repayment of long-term borrowings		(30,359)
Interest paid on long-term borrowings		(76,714)
Net cash used by capital and related financing activities		(110,104)
Cash flows from investing activities:		
Interest received		51
Change in cash and cash equivalents		158,942
Cash and cash equivalents at beginning of year		125,891
Cash and cash equivalents at end of year	$	284,833
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	151,702
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		186,762
Increase in accounts receivable		(45,673)
Increase in prepaid expenses		(818)
Decrease in accounts payable		(19,629)
Decrease in net pension liability		(35,834)
Increase in pension related deferred outflows		(3,533)
Increase in pension related deferred inflows		34,438
Increase in compensated absenses		1,580
Net cash provided by operating activities	$	268,995

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The Regional Utility Service Systems Commission was formed in 1999 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to plan, design, develop, finance, construct, own, operate and maintain wastewater treatment systems for and on behalf of the counties, cities and unincorporated areas within the counties.

The governing body of the Commission is composed of one representative from each of the ten member counties. The member counties are Des Moines, Henry, Jefferson, Keokuk, Lee, Louisa, Mahaska, Van Buren, Wapello and Washington. One commission member is appointed by each of the member counties.

The Commission's financial statements are 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, the Regional Utility Service Systems Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has 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 Commission are such that exclusion would cause the Commission's 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 Commission 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 Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The 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 met.

The Commission distinguishes 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 the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents – The Commission considers all short-term investments that are highly liquid 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.

Restricted Investments – Funds set aside for payment of revenue bonds are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets of the Commission are land and sewer systems. Depreciation is charged using the straight-line method over the estimated useful lives of the assets. Sewer systems are depreciated over fifty years.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Commission after the measurement date but before the end of the Commission's reporting period.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's liability for earned vacation payable to employees at June 30, 2015 was $3,872 based on rates of pay in effect at June 30, 2015.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payment, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consists of the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

E. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Commission first applies restricted net position to payment of the expenses.

F. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions which affect reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements, assets, deferred outflows of resources, liabilities, deferred inflows of resources and the reported amount of revenues and expenses involve extensive reliance on management's estimates. Actual results could differ from these estimates.

(2) Cash, Cash Equivalents and Investments

The Commission's deposits in banks at June 30, 2015 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 depositories to ensure there will be no loss of public funds.

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 405,440	-	-	405,440
Construction in progress	195,134	659,439	-	854,573
Total capital assets not being depreciated	600,574	659,439	-	1,260,013
Capital assets being depreciated:				
Sewer systems	9,138,921	134,428	-	9,273,349
Less accumulated depreciation	1,058,352	186,762	-	1,245,114
Total capital assets being depreciated, net	8,080,569	(52,334)	-	8,028,235
Total capital assets, net	$ 8,681,143	607,105	-	9,288,248

(4) Interest Cost

The Commission capitalizes interest as a component of the cost of construction in progress. The following is a summary of interest cost during the year ended June 30, 2015:

Interest cost capitalized	$ 7,132
Interest cost expensed	89,735
Total	$ 96,867

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year	Due Within One Year
Sewer revenue bonds	$ 2,526,436	-	30,359	2,496,077	35,582
Revolving loans	166,263	-	-	166,263	166,263
Interim financing note	105,951	30,695	-	136,646	136,646
Compensated absences	2,292	1,580	-	3,872	3,872
Net pension liability	126,135	-	35,834	90,301	-
Total	$ 2,927,077	32,275	66,193	2,893,159	342,363

Sewer Revenue Bonds

Annual debt service requirements to maturity for the sewer revenue bonds are as follows:

Year Ending June 30,		Principal	Interest	Total
2016	$	35,582	101,517	137,099
2017		38,996	92,003	130,999
2018		40,486	90,514	131,000
2019		42,035	88,964	130,999
2020		43,647	87,352	130,999
2021-2025		244,791	410,209	655,000
2026-2030		296,103	358,894	654,997
2031-2035		358,767	296,230	654,997
2036-2040		435,375	219,622	654,997
2041-2045		506,194	127,144	633,338
2046-2050		361,163	39,053	400,216
2051-2055		89,203	5,316	94,519
2056-2057		3,735	15	3,750
Total	$	2,496,077	1,916,833	4,412,910

The Commission has pledged future sewer revenues, net of specified operating expenses, to repay $2,634,500 of sewer revenue bonds issued. Proceeds from the bonds provided financing for the acquisition and construction of wastewater treatment systems. The bonds are payable solely from wastewater customer net revenues (net operating revenues plus depreciation) of the specific projects identified below and are payable through 2056. The revenue bonds outstanding at June 30, 2015 are as follows:

Project	Date of Issue	Final Due Date		Amount Originally Issued	Remaining Principal and Interest at June 30, 2015	Current Year Principal and Interest	Current Year Net Revenues	Percentage of Debt Service to Net Revenues
Mt. Sterling	Oct 2002	Aug 2042	$	58,000	84,264	3,212	(1,663)	-193%
Kinross	Oct 2004	Nov 2044		128,500	204,294	7,073	14,533	49%
Webster	Oct 2005	Oct 2045		166,000	263,397	8,823	22,530	39%
Martinsburg	Dec 2005	Dec 2045		200,000	318,490	10,623	25,922	41%
Harper	Jun 2007	Jun 2047		211,000	341,449	11,005	29,594	37%
Keswick	Jul 2009	May 2049		638,000	1,160,211	34,309	70,016	49%
Argyle	Apr 2010	Apr 2050		350,000	620,993	18,261	176,796	10%
Mt. Union	Oct 2010	Jul 2050		297,000	515,197	14,675	20,228	73%
Linby	Feb 2011	Feb 2051		85,000	150,328	4,317	9,742	44%
Pleasant Plain/East Pleasant Plain	Aug 2013	Aug 2056		501,000	754,287	11,102	49,022	23%
Total			$	2,634,500	4,412,910	123,400	416,720	

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

a) The bonds are to be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the systems.

b) Sufficient monthly transfers shall be made to a bond sinking account for each project for the purpose of making the bond principal and interest payments when due.

c) Additional monthly transfers to a reserve account are required by each resolution for the purpose of paying principal and interest on the bonds if sufficient funds are not available in the bond sinking account.

d) The funded depreciation account is restricted for the purpose of paying extraordinary maintenance expenses, repair and capital improvements to the sewer projects or for principal and interest on the bonds when there are insufficient funds in the bond sinking and reserve accounts.

Revolving Loans

The Commission has entered into interim loan and disbursement agreements with the Iowa Finance Authority (IFA) for the issuance of interest free interim project notes. The loans were issued pursuant to the provisions of Chapter 28E of the Code of Iowa for the purpose of paying the costs of planning and designing the acquisition and construction of plants and systems for sanitary sewer service. Repayment of these loans will come from future financing of the construction of the related project or as allowed by the Commission's 28E agreement. The Commission receives drawdowns from IFA for costs as they are incurred. The following revolving loans are outstanding at June 30, 2015.

Project	Loan ID	Agreement Date	Original Loan	Amount Disbursed	Maturity Date
Ollie	C0174P	Dec 9, 2009	$ 193,000	166,263	Dec 9, 2015

Interim Financing Note

A summary of changes in the interim financing note is as follows:

Balance Beginning of Year	Additions	Retirements	Balance End of Year
$ 105,951	30,695	-	136,646

The Commission is indebted to First National Bank for $136,646 as of June 30, 2015. The note, including interest at 3.25% per annum, was originally due September 1, 2015, but the maturity date on the loan has been extended to December 1, 2015. The note is secured by the Ollie sewer project and will be repaid by the issuance of revenue bonds.

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission 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 7401 Register Drive, P.O. 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, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used 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 - Effective July 1, 2012, as a result of a 2010 law change, the 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%. 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 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Commission contributed 8.93% for a total rate of 14.88%.

The Commission's contributions to IPERS for the year ended June 30, 2015 were $11,745.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Commission's liability for its proportionate share of the net pension liability totaled $90,301. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the Commission's collective proportion was 0.0022769%, which was an increase of 0.000080% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Commission recognized pension expense of $6,787. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 981	-
Changes of assumptions	3,985	-
Net difference between projected and actual earnings on pension plan investments	-	34,438
Changes in proportion and differences between the Commission's contributions and its proportionate share of contributions	127	-
Commission contributions subsequent to the measurement date	11,745	-
Total	$ 16,838	34,438

$11,745 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	$ (7,420)
2017	(7,420)
2018	(7,420)
2019	(7,420)
2020	335
Total	$ (29,345)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 arithmetic 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
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 Commission 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 to 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 the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Commission's proportionate share of the net pension liability	$ 170,621	90,301	22,502

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.

Payables to IPERS – All legally required Commission contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Commission to IPERS by June 30, 2015.

(7) Risk Management

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 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 administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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 Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the year ended June 30, 2015 were $5,513.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission'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 Commission'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 Commission'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 claims was made or the loss was incurred.

The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Commission's financial statements. As of June 30, 2015, 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 claim 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 refunding to the withdrawing member.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $1,000,000. The Commission 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) Commitments

The Commission has entered into various contracts with construction companies to construct sewer projects. The amounts remaining on these contracts was approximately $1,429,416 at June 30, 2015 and are contingent on the contractors performing work as outlined in the contracts.

(9) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position June 30, 2014, as previously reported	$ 6,224,751
Net pension liability at June 30, 2014	(126,135)
Deferred outflows of resources related to prior year contibutions made after the June 30, 2013 measurement date	13,305
Net position July 1, 2014, as restated	$ 6,111,921

(10) Subsequent Event

In November 2015, the Commission issued $542,000 of taxable sewer revenue bonds to pay a portion of the costs of acquisition and construction of the Ollie sewer system, including payment of the outstanding interim financing loans. The bonds bear interest at 2.00% per annum and are payable through December 2055 from the future net revenues of the Ollie sewer system.

Regional Utility Service Systems Commission

Required Supplementary Information

Regional Utility Service Systems Commission

Schedule of the Commission's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	2015
Commission's collective proportion of the net pension liability	0.0022769%
Commission's collective proportionate share of the net pension liability	$ 90,301
Commission's covered-employee payroll	$ 153,460
Commission's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.84%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Regional Utility Service Systems Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
Last Five Fiscal Years

Required Supplementary Information

	2015	2014	2013	2012	2011
Statutorily required contribution	$ 11,745	13,305	12,492	6,164	6,781
Contributions in relation to the statutorily required contribution	(11,745)	(13,305)	(12,492)	(6,164)	(6,781)
Contribution deficiency (excess)	$ -	-	-	-	-
Commission's covered-employee payroll	135,467	153,460	144,083	76,382	97,568
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Regional Utility Service Systems Commission

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Grantor/Program	CFDA Number	Expenditures
Direct:		
U.S. Department of Agriculture:		
Water and Waste Disposal Systems for Rural Communities	10.760	$ 796,984

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Regional Utility Service Systems Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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 <u>Government Auditing Standards</u>

Regional Utility Service Systems Commission

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 Members of the Regional Utility
Service Systems Commission:

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 statements of the Regional Utility Service Systems Commission as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and 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 the Regional Utility Service Systems Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-C-15 to be material weaknesses.

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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-D-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Utility Service Systems Commission's 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 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 or other matters required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matter which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. 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 Regional Utility Service Systems Commission's Responses to the Findings

The Regional Utility Service Systems Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Regional Utility Service Systems Commission's 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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's 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 the Regional Utility Service Systems Commission 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 27, 2016

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Members of the Regional Utility
Service Systems Commission:

Report on Compliance for Each Major Federal Program

We have audited the Regional Utility Service Systems Commission's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. The Regional Utility Service Systems Commission's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Regional Utility Service Systems Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Utility Service Systems Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Regional Utility Service Systems Commission's compliance.

Opinion on the Major Federal Program

In our opinion, the Regional Utility Service Systems Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the Regional Utility Service Systems Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Regional Utility Service Systems Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Regional Utility Service Systems Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 27, 2016

Regional Utility Service Systems Commission

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

(a) An unmodified opinion was issued on the financial statements.

(b) Material weaknesses and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) No material weaknesses in internal control over the major program were noted.

(e) An unmodified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed no audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) The Regional Utility Service Systems Commission did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 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.

(1) One employee opens the mail and has access to accounting records, including posting receipts, preparing billings and maintaining the accounts receivable records.

(2) Bank reconciliations were not always reviewed by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Commission members.

Response – The Executive Director has access to the accounting records at any time and works closely with the Finance Manager.

The Executive Director receives e-mails regarding all deposits made by the Finance Manager as they are done electronically.

The Executive Director reviews and approves all invoices and other items received through the mail and stamped as such.

The Executive Director will request to see all mail, before being opened, occasionally throughout the month for review.

An independent review of bank reconciliations will be done and signed off on monthly a monthly basis by the secretary of the Board of Directors.

Conclusion – Response accepted.

II-B-15 Financial Reporting – During the audit, we identified material amounts of grant receivables not recorded in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation – The Commission should implement procedures to ensure all receivables are identified and included in the Commission's financial statements.

Response – We will implement procedures to ensure receivables are properly recorded in the financial statements.

Conclusion – Response accepted.

II-C-15 Reconciliation of Utility Billings, Collections and Accounts Receivable – Utility billings, collections and accounts receivable were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections and accounts receivable. The Commission should review the reconciliation and monitor delinquencies. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

Response – An internal office procedure is in place to assure the Executive Director will review on a monthly basis, with the Finance Manager, select community customer billings, collections and accounts receivable for accuracy.

The Finance Manager will provide a month end reconciliation to the Executive Director for review.

The Board of Directors receives monthly reports on customer billings, collections and accounts receivables for approval.

Conclusion – Response accepted.

II-D-15 Bank Reconciliations – The June 2015 bank reconciliation did not balance to the Commission's general ledger by $2,289.

Recommendation – All variances between book and bank balances should be investigated and resolved timely.

Response – We have worked with our consultant and resolved the variance. We will implement procedures to review this more timely.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-B-15 Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.

IV-C-15 Commission Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Minutes for one meeting were not published within 20 days as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Commission should publish minutes as required.

Response – The Commission will publish draft minutes within 20 days as required by Chapter 28E.6 (3) of the Code of Iowa.

Conclusion – Response accepted.

IV-D-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

IV-E-15 Revenue Bonds – The Commission has established the required sinking and reserve accounts for each project as required by the bond resolutions.

Regional Utility Service Systems Commission

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Chad C. Lynch, Staff Auditor
Jesse J. Harthan, Staff Auditor
Kristen R. Finke, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State