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 June 29, 2018

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 $639,608 for the year ended June 30, 2017, a 61% decrease from the prior year. The revenues included user fees of $524,512 and grant revenue of $74,332. The significant decrease in revenues was due primarily to a decrease in rural development grants.

Expenses for the year ended June 30, 2017 totaled $763,479, a 7% increase over the prior year, and included $247,736 for depreciation, $244,292 for salaries and benefits, $102,193 for interest expense and $67,788 for repair and maintenance.

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/1714-0022-B00F.

# # #

REGIONAL UTILITY SERVICE SYSTEMS COMMISSION

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

JUNE 30, 2017

1714-0022-B00F

Table of Contents

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 Moeller	Member	Henry County
Bob Waugh	Member	Van Buren County
Bruce Hudson	Executive Director	

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 50319-0006

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

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, 2017, 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, 2017, 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 7 through 10 and 29 through 32 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 June 25, 2018 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

June 25, 2018

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 2017. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased $76,938, or 12.0%, from the prior fiscal year. User fees increased $68,252 and membership dues decreased $161,724.
- The Commission's operating expenses were 6.6%, or $40,907, more in fiscal year 2017 than in fiscal year 2016.
- The Commission's net position at June 30, 2017 decreased 1.6%, or $123,871, from the June 30, 2016 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 2017 and 2016 totaled approximately $7,708,000 and $7,832,000, respectively. This represents a decrease of approximately $124,000 from fiscal year 2016 or 1.6%. A summary of the Commission's net position is presented below.

Net Position			
	June 30,		
		2017	2016
Current assets	$	326,975	533,935
Restricted investments		280,226	253,759
Capital assets, net of accumulated depreciation		10,161,631	10,174,957
Total assets		10,768,832	10,962,651
Deferred outflows of resources		61,376	32,153
Current liabilities		61,396	96,673
Noncurrent liabilities		3,059,118	3,058,311
Total liabilities		3,120,514	3,154,984
Deferred inflows of resources		1,639	7,894
Net position:			
Net investment in capital assets		7,199,462	7,147,999
Restricted for debt service		267,401	240,934
Unrestricted		241,192	442,993
Total net position	$	7,708,055	7,831,926

The unrestricted portion of the Commission's net position (3%) 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.

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, 2017 and 2016 is presented below.

Changes in Net Position

	Year ended June 30, 2017	2016
Operating revenues:		
User fees	$ 524,512	456,260
Membership dues	-	161,924
Other	40,480	23,746
Total operating revenues	564,992	641,930
Operating expenses:		
Salaries and benefits	244,292	143,827
Operator labor and contractual services	5,862	6,983
Auto	11,411	9,262
Repair and maintenance	67,788	93,284
Utilities	11,837	13,562
Office	15,679	24,142
Legal and professional	36,488	75,564
Insurance	8,147	9,957
Testing	6,763	2,986
Depreciation	247,736	235,665
Miscellaneous	5,283	5,147
Total operating expenses	661,286	620,379
Operating income (loss)	(96,294)	21,551
Non-operating revenues (expenses):		
Rural development grant	5,832	967,079
Other grants	68,500	11,490
Interest income	284	189
Interest expense	(102,193)	(93,776)
Net non-operating revenues	(27,577)	884,982
Change in net position	(123,871)	906,533
Net position beginning of year	7,831,926	6,925,393
Net position end of year	$ 7,708,055	7,831,926

In fiscal year 2017, operating revenues decreased $76,938, or 12.0% primarily due to fiscal year 2017 membership dues being recorded in the prior fiscal year. Operating expenses increased approximately $41,000, or 6.6%. Non-operating revenues decreased approximately $904,000 due to a decrease in rural development 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, 2017, the Commission had approximately $11,890,000 invested in capital assets, net of accumulated depreciation of approximately $1,729,000. Depreciation expense totaled $247,736 for fiscal year 2017. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2017 and June 30, 2016, the Commission had approximately $2,962,000 and $3,002,000, respectively, of bonds and other debt outstanding as show below.

Outstanding Debt at Year-End		
	June 30,	
	2017	2016
Revenue bonds	$ 2,962,169	3,002,460

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 $124,000, or 1.6% 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.

Basic Financial Statements

Regional Utility Service Systems Commission

Statement of Net Position

June 30, 2017

Assets		
Current assets:		
Cash and cash equivalents	$	299,166
Receivables:		
Accounts		18,902
Prepaid insurance		8,907
Total current assets		326,975
Noncurrent assets:		
Restricted investments		280,226
Capital assets, net of accumulated depreciation		10,161,631
Total noncurrent assets		10,441,857
Total assets		10,768,832
Deferred Outflows of Resources		
Pension related deferred outflows		61,376
Liabilities		
Current liabilities:		
Accounts payable		3,293
Accrued interest payable		12,825
Current portion of revenue bonds payable		40,486
Compensated absences		4,792
Total current liabilities		61,396
Noncurrent liabilities:		
Revenue bonds payable, less current portion		2,921,683
Net pension liability		137,435
Total noncurrent liabilities		3,059,118
Total liabilities		3,120,514
Deferred Inflows of Resources		
Pension related deferred inflows		1,639
Net position		
Net investment in capital assets		7,199,462
Restricted for debt service		267,401
Unrestricted		241,192
Total net position	$	7,708,055

See notes to financial statements.

Regional Utility Service Systems Commission

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2017

Operating revenues:		
User fees	$	524,512
Other		40,480
Total operating revenues		564,992
Operating expenses:		
Salaries and benefits		244,292
Operator labor and contractual services		5,862
Auto		11,411
Repair and maintenance		67,788
Utilities		11,837
Office		15,679
Legal and professional fees		36,488
Insurance		8,147
Testing		6,763
Depreciation		247,736
Miscellaneous		5,283
Total operating expenses		661,286
Operating loss		(96,294)
Non-operating revenues (expenses):		
Rural development grant		5,832
Other grants		68,500
Interest income		284
Interest expense		(102,193)
Net non-operating revenues		(27,577)
Change in net position		(123,871)
Net position beginning of year		7,831,926
Net position end of year	$	7,708,055

See notes to financial statements.

Regional Utility Service Systems Commission

Regional Utility Service Systems Commission

Statement of Cash Flows

Year ended June 30, 2017

Cash flows from operating activities:		
Cash received from user fees	$	549,652
Cash received from membership dues		68,000
Other operating receipts		40,480
Cash paid to suppliers and employees		(421,399)
Net cash provided by operating activities		236,733
Cash flows from capital and related financing activities:		
Grants received		74,332
Acquisition of capital assets		(258,908)
Payment to restricted bond investment accounts		(26,467)
Repayment of long-term borrowings		(40,291)
Interest paid on long-term borrowings		(102,193)
Net cash used by capital and related financing activities		(353,527)
Cash flows from investing activities:		
Interest received		284
Change in cash and cash equivalents		(116,510)
Cash and cash equivalents at beginning of year		415,676
Cash and cash equivalents at end of year	$	299,166
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(96,294)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		247,736
Decrease in accounts receivable		93,140
Increase in prepaid expenses		(2,690)
Decrease in accounts payable		(12,241)
Increase in net pension liability		42,588
Increase in pension related deferred outflows		(29,223)
Increase in pension related deferred inflows		(6,255)
Decrease in compensated absences		(28)
Net cash provided by operating activities	$	236,733

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 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 vechicles. 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, 2017 was $4,792 based on rates of pay in effect at June 30, 2017.

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, 2017 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, 2017 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	19,052	196,694	215,746	-
Total capital assets not being depreciated	424,492	196,694	215,746	405,440
Capital assets being depreciated:				
Sewer systems	11,167,942	196,694	542	11,364,094
Vehicles	63,302	57,310	-	120,612
Less accumulated depreciation	1,480,779	247,736	-	1,728,515
Total capital assets being depreciated, net	9,750,465	6,268	542	9,756,191
Total capital assets, net	$ 10,174,957	202,962	216,288	10,161,631

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Sewer revenue bonds	$ 3,002,460	-	40,291	2,962,169	40,486
Compensated absences	4,820	-	28	4,792	4,792
Net pension liability	94,847	42,588	-	137,435	-
Total	$ 3,102,127	42,588	40,319	3,104,396	45,278

Sewer Revenue Bonds

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

Year Ending June 30,		Principal	Interest	Total
2018	$	40,486	100,806	141,292
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
2023-2027		320,074	438,795	758,869
2028-2032		381,531	377,338	758,869
2033-2037		455,931	302,938	758,869
2038-2042		543,679	212,768	756,447
2043-2047		559,791	109,234	669,025
2048-2052		321,921	29,482	351,403
2053-2056		124,695	4,515	129,210
Total	$	2,962,169	1,969,467	4,931,636

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, 2017 are as follows:

Project	Date of Issue	Final Due Date		Amount Originally Issued	Remaining Principal and Interest at June 30, 2017	Current Year Principal and Interest	Current Year Net Revenues	Percentage of Debt Service to Net Revenues
Mt. Sterling	Oct 2002	Aug 2042	$	58,000	77,818	3,216	7,418	43%
Kinross	Oct 2004	Nov 2044		128,500	190,130	7,080	13,386	53%
Webster	Oct 2005	Oct 2045		166,000	245,691	8,832	11,108	80%
Martinsburg	Dec 2005	Dec 2045		200,000	297,226	10,632	13,845	77%
Harper	Jun 2007	Jun 2047		211,000	319,419	11,016	13,059	84%
Keswick	Jul 2009	May 2049		638,000	1,091,619	34,336	32,825	105%
Argyle	Apr 2010	Apr 2050		350,000	584,442	18,276	21,545	85%
Mt. Union	Oct 2010	Jul 2050		297,000	485,792	14,688	96,991	15%
Linby	Feb 2011	Feb 2051		85,000	141,682	4,320	6,243	69%
Pleasant Plain/East Pleasant Plain	Aug 2013	Aug 2056		501,000	710,287	19,248	24,757	78%
Ollie	Dec 2015	Dec 2055		542,000	787,530	10,840	55,627	19%
Total			$	3,176,500	4,931,636	142,484	296,804	

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 7401 Register Drive, 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 2017, 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, 2017 were $15,362.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Commission reported a liability of $137,435 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the Commission's proportion was 0.0021838%, which was a decrease of 0.000264% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of $22,472. At June 30, 2017, 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	$	1,215	1,639
Changes of assumptions		2,097	-
Net difference between projected and actual earnings on pension plan investments		19,580	-
Changes in proportion and differences between the Commission's contributions and its proportionate share of contributions		23,122	-
Commission contributions subsequent to the measurement date		15,362	-
Total	$	61,376	1,639

$15,362 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, 2017. 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
2018	$	8,823
2019		8,823
2020		16,478
2021		9,462
2022		789
Total	$	44,375

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
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	$ 222,351	137,435	65,764

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, 2017.

(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 753 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, 2017 were $6,731.

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, 2017, no liability has been recorded in the Commission's financial statements. As of June 30, 2017, 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 Three Years*

Required Supplementary Information

	2017	2016	2015
Commission's proportion of the net pension liability	0.0021838%	0.0019198%	0.0022769%
Commission's proportionate share of the net pension liability	$ 137,435	94,847	90,301
Commission's covered-employee payroll	$ 156,714	135,467	153,460
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	70.01%	58.84%
Plan fiduciary net position as a percentage of the total pension liability	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 Seven Years*

Required Supplementary Information

	2017	2016	2015	2014
Statutorily required contribution	$ 15,362	13,995	11,745	13,305
Contributions in relation to the statutorily required contribution	(15,362)	(13,995)	(11,745)	(13,305)
Contribution deficiency (excess)	$ -	-	-	-
Commission's covered-employee payroll	172,027	156,714	135,467	153,460
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

* 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.

2013	2012	2011
12,492	6,164	6,781
(12,492)	(6,164)	(6,781)
-	-	-
144,083	76,382	97,568
8.67%	8.07%	6.95%

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.

Legislative action in 2008 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.

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.

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

Regional Utility Service Systems Commission

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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

Mary Mosiman, CPA
Auditor of State

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, 2017, and the related Notes to Financial Statements, and have issued our report thereon dated June 25, 2018.

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) through (C) 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 (D) 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, 2017 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

June 25, 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 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 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 – During the fiscal year, utility billings, collections and accounts receivable were not reconciled for 9 of the 12 months.

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile billings, collections and delinquent accounts and to reconcile collections to deposits.

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 reconcile customer billings, collections and delinquent accounts monthly. The Commission should review the reconciliations and monitor delinquencies and approve write-offs of uncollectible accounts.

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

Conclusion – Response accepted.

(C) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Commission's financial statements.

Condition – Certain revenues were not recorded in the proper fiscal year in the Commission's financial statements. In addition, certain capital asset additions were not properly recorded in the Commissions financial statements.

Cause – Commission policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the Commission's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Commission employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The Commission should establish procedures to ensure all receivables and capital assets are identified and properly reported in the Association's financial statements.

Response – A procedure is in place to ensure all receivable and capital assets are properly recorded.

Conclusion – Response accepted.

(D) 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 2017 bank reconciliation did not reconcile to the Commission's general ledger cash balance. Certain reconciling items listed in the reconciliation were not actually outstanding checks or deposits in transit.

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 – There are a few older uncleared transactions that are showing on the reconciliation. These are being looked into and will be corrected.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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

(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:

Donna F. Kruger, CPA, Manager
Jesse J. Probasco, CPA, Senior Auditor
Mitchell W. Shipman, Assistant Auditor
Rachel E. Sigmon, CPA, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State