

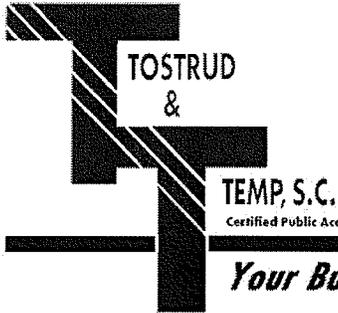
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**EASTERN IOWA REGIONAL UTILITY
SERVICE SYSTEMS COMMISSION**

June 30, 2016

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609 S. 4th Street, Suite B
La Crosse, WI 54601
Phone: 608-784-8060
Fax: 608-784-8167

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, 2016, 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, 2016, 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 statement of revenues, expenses, and changes in net position by program 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 Uniform Guidance, 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 November 11, 2016, 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.

Tostred & Kemp, S.C.

November 11, 2016

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. We encourage readers to consider the information presented here in conjunction with EIRUSS's financial statements, which follow this discussion and analysis.

Fiscal Year 2016 activities included a full year of operation of the Center Junction water system after EIRUSS took ownership when the city voted to discontinue in June, 2015. Engineering work was performed for a water project in the Droessler Subdivision/Spruce Creek Campground in Jackson County and a sewer project in Petersburg in Delaware County. EIRUSS also entered into a contract to install four additional grinder stations for the Leisure Lake wastewater treatment system by utilizing remaining funding in the existing USDA grant budget which will bring the system to 314 properties. This project is scheduled for completion in fiscal 2017. Additional properties to be served have been identified and will be addressed with future funding.

FINANCIAL HIGHLIGHTS

- The assets of EIRUSS exceeded its liabilities at June 30, 2016 by \$3,459,097 (net position).
- EIRUSS's net position decreased by 6.2%, or \$229,340, from June 30, 2015 to June 30, 2016 primarily due to depreciation of fixed assets.
- Total revenues decreased 76.4%, or approximately \$1.15 million due to a decrease in grant funding as the Fairview North and Leisure Lake projects were completed in fiscal 2015 along with a decrease in gain on acquisition as the acquisition of the Center Junction waster system was recognized in fiscal 2015.
- Total expenditures decreased 31.1%, or approximately \$263,000 from fiscal 2015 to fiscal 2016 primarily due to a one time pass through of Leisure Lake USDA grant funds to the Property Owners' Association in fiscal 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

- *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 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

	2016	2015	NET CHANGE	PERCENT CHANGE
Cash and investments	353,300	249,773	103,527	41.4
Other Current Assets	47,175	95,692	(48,517)	(50.7)
Capital Assets	7,177,397	7,419,022	(241,625)	(3.3)
Total Assets	7,577,872	7,764,487	(186,615)	(2.4)
Current Liabilities	117,758	81,788	35,970	44.0
Noncurrent Liabilities	4,001,017	3,994,262	6,755	0.2
Total Liabilities	4,118,775	4,076,050	42,725	1.0
Net Investment in Capital Assets	3,126,407	3,417,751	(291,344)	(8.5)
Restricted	91,885	55,431	36,454	65.8
Unrestricted	240,806	215,255	25,551	11.9
Total Net Position	3,459,098	3,688,437	(229,339)	(6.2)

The increase in cash is primarily due to receipt of \$55,000 in Leisure Lake grant funding that was a receivable at the end of FY15 along with an increase of approximately \$35,000 in the loan reserves account and the receipt of the remaining USDA grant funds of \$9,900 for Fairview. The decrease of \$48,500 in Other Current Assets is due to the decrease of \$55,000 in Grants Receivable offset by an increase in accounts receivable

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

resulting from assumption of ownership of the Center Junction Water System. The decrease of \$242,000 in capital assets is primarily due to annual depreciation of \$327,000 offset by asset additions of \$24,000 and an increase of \$62,000 in prepaid development costs related to the Droessler and Petersburg projects. Current liabilities increased approximately \$36,000 due to principal payments on the Leisure Lake USDA loans beginning in December 2016. Noncurrent liabilities increased approximately \$7,000 due to the SRF loans for the Droessler and Petersburg projects.

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**

	2016	2015	NET CHANGE	PERCENT CHANGE
Revenues:				
Grant income	18,393	735,333	(716,940)	(97.5)
Operating revenues	330,136	309,192	20,944	6.8
Misc Income	4,302	4,610	(308)	(6.7)
Interest Income	488	356	132	37.4
Gain on Acquisition	0	450,026	(450,026)	
Total Revenue	353,319	1,499,517	(1,146,198)	(76.4)
Expenses:				
Operating Expenses	161,101	117,502	43,599	37.1
Depreciation	327,175	307,472	19,703	6.4
Interest Expense	94,383	90,536	3,847	4.2
Grant pass through	0	330,270	(330,270)	(100.0)
Total Expenses	582,659	845,780	(263,121)	(31.1)
Change in Net Position	(229,340)	653,737		
Net Position July 1	3,688,437	3,034,700		
Net Position June 30	3,459,097	3,688,437	(229,340)	(6.2)

Grant income decreased approximately \$717,000 primarily due to the completion of the Fairview North and Leisure Lake projects in FY15. Operating revenue increased approximately \$21,000 primarily due to a full year of operation of the Center Junction water system. The gain on acquisition of \$450,000 in FY15 was due to EIRUSS taking ownership of the Center Junction water system in June, 2015. The Operating expense increase of \$43,600 consists primarily of an increase of \$25,000 in operating expense for a full year of operation of the Center Junction water system along with increased repair costs for the Leisure Lake and Center Junction sewer systems. Depreciation expense increased due to the depreciation of the Center Junction water system assets. Interest expense increased by \$3,800 due to interest on the SRF loan for the Center Junction water system. The Grant pass through of \$330,270 in FY15 was paid to the Leisure Lake Property Owners' Association out of USDA grant funds for the purpose of the repairing damages to the roads in the Leisure Lake Estates Development caused during construction and bringing the roads back to their prior condition.

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

OVERVIEW OF BUDGETS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2016, EIRUSS had \$7,177,397 invested in capital assets (net of depreciation), including a water treatment building and reservoir in Andover and Center Junction, Iowa and a lagoon, lift station and collection system in Center Junction, Fairview and Leisure Lake, Iowa. Also included in capital assets is \$83,933 in prepaid development costs on four additional wastewater system projects, one water system project and the engineering and design work for the four additional pumps to be added to the Leisure Lake system. Total outstanding debt was \$4,055,990, which represents the outstanding balance of the USDA long-term loans for the Center Junction wastewater system (\$185,364), the Andover water system (\$163,677), the Fairview wastewater system (\$574,494) and the Leisure Lake wastewater system (\$2,875,753); SRF Loans for the Center Junction water system (\$201,000), the Droessler water project (\$35,402) and the Petersburg sewer project (\$15,300); and a \$5,000 note payable to Clinton County for the benefit of the Andover water system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

EIRUSS's management and the Board of Commissioners considered many factors when setting the fiscal year 2017 development and operating budgets. Rate increases were approved and implemented for all systems. 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 2017, 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
June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	261,415
Cash and cash equivalents - restricted		91,885
Accounts receivables		34,465
Grants receivable		858
Inventory		8,004
Prepaid expense		3,848
Total current assets		400,475

NONCURRENT ASSETS

Land		310,864
Plant and equipment		4,668,251
Lift station		1,426,188
Grinder pumps		1,695,479
Construction in progress		83,933
Less accumulated depreciation		(1,007,318)
Total noncurrent assets		7,177,397
Total assets	\$	7,577,872

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable		
Trade	\$	9,468
Related party		7,013
Accrued interest		45,370
Unearned revenue		584
Customer deposits		350
Loans payable - current		54,973
Total current liabilities		117,758

NONCURRENT LIABILITIES

Notes payable		5,000
Loans payable		3,996,017
Total noncurrent liabilities		4,001,017
Total liabilities		4,118,775

NET POSITION

Net investment in capital assets		3,126,407
Restricted		91,885
Unrestricted		240,805
Total net position		3,459,097
Total liabilities and net position	\$	7,577,872

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2016

	<u>Programs</u>	<u>General</u>	<u>Total</u>
OPERATING REVENUE			
Grant income	\$ 18,393	\$ -	\$ 18,393
Service fees collected	330,136	-	330,136
Miscellaneous income	<u>4,025</u>	<u>277</u>	<u>4,302</u>
Total operating revenue	352,554	277	352,831
OPERATING EXPENSE			
Administrative expense	2,865	407	3,272
Architect and engineering fees	56,001	-	56,001
Audit fees	2,980	-	2,980
Legal fees	3,234	-	3,234
Subcontractor costs	5,158	-	5,158
Other costs	91	-	91
Depreciation expense	327,175	-	327,175
Service fee costs	<u>152,346</u>	<u>-</u>	<u>152,346</u>
Total operating expense	549,850	407	550,257
Less construction in progress	<u>61,981</u>	<u>-</u>	<u>61,981</u>
Net operating expense	<u>487,869</u>	<u>407</u>	<u>488,276</u>
Operating income	(135,315)	(130)	(135,445)
NONOPERATING REVENUE (EXPENSE)			
Interest income	339	149	488
Interest expense	<u>(94,383)</u>	<u>-</u>	<u>(94,383)</u>
Net nonoperating revenue	<u>(94,044)</u>	<u>149</u>	<u>(93,895)</u>
Change in net position	(229,359)	19	(229,340)
NET POSITION AT JULY 1, 2015	<u>3,596,368</u>	<u>92,069</u>	<u>3,688,437</u>
NET POSITION AT JUNE 30, 2016	<u>\$ 3,367,009</u>	<u>\$ 92,088</u>	<u>\$ 3,459,097</u>

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility
Service Systems Commission
STATEMENT OF CASH FLOWS
Year ended June 30, 2016

Increase in cash and cash equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 319,233
Cash received from grants	72,758
Miscellaneous income	4,302
Cash payments to vendors	(163,862)
Net cash provided by operating activities	<u>232,431</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(85,550)
Loan proceeds	71,280
Principal payments	(21,562)
Interest paid	(93,561)
Net cash used in capital and related financing activities	<u>(129,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>489</u>
Net increase in cash and cash equivalents	103,527
Cash and cash equivalents at July 1, 2015	<u>249,773</u>
Cash and cash equivalents at June 30, 2016	<u><u>\$ 353,300</u></u>

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

Cash and cash equivalents	\$ 261,415
Cash and cash equivalents - restricted	91,885
Cash and cash equivalents per Statement of Net Position	<u><u>\$ 353,300</u></u>

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ (135,445)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	327,175
Increase (decrease) in cash due to changes in:	
Accounts receivable	44,933
Inventory	3,755
Prepaid expense	(171)
Accounts payable	(8,550)
Unearned revenue	584
Customer deposits	150
Net cash provided by operating activities	<u><u>\$ 232,431</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, 2016

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, 2016

**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 principles generally accepted in the United States of America. 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.

Reports for the Commission's enterprise funds are prepared following the Governmental Accounting Standards Board (GASB) issued Statement No.62, Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

**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:

- Net investment in capital assets - 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 and interest, utility deposits and grinder pump 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, 2016.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

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

8. Capital Assets

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

Additions to and replacements of utility plant 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.

Construction period interest is capitalized on utility property as incurred. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest cost is amortized on the same basis as the related asset is depreciated.

9. Claims and Judgments

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

10. Grinder Pump Reserve

An additional \$5.00 per household or business is added to the monthly sewer bills of customers in the Fairview North extension of the Fairview Wastewater System for the use of grinder pumps. These funds are set aside for repair and replacement of the pumps.

11. Customer Deposits

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

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

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

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

On September 23, 2016, an Iowa State Revolving Fund planning and design loan was approved for engineering, land acquisition and related work on the Petersburg sewer system project for \$289,500. As of June 30, 2016, EIRUSS has not drawn any funds from this loan.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2016, the Commission reported cash and cash equivalents as follows:

Cash and cash equivalents	\$	261,415
Cash and cash equivalents - restricted		<u>91,885</u>
 Total		 <u>\$ 353,300</u>

Custodial Credit Risk - Deposits: Custodial credit is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial risk. As of June 30, 2016, the Commission's deposits are as follows:

	Carrying Amount	Bank Balance
Business interest checking and statement savings accounts	\$ 353,300	\$ <u>357,265</u>

The Commission's deposits in banks at June 30, 2016 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, 2016

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, 2016 and June 30, 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 7,013	\$ 16,184
Management services	\$ 45,311	\$ 61,828

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Andover Water System				
Land (non-depreciated)	\$ 1,292	\$ -	\$ -	\$ 1,292
Depreciated assets:				
Well and well pump	130,191	-	-	130,191
Distribution system	181,724	-	-	181,724
Storage reservoir	81,439	-	-	81,439
Treatment building	129,928	-	-	129,928
Other capitalized costs	109,135	-	-	109,135
	<u>633,709</u>	<u>-</u>	<u>-</u>	<u>633,709</u>
Accumulated depreciation				
Well and well pump	22,144	3,737	-	25,881
Distribution system	27,637	4,543	-	32,180
Storage reservoir	12,386	2,036	-	14,422
Treatment building	19,760	3,248	-	23,008
Other capitalized costs	16,597	2,729	-	19,326
	<u>98,524</u>	<u>16,293</u>	<u>-</u>	<u>114,817</u>
Net capital assets	535,185	(16,293)	-	518,892
Center Junction				
Wastewater System				
Land (non-depreciated)	61,467	-	-	61,467
Depreciated assets:				
Collection system	335,831	-	-	335,831
Lift station	40,000	-	-	40,000
Service lines	61,608	-	-	61,608
Lagoon	193,585	-	-	193,585
Other capitalized costs	213,447	-	-	213,447
	<u>905,938</u>	<u>-</u>	<u>-</u>	<u>905,938</u>
Accumulated depreciation:				
Collection system	51,075	8,396	-	59,471
Lift station	6,083	1,000	-	7,083
Service lines	9,369	1,540	-	10,909
Lagoon	29,441	4,840	-	34,281
Other capitalized costs	32,462	5,336	-	37,798
	<u>128,430</u>	<u>21,112</u>	<u>-</u>	<u>149,542</u>
Net capital assets	777,508	(21,112)	-	756,396
Water System				
Land (non-depreciated)	20,000	-	-	20,000
Depreciated assets:				
Well and well pump	36,250	-	-	36,250
Distribution system	285,000	-	-	285,000
Storage reservoir	71,853	-	-	71,853
Treatment building	114,634	-	-	114,634
Other capitalized costs	96,288	19,610	-	115,898
	<u>624,025</u>	<u>19,610</u>	<u>-</u>	<u>643,635</u>

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Center Junction - continued				
Water System - continued				
Accumulated depreciation:				
Well and well pump	-	1,900	-	1,900
Distribution system	-	7,125	-	7,125
Storage reservoir	-	1,796	-	1,796
Treatment building	-	2,866	-	2,866
Other capitalized costs	-	2,898	-	2,898
	-	16,585	-	16,585
	624,025	3,025	-	627,050
Net capital assets	1,401,533	(18,087)	-	1,383,446
Fairview Wastewater System				
Land (non-depreciated)	37,762	-	-	37,762
Depreciated assets:				
Equipment	-	3,959	-	3,959
Storage shed	5,825	-	-	5,825
Collection system	101,015	-	-	101,015
Lift station	135,388	-	-	135,388
Grinder pumps	81,200	-	-	81,200
Service lines	282,971	-	-	282,971
Lagoon	311,409	-	-	311,409
Other capitalized costs	302,319	-	-	302,319
	1,257,889	3,959	-	1,261,848
Accumulated depreciation:				
Equipment	-	330	-	330
Storage shed	556	583	-	1,139
Collection system	7,362	2,525	-	9,887
Lift station	10,650	3,385	-	14,035
Grinder pumps	16,240	8,120	-	24,360
Service lines	22,237	7,074	-	29,311
Lagoon	26,791	7,785	-	34,576
Other capitalized costs	23,259	10,680	-	33,939
	107,095	40,482	-	147,577
Net capital assets	1,150,794	(36,523)	-	1,114,271
Leisure Lake Wastewater System				
Land (non-depreciated)	190,343	-	-	190,343
Depreciated assets:				
Collection system	287,001	-	-	287,001
Lift station	1,250,800	-	-	1,250,800
Grinder pumps	1,614,279	-	-	1,614,279
Service lines	150,389	-	-	150,389
Lagoon	437,520	-	-	437,520
Other capitalized costs	725,320	-	-	725,320
	4,655,652	-	-	4,655,652

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Leisure Lake Wastewater System				
Accumulated depreciation:				
Collection system	10,762	7,175		17,937
Lift station	46,905	31,270		78,175
Grinder pumps	242,142	161,428		403,570
Service lines	5,640	3,760		9,400
Lagoon	16,407	10,938		27,345
Other capitalized costs	24,238	18,132	-	42,370
	<u>346,094</u>	<u>232,703</u>	<u>-</u>	<u>578,797</u>
Net capital assets	4,309,558	(232,703)	-	4,076,855
Other projects				
Prepaid development costs capitalized not depreciated	21,952	61,981	-	83,933
Total net capital assets	<u>\$ 7,419,022</u>	<u>\$ (241,625)</u>	<u>\$ -</u>	<u>\$ 7,177,397</u>

A summary of changes in construction in progress as of 6/30/16 follows.

Projects	Balances 6/30/15	Additions	Reductions	Balances 6/30/16
Prepaid development costs capitalized not depreciated				
Droessler	\$ -	\$ 35,402	\$ -	\$ 35,402
Elvira	8,296	-	-	8,296
Lake Delhi	9,916	-	-	9,916
Leisure Lake	-	8,414	-	8,414
Petersburg	3,608	18,165	-	21,773
Morley	132	-	-	132
	<u>21,952</u>	<u>26,579</u>	<u>-</u>	<u>48,531</u>
Total construction in progress	<u>\$ 21,952</u>	<u>\$ 61,981</u>	<u>\$ -</u>	<u>\$ 83,933</u>

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

NOTE G - 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, 2016 the sum of these reserve balances were as follows:

	Andover	Center Junction	Fairview	Leisure Lake	Total
Debt service	\$ 6,120	\$ 7,308	\$ 6,545	\$ 18,860	\$ 38,833
Depreciation	10,246	12,362	6,790	20,880	50,278
	<u>\$ 16,366</u>	<u>\$ 19,670</u>	<u>\$ 13,335</u>	<u>\$ 39,740</u>	<u>\$ 89,111</u>

The debt service requires annual deposits of \$918 for Andover, \$1,044 for Center Junction, \$2,244 for Fairview and \$11,316 for Leisure Lake 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, Fairview when it reaches \$22,440 in fiscal year 2024, and Leisure Lake when it reaches \$95,740 in fiscal year 2023. In addition, annual depreciation deposits of \$1,537 for Andover, \$1,766 for Center Junction, \$2,328 for Fairview and \$12,528 for Leisure Lake are required, until the loan is paid in full.

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

	Andover	Center Junction	Fairview	Leisure Lake	Total
2017	\$ 2,455	\$ 2,810	\$ 4,572	\$ 23,844	\$ 33,681
2018	2,455	2,810	4,572	23,844	33,681
2019	2,455	2,810	4,572	23,844	33,681
2020	1,843	1,766	4,572	23,844	32,025
2021	1,537	1,766	4,572	23,844	31,719
2022 - 2026	7,685	8,830	18,559	94,256	129,330
2027 - 2031	7,685	8,830	11,640	62,640	90,795
2032 - 2036	7,685	8,830	11,640	62,640	90,795
2037 - 2041	7,685	8,830	11,640	62,640	90,795
2042 - 2046	7,685	8,830	11,640	62,640	90,795
2047 - 2051	7,066	6,195	11,640	62,640	87,541
2052 - 2054	-	-	6,984	40,716	47,700
	<u>\$ 56,236</u>	<u>\$ 62,307</u>	<u>\$ 106,603</u>	<u>\$ 567,392</u>	<u>\$ 792,538</u>

NOTE H- NONCURRENT LIABILITIES

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

	Balance 06/30/15	Additions	Reductions	Balance 06/30/16	Current Maturity
Note payable	\$ 5,000	\$ -	\$ -	\$ 5,000	-
Loans payable	4,001,271	71,280	21,561	4,050,990	54,973
	<u>\$ 4,006,271</u>	<u>\$ 71,280</u>	<u>\$ 21,561</u>	<u>\$ 4,055,990</u>	<u>\$ 54,973</u>

The \$5,000 note payable with Clinton County is to be repaid over ten years at zero percent interest. No date has been set to begin payments.

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

NOTE H - NONCURRENT LIABILITIES - CONTINUED

Details of the Commission's loans payable are set below:

Detailed Description	Balance at 6/30/16	Due Within One Year
\$199,796 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	\$ 185,364	\$ 2,849
\$140,000 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	131,659	1,913
\$33,000 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	31,138	432
\$1,000 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	880	26
\$373,000 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.	367,086	6,776
\$210,860 utility bonds financed by the USDA dated July 11, 2014 and due in monthly installments of \$663 including interest at 2.00% per annum beginning July 1, 2015 with interest only payments for the first two years.	207,408	3,704
\$2,656,000 utility bonds financed by the USDA at dated November 6, 2014 and due in monthly installments of \$8,686 including interest at 2.25% per annum beginning December 6, 2016 with interest only payments for the first two years	2,654,854	29,843
\$221,000 utility bonds financed by the USDA at dated November 6, 2014 and due in monthly installments of \$739 including interest at 2.375% per annum beginning December 6, 2016 with interest only payments for the first two years	220,899	2,430
\$187,000 water revenue bond financed by the Iowa Finance Authority dated June 5, 2015 due in annual installments beginning June 1, 2016 and interest at 1.75% per annum payable semi-annually.	201,000	7,000
\$54,400 water revenue bond financed by the Iowa Finance Authority dated September 18, 2015, payable as to principal in full on September 18, 2018 at 0% interest. semi-annually.	35,402	-

Eastern Iowa Regional Utility
Service Systems Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

NOTE H - NONCURRENT LIABILITIES - CONTINUED

Details of the Commission's loans payable are set below:

Detailed Description	Balance at 6/30/16	Due Within One Year
\$25,000 sewer revenue bond financed by the Iowa Finance Authority dated July 29, 2015, payable as to principal in full on July 29, 2018 at 0% interest.	15,300	-
Total loans payable	4,050,990	\$ 54,973
Less current maturities	54,973	
Total noncurrent loans payable	\$ 3,996,017	

NOTE I - LONG-TERM OBLIGATIONS

Maturities of long-term obligations at June 30, 2016 are as follows:

	Principal	Interest	Total
2017	\$ 54,973	\$ 138,262	\$ 193,235
2018	71,788	94,015	165,803
2019	124,073	92,310	216,383
2020	74,995	90,563	165,558
2021	76,660	88,775	165,435
2022 - 2026	412,831	415,334	828,165
2027 - 2031	465,439	363,210	828,649
2032 - 2036	524,744	303,843	828,587
2037 - 2041	581,737	235,401	817,138
2042 - 2046	613,402	162,698	776,100
2047 - 2051	642,442	83,342	725,784
2052 - 2055	407,906	15,289	423,195
	\$ 4,050,990	\$ 2,083,042	\$ 6,134,032

SUPPLEMENTAL FINANCIAL INFORMATION

Eastern Iowa Regional Utility
Service Systems Commission
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2016

	Andover	Center Junction		Fairview	Leisure Lake	Droessler	Petersburg	Subtotal	General	Total
		Sewer	Water							
OPERATING REVENUE										
Grant income	\$ -	\$ -	\$ -	\$ 9,979	\$ 8,414	\$ -	\$ -	\$ 18,393	\$ -	\$ 18,393
Service fees collected	30,638	28,521	26,052	38,629	206,296	-	-	330,136	-	330,136
Miscellaneous income	113	300	138	133	3,341	-	-	4,025	277	4,302
Total operating revenue	<u>30,751</u>	<u>28,821</u>	<u>26,190</u>	<u>48,741</u>	<u>218,051</u>	<u>-</u>	<u>-</u>	<u>352,554</u>	<u>277</u>	<u>352,831</u>
OPERATING EXPENSE										
Administrative expense	-	-	-	-	-	-	2,865	2,865	407	3,272
Architect and engineering fees	-	-	-	-	8,323	33,778	13,900	56,001	-	56,001
Audit fees	740	380	380	740	740	-	-	2,980	-	2,980
Legal fees	-	-	-	210	-	1,624	1,400	3,234	-	3,234
Insurance	833	144	1,211	306	2,665	-	-	5,159	-	5,159
Other costs	-	-	-	-	91	-	-	91	-	91
Depreciation expense	16,293	21,112	16,585	40,482	232,703	-	-	327,175	-	327,175
Service fee costs	15,654	19,215	25,788	37,757	53,931	-	-	152,345	-	152,345
Total operating expense	<u>33,520</u>	<u>40,851</u>	<u>43,964</u>	<u>79,495</u>	<u>298,453</u>	<u>35,402</u>	<u>18,165</u>	<u>549,850</u>	<u>407</u>	<u>550,257</u>
Less construction in progress	-	-	-	-	8,414	35,402	18,165	61,981	-	61,981
Net operating expense	<u>33,520</u>	<u>40,851</u>	<u>43,964</u>	<u>79,495</u>	<u>290,039</u>	<u>-</u>	<u>-</u>	<u>487,869</u>	<u>407</u>	<u>488,276</u>
Operating income (loss)	(2,769)	(12,030)	(17,774)	(30,754)	(71,988)	-	-	(135,315)	(130)	(135,445)
NONOPERATING INCOME (EXPENSE)										
Interest income	85	42	42	85	85	-	-	339	149	488
Interest expense	(6,880)	(7,678)	(3,824)	(12,317)	(63,684)	-	-	(94,383)	-	(94,383)
	<u>(6,795)</u>	<u>(7,636)</u>	<u>(3,782)</u>	<u>(12,232)</u>	<u>(63,599)</u>	<u>-</u>	<u>-</u>	<u>(94,044)</u>	<u>149</u>	<u>(93,895)</u>
Change in net position	(9,564)	(19,666)	(21,556)	(42,986)	(135,587)	-	-	(229,359)	19	(229,340)
NET POSITION AT JULY 1, 2015	<u>358,578</u>	<u>615,046</u>	<u>449,843</u>	<u>594,678</u>	<u>1,578,223</u>	<u>-</u>	<u>-</u>	<u>3,596,368</u>	<u>92,069</u>	<u>3,688,437</u>
NET POSITION AT JUNE 30, 2016	<u>\$ 349,014</u>	<u>\$ 595,380</u>	<u>\$ 428,287</u>	<u>\$ 551,692</u>	<u>\$ 1,442,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,367,009</u>	<u>\$ 92,088</u>	<u>\$ 3,459,097</u>

Eastern Iowa Regional Utility
Service Systems Commission
Dubuque, Iowa
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2016

<u>Grantor/Program Title/ Award Name and Number</u>	<u>Federal Catalog Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
United States Department of Agriculture - Direct Program			
Water and Waste Disposal Systems for Rural Communities	10.760		
Center Junction			
16 031 0870747292 01 Andover		\$ 199,796	\$ 185,364
16 031 0870747292 03 Andover		140,000	131,659
16 031 0870747292 05 Andover		33,000	31,138
16 031 0870747292 08 Fairview		1,000	880
16 031 0870747292 10 Leisure Lake		373,000	367,086
16 031 0870747292 12 Fairview		2,656,000	2,654,854
16 031 0870747292 14 Leisure Lake		210,860	207,408
16 031 0870747292 16		221,000	220,899
Total Expenditures of Federal Awards			<u>\$ 3,799,288</u>

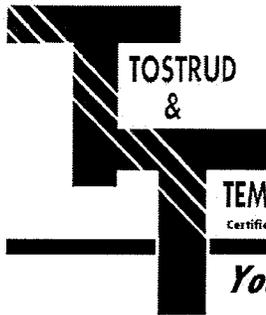
Note 1 - Basis of Presentation

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 the Uniform Guidance. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

Note 2 - 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

OTHER REPORTS



609 S. 4th Street, Suite B
La Crosse, WI 54601
Phone: 608-784-8060
Fax: 608-784-8167

Your Business Safety Net

**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 are comprised of the proprietary fund statement of net position as of June 30, 2016, 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 November 11, 2016.

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

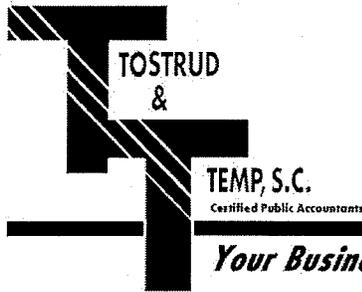
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on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

Testrud & Kemp, S.C.

November 11, 2016



609 S. 4th Street, Suite B
La Crosse, WI 54601
Phone: 608-784-8060
Fax: 608-784-8167

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 OMB 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 Commission'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, 2016.

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 Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Testaud & Temp, S.C.

November 11, 2016

Eastern Iowa Regional Utility
 Service Systems Commission
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2016

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? yes none reported

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

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 \$750,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

NONE

Section III - Federal Findings and Questioned Costs

NONE