FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS COMMISSION

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying proprietary fund statements of the Eastern Iowa Regional Utility Service Systems Commission ("Commission") as of June 30, 2012 and the related proprietary fund statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Eastern Iowa Regional Utility Service Systems Commission as of June 30, 2012 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Government Auditing Standards, we have also issued a report dated November 6, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Toostrud + Temp, S.C.

November 6, 2012

EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with EIRUSS's financial statements, which follow this discussion and analysis. This report complies with the Governmental Accounting Standards Board (GASB) Statement 34 reporting model.

Fiscal Year 2012 activities included completion of phase 1 of the Fairview wastewater system in rural Jones County. The system began operations in January, 2012 and currently has 26 users. The northern extension of this system has a targeted completion date of June 30, 2013 and will serve an additional 14 properties. EIRUSS was also successful in obtaining $2.7 million in loans and $1.2 million in grants from the Water and Environment Programs of the United States Department of Agriculture Rural Development for the Leisure Lake wastewater project. Groundbreaking for this project was held in late September. The project is expected to be complete by August, 2013 and will serve 340 households in rural Jackson County. Other systems currently in operation include the Center Junction wastewater system and the Andover water system.

As we look to fiscal 2013, EIRUSS continues to remain focused on providing excellent services to our members in the region.

FINANCIAL HIGHLIGHTS

- The assets of EIRUSS exceeded its liabilities at June 30, 2012 by $1,704,966 (net assets).
- EIRUSS's net assets increased by 35.9%, or $450,334, from June 30, 2011 to June 30, 2012.
- Total revenues increased 577.4%, or approximately $503,000, from fiscal 2011 to fiscal 2012. This was primarily due to USDA grant funding of $463,000 for the construction of the Fairview wastewater system, an increase of $25,000 in the funding received from the Department of Natural Resources (DNR) and $13,000 in operating revenue generated by the Fairview wastewater system. Total expenditures increased 30.9%, or approximately $33,000 from fiscal 2011 to fiscal 2012. This was primarily the result of Fairview operating costs of $19,000 and an increase of $11,000 in general administrative time spent by ECIA staff.

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

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

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:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of EIRUSS's financial activities.
- The *Statement of Net Assets* presents information on EIRUSS's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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, Expenditures and Changes in Net Assets.* 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.
- The *Statement of Cash Flows* 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 essential to a full understanding of the data provided in the basic financial statements.
- *Supplemental Financial Information* further explains and supports the financial statements and includes a schedule of Federal Financial Assistance.

ANALYSIS OF NET ASSETS

As previously noted, net assets 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 assets.

CONDENSED STATEMENT OF NET ASSETS

	2012	2011	NET CHANGE	PERCENT CHANGE
Cash and investments	34,586	26,342	8,244	31.3
Other Current Assets	14,818	7,055	7,763	110.0
Capital Assets	2,884,492	1,952,989	931,503	47.7
Total Assets	2,933,896	1,986,386	947,510	47.7
Current Liabilities	484,533	167,034	317,499	190.1
Long-Term Liabilities	744,397	564,720	179,677	31.8
Total Liabilities	1,228,930	731,754	497,176	67.9
Net Investment in Capital Assets	1,735,672	1,388,269	347,403	25.0
Unrestricted	(30,706)	(133,637)	102,931	(77.0)
Total Net Assets	1,704,966	1,254,632	450,334	35.9

ANALYSIS OF NET ASSETS – CONTINUED

The increase in cash is primarily due to an increase of $5,300 in the debt service and depreciation reserve account which is funded as required by USDA as well as an increase in the operating account due to positive cash flow for the Center Junction and Fairview wastewater systems. The increase in Other Current Assets is due to prepaid insurance of $2,100 and an increase in grants receivable from the DNR. The increase of $931,503 in Capital Assets is due to the completion of Phase 1 of the Fairview project and an increase in Construction in Progress on the Leisure Lake sewer project. Current liabilities increased approximately $317,000 due to expenses related to the Fairview project. Long-term liabilities increased approximately $180,000 due to interim financing for the Leisure Lake project.

ANALYSIS OF REVENUES AND EXPENDITURES

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

CONDENSED STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS

	2012	2011	NET CHANGE	PERCENT CHANGE
Revenues:				
Grant income	516,216	33,064	483,152	1461.3
Operating revenues	73,916	53,992	19,924	36.9
Interest Income	94	66	28	42.4
Total Revenue	590,226	87,122	503,076	577.4
Expenses:				
Operating Expenses	42,297	31,137	11,160	35.8
Depreciation	48,456	37,405	11,051	29.5
Miscellaneous	17,791	16,254	1,537	9.5
Interest Expense	31,348	22,070	9,278	42.0
Total Expenses	139,892	106,866	33,026	30.9
Change in Net Assets	450,334	(19,744)		
Net Assets July 1	1,254,632	1,274,376		
Net Assets June 30	1,704,966	1,254,632	450,334	35.9

Grant income increased $483,000 primarily due to USDA grant funding of $463,000 for the construction of the Fairview wastewater system and an increase of $25,000 in the funding received from the Department of Natural Resources (DNR). Operating revenue increased primarily due to the Fairview wastewater system which began operating in January 2012. Operating Expenses increased $11,200 primarily due to operating costs related to the Fairview system. Depreciation increased due to the capitalization of the Fairview system assets. Interest expense increased by $9,300 due to the interim financing on the Fairview and Leisure Lake projects.

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. All budgets are submitted to USDA for approval.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2012, EIRUSS had $2,884,492 invested in capital assets (net of depreciation), including a water treatment building and reservoir in Andover, IA a lagoon, lift station and collection system in both Center Junction, IA and Fairview, IA. Also included in capital assets was $6,743 in construction in progress on the Fairview wastewater system extension, $329,731 in construction in progress on the Leisure Lake wastewater system project and $21,952 in prepaid development costs on four additional wastewater system projects. Total outstanding debt was $1,148,820, which represents the outstanding balance of the USDA long-term loan for the Center Junction wastewater system ($195,649), the USDA long-term loans for the Andover water system ($172,230) and interim financing of $400,000 for the Fairview sewer project and interim financing of $380,941 on the Leisure Lake project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

EIRUSS's management and the Board of Commissioners considered many factors when setting the fiscal year 2013 development and operating budgets. New projects are dependent on USDA funding. Decreases in Federal funding levels will continue to be a concern in the year ahead.

As we progress into 2013, 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 Mark Schneider, ECIA's Director of Community Development and Public Services or Lisa Weinhold, Director of Finance and Human Resources, 7600 Commerce Park, Dubuque, IA 52002.

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2012

ASSETS

CURRENT ASSETS		
Cash	$	34,586
Receivables		12,669
Prepaid Insurance		2,149
Total current assets		49,404
NON-CURRENT ASSETS		
Property and equipment		
Plant and equipment		2,360,995
Accumulated depreciation		(125,793)
		2,235,202
Land		290,864
Construction in progress		358,426
Total noncurrent assets		2,884,492
Total assets	$	2,933,896

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loans payable - current	$	404,423
Accounts payable		
Trade		32,452
Retainage		34,707
Related Party		9,460
Accrued interest		3,491
Total current liabilities		484,533
NON-CURRENT LIABILITIES		
Loans payable - noncurrent		744,397
Total liabilities		1,228,930
NET ASSETS		
Invested in capital assets, net of related debt		1,735,672
Loan reserves		14,997
Unrestricted		(45,703)
Total net assets		1,704,966
Total liabilities and net assets	$	2,933,896

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 ASSETS - PROPRIETARY FUND
Year ended June 30, 2012

	Program	General	Total
OPERATING REVENUE			
Grant income	$ 466,216	$ 50,000	$ 516,216
Service fees collected	73,916	-	73,916
Total operating revenue	540,132	50,000	590,132
OPERATING EXPENSE			
Administrative expense	26,166	25,533	51,699
Architect and engineering fees	74,879	5,500	80,379
Audit Fees	1,000	1,520	2,520
Legal fees	1,890	-	1,890
Insurance	-	411	411
Subcontractor costs	634,060	-	634,060
Other costs	2,567	173	2,740
Depreciation expense	48,456	-	48,456
Service fee costs	41,297	-	41,297
Total operating expense	830,315	33,137	863,452
Less construction in progress	754,908	-	754,908
Net operating expenses	75,407	33,137	108,544
Operating income	464,725	16,863	481,588
NON-OPERATING INCOME (EXPENSE)			
Interest income	10	84	94
Interest expense	(31,348)	-	(31,348)
	(31,338)	84	(31,254)
CHANGES IN NET ASSETS	433,387	16,947	450,334
NET ASSETS AT JULY 1, 2011	1,199,757	54,875	1,254,632
NET ASSETS AT JUNE 30, 2012	$ 1,633,144	$ 71,822	$ 1,704,966

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 73,916
Receipts from grants	516,216
Payments to suppliers for goods and services	(154,775)
Net cash provided by operating activities	435,357
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(979,959)
Loan proceeds	588,209
Interest payments	(31,348)
Payment of principal on long-term debt	(4,109)
Net cash used in capital and related financing activities	(427,207)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	94
Net cash provided by investing activities	94
Net increase in cash	8,244
CASH AT JULY 1, 2011	26,342
CASH AT JUNE 30, 2012	$ 34,586

Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Operating income	$ 481,588
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	48,456
Increase in cash due to changes in:	
Accounts receivable	(5,614)
Accounts payable	(86,924)
Prepaid Insurance	(2,149)
	(46,231)
Net cash provided by operating activities	$ 435,357

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

1. Financial Statements

The financial statements of the Eastern Iowa Regional Utility Service Systems Commission ("Commission") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Commission are described below.

2. Component Units

Accounting principles generally accepted in the United States of America (GAAP) require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the Commission's reporting entity because of the significance of its operational or financial relationships with the Commission. All significant activities and organizations with which the Commission exercises oversight responsibility have been considered for inclusion in the financial statements. The Commission has no component units, and it is not included in any other governmental reporting entity.

3. Basis of Presentation

The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Commission has the following proprietary fund:

Enterprise fund - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - Continued

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. The Commission accounts for its water and sewer utilities as enterprise funds.

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus - Enterprise funds are accounted for on an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenue) and decreases (expenses) in total net assets.

Basis of Accounting - Proprietary funds are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting and in accordance with accounting procedures prescribed by the Wisconsin Public Service Commission. Under this method, all assets and liabilities associated with operations are included on the balance sheet, revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

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.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

For its proprietary activities, the Commission does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The proprietary funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Statement of Net Assets - The statement of net assets is designed to display the financial position of the Commission. The Commission's fund equity is no longer reported as retained earnings and contributed capital, but rather as net assets which is broken down into three categories defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted - This component of net assets consists of constraints placed on net assets used through external constraints imposed by creditors (such as bond covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.

- Unrestricted - This component of net assts consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Statement of Revenues, Expenses, and Changes in Net Assets - The statement of revenues, expenses, and changes in net assets is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

5. Deposits and Investments

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Receivables

Uncollectible Accounts

Accounts receivable have been 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, 2012.

Interfund Loans

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Noncurrent portions of long-term interfund loans receivable/payable are reported in "advance to/from" accounts.

7. Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) or market. There was no inventory as of June 30, 2012.

8. Capital Assets

Buildings and all equipment are carried at cost and depreciated on a straight-line basis over 40 years. When property is retired or otherwise removed from service, the accumulated provision for depreciation is reduced by its cost and removed, and increase by the salvage value or other amount realized from its retirement or removal.

Additions to and replacements of utility plant 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 retirement units is added to plant accounts. The cost of property replaced, retired, or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Interest is capitalized on utility property with 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. Capitalized interest cost is amortized on the same basis as the related asset is depreciated.

9. Other Assets

Debt issuance costs are deferred and amortized over the term of the debt issue.

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Compensated Absences

The Commission has no employees that receive vacation or sick leave benefits; therefore, no compensated absence liabilities exist at June 30, 2012.

11. 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 that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

12. 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.

13. Subsequent Events

The Commission has evaluated subsequent events through November 6, 2012, the date which the financial statements were available to be issued.

NOTE B - CASH DEPOSITS

Cash as of June 30, 2012 is classified in the accompanying financial statements as follows:

Statement of net assets	
Cash	$ 34,586

Cash and investments as of June 30, 2012 consist of the following:

	Carrying Amount	Bank Balance
Investment checking/savings and money market accounts	$ 34,586	$ 58,489

NOTE B - CASH DEPOSITS - CONTINUED

The Commission's deposits in banks at June 30, 2012 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.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

NOTE C - 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 D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors; and omissions; injuries to employees; 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 E - RELATED PARTY

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, 2012 and June 30, 2011 are as follows:

	2012	2011
Accounts payable	$ 9,460	$ 27,486
Management services	$ 49,730	$ 33,747

NOTE F - UTILITY FIXED ASSETS

A summary of changes in Water and/or Wastewater Utility property, plant, and equipment during the current year follows:

	Balances 6/30/11	Additions	Transfers & Disposals	Balances 6/30/12
Andover Water System				
Assets not being depreciated				
Land	$ 1,292	$ -	$ -	$ 1,292
Assets being depreciated				
Well and well pump	130,192	-	-	130,192
Distribution system	181,724	-	-	181,724
Storage reservoir	81,439	-	-	81,439
Treatment building	129,928	-	-	129,928
Other capitalized costs	109,134	-	-	109,134
Totals	633,709	-	-	633,709
Less accumulated depreciation	33,354	16,292	-	49,646
Andover totals	600,355	(16,292)	-	584,063
Center Junction Wastewater System				
Assets not being depreciated				
Land	61,467	-	-	61,467
Assets being depreciated				
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
Totals	905,938	-	-	905,938
Less accumulated depreciation	43,983	21,112	-	65,095
Center Junction totals	861,955	(21,112)	-	840,843
Fairview Wastewater System				
Assets not being depreciated				
Land	37,762	-	-	37,762
Construction in process	165,706	6,743	165,706	6,743
Assets being depreciated				
Collection system	-	61,624	-	61,624
Lift station	-	117,601	-	117,601
Service lines	-	215,689	-	215,689
Lagoon	-	299,234	-	299,234
Other capitalized costs	-	189,958	-	189,958
Totals	203,468	890,849	165,706	928,611
Less accumulated depreciation	-	11,051	-	11,051
Fairview totals	203,468	879,798	-	917,560
Other Projects				
Assets not being depreciated				
Land	-	190,343	-	190,343
Construction in process	287,211	72,972	8,500	351,683
	287,211	263,315	8,500	542,026
Total fixed assets	$ 1,952,989	$ 1,105,709	$ 8,500	$ 2,884,492

NOTE G - CONSTRUCTION IN PROGRESS

A summary of changes in construction in progress as of 6/30/12 follows.

Projects	Balances 6/30/11	Additions	Transfers & Disposals	Balances 6/30/12
Construction in progress				
Fairview	$ 165,706	$ 6,743	$ (165,706)	$ 6,743
Prepaid development costs				
Elvira	7,336	960	-	8,296
Lake Delhi	9,916	-	-	9,916
Leisure Lake	266,219	72,012	(8,500)	329,731
Petersburg	3,608	-	-	3,608
Morley	132	-	-	132
	287,211	72,972	(8,500)	351,683
Total construction in process	$ 452,917	$ 79,715	$ (182,706)	$ 358,426

NOTE H - NON-CURRENT LIABILITIES

Summary and details of the Commission's non-current liabilities are set below:

	Balance 6/30/11	Additions	Payments	Balance 6/30/12
Non-current liabilities	$ 564,720	$ 588,209	$ 4,109	$ 1,148,820

Detailed Description	Balance at June 30, 2012	Due Within One Year
$199,796 of sewer revenue bonds financed by the USDA dated June 3, 2009 and due in monthly installments of $870, including interest at 4.125% per annum beginning August 1, 2010 until May 1, 2048.	$ 195,649	$ 2,416
$140,000 of utility bonds financed by the USDA dated November 3, 2009 and due in monthly installments of $609, including interest at 4.125% per annum beginning August 1, 2011 until June 1, 2049.	138,569	1,622
$33,000 of utility bonds financed by the USDA dated November 3, 2009 and due in monthly installments of $152, including interest at 4.50% per annum beginning August 1, 2011 until November 1, 2048.	32,682	361
$1,000 of utility bonds financed by the USDA dated November 3, 2009 and due in monthly installments of $4 including interest at 2.50% per annum beginning August 1, 2011 until December 1, 2040.	979	24
$400,000 bank note with Exchange State Bank at 3.90% interest to be converted to USDA loan at 2.375% interest within next two fiscal years to be repaid over a 40 year period after conversion.	400,000	400,000
$380,941 bank note with Maquoketa State bank at 2.09% interest due at maturity, August 1,2013. Loan to be converted to USDA loan at 2.25% with repayment over 40 years with monthly interest only payments for the first two years.	380,941	-
	$ 1,148,820	$ 404,423

NOTE H - LONG-TERM OBLIGATIONS - CONTINUED

Maturities of long-term obligations at June 30, 2012 are as follows:

	Principal	Interest	Total
2013	$ 404,423	$ 15,197	$ 419,620
2014	385,551	15,010	400,561
2015	4,805	14,815	19,620
2016	5,008	14,612	19,620
2017	5,220	14,400	19,620
2018 - 2022	29,601	68,499	98,100
2023 - 2027	36,412	61,688	98,100
2028 - 2032	44,793	53,307	98,100
2033 - 2037	55,105	42,995	98,100
2038 - 2042	67,724	30,306	98,030
2043 - 2047	83,147	14,713	97,860
2048 - 2049	27,032	946	27,978
	$ 1,148,820	$ 346,488	$ 1,495,309

NOTE I - LOAN RESERVES

On November 6, 2009, the Commission secured loans from the USDA which require certain amounts to be reserved for operations and maintenance, debt service and depreciation. As of June 30, 2012 the sum of these reserve balances were as follows:

	Andover	Center Junction	Total
Debt service	$ 2,448	$ 3,132	$ 5,580
Depreciation	4,108	5,309	9,417
	$ 6,556	$ 8,441	$ 14,997

The debt service requires annual deposits of $918 for Andover and $1,044 for Center Junction until they are fully funded. Andover will be fully funded once it reaches $9,180 in fiscal year 2019 and Center Junction will be fully funded once it reaches $10,440 in fiscal year 2019. In addition, both projects require annual depreciation deposits of $1,537 and $1,766 for Andover and Center Junction, respectively, until the loan is paid in full.

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

	Andover	Center Junction	Total
2013	$ 2,455	$ 2,810	$ 5,265
2014	2,455	2,810	5,265
2015	2,455	2,810	5,265
2016	2,455	2,810	5,265
2017	2,455	2,810	5,265
2018 - 2022	9,127	9,894	19,021
2023 - 2027	7,685	8,830	16,515
2028 - 2032	7,685	8,830	16,515
2033 - 2037	7,685	8,830	16,515
2038 - 2042	7,685	8,830	16,515
2043 - 2047	7,685	8,830	16,515
2048 - 2050	3,074	1,766	4,840
	$ 62,901	$ 69,860	$ 132,761

SUPPLEMENTAL FINANCIAL INFORMATION

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BY PROGRAM
For the year ended June 30, 2012

	Andover	Center Junction	Elvira	Fairview	Lake Delhi	Leisure Lake	Morley	Peters-burg	Subtotal	General	Total
Operating revenues											
Grant income	$ -	$ -	$ -	$ 463,195	$ -	$ 3,021	$ -	$ -	$ 466,216	$ 50,000	$ 516,216
Service fees collected	26,988	31,555	-	13,405	-	-			71,948	-	71,948
Miscellaneous income	1,915		-	53	-	-	-	-	1,968	-	1,968
Total operating revenues	28,903	31,555	-	476,653	-	3,021	-	-	540,132	50,000	590,132
Operating expenses											
Administrative expense	-	-	-	10,409	-	15,757	-	-	26,166	25,533	51,699
Architect and engineering fees	-	-	-	32,598	-	42,281	-	-	74,879	5,500	80,379
Audit fees	500	500	-	-	-	-	-	-	1,000	1,520	2,520
Legal fees	-	-	-	-	-	1,890	-	-	1,890	-	1,890
Insurance	-	-	-	-	-	-	-	-	-	411	411
Subcontractor costs	-	-	-	634,060	-	-	-	-	634,060	-	634,060
Other costs	-	-	960	175	-	1,432	-	-	2,567	173	2,740
Depreciation expense	16,293	21,112	-	11,051	-	-	-	-	48,456	-	48,456
Service fee costs	21,815	12,014	-	7,468	-	-	-	-	41,297	-	41,297
Total operating expenses	38,608	33,626	960	695,761	-	61,360	-	-	830,315	33,137	863,452
Less construction in process	-	-	960	690,436	-	63,512	-	-	754,908	-	754,908
Net operating expense	38,608	33,626	-	5,325	-	(2,152)	-	-	75,407	33,137	108,544
Operating income (loss)	(9,705)	(2,071)	-	471,328	-	5,173	-	-	464,725	16,863	481,588
Non-operating income (expense)											
Interest income	4	4	-	2	-	-	-	-	10	84	94
Interest expense	(7,238)	(8,764)	-	(13,194)	-	(2,152)	-	-	(31,348)	-	(31,348)
	(7,234)	(8,760)	-	(13,192)	-	(2,152)	-	-	(31,338)	84	(31,254)
Changes in net assets	(16,939)	(10,831)	-	458,136	-	3,021	-	-	433,387	16,947	450,334
Net assets at July 1, 2011	415,687	666,763	-	-		117,307			1,199,757	54,875	1,254,632
Net assets at June 30, 2012	$ 398,748	$ 655,932	$ -	$ 458,136	$ -	$ 120,328	$ -	$ -	$ 1,633,144	$ 71,822	$ 1,704,966

OTHER REPORT

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Your Business Safety Net

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Eastern Iowa Regional Utility Service Systems Commission as of and for the year ended June 30, 2012 and have issued our report thereon dated November 6, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 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 noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Commission's management, and the board of commissioners and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Tostrud + Temp, S.C.

November 6, 2012