

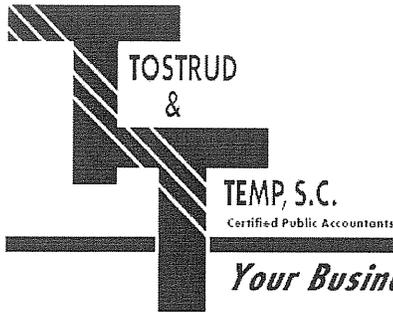
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**EASTERN IOWA REGIONAL UTILITY
SERVICE SYSTEMS COMMISSION**

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Eastern Iowa Regional Utility Service Systems Commission, Iowa ("Commission"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Commission as of June 30, 2014, and the respective changes in net position 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above described supplemental information is fairly stated in all material respects in relation to the 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 27, 2014, 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.

Tostand + Temp, S.C.

October 27, 2014

EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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, 2014. 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.

FINANCIAL HIGHLIGHTS

- The assets of EIRUSS exceeded its liabilities at June 30, 2014 by \$3,034,700 (net position).
- EIRUSS's net position increased by 59.4%, or \$1,131,464, from June 30, 2013 to June 30, 2014.
- Total revenues increased 303.2%, or approximately \$1.1 million and total expenditures increased 103%, or approximately \$169,000 from fiscal 2013 to fiscal 2014.

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:

- *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, Expenditures and Changes in Net Position*. This statement measures the success of EIRUSS's operations. It can be used to

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 and includes a schedule of Federal Financial Assistance.

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.

CONDENSED STATEMENT OF NET POSITION

	2014	2013	NET CHANGE	PERCENT CHANGE
Cash and investments	266,932	143,390	123,542	86.2
Other Current Assets	23,004	63,100	(40,096)	(63.5)
Capital Assets	6,970,339	5,351,428	1,618,911	30.3
Total Assets	7,260,275	5,557,918	1,702,357	30.6
Current Liabilities	3,282,802	3,295,835	(13,033)	(0.4)
Long-Term Liabilities	942,773	358,847	583,926	162.7
Total Liabilities	4,225,575	3,654,682	570,893	15.6
Net Investment in Capital				
Assets				
Restricted	3,371,760	2,501,014	870,746	34.8
Unrestricted	29,698	20,262	9,436	46.6
Total Net Position	(366,758)	(618,040)	251,282	(40.7)
Total Net Position	3,034,700	1,903,236	1,131,464	59.4

The increase in cash is primarily due to WIRB grant income received for reimbursement of Leisure Lake project expenses initially paid with proceeds from short term financing. These funds will be used to pay down the short term loan in FY15. Operations of the Leisure Lake sewer system were phased in throughout the fiscal year as individual users were connected to the system. This generated positive cash flow which also contributed to the cash increase. The decrease of \$40,000 in Other Current Assets is due to a decrease in accounts receivable for WIRB grant funding receivable in FY13 that was subsequently received in FY14. The increase of \$1,618,911 in Capital Assets is due to construction of the Leisure Lake sewer system and the Fairview North extension. Long-term liabilities increased approximately \$584,000 as the permanent financing for the Fairview sewer system was executed in July, 2014.

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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**

	2014	2013	NET CHANGE	PERCENT CHANGE
Revenues:				
Grant income	1,299,475	272,310	1,027,165	377.2
Operating revenues	161,523	88,819	72,704	81.9
Misc Income	3,849	1,449	2,400	165.6
Interest Income	479	120	359	299.2
Total Revenue	1,465,326	362,698	1,099,869	303.2
Expenses:				
Operating Expenses	64,460	52,032	12,428	23.9
Depreciation	187,371	59,507	127,864	214.9
Interest Expense	82,031	52,889	29,142	55.1
Total Expenses	333,862	164,428	169,434	103.0
Change in Net Position	1,131,464	198,270		
Net Position July 1	1,903,236	1,704,966		
Net Position June 30	3,034,700	1,903,236	1,131,464	59.4

Grant income increased \$1 million primarily due to an increase in USDA grant funds received for the Leisure Lake project. Operating revenue and Operating expenses increased due to the addition of the Fairview North extension (14 users) and Leisure Lake system (310 users). Depreciation increased due to a full year of depreciation of the Fairview North extension assets and a half year of depreciation of the Leisure Lake system assets. Interest expense increased by \$29,000 due to the interim financing on the Leisure Lake project and the first year of interest on the permanent financing for Fairview.

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, 2014, EIRUSS had \$6,970,339 invested in capital assets (net of depreciation), including a water treatment building and reservoir in Andover, Iowa a

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

lagoon, lift station and collection system in Center Junction, Fairview and Leisure Lake, Iowa. Also included in capital assets was \$49,332 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 \$3,598,579, which represents the outstanding balance of the USDA long-term loan for the Center Junction wastewater system (\$190,718), the USDA long-term loans for the Andover water system (\$168,131), USDA long-term loans for the Fairview wastewater system (\$583,730) and interim financing of \$2,656,000 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 2015 development and operating budgets. New 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 2015, 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 POSITION - PROPRIETARY FUND
June 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	237,234
Cash and cash equivalents - restricted		29,698
Accounts receivables		7,780
Grants receivable		12,500
Prepaid expense		2,724
Total current assets		289,936

NONCURRENT ASSETS

Land		290,864
Plant and equipment		3,876,135
Grinder pumps		1,695,479
Lift station		1,409,248
Construction in progress		71,284
Less accumulated depreciation		(372,671)
Total noncurrent assets		6,970,339

Total assets	\$	7,260,275
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable		
Trade	\$	352,151
Retainage		187,099
Related party		31,077
Accrued interest		51,669
Loans payable - current		2,660,806
Total current liabilities		3,282,802

NONCURRENT LIABILITIES

Note payable		5,000
Loans payable		937,773
		942,773

Total liabilities		4,225,575
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NET POSITION

Net investment in capital assets		3,371,760
Restricted		29,698
Unrestricted		(366,758)
Total net position		3,034,700

Total liabilities and net position	\$	7,260,275
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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 -
PROPRIETARY FUND**
Year ended June 30, 2014

	<u>Programs</u>	<u>General</u>	<u>Total</u>
OPERATING REVENUE			
Grant income	\$ 1,249,475	\$ 50,000	\$ 1,299,475
Service fees collected	161,523	-	161,523
Miscellaneous income	1,436	2,413	3,849
Total operating revenue	<u>1,412,434</u>	<u>52,413</u>	<u>1,464,847</u>
OPERATING EXPENSE			
Administrative expense	27,373	38,331	65,704
Architect and engineering fees	51,074	-	51,074
Audit fees	2,200	725	2,925
Legal fees	14,159	-	14,159
Insurance	-	1,080	1,080
Subcontractor costs	1,611,773	-	1,611,773
Other costs	482	183	665
Depreciation expense	187,371	-	187,371
Service fee costs	76,962	-	76,962
Total operating expense	<u>1,971,394</u>	<u>40,319</u>	<u>2,011,713</u>
Less construction in progress	<u>1,759,882</u>	<u>-</u>	<u>1,759,882</u>
Net operating expense	211,512	40,319	251,831
Operating income	1,200,922	12,094	1,213,016
NONOPERATING REVENUE (EXPENSE)			
Interest income	64	415	479
Interest expense	(82,031)	-	(82,031)
	<u>(81,967)</u>	<u>415</u>	<u>(81,552)</u>
CHANGE IN NET POSITION	1,118,955	12,509	1,131,464
NET POSITION AT JULY 1, 2013	<u>1,823,676</u>	<u>79,560</u>	<u>1,903,236</u>
NET POSITION AT JUNE 30, 2014	<u>\$ 2,942,631</u>	<u>\$ 92,069</u>	<u>\$ 3,034,700</u>

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 201,923
Cash received from grants	1,299,475
Payments to suppliers for goods and services	(271,237)
Miscellaneous income	3,849
Net cash provided by operating activities	<u>1,234,010</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,806,282)
Loan proceeds	1,336,763
Interest payments	(52,830)
Payment of principal on long-term debt	(588,598)
Net cash used in capital and related financing activities	<u>(1,110,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	479
Net cash provided by investing activities	<u>479</u>
Net increase in cash and cash equivalents	123,542
CASH AND CASH EQUIVALENTS AT JULY 1, 2013	<u>143,390</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2014	<u><u>\$ 266,932</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION**

Cash and cash equivalents	237,234
Cash and cash equivalents - restricted	29,698
Cash and cash equivalents per Statement of Net Position	<u><u>266,932</u></u>

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 1,213,016
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	187,371
Increase (decrease) in cash due to changes in:	
Accounts receivable	40,400
Prepaid expense	(304)
Accounts payable	(206,473)
Net cash provided by operating activities	<u><u>\$ 1,234,010</u></u>

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 is 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

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

**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 position.

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.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

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

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

Statement of Net Position - The statement of net position 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 position which is broken down into three categories defined as follows:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or law or regulations of other governments.
- *Unrestricted* - Net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Statement of Revenues, Expenses, and Changes in Net Position - The statement of revenues, expenses, and changes in net position 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. 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 when acquired to be cash equivalents.

6. Cash and Cash Equivalents - Restricted

Restricted cash is segregated resources for loan reserves.

7. Accounts Receivable

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, 2014.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

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

8. Due To/From Other Programs

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.

9. 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.

10. 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.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

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

11. 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.

12. Subsequent Events

The Commission has evaluated subsequent events through November 15, 2013, the date which the financial statements were available to be issued.

NOTE B - CASH DEPOSITS

Cash as of June 30, 2014 is classified in the accompanying financial statements as follows:

Statement of net position	
Cash and cash equivalents	\$ 237,234
Cash and cash equivalents - restricted	<u>29,698</u>
Total	<u>\$ 266,932</u>

Cash and investments as of June 30, 2014 consist of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Investment checking/savings and money market accounts	<u>\$ 266,932</u>	<u>\$ 281,982</u>

The Commission's deposits in banks at June 30, 2014 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, 2014

NOTE B - CASH DEPOSITS - CONTINUED

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, 2014 and June 30, 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Accounts payable	\$ 31,077	\$ 23,953
Management services	\$ 85,332	\$ 68,986

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE F - UTILITY CAPITAL ASSETS

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

	Balances 6/30/13	Additions	Transfers & Disposals	Balances 6/30/14
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
	633,709	-	-	633,709
Less accumulated depreciation	65,939	16,293	-	82,232
Andover totals	567,770	(16,293)	-	551,477
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
	905,938	-	-	905,938
Less accumulated depreciation	86,206	21,112	-	107,318
Center Junction totals	819,732	(21,112)	-	798,620
Fairview Wastewater System				
Assets not being depreciated				
Land	37,762	-	-	37,762
Construction in progress	257,384	13,560	270,944	-
Assets being depreciated				
Storage shed	-	2,075	-	2,075
Collection system	61,624	39,391	-	101,015
Lift station	117,601	847	-	118,448
Grinder pumps	-	81,200	-	81,200
Service lines	215,689	67,282	-	282,971
Lagoon	299,234	12,175	-	311,409
Other capitalized costs	189,958	70,050	-	260,008
	1,179,252	286,580	270,944	1,194,888
Less accumulated depreciation	33,154	35,096	-	68,250
Fairview totals	1,146,098	251,484	270,944	1,126,638

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE F - UTILITY CAPITAL ASSETS - CONTINUED

	Balances 6/30/13	Additions	Transfers & Disposals	Balances 6/30/14
Leisure Lake Wastewater System				
<i>Assets not being depreciated</i>				
Land	190,343	-	-	190,343
Construction in progress	2,605,533	1,790,647	4,346,848	49,332
<i>Assets being depreciated</i>				
Collection system	-	287,001	-	287,001
Lift station	-	1,250,800	-	1,250,800
Grinder pumps	-	1,614,279	-	1,614,279
Service lines	-	150,389	-	150,389
Lagoon	-	437,520	-	437,520
Other capitalized costs	-	606,859	-	606,859
	<u>2,795,876</u>	<u>6,137,495</u>	<u>4,346,848</u>	<u>4,586,523</u>
Less accumulated depreciation	-	114,871	-	114,871
Leisure Lake totals	<u>2,795,876</u>	<u>6,022,624</u>	<u>4,346,848</u>	<u>4,471,652</u>
Other projects				
<i>Assets not being depreciated</i>				
Prepaid development costs	21,952	-	-	21,952
Other projects totals	<u>21,952</u>	<u>-</u>	<u>-</u>	<u>21,952</u>
Net fixed assets	<u>\$ 5,351,428</u>	<u>\$ 6,236,703</u>	<u>\$ 4,617,792</u>	<u>\$ 6,970,339</u>

NOTE G - CONSTRUCTION IN PROGRESS

A summary of changes in construction in progress as of 6/30/14 follows.

Projects	Balances 6/30/13	Additions	Transfers & Disposals	Balances 6/30/14
Construction in progress				
Fairview	\$ 257,384	\$ 13,560	\$ 270,944	\$ -
Leisure Lake	2,605,533	1,790,647	4,346,848	49,332
Prepaid development costs				
Elvira	8,296	-	-	8,296
Lake Delhi	9,916	-	-	9,916
Petersburg	3,608	-	-	3,608
Morley	132	-	-	132
	<u>21,952</u>	<u>-</u>	<u>-</u>	<u>21,952</u>
Total construction in progress	<u>\$ 2,884,869</u>	<u>\$ 1,804,207</u>	<u>\$ 4,617,792</u>	<u>\$ 71,284</u>

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE H - LOAN RESERVES

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, 2014 the sum of these reserve balances were as follows:

	Andover	Center Junction	Fairview	Total
Debt service	\$ 4,284	\$ 5,220	\$ 2,057	\$ 11,561
Depreciation	7,173	8,830	2,134	18,137
	<u>\$ 11,457</u>	<u>\$ 14,050</u>	<u>\$ 4,191</u>	<u>\$ 29,698</u>

The debt service requires annual deposits of \$918 for Andover, \$1,044 for Center Junction and \$2,244 for Fairview until they are fully funded. Andover will be fully funded when it reaches \$9,180 in fiscal year 2020, Center Junction when it reaches \$10,440 in fiscal year 2019 and Fairview when it reaches \$22,440 in fiscal year 2024. In addition, annual depreciation deposits of \$1,537 for Andover, \$1,766 for Center Junction and \$2,328 for Fairview are required, until the loan is paid in full.

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

	Andover	Center Junction	Fairview	Total
2015	\$ 2,455	\$ 2,810	\$ 4,572	\$ 9,837
2016	2,455	2,810	4,572	9,837
2017	2,455	2,810	4,572	9,837
2018	2,455	2,810	4,572	9,837
2019	2,455	2,810	4,572	9,837
2020 - 2024	7,991	8,830	20,803	37,624
2025 - 2029	7,685	8,830	11,220	27,735
2030 - 2034	7,685	8,830	11,220	27,735
2035 - 2039	7,685	8,830	11,220	27,735
2040 - 2044	7,685	8,830	11,220	27,735
2045 - 2049	7,685	6,917	11,220	25,822
2050 - 2053	-	-	8,976	8,976
	<u>\$ 58,691</u>	<u>\$ 65,117</u>	<u>\$ 108,739</u>	<u>\$ 232,547</u>

NOTE I - NONCURRENT LIABILITIES

Summary of the Commission's noncurrent liabilities are set below:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Noncurrent liabilities	\$ 358,847	\$ 1,344,763	\$ 760,837	\$ 942,773

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE I - NONCURRENT LIABILITIES - CONTINUED

Details of the Commission's noncurrent liabilities are set below:

Detailed Description	Balance at 6/30/14	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	\$ 190,718	\$ 2,624
\$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	135,256	1,762
\$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, 2012	31,945	395
\$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	930	25
\$373,000 of utility bonds financed by the USDA dated July 11, 2014 and due in monthly installments of \$1,246 including interest at 2.375% per annum beginning July 1, 2015 with interest only payments for the first two years.	372,913	-
\$373,000 of utility bonds financed by the USDA dated July 11, 2014 and due in monthly installments of \$1,246 including interest at 2.375% per annum beginning July 1, 2015 with interest only payments for the first two years.	210,817	-
\$5,000 note payable with Clinton County to be repaid over ten years at zero percent interest. No date has been set to begin payments.	5,000	-
\$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	<u>2,656,000</u>	<u>2,656,000</u>
Total long-term obligations	3,603,579	<u>\$ 2,660,806</u>
Less current maturities	<u>2,660,806</u>	
Total noncurrent liabilities	<u>\$ 942,773</u>	

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE J - LONG-TERM OBLIGATIONS

Maturities of long-term obligations at June 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,660,806	\$ 14,814	\$ 2,675,620
2016	5,009	40,578	45,587
2017	5,220	27,473	32,693
2018	14,726	27,160	41,886
2019	15,454	26,714	42,168
2020 - 2024	84,503	126,337	210,840
2025 - 2029	98,111	112,729	210,840
2030 - 2034	114,165	96,675	210,840
2035 - 2039	133,152	77,688	210,840
2040 - 2044	155,479	55,193	210,672
2045 - 2049	170,732	28,692	199,424
2050 - 2054	146,222	9,045	155,267
	<u>\$ 3,603,579</u>	<u>\$ 643,098</u>	<u>\$ 4,246,677</u>

SUPPLEMENTAL FINANCIAL INFORMATION

Eastern Iowa Regional Utility
Service Systems Commission
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2014

	Andover	Center Junction	Fairview	Leisure Lake	Subtotal	General	Total
OPERATING REVENUE							
Grant income	\$ -	\$ -	\$ 37,495	\$ 1,211,980	\$ 1,249,475	\$ 50,000	\$ 1,299,475
Service fees collected	27,585	29,070	40,305	64,563	161,523	-	161,523
Miscellaneous income	-	-	1,436	-	1,436	2,413	3,849
Total operating revenue	<u>27,585</u>	<u>29,070</u>	<u>79,236</u>	<u>1,276,543</u>	<u>1,412,434</u>	<u>52,413</u>	<u>1,464,847</u>
OPERATING EXPENSE							
Administrative expense	-	-	5,546	21,827	27,373	38,331	65,704
Architect and engineering fees	-	-	-	51,074	51,074	-	51,074
Audit fees	550	550	550	550	2,200	725	2,925
Legal fees	-	-	12,761	1,398	14,159	-	14,159
Insurance	-	-	-	-	-	1,080	1,080
Subcontractor costs	-	-	-	1,612,690	1,612,690	-	1,612,690
Other costs	-	-	482	-	482	183	665
Depreciation expense	16,292	21,112	35,096	114,871	187,371	-	187,371
Service fee costs	17,779	12,779	31,486	14,918	76,962	-	76,962
Total operating expense	<u>34,621</u>	<u>34,441</u>	<u>85,921</u>	<u>1,817,328</u>	<u>1,972,311</u>	<u>40,319</u>	<u>2,012,630</u>
Less construction in progress	-	-	19,484	1,741,315	1,760,799	-	1,760,799
Net operating expense	34,621	34,441	66,437	76,013	211,512	40,319	251,831
Operating income (loss)	(7,036)	(5,371)	12,799	1,200,530	1,200,922	12,094	1,213,016
NONOPERATING INCOME (EXPENSE)							
Interest income	18	17	17	12	64	415	479
Interest expense	(7,081)	(7,915)	(12,708)	(54,327)	(82,031)	-	(82,031)
	<u>(7,063)</u>	<u>(7,898)</u>	<u>(12,691)</u>	<u>(54,315)</u>	<u>(81,967)</u>	<u>415</u>	<u>(81,552)</u>
CHANGE IN NET POSITION	(14,099)	(13,269)	108	1,146,215	1,118,955	12,509	1,131,464
NET POSITION AT JULY 1, 2013	<u>384,544</u>	<u>641,536</u>	<u>550,897</u>	<u>246,699</u>	<u>1,823,676</u>	<u>79,560</u>	<u>1,903,236</u>
NET POSITION AT JUNE 30, 2014	<u>\$ 370,445</u>	<u>\$ 628,267</u>	<u>\$ 551,005</u>	<u>\$ 1,392,914</u>	<u>\$ 2,942,631</u>	<u>\$ 92,069</u>	<u>\$ 3,034,700</u>

Eastern Iowa Regional Utility
Service Systems Commission
Dubuque, Iowa
SCHEDULE OF FEDERAL EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

<u>Grantor/Program</u>	<u>Federal Catalog Number</u>	<u>Agency or Pass-Through Grantor's Number</u>	<u>Accrual Basis Program Disbursements</u>
United States Department of Agriculture			
Infrastructure grant - USDA			
Fairview	10.760		\$ 36,800
Leisure Lake	10.760		<u>1,010,480</u>
			1,047,280
Infrastructure loan - USDA			
Fairview	10.760	92-10	373,000
Fairview	10.760	92-14	<u>210,860</u>
			583,860
Total Expenditures of Federal Awards			\$ <u>1,631,140</u>

Basis of Presentation

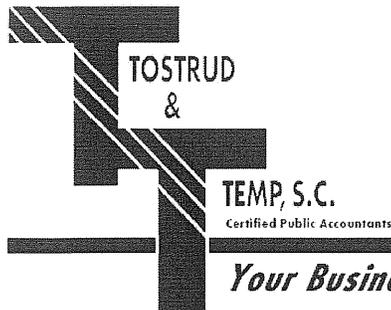
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Eastern Iowa Utility Service Systems Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

Summary of significant accounting policies

Expenditures presented on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- (1) Outstanding loan balances owed to United States Department of Agriculture at June 30, 2014 are \$942,579.

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, which comprise the proprietary fund statement of net position as of June 30, 2014, and the related proprietary fund statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon October 27, 2014.

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

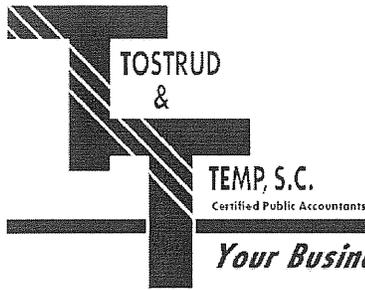
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on 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.

Torlund & Temp, S.C.

October 27, 2014



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Your Business Safety Net

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Eastern Iowa Regional Utility Service Systems Commission's (Commission) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2014. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations (OMB Circular A-133). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on the major federal programs, occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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

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

Tostand + Temp, S.C.

October 27, 2014

Eastern Iowa Regional Utility
Service Systems Commission
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness identified? yes no
Reportable condition(s) identified not
considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements? yes no

Federal Awards

Internal control over financial reporting:
Material weakness identified? yes no
Reportable condition(s) identified not
considered to be material weaknesses?
reported yes none

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Circular A-133
Section .510(1)? yes no

Identification of major federal program:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

NONE

Section III - Federal Findings and Questioned Costs

NONE