

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

November 20, 2019

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The Regional Utility Service Systems Commission had total revenues of \$599,275 for the year ended June 30, 2018, a 6% decrease from the prior year. Expenses for the year ended June 30, 2018 totaled \$763,802, a less than 1% increase over the prior year.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 36 and 37 of this report. The findings address issues such as a lack of segregation of duties, the lack of independent reviews of utility reconciliations and variances in the systems' bank reconciliations.

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

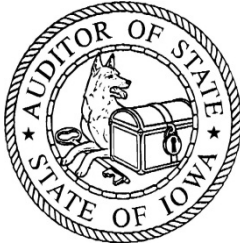
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REGIONAL UTILITY SERVICE SYSTEMS COMMISSION

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

JUNE 30, 2018

Regional Utility Service Systems Commission



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October 30, 2019

Officials of the Regional Utility Service Systems Commission
Mount Pleasant, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Regional Utility Service Systems Commission for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

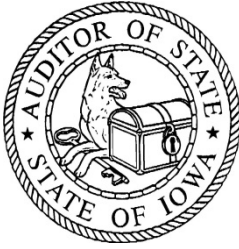
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Regional Utility Service Systems Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
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 Moeller	Member	Henry County
Bob Waugh	Member	Van Buren County
Bruce Hudson	Executive Director	



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Independent Auditor's Report

To the Members of the Regional Utility Service Systems Commission:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows of the Regional Utility Service Systems Commission as of and for the year ended June 30, 2018, and the related Notes to Financial Statements which collectively comprise the Regional Utility Service Systems Commission's basic financial statements listed in the table of contents.

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, 2018, 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.

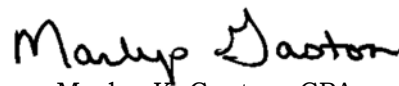
Other Matters

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 6 through 9 and 29 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

October 30, 2019

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 2018. 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 \$33,959, or 6.0%, over the prior fiscal year. User fees decreased \$16,688 and membership dues increased \$68,000.
- The Commission's operating expenses were less than 1%, or \$4,791, less in fiscal year 2018 than in fiscal year 2017.
- The Commission's net position at June 30, 2018 decreased 2.1%, or \$164,527, from the June 30, 2017 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.

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 2018 and 2017 totaled approximately \$7,544,000 and \$7,708,000, respectively. This represents a decrease of approximately \$164,000 from fiscal year 2017 or 2.1%. A summary of the Commission's net position is presented below.

Net Position		
	June 30,	
	2018	2017
Current assets	\$ 377,710	326,975
Restricted investments	282,082	280,226
Capital assets, net of accumulated depreciation	9,913,895	10,161,631
Total assets	10,573,687	10,768,832
Deferred outflows of resources	66,358	61,376
Current liabilities	70,310	61,396
Noncurrent liabilities	3,023,273	3,059,118
Total liabilities	3,093,583	3,120,514
Deferred inflows of resources	2,934	1,639
Net position:		
Net investment in capital assets	6,997,114	7,199,462
Restricted for debt service	269,257	267,401
Unrestricted	277,157	241,192
Total net position	\$ 7,543,528	7,708,055

The unrestricted portion of the Commission's net position (4%) 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 (93%) are resources allocated to capital assets. The remaining net position is restricted to pay revenue notes (3%).

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, 2018 and 2017 is presented below.

	Changes in Net Position	
	Year ended June 30,	
	2018	2017
Operating revenues:		
User fees	\$ 507,824	524,512
Membership dues	68,000	-
Other	23,127	40,480
Total operating revenues	598,951	564,992
Operating expenses:		
Salaries and benefits	272,908	244,292
Operator labor and contractual services	3,939	5,862
Auto	24,934	11,411
Repair and maintenance	35,873	67,788
Utilities	12,417	11,837
Office	16,199	15,679
Legal and professional	23,834	36,488
Insurance	9,537	8,147
Testing	3,298	6,763
Depreciation	247,736	247,736
Miscellaneous	5,820	5,283
Total operating expenses	656,495	661,286
Operating loss	(57,544)	(96,294)
Non-operating revenues (expenses):		
Rural development grant	-	5,832
Other grants	-	68,500
Interest income	324	284
Interest expense	(107,307)	(102,193)
Net non-operating revenues	(106,983)	(27,577)
Change in net position	(164,527)	(123,871)
Net position beginning of year	7,708,055	7,831,926
Net position end of year	\$ 7,543,528	7,708,055

In fiscal year 2018, operating revenues increased \$33,959, or 6.0%, primarily due to fiscal year 2017 membership dues received at the end of the prior fiscal year. Operating expenses decreased approximately \$5,000, or less than 1%. Non-operating revenues decreased approximately \$74,000 due to a decrease in grant revenue.

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, 2018, the Commission had approximately \$9,914,000 invested in capital assets, net of accumulated depreciation of approximately \$1,976,000. Depreciation expense totaled \$247,736 for fiscal year 2018. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2018 and June 30, 2017, the Commission had bonds outstanding as show below.

	Outstanding Debt at Year-End	
	June 30,	
	2018	2017
Revenue bonds	\$ 2,916,781	2,962,169

Additional information about the Commission's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The Commission's financial position declined approximately \$164,000, or 2.1% during the current fiscal year. No significant projects are planned in the coming year. The Commission continues to maintain the various sewer systems in existence and also plans to expand services provided to include environmental health services to certain communities.

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 Street, Suite 103, Mt. Pleasant, Iowa 52641.

Regional Utility Service Systems Commission

Basic Financial Statements

Regional Utility Service Systems Commission

Statement of Net Position

June 30, 2018

Assets	
Current assets:	
Cash and cash equivalents	\$ 351,746
Receivables:	
Accounts	14,418
Prepaid insurance	<u>11,546</u>
Total current assets	<u>377,710</u>
Noncurrent assets:	
Restricted investments	282,082
Capital assets, net of accumulated depreciation	<u>9,913,895</u>
Total noncurrent assets	<u>10,195,977</u>
Total assets	<u>10,573,687</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>66,358</u>
Liabilities	
Current liabilities:	
Accounts payable	4,134
Accrued interest payable	12,825
Current portion of revenue bonds payable	47,023
Compensated absences	<u>6,328</u>
Total current liabilities	<u>70,310</u>
Noncurrent liabilities:	
Revenue bonds payable, less current portion	2,869,758
Net pension liability	<u>153,515</u>
Total noncurrent liabilities	<u>3,023,273</u>
Total liabilities	<u>3,093,583</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>2,934</u>
Net position	
Net investment in capital assets	6,997,114
Restricted for debt service	269,257
Unrestricted	<u>277,157</u>
Total net position	<u>\$ 7,543,528</u>

See notes to financial statements.

Regional Utility Service Systems Commission

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2018

Operating revenues:	
User fees	\$ 507,824
Membership dues	68,000
Other	23,127
Total operating revenues	<u>598,951</u>
Operating expenses:	
Salaries and benefits	272,908
Operator labor and contractual services	3,939
Auto	24,934
Repair and maintenance	35,873
Utilities	12,417
Office	16,199
Legal and professional fees	23,834
Insurance	9,537
Testing	3,298
Depreciation	247,736
Miscellaneous	5,820
Total operating expenses	<u>656,495</u>
Operating loss	<u>(57,544)</u>
Non-operating revenues (expenses):	
Interest income	324
Interest expense	(107,307)
Net non-operating revenues	<u>(106,983)</u>
Change in net position	(164,527)
Net position beginning of year	<u>7,708,055</u>
Net position end of year	<u>\$ 7,543,528</u>

See notes to financial statements.

Regional Utility Service Systems Commission

Regional Utility Service Systems Commission

Statement of Cash Flows

Year ended June 30, 2018

Cash flows from operating activities:	
Cash received from user fees	\$ 512,308
Cash received from membership dues	68,000
Other operating receipts	23,127
Cash paid to suppliers and employees	<u>(396,628)</u>
Net cash provided by operating activities	<u>206,807</u>
Cash flows from capital and related financing activities:	
Payment to restricted bond investment accounts	(1,856)
Repayment of long-term borrowings	(45,388)
Interest paid on long-term borrowings	<u>(107,307)</u>
Net cash used by capital and related financing activities	<u>(154,551)</u>
Cash flows from investing activities:	
Interest received	<u>324</u>
Change in cash and cash equivalents	52,580
Cash and cash equivalents at beginning of year	<u>299,166</u>
Cash and cash equivalents at end of year	<u>\$ 351,746</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (57,544)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	247,736
Decrease in accounts receivable	4,484
Increase in prepaid expenses	(2,639)
Decrease in accounts payable	841
Increase in net pension liability	16,080
Increase in pension related deferred outflows	(4,982)
Increase in pension related deferred inflows	1,295
Increase in compensated absences	<u>1,536</u>
Net cash provided by operating activities	<u>\$ 206,807</u>

See notes to financial statements.

Regional Utility Service Systems Commission

Notes to Financial Statements

June 30, 2018

(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 seven member counties. The member counties are Des Moines, Henry, Jefferson, Keokuk, Lee, Louisa and Van Buren. 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, sewer systems and vehicles. 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, 2018 was \$6,328 based on rates of pay in effect at June 30, 2018.

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 and unrecognized items not yet credited to pension expense.

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. Enabling legislation did not result in any restricted net position. 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, 2018 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. 72.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 405,440	-	-	405,440
Capital assets being depreciated:				
Sewer systems	11,364,094	-	-	11,364,094
Vehicles	120,612	-	-	120,612
Less accumulated depreciation	1,728,515	247,736	-	1,976,251
Total capital assets being depreciated, net	9,756,191	(247,736)	-	9,508,455
Total capital assets, net	\$ 10,161,631	(247,736)	-	9,913,895

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Sewer revenue bonds	\$ 2,962,169	-	45,388	2,916,781	47,023
Compensated absences	4,792	1,536	-	6,328	6,328
Net pension liability	137,435	16,080	-	153,515	-
Total	\$ 3,104,396	17,616	45,388	3,076,624	53,351

Sewer Revenue Bonds

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 47,023	105,304	152,327
2020	53,774	98,000	151,774
2021	55,655	96,122	151,777
2022	57,609	94,165	151,774
2023	59,637	92,137	151,774
2024-2028	331,450	427,420	758,870
2029-2033	395,292	363,577	758,869
2034-2038	472,607	286,262	758,869
2039-2043	560,524	192,707	753,231
2044-2048	541,844	89,621	631,465
2049-2053	258,691	21,093	279,784
2054-2056	82,675	2,253	84,928
Total	\$ 2,916,781	1,868,661	4,785,442

The Commission has pledged future sewer revenues, net of specified operating expenses, to repay \$3,176,500 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, 2018 are as follows:

Project	Date of Issue	Final Due Date	Amount Originally Issued	Remaining Principal and Interest at June 30, 2018	Current Year Principal and Interest	Current Year Net Revenues	Percentage of Debt Service to Net Revenues
Mt. Sterling	Oct 2002	Aug 2042	\$ 58,000	74,595	3,216	9,274	35%
Kinross	Oct 2004	Nov 2044	128,500	183,049	7,080	3,957	179%
Webster	Oct 2005	Oct 2045	166,000	236,836	8,832	13,235	67%
Martinsburg	Dec 2005	Dec 2045	200,000	286,593	10,632	14,129	75%
Harper	Jun 2007	Jun 2047	211,000	308,405	11,016	13,222	83%
Keswick	Jul 2009	May 2049	638,000	1,057,325	34,336	26,878	128%
Argyle	Apr 2010	Apr 2050	350,000	566,167	18,276	17,969	102%
Mt. Union	Oct 2010	Jul 2050	297,000	471,089	14,598	18,497	79%
Linby	Feb 2011	Feb 2051	85,000	137,358	4,326	6,642	65%
Pleasant Plain/East Pleasant Plain	Aug 2013	Aug 2056	501,000	691,005	19,248	26,958	71%
Ollie	Dec 2015	Dec 2055	542,000	773,020	21,052	35,257	60%
Total			\$ 3,176,500	4,785,442	152,612	186,018	

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.

(5) 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 PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, 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 – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Commission contributed 8.93% of covered payroll for a total rate of 14.88%.

The Commission’s contributions to IPERS for the year ended June 30, 2018 were \$16,135.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Commission reported a liability of \$153,515 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the Commission’s proportion was 0.002305%, which was a decrease of 0.000121% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of \$21,116. At June 30, 2018, 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	\$ 1,409	1,330
Changes of assumptions	26,674	-
Net difference between projected and actual earnings on pension plan investments	-	1,604
Changes in proportion and differences between the Commission's contributions and its proportionate share of contributions	22,140	-
Commission contributions subsequent to the measurement date	16,135	-
Total	<u>\$ 66,358</u>	<u>2,934</u>

\$16,135 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, 2019. 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
2019	\$ 11,101
2020	19,178
2021	11,910
2022	2,917
2023	2,183
Total	<u>\$ 47,289</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 252,931	153,515	33,998

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, 2018.

(6) 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 775 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 Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the year ended June 30, 2018 were \$6,946.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the 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, 2018, no liability has been recorded in the Commission's financial statements. As of June 30, 2018, 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.

Required Supplementary Information

Regional Utility Service Systems Commission

Regional Utility Service Systems Commission

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

Iowa Public Employees' Retirement System
For the Last Four Years*

Required Supplementary Information

	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.002305%	0.002184%	0.001920%	0.002277%
Commission's proportionate share of the net pension liability	\$ 153,515	137,435	94,847	90,301
Commission's covered payroll	\$ 172,027	156,714	135,467	153,460
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.70%	70.01%	58.84%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	82.81%	85.19%	87.61%

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

See accompanying independent auditor's report.

Regional Utility Service Systems Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
For the Last Eight Years*

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 16,135	15,362	13,995	11,745
Contributions in relation to the statutorily required contribution	<u>(16,135)</u>	<u>(15,362)</u>	<u>(13,995)</u>	<u>(11,745)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Commission's covered payroll	180,683	172,027	156,714	135,467
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

* 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.

See accompanying independent auditor's report.

2014	2013	2012	2011
13,305	12,492	6,164	6,781
(13,305)	(12,492)	(6,164)	(6,781)
-	-	-	-
153,460	144,083	76,382	97,568
8.93%	8.67%	8.07%	6.95%

Regional Utility Service Systems Commission

Regional Utility Service Systems Commission

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Changes of assumptions:

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

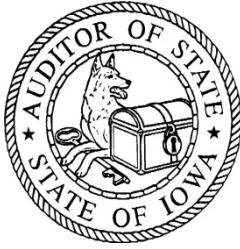
- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption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

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

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

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.



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

To the 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, 2018, and the related Notes to Financial Statements, and have issued our report thereon dated October 30, 2019.

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, 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 the accompanying Schedule of Findings as items (A) and (B) 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 the accompanying Schedule of Findings as item (C) 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.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2018 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.

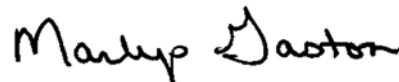
The Regional Utility Service Systems Commission's Responses to the Findings

The Regional Utility Service Systems Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

October 30, 2019

Regional Utility Service Systems Commission

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – Generally, one individual opens the mail and has access to accounting records, including posting receipts, prepare billings and maintaining the accounts receivable records.

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

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

Recommendation – The Commission should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Commission members, to provide additional control through review of financial transactions.

Response – The Regional Utility Service System 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. In addition, the Executive Director reviews and approves all invoices and other items that are received through the mail and stamped as such. Lastly, the Executive Director will request to see all mail, before being opened occasionally throughout the month for review.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Accounts Receivable

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Although reconciliations of utility billings, collections and delinquent accounts were prepared, reconciliations did not have evidence of independent review.

Regional Utility Service Systems Commission

Schedule of Findings

Year ended June 30, 2018

Cause – Policies have not been established and procedures have not been implemented to ensure monthly utility reconciliations evidence independent reviews.

Effect – This condition could result in unrecorded or misstated receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to ensure monthly utility reconciliations are independently reviewed. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Utility billings, collections and accounts receivable will be reconciled and reviewed by the Board Secretary. Once they are reviewed, it will be initialed and dated.

Conclusion – Response accepted.

(C) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling bank statements to the Commission's records.

Condition – The June 2018 bank reconciliation did not reconcile to the Commission's general ledger cash balance. The bank balance was \$1,600 less than the book balance.

In addition, the bank reconciliation report includes items as uncleared transactions which have cleared and should be removed from the report.

Cause – Policies have not been established and procedures have not been implemented to reconcile bank account balances to the Commission's general ledger.

Effect – This condition could result in unrecorded or misstated receipts, improper or unauthorized adjustments and write-offs and/or misstated account balances.

Recommendation – Procedures should be established to reconcile bank account balances to the Commission's general ledger. All variances between book and bank balances should be investigated and resolved timely.

Response – Bank reconciliations will be conducted monthly and will be reconciled to the Commission's general ledger.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Regional Utility Service Systems Commission

Schedule of Findings

Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 5, 1979 were noted.
- (2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (4) 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.
- (5) 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:

Marlys K. Gaston, CPA, Deputy
Donna F. Kruger, CPA, Manager
Jesse J. Probasco, CPA, Senior Auditor
Matthew A. Miller, Staff Auditor
Matthew K. Nanna, Assistant Auditor