

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

EASTERN IOWA REGIONAL UTILITY
SERVICE SYSTEMS COMMISSION

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Eastern Iowa Regional Utility Service Systems Commission
Dubuque, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Eastern Iowa Regional Utility Service Systems Commission, Dubuque, Iowa ("Commission"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 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, who 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 auditing standards generally accepted in the United States of America, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining statement of revenues, expenses, and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of revenues, expenses, and changes in net position is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenses, and changes in net position by program is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Commission's internal control over financial reporting and compliance.

Trostad & Kemp, S.C.

October 28, 2020

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The Eastern Iowa Regional Utility Service Systems (EIRUSS) is an organization created by the Cedar, Clinton, Delaware, Jackson, and Jones County Boards of Supervisors under Code of Iowa, Chapter 28E, which allows local governments to establish agreements that enable them to provide joint services and facilities with other agencies and cooperate in other ways of mutual advantage.

The purpose of EIRUSS is to plan, design, develop, finance, construct, own, operate and maintain essential facilities and services including, but not limited to, wastewater treatment systems and water systems for and on behalf of the counties and the cities and unincorporated areas within the counties. East Central Intergovernmental Association (ECIA) is the management agent.

As management agent of EIRUSS, we offer the readers of EIRUSS's financial statements this narrative overview and analysis of the financial activities of EIRUSS for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with EIRUSS's financial statements, which follow this discussion and analysis.

During Fiscal Year 2020, engineering work funded by a State Revolving Fund (SRF) loan continued for a wastewater treatment project in Petersburg in Delaware County. Land was secured for the project with half the cost paid in FY19 and the remainder paid in FY20. A letter of conditions was received from USDA for a loan of \$700,000 and grant of \$1.163 million for this project. Plans also continued for the expansion of the Leisure Lake wastewater treatment system in Jackson County. The project will add 25 users. A water project in the Droessler Subdivision/Spruce Creek Park in Jackson County continues to be evaluated. Additional properties to be served have been identified and will be addressed with future funding.

FINANCIAL HIGHLIGHTS

- The assets of EIRUSS exceeded its liabilities at June 30, 2020 by \$2,587,531 (net position).
- EIRUSS's net position decreased by 8.3%, or \$233,184, from June 30, 2019 to June 30, 2020.
- Total revenues increased 2.2%, or approximately \$8,600 from FY 2019 to FY 2020.
- Total expenditures were 6.3%, or approximately \$37,500 more in FY 2020 than in FY 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to EIRUSS's basic financial statements. The financial statements included in this report are designed to provide readers with a broad overview of EIRUSS's finances, in a manner similar to a private sector business. EIRUSS utilizes the accrual basis of accounting, which recognizes revenues and expenses when earned, regardless of when cash is received or paid. The following statements are included in this report:

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

- *Statement of Net Position* - This statement presents information on all of EIRUSS'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 EIRUSS is improving or deteriorating.
- All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of EIRUSS's operations. It can be used to determine whether EIRUSS has successfully recovered all its costs through its rates, fees and other revenues. This statement also measures EIRUSS's profitability and credit worthiness.
- *Statement of Cash Flows* – This statement presents the change in cash and cash equivalents during the year. This information can assist the user of the report in determining how EIRUSS financed its activities and how it met its cash requirements.
- *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.
- *Supplemental Financial Information* further explains and supports the financial statements by presenting revenue and expenses by project.

ANALYSIS OF NET POSITION

As previously noted, net position may serve over time as a useful indicator of EIRUSS's financial position. The analysis that follows focuses on the changes in the components that make up net position.

| | 2020 | 2019 | NET CHANGE | PERCENT CHANGE |
|-------------------------------------|-------------|-------------|-----------------------|---------------------------|
| Cash and investments | 365,152 | 339,143 | 26,009 | 7.7 |
| Other Current Assets | 48,996 | 63,527 | (14,531) | (22.9) |
| Capital Assets | 6,434,613 | 6,567,509 | (132,896) | (2.0) |
| Total Assets | 6,848,761 | 6,970,179 | (121,418) | (1.7) |
| Current Liabilities | 106,856 | 189,903 | (83,047) | (43.7) |
| Noncurrent Liabilities | 4,154,374 | 3,959,561 | 194,813 | 4.9 |
| Total Liabilities | 4,261,230 | 4,149,464 | 111,766 | 2.7 |
| Net Investment in Capital Assets | 2,203,579 | 2,452,699 | (249,120) | (10.2) |
| Restricted | 222,179 | 190,154 | 32,025 | 16.8 |
| Unrestricted | 161,773 | 177,862 | (16,089) | (9.0) |
| Total Net Position | 2,587,531 | 2,820,715 | (233,184) | (8.3) |

Cash and investments increased \$26,000 due to positive cash flow resulting from increased user rates for all systems in FY20 as well as increased efforts to collect outstanding accounts receivable. The decrease of \$14,500 in Other Current Assets is primarily due to a decrease of \$8,600 in Accounts Receivable along with the expensing

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

of \$5,800 in Leisure Lake spare parts inventory. The decrease of \$132,900 in capital assets is primarily due to annual depreciation of \$335,500 offset by an increase of \$85,800 in prepaid development costs related to the Petersburg and Leisure Lake projects, \$101,000 for the purchase of land in Petersburg and \$15,800 for new grinder pumps in Fairview. Current liabilities decreased approximately \$83,000 primarily due to the repayment of a short-term loan of \$44,000 from Delaware County for the purchase of land for the Petersburg project, a decrease in current maturities of long term debt of \$34,600 as the Leisure Lake SRF loan, which had been classified as a current liability in FY19, was extended through March 2023 and a \$7,000 decrease in accounts payable partially offset by an increase of \$1,800 in customer utility deposits and an increase of \$800 in unearned revenue.

ANALYSIS OF REVENUES AND EXPENDITURES

The Statement of Revenues, Expenses and Changes in Net Position identifies the various revenue and expense items which affect the change in net position.

**CONDENSED STATEMENT OF REVENUES
EXPENSES AND CHANGES IN NET POSITION**

| | 2020 | 2019 | NET CHANGE | PERCENT CHANGE |
|---------------------------|-----------|-----------|---------------|-------------------|
| Revenues: | | | | |
| Grant income | 812 | 1,000 | (188) | (18.8) |
| Operating revenues | 390,155 | 377,308 | 12,847 | 3.4 |
| Miscellaneous Income | 7,841 | 11,606 | (3,765) | (32.4) |
| Interest Income | 456 | 792 | (336) | (42.4) |
| Total Revenue | 399,264 | 390,706 | 8,558 | 2.2 |
| Expenses: | | | | |
| Operating Expenses | 207,501 | 169,093 | 38,408 | 22.7 |
| Depreciation | 335,466 | 334,673 | 793 | 0.2 |
| Interest Expense | 89,481 | 91,224 | (1,743) | (1.9) |
| Total Expenses | 632,448 | 594,990 | 37,458 | 6.3 |
| Change in Net Position | (233,184) | (204,284) | | |
| Net Position July 1 | 2,820,715 | 3,024,999 | | |
| Net Position June 30 | 2,587,531 | 2,820,715 | (233,184) | (8.3) |

Operating revenue increased approximately \$12,800 as user rates for all systems were increased in FY20. Miscellaneous income decreased by approximately \$3,800 as FY19 income included \$3,600 in proceeds from insurance claims for damage and equipment theft as a result of a break-in at the Fairview storage shed. The operating expense increase of \$38,400 consists of a \$17,700 increase in ECIA Administration as more staff management was required in FY20, a \$17,100 increase in Operations and Maintenance expense primarily due to grinder pump and lift station repairs to the Fairview system, and a \$5,400 increase in System Management due to an increase in rates by the system operator, partially offset by a decrease in Mowing expense and Bad Debt expense.

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

OVERVIEW OF BUDGETS

EIRUSS annually adopts an operating budget on a basis consistent with generally accepted accounting principles. Construction (development) budgets are established throughout the year as new projects are approved.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2020, EIRUSS had \$6,434,613 invested in capital assets (net of depreciation), including a water treatment building and reservoir in Andover and Center Junction, Iowa, and a lagoon, lift station and collection system in Center Junction, Fairview and Leisure Lake, Iowa. Also included in capital assets is \$593,356 in prepaid development costs on four additional wastewater system projects, one water system project, engineering and design work for the expansion of the Leisure Lake system and land in Petersburg, Iowa, for the future construction of a wastewater system. Total outstanding debt was \$4,231,034, which represents the outstanding balance of the USDA long-term loans for the Center Junction wastewater system (\$173,239), the Andover water system (\$153,571), the Fairview wastewater system (\$531,425) and the Leisure Lake wastewater system (\$2,696,159); SRF Loans for the Center Junction water system (\$173,000), the Droessler water project (\$47,898), the Petersburg sewer project (\$414,488) and the Leisure Lake wastewater system expansion (\$36,254), and a \$5,000 note payable to Clinton County for the benefit of the Andover water system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

EIRUSS's management and the Board of Commissioners considered many factors when setting the fiscal year 2021 development and operating budgets. Utility rates were maintained at the same level as FY20 for all systems due to the financial impact COVID-19 has had on system users. A \$435,000 1.125% Taxable Sewer Revenue Bond was secured through USDA Rural Development for the expansion of the Leisure Lake wastewater treatment system in Jackson County and a construction contract has been awarded. As mentioned previously, a letter of conditions was received from USDA for funding of the Petersburg wastewater treatment facility project and a contract was entered into with ECIA to provide technical and professional services for construction and development. Evaluation of a water project in the Droessler Subdivision/Spruce Creek Park will continue in FY21. The current proposal includes a water line from the City of Bellevue to the Droessler subdivision. Additional projects are dependent on USDA and other funding sources. Decreases in Federal funding levels will continue to be a concern in the year ahead.

As we progress into 2021, we will continue to work collaboratively, developing new and building on already successful partnerships, while management remains committed to building strong and healthy communities and making our region a great place to live and work.

FINANCIAL CONTACT

These financial statements are designed to provide our member communities, funding agencies and creditors with a general overview of EIRUSS's finances and to show EIRUSS's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Matt Specht, ECIA's Co-Director of Community/Economic Development or Lisa Weinhold, Director of Finance and Human Resources, 7600 Commerce Park, Dubuque, IA 52002.

BASIC FINANCIAL STATEMENTS

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

CURRENT ASSETS

| | | |
|--|----|---------|
| Cash and cash equivalents | \$ | 136,572 |
| Cash and cash equivalents - restricted | | 228,580 |
| Accounts receivables | | 45,266 |
| Prepaid expense | | 3,730 |
| Total current assets | | 414,148 |

NONCURRENT ASSETS

| | | |
|-------------------------------|----|-------------|
| Land | | 310,864 |
| Plant and equipment | | 4,668,252 |
| Lift stations | | 1,426,188 |
| Grinder pumps | | 1,781,583 |
| Construction in progress | | 593,356 |
| Less accumulated depreciation | | (2,345,630) |
| Total noncurrent assets | | 6,434,613 |
| Total assets | \$ | 6,848,761 |

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | | |
|------------------------------------|----|---------|
| Accounts payable | \$ | 15,199 |
| Accrued interest | | 5,912 |
| Unearned revenue | | 2,685 |
| Customer deposits | | 6,400 |
| Current maturity of long-term debt | | 76,660 |
| Total current liabilities | | 106,856 |

NONCURRENT LIABILITIES

| | | |
|------------------------------|--|-----------|
| Loans payable | | 5,000 |
| Bonds payable | | 4,149,374 |
| Total noncurrent liabilities | | 4,154,374 |
| Total liabilities | | 4,261,230 |

NET POSITION

| | | |
|------------------------------------|----|-----------|
| Net investment in capital assets | | 2,203,579 |
| Restricted | | 222,179 |
| Unrestricted | | 161,773 |
| Total net position | | 2,587,531 |
| Total liabilities and net position | \$ | 6,848,761 |

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2020

| | |
|---|--------------|
| OPERATING REVENUE | |
| Grant income | \$ 812 |
| Service fees collected | 390,155 |
| Other income | 7,841 |
| Total operating revenue | 398,808 |
| OPERATING EXPENSE | |
| Administrative expense | 15,536 |
| Architect and engineering fees | 69,354 |
| Audit fees | 3,140 |
| Legal fees | 1,186 |
| Insurance | 5,313 |
| Other costs | - |
| Bad debt expense | 2,013 |
| Depreciation expense | 335,466 |
| Service fee costs | 196,786 |
| Total operating expense | 628,794 |
| Less construction in progress | 85,827 |
| Net operating expense | 542,967 |
| Operating (loss) | (144,159) |
| NONOPERATING REVENUE (EXPENSE) | |
| Interest income | 456 |
| Interest expense | (89,481) |
| Net nonoperating expense | (89,025) |
| Change in net position | (233,184) |
| NET POSITION AT JULY 1, 2019 | 2,820,715 |
| NET POSITION AT JUNE 30, 2020 | \$ 2,587,531 |

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF CASH FLOWS
Year ended June 30, 2020

| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 375,615 |
| Cash received from grants | 1,000 |
| Miscellaneous income | 11,606 |
| Cash payments to vendors | <u>(164,731)</u> |
| Net cash provided by (used in) operating activities | 201,498 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (189,060) |
| Loan proceeds | 178,279 |
| Principal payments | (75,565) |
| Interest paid | <u>(89,599)</u> |
| Net cash provided by (used in) capital and related financing activities | (175,945) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>456</u> |
| Net increase in cash and cash equivalents | 26,009 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>339,143</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 365,152</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION | |
| Cash and cash equivalents | \$ 136,572 |
| Cash and cash equivalents - restricted | <u>228,580</u> |
| Cash and cash equivalents per Statement of Net Position | <u>\$ 365,152</u> |

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF CASH FLOWS - CONTINUED
Year ended June 30, 2020

**RECONCILIATION OF OPERATING INCOME TO
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------------|
| Operating (loss) | \$ (144,159) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities: | |
| Depreciation | 335,466 |
| Changes in assets and liabilities: | |
| (Increase) decrease in assets | |
| Accounts receivable | 8,588 |
| Inventory | 5,796 |
| Prepaid expense | 147 |
| Increase (decrease) in liabilities | |
| Accounts payable | (6,995) |
| Unearned revenue | 855 |
| Customer deposits | <u>1,800</u> |
| Net cash provided by (used in) operating activities | <u>\$ 201,498</u> |

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - On February 11, 2005, the Eastern Iowa Regional Utility Service Systems Commission ("Commission") was created as a public body corporate and politic and separate legal entity pursuant to Chapter 28E of the Code of Iowa by the Counties of Cedar, Clinton, Delaware, Jackson and Jones, Iowa. The Commission was created for the purpose of planning, designing, developing, financing, constructing, owning, operating and maintaining essential facilities and services including, but not limited to, wastewater treatment systems and water systems for and on behalf of the counties and the cities and unincorporated areas within the counties. All the programs of the Commission are included in these financial statements. The Commission has no component units.

Basis of Accounting and Measurement Focus - The Commission's basic financial statements are prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Commission applies all pronouncements of the Governmental Accounting Standards Board (GASB) as well as U.S. GAAP, as codified by the Financial Accounting Standards Board (FASB).

All activities of the Commission are accounted for within one proprietary (enterprise) fund. A proprietary fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (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 government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The transactions of the Commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CCONTINUED
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Commission considers all highly liquid investments with an initial maturity of three months or less from acquisition to be cash equivalents.

Cash and Cash Equivalents - Restricted - Restricted cash is segregated resources for debt service, depreciation reserves and utility deposits.

Accounts Receivable - Account receivables are shown at gross amount. No provision for uncollectible accounts receivable has been provided since it is believed that the amount of such allowance would not be material. There is no unbilled revenue at June 30, 2020.

Inventory - Inventories are valued at cost on a first-in, first-out basis. The cost of inventories is recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses - Prepaid expenses represent payments made to vendors for services that will benefit the Commission beyond June 30, 2020.

Capital Assets - Buildings and all equipment are carried at cost and depreciated on a straight-line basis over 5 - 40 years. When property is retired or otherwise removed from service, the accumulated provision for depreciation for that asset and its cost are removed from capital assets. Any gain or loss realized from retirement or removal is reported on the Statement of Revenues, Expenses and Changes in Net Position.

Additions to and replacements of utility plant capital assets are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. The cost of renewals and betterments relating to capital assets is added to plant accounts.

Construction period interest is capitalized on utility property as incurred. 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. Capitalized interest cost is amortized on the same basis as the related asset is depreciated.

Claims and Judgments - Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded in the proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Grinder Pump Fees - An additional \$10.00 per household or business is added to the monthly sewer bills of customers in the Fairview North extension of the Fairview Wastewater System for the use of grinder pumps. These funds are used for repair and replacement of the grinder pumps.

Customer Deposits - Deposits are required of all Center Junction water system customers having no established credit and of those who have an unacceptable credit record or who have a prior record of unpaid water bills.

Net Position Classifications - Net position represents the difference between the total assets and the total liabilities of the Commission. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use of net assets through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted assets have no restrictions and can be spent at the discretion of the Board.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Construction Projects - There are certain major construction projects in process at June 30, 2020 totaling \$593,356.

Open loans - On July 29, 2015, a State of Iowa Revolving Fund planning and design loan was approved for engineering, land acquisition and related work on the Petersburg sewer system project for \$25,000. As of June 30, 2020, EIRUSS has drawn \$25,000 from this loan.

On September 18, 2015, a State of Iowa Revolving Fund planning and design loan was approved for engineering, land acquisition and related work on the Droessler water system project for \$54,400. As of June 30, 2020, EIRUSS has drawn \$47,897 from this loan.

On September 23, 2016, a State of Iowa Revolving Fund planning and design loan was approved for engineering, land acquisition and related work on the Petersburg sewer system project for \$289,500. As of June 30, 2020, EIRUSS has drawn \$289,500 from this loan.

On March 21, 2017, a State of Iowa Revolving Fund planning and design loan was approved for engineering, land acquisition and related work on the Leisure Lake sewer system project for \$57,300. As of June 30, 2020, EIRUSS has drawn \$36,254 from this loan.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Open loans - continued - On March 20, 2020, a Sewer Revenue Bond Anticipation Project note was issued to the Iowa Finance Authority for the Petersburg Development project for \$264,000. As of June 30, 2020, EIRUSS has drawn \$99,988 from this loan.

NOTE B - CASH AND CASH EQUIVALENTS

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.

At June 30, 2020, the Commission reported cash and cash equivalents as follows:

| | Carrying Amount | Bank Balance |
|--|--------------------|-----------------|
| Cash and cash equivalents | \$ 136,572 | \$ 154,051 |
| Cash and cash equivalents - restricted | 228,580 | 228,600 |
| Total | \$ 365,152 | \$ 382,651 |

Fair Value of Deposits - Deposits are reported at fair value. At June 30, 2020, the fair value of the Commission's deposits approximated original cost; therefore, no fair value adjustments were necessary.

Determining Fair Value - Fair value of the Commission's deposits are determined by deposits with stated interest rates (operating accounts, savings accounts, certificate of deposit, repurchase agreements, and money market accounts) and are stated at cost.

Income Allocation - Interest income is generally allocated to a general operations account and equally to the four operating projects, with Center Junction's share split between water and sewer.

Custodial Credit Risk - Deposits: Custodial credit is the risk that, in the event of a bank failure, the Commission's deposits may not be returned. The Commission does not have a deposit policy for custodial risk. As of June 30, 2020, none of the Commission's \$382,651 bank balance was exposed to custodial risk. The Commission's deposits in banks were entirely covered by federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance 6/30/19 | Additions | Reductions | Balance 6/30/20 |
|-----------------------------|--------------------|---------------|------------|--------------------|
| Andover Water System | | | | |
| Land (non-depreciated) | \$ 1,292 | \$ - | \$ - | \$ 1,292 |
| Depreciated assets: | | | | |
| Well and well pump | 130,191 | - | - | 130,191 |
| Distribution system | 181,724 | - | - | 181,724 |
| Storage reservoir | 81,439 | - | - | 81,439 |
| Treatment building | 129,928 | - | - | 129,928 |
| Other capitalized costs | 109,135 | - | - | 109,135 |
| | <u>633,709</u> | <u>-</u> | <u>-</u> | <u>633,709</u> |
| Accumulated depreciation | | | | |
| Well and well pump | 37,092 | 3,630 | - | 40,722 |
| Distribution system | 45,810 | 4,543 | - | 50,353 |
| Storage reservoir | 20,530 | 2,036 | - | 22,566 |
| Treatment building | 32,752 | 3,249 | - | 36,001 |
| Other capitalized costs | 27,511 | 2,728 | - | 30,239 |
| | <u>163,695</u> | <u>16,186</u> | <u>-</u> | <u>179,881</u> |
| Net capital assets | 470,014 | (16,186) | - | 453,828 |
| Center Junction | | | | |
| Wastewater System | | | | |
| Land (non-depreciated) | 61,467 | - | - | 61,467 |
| Depreciated assets: | | | | |
| Collection system | 335,831 | - | - | 335,831 |
| Lift station | 40,000 | - | - | 40,000 |
| Service lines | 61,608 | - | - | 61,608 |
| Lagoon | 193,585 | - | - | 193,585 |
| Other capitalized costs | 213,447 | - | - | 213,447 |
| | <u>905,938</u> | <u>-</u> | <u>-</u> | <u>905,938</u> |
| Accumulated depreciation: | | | | |
| Collection system | 84,658 | 8,395 | - | 93,053 |
| Lift station | 10,083 | 1,000 | - | 11,083 |
| Service lines | 15,529 | 1,541 | - | 17,070 |
| Lagoon | 48,801 | 4,839 | - | 53,640 |
| Other capitalized costs | 53,806 | 5,337 | - | 59,143 |
| | <u>212,877</u> | <u>21,112</u> | <u>-</u> | <u>233,989</u> |
| Net capital assets | 693,061 | (21,112) | - | 671,949 |

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE C - CAPITAL ASSETS - CONTINUED

A summary of changes in capital assets is as follows:

| | Balance 6/30/19 | Additions | Reductions | Balance 6/30/20 |
|------------------------------------|--------------------|-----------------|------------|--------------------|
| Center Junction - continued | | | | |
| Water System | | | | |
| Land (non-depreciated) | 20,000 | - | - | 20,000 |
| Depreciated assets: | | | | |
| Well and well pump | 36,250 | - | - | 36,250 |
| Distribution system | 285,000 | - | - | 285,000 |
| Storage reservoir | 71,853 | - | - | 71,853 |
| Treatment building | 114,634 | - | - | 114,634 |
| Other capitalized costs | 115,898 | - | - | 115,898 |
| | <u>643,635</u> | <u>-</u> | <u>-</u> | <u>643,635</u> |
| Accumulated depreciation: | | | | |
| Well and well pump | \$ 7,600 | \$ 1,900 | \$ - | \$ 9,500 |
| Distribution system | 28,500 | 7,125 | - | 35,625 |
| Storage reservoir | 7,185 | 1,797 | - | 8,982 |
| Treatment building | 11,464 | 2,865 | - | 14,329 |
| Other capitalized costs | 11,590 | 2,897 | - | 14,487 |
| | <u>66,339</u> | <u>16,584</u> | <u>-</u> | <u>82,923</u> |
| | <u>577,296</u> | <u>(16,584)</u> | <u>-</u> | <u>560,712</u> |
| Net capital assets | 1,270,357 | (37,696) | - | 1,232,661 |
| Fairview Wastewater | | | | |
| Land (non-depreciated) | 37,762 | - | - | 37,762 |
| Depreciated assets: | | | | |
| Equipment | 3,959 | - | - | 3,959 |
| Storage shed | 5,825 | - | - | 5,825 |
| Collection system | 101,015 | - | - | 101,015 |
| Lift station | 135,388 | - | - | 135,388 |
| Grinder pumps | 81,200 | 15,743 | - | 96,943 |
| Service lines | 282,971 | - | - | 282,971 |
| Lagoon | 311,409 | - | - | 311,409 |
| Other capitalized costs | 302,319 | - | - | 302,319 |
| | <u>1,261,848</u> | <u>15,743</u> | <u>-</u> | <u>1,277,591</u> |

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE C - CAPITAL ASSETS - CONTINUED

A summary of changes in capital assets is as follows:

| Fairview Wastewater - continued | Balance 6/30/19 | Additions | Reductions | Balance 6/30/20 |
|--|---------------------|---------------------|-------------|---------------------|
| Accumulated depreciation: | | | | |
| Equipment | 2,705 | 792 | - | 3,497 |
| Storage shed | 2,886 | 582 | - | 3,468 |
| Collection system | 17,464 | 2,525 | - | 19,989 |
| Lift station | 24,189 | 3,385 | - | 27,574 |
| Grinder pumps | 48,720 | 9,020 | - | 57,740 |
| Service lines | 50,534 | 7,074 | - | 57,608 |
| Lagoon | 57,932 | 7,785 | - | 65,717 |
| Other capitalized costs | 65,979 | 10,681 | - | 76,660 |
| | <u>270,409</u> | <u>41,844</u> | <u>-</u> | <u>312,253</u> |
| Net capital assets | 991,439 | (26,101) | | 965,338 |
| Leisure Lake Wastewater | | | | |
| Land (non-depreciated) | 190,343 | - | - | 190,343 |
| Depreciated assets: | | | | |
| Collection system | 287,001 | - | - | 287,001 |
| Lift station | 1,250,800 | - | - | 1,250,800 |
| Grinder pumps | 1,684,641 | - | - | 1,684,641 |
| Service lines | 150,389 | - | - | 150,389 |
| Lagoon | 437,520 | - | - | 437,520 |
| Other capitalized costs | 725,320 | - | - | 725,320 |
| | <u>4,726,014</u> | <u>-</u> | <u>-</u> | <u>4,726,014</u> |
| Accumulated depreciation: | | | | |
| Collection system | \$ 39,462 | \$ 7,175 | \$ - | \$ 46,637 |
| Lift station | 171,985 | 31,270 | - | 203,255 |
| Grinder pumps | 907,789 | 168,464 | - | 1,076,253 |
| Service lines | 20,680 | 3,760 | - | 24,440 |
| Lagoon | 60,159 | 10,938 | - | 71,097 |
| Other capitalized costs | 96,769 | 18,133 | - | 114,902 |
| | <u>1,296,844</u> | <u>239,740</u> | <u>-</u> | <u>1,536,584</u> |
| Net capital assets | 3,429,170 | (239,740) | - | 3,189,430 |
| Other projects | | | | |
| Prepaid development costs capitalized not depreciated | 406,529 | 186,827 | - | 593,356 |
| Total net capital assets | <u>\$ 6,567,509</u> | <u>\$ (132,896)</u> | <u>\$ -</u> | <u>\$ 6,434,613</u> |

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE C - CAPITAL ASSETS - CONTINUED

A summary of changes in construction in progress is as follows:

| Projects | Balances 6/30/19 | Additions | Reductions | Balances 6/30/20 |
|--|---------------------|-------------------|-------------|---------------------|
| Prepaid development costs capitalized not depreciated | | | | |
| Droessler | \$ 47,972 | \$ 27,953 | \$ - | \$ 75,925 |
| Elvira | 8,296 | - | - | 8,296 |
| Lake Delhi | 9,916 | - | - | 9,916 |
| Leisure Lake | 41,705 | 15,013 | - | 56,718 |
| Morley | 132 | - | - | 132 |
| Petersburg | 298,508 | 143,861 | - | 442,369 |
| Total construction in progress | <u>\$ 406,529</u> | <u>\$ 186,827</u> | <u>\$ -</u> | <u>\$ 593,356</u> |

Note: Included in additions for Petersburg is a land purchase of \$202,000.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE D - RESTRICTED RESERVES

The Commission secured bonds from the USDA which requires annual deposits to the reserve account for debt service and depreciation. As of June 30, 2020, the reserve balances are as follows:

| | Andover | Center Junction | Fairview | Leisure Lake | Total |
|--------------|------------------|--------------------|------------------|-------------------|-------------------|
| Debt service | \$ 9,180 | \$ 10,440 | \$ 15,521 | \$ 64,124 | \$ 99,265 |
| Depreciation | 16,394 | 19,426 | 16,102 | 70,992 | 122,914 |
| Totals | <u>\$ 25,574</u> | <u>\$ 29,866</u> | <u>\$ 31,623</u> | <u>\$ 135,116</u> | <u>\$ 222,179</u> |

The USDA requires annual deposits for debt service until the projects are fully funded. Annual depreciation deposits are required until the bonds are paid in full.

The future debt service and depreciation deposits required are as follows:

| | Andover | Center Junction | Fairview | Leisure Lake | Total |
|-----------|------------------|--------------------|------------------|-------------------|-------------------|
| 2021 | \$ 1,537 | \$ 1,766 | \$ 4,572 | \$ 23,844 | \$ 31,719 |
| 2022 | 1,537 | 1,766 | 4,572 | 23,844 | 31,719 |
| 2023 | 1,537 | 1,766 | 4,572 | 21,512 | 29,387 |
| 2024 | 1,537 | 1,766 | 2,515 | 12,528 | 18,346 |
| 2025 | 1,537 | 1,766 | 2,328 | 12,528 | 18,159 |
| 2026-2030 | 7,685 | 8,830 | 11,640 | 62,640 | 90,795 |
| 2031-2035 | 7,685 | 8,830 | 11,640 | 62,640 | 90,795 |
| 2036-2040 | 7,685 | 8,830 | 11,640 | 62,640 | 90,795 |
| 2041-2045 | 7,685 | 8,830 | 11,640 | 62,640 | 90,795 |
| 2046-2050 | 6,148 | 5,151 | 9,312 | 50,112 | 70,723 |
| 2051-2054 | - | - | 9,312 | 53,244 | 62,556 |
| Totals | <u>\$ 44,573</u> | <u>\$ 49,301</u> | <u>\$ 83,743</u> | <u>\$ 448,172</u> | <u>\$ 625,789</u> |

NOTE E - NONCURRENT LIABILITIES

Summary of the Commission's long-term debt are set below:

| | Balance 06/30/19 | Additions | Reductions | Balance 06/30/20 | Current Maturities |
|---------------|---------------------|-------------------|------------------|---------------------|-----------------------|
| Notes payable | \$ 447,861 | \$ 235,779 | \$ 7,000 | \$ 676,640 | \$ 7,000 |
| Bonds payable | 3,622,949 | - | 68,555 | 3,554,394 | 69,660 |
| Totals | <u>\$ 4,070,810</u> | <u>\$ 235,779</u> | <u>\$ 75,555</u> | <u>\$ 4,231,034</u> | <u>\$ 76,660</u> |

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE E - NONCURRENT LIABILITIES - CONTINUED

Details of the Commission's long-term debt are set forth below:

| Detailed Description | Balance at 6/30/20 | Due Within One Year |
|--|-----------------------|------------------------|
| Center Junction \$199,796 sewer revenue bonds financed by the USDA dated June 3, 2009, due in monthly installments of \$870 including interest at 4.125% per annum beginning August 1, 2010 until May 1, 2048 | \$ 173,239 | \$ 3,359 |
| Andover \$140,000 utility bonds financed by the USDA dated November 3, 2009, due in monthly installments of \$609, including interest at 4.125% per annum beginning August 1, 2011 until June 1, 2049 | 123,512 | 2,255 |
| Andover \$33,000 utility bonds financed by the USDA dated November 3, 2009, due in monthly installments of \$152, including interest at 4.50% per annum beginning August 1, 2011 until November 1, 2048 | 29,289 | 516 |
| Andover \$1,000 utility bonds financed by the USDA dated November 3, 2009, due in monthly installments of \$4 including interest at 2.50% per annum beginning August 1, 2011 until December 1, 2040 | 770 | 29 |
| Fairview \$373,000 utility bonds financed by the USDA dated July 11, 2014, due in monthly installments of \$1,246 including interest at 2.375% per annum beginning July 1, 2015, 2015, with interest only payments for the first two years. | 339,861 | 6,942 |
| Fairview \$210,860 utility bonds financed by the USDA dated July 11, 2014, due in monthly installments of \$663 including interest at 2.00% per annum beginning July 1, with interest only payments for the first two years. | 191,564 | 3,774 |
| Leisure Lake \$2,656,000 utility bonds financed by the USDA dated November 6, 2014, due in monthly installments of \$8,686 including interest at 2.25% per annum beginning December 6, 2016, with interest only payments for the first two years | 2,488,805 | 48,794 |

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE E - NONCURRENT LIABILITIES - CONTINUED

Details of the Commission's long-term debt are set forth below:

| Detailed Description | Balance at 6/30/20 | Due Within One Year |
|---|-----------------------|------------------------|
| Leisure Lake \$221,000 utility bonds financed by the USDA dated November 4, 2014, due in monthly installments of \$739 including interest at 2.375% per annum beginning December 6, 2016, with interest only payments for the first two years | 207,354 | 3,991 |
| Total bonds | \$ 3,554,394 | \$ 69,660 |
| Center Junction \$216,000 note payable financed by the Iowa Finance Authority dated June 5, 2015, due in annual installments beginning June 1, 2016, and interest at 1.75% per annum payable semi-annually. | \$ 173,000 | \$ 7,000 |
| Droessler \$54,400 note payable financed by the Iowa Finance Authority dated September 18, 2015, payable as to principal in full on October 4, 2021, at 0% interest. | \$ 47,898 | \$ - |
| Petersburg \$25,000 note payable financed by the Iowa Finance Authority dated September 18, 2015, payable as to principal in full on October 9, 2021, at 0% interest. | 25,000 | - |
| Petersburg \$289,500 note payable financed by the Iowa Finance Authority dated September 23, 2016, payable as to principal in full on October 9, 2021, at 0% interest. | 289,500 | - |
| Leisure Lake \$57,300 note payable financed by the Iowa Finance Authority dated March 24, 2017, payable as to principal in full on March 24, 2023, at 0% interest. | 36,254 | - |
| Petersburg \$264,000 Sewer Revenue Bond Anticipation Project Note issued to the Iowa Finance Authority on March 20, 2020. The note is payable as to principal three years from the project note date. | 99,988 | - |

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE E - NONCURRENT LIABILITIES - CONTINUED

Details of the Commission's long-term debt are set forth below:

| Detailed Description | Balance at 6/30/20 | Due Within One Year |
|--|-----------------------|------------------------|
| \$5,000 note payable with Clinton County, dated October 26, 2011, 0% interest, payable over ten years. No date has been set to begin payments. | 5,000 | - |
| Total notes payable | 676,640 | 7,000 |
| Total long-term debt | 4,231,034 | \$ 76,660 |
| Less current maturities | 76,660 | |
| Long-term debt | \$ 4,154,374 | |

Maturities of long-term debt at June 30, 2020 are:

| | Principal | Interest | Total |
|-----------------------------|--------------|--------------|--------------|
| 2021 | \$ 76,660 | \$ 88,775 | \$ 165,435 |
| 2022 | 78,369 | 86,944 | 165,313 |
| 2023 | 80,122 | 85,051 | 165,173 |
| 2024 | 82,919 | 83,114 | 166,033 |
| 2025 | 84,764 | 81,129 | 165,893 |
| 2026-2030 | 454,213 | 374,189 | 828,402 |
| 2031-2035 | 512,100 | 316,309 | 828,409 |
| 2036-2040 | 578,485 | 249,584 | 828,069 |
| 2041-2045 | 598,280 | 177,846 | 776,126 |
| 2046-2050 | 646,429 | 98,937 | 745,366 |
| 2051-2055 | 532,819 | 25,995 | 558,814 |
| 2056 | 2,234 | 243 | 2,477 |
| | \$ 3,727,394 | \$ 1,668,116 | \$ 5,395,510 |
| Total Long-term debt | \$ 4,231,034 | | |
| Less: debt not in repayment | (503,640) | | |
| Debt being amortized | \$ 3,727,394 | | |

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020

NOTE F - RELATED PARTY TRANSACTIONS

The Eastern Iowa Regional Utility Service Systems Commission, related to the East Central Intergovernmental Association through common management, is provided management services and office space. Balances with ECIA at and for the years ended June 30, 2020 and June 30, 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------|------------------|------------------|
| Accounts payable | <u>\$ 6,900</u> | <u>\$ 7,139</u> |
| Management services | <u>\$ 79,042</u> | <u>\$ 67,232</u> |

NOTE G - BUDGETS

The Commission is not required to adopt a formal budget per the existing by-laws. The Commission prepares budgets specific to each project they decide to pursue and utilize them at this level to manage their progress through to completion.

NOTE H - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I - NET POSITION

The following is a summary of individual net position restrictions at June 30, 2020:

| <u>Project</u> | <u>PURPOSE</u> | <u>AMOUNT</u> |
|-----------------|------------------|-------------------|
| Andover | Reserve Deposits | \$ 25,574 |
| Center Junction | Reserve Deposits | 29,866 |
| Fairview | Reserve Deposits | 31,623 |
| Leisure Lake | Reserve Deposits | 135,116 |
| | | <u>\$ 222,179</u> |

NOTE J - SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through October 28, 2020, the date which the financial statements were available to be issued. It was noted that on August 19, 2020 the Commission secured a \$435,000 1.125% Taxable Sewer Revenue Bond, Series 2020, from the U.S. Department of Agriculture - Rural Development, for the Leisure Lake Sewer System Phase II Project. Payments commence on September 19, 2020 and every month thereafter until maturity.

SUPPLEMENTARY INFORMATION

Eastern Iowa Regional Utility
Service Systems Commission
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2020

| | Andover | Center Junction | | Fairview | Leisure | Petersburg | Droessler | Subtotal | General | Total |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|---------------------|------------------|---------------------|
| | | Sewer | Water | | Lake | | | | | |
| OPERATING REVENUE | | | | | | | | | | |
| Grant income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 812 | \$ 812 |
| Service fees collected | 35,509 | 34,482 | 36,221 | 53,552 | 230,391 | - | - | 390,155 | - | 390,155 |
| Other income | - | 287 | 1,217 | 2,956 | 3,371 | - | - | 7,831 | 10 | 7,841 |
| Total operating revenue | <u>35,509</u> | <u>34,769</u> | <u>37,438</u> | <u>56,508</u> | <u>233,762</u> | <u>-</u> | <u>-</u> | <u>397,986</u> | <u>822</u> | <u>398,808</u> |
| OPERATING EXPENSE | | | | | | | | | | |
| Administrative expense | - | - | - | - | 8,313 | 5,052 | 1,922 | 15,287 | 249 | 15,536 |
| Architect and engineering fees | - | - | - | - | 6,265 | 37,058 | 26,031 | 69,354 | - | 69,354 |
| Audit fees | 628 | 628 | 628 | 628 | 628 | - | - | 3,140 | - | 3,140 |
| Legal fees | - | - | - | - | 435 | 751 | - | 1,186 | - | 1,186 |
| Insurance | 812 | 129 | 1,705 | 268 | 2,399 | - | - | 5,313 | - | 5,313 |
| Other costs | - | - | - | - | - | - | - | - | - | - |
| Bad debt expense | - | 748 | 445 | 820 | - | - | - | 2,013 | - | 2,013 |
| Depreciation expense | 16,185 | 21,112 | 16,585 | 41,844 | 239,740 | - | - | 335,466 | - | 335,466 |
| Service fee costs | 19,250 | 21,767 | 31,233 | 44,101 | 80,435 | - | - | 196,786 | - | 196,786 |
| Total operating expense | <u>36,875</u> | <u>44,384</u> | <u>50,596</u> | <u>87,661</u> | <u>338,215</u> | <u>42,861</u> | <u>27,953</u> | <u>628,545</u> | <u>249</u> | <u>628,794</u> |
| Less construction in progress | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,013</u> | <u>42,861</u> | <u>27,953</u> | <u>85,827</u> | <u>-</u> | <u>85,827</u> |
| Net operating expense | <u>36,875</u> | <u>44,384</u> | <u>50,596</u> | <u>87,661</u> | <u>323,202</u> | <u>-</u> | <u>-</u> | <u>542,718</u> | <u>249</u> | <u>542,967</u> |
| Operating income (loss) | (1,366) | (9,615) | (13,158) | (31,153) | (89,440) | - | - | (144,732) | 573 | (144,159) |
| NONOPERATING INCOME (EXPENSE) | | | | | | | | | | |
| Interest income | 57 | 35 | 36 | 58 | 57 | - | - | 243 | 213 | 456 |
| Interest expense | (6,485) | (7,208) | (3,140) | (11,167) | (61,481) | - | - | (89,481) | - | (89,481) |
| Net nonoperating expense | <u>(6,428)</u> | <u>(7,173)</u> | <u>(3,104)</u> | <u>(11,109)</u> | <u>(61,424)</u> | <u>-</u> | <u>-</u> | <u>(89,238)</u> | <u>213</u> | <u>(89,025)</u> |
| Change in net position | (7,794) | (16,788) | (16,262) | (42,262) | (150,864) | - | - | (233,970) | 786 | (233,184) |
| NET POSITION AT JUNE 30, 2019 | <u>318,887</u> | <u>549,893</u> | <u>378,723</u> | <u>421,731</u> | <u>1,074,561</u> | <u>-</u> | <u>-</u> | <u>2,743,795</u> | <u>76,920</u> | <u>2,820,715</u> |
| NET POSITION AT JUNE 30, 2020 | <u>\$ 311,093</u> | <u>\$ 533,105</u> | <u>\$ 362,461</u> | <u>\$ 379,469</u> | <u>\$ 923,697</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,509,825</u> | <u>\$ 77,706</u> | <u>\$ 2,587,531</u> |

OTHER REPORTS



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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

Board of Commissioners
Eastern Iowa Regional Utility Service Systems Commission
Dubuque, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America 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 Eastern Iowa Regional Utility Service Systems Commission ("Commission"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon October 28, 2020.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance with which could have a 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 noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

Trotter + Kemp, S.C.

October 28, 2020

Eastern Iowa Regional Utility
Service Systems Commission
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified that
are not considered to be material weakness(es)? Yes X none reported

Noncompliance material to the financial
statements noted? yes X no

Section II - Financial Statement Findings - None

Section III - Status of Prior Year Findings - None