

IOWA GREAT LAKES SANITARY DISTRICT

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
AND FINDINGS

JUNE 30, 2006

David A. Maske
Certified Public Accountant
Spencer, Iowa

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IOWA GREAT LAKES SANITARY DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert H. Boettcher	President	January 2007
Jim Rohlfen	Vice-President	January 2009
Jerry Roskammer	Treasurer/Secretary	January 2011
Brian Craig	Deputy Secretary	January, 2011
Kae Hoppe	Trustee	January, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Iowa Great Lakes Sanitary District
Milford, Iowa 51351

I have audited the accompanying basic financial statements of the Iowa Great Lakes Sanitary District as of and for the year ended June 30, 2006. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the District's activities, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated August 9, 2006 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 4 and page 9 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The other supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audits of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned statements taken as a whole.


DAVID A. MASKE
Certified Public Accountant

August 9, 2006

**IOWA GREAT LAKES SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Iowa Great Lakes Sanitary District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Receipts of the District-wide activities increased 4.52%, or approximately \$170,400 from fiscal 2005 to fiscal 2006.
- Bond proceeds for the year were \$5,974,900.
- Disbursements increased 11.90%, or approximately \$588,000 in fiscal 2006 from fiscal 2005, due primarily to expenditures for a capital project.
- The District's total cash basis net assets increased 113.61%, or approximately \$3,858,600 from June 30, 2005 to June 30, 2006. This was due primarily to bond issue proceeds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The District Financial Statement consists of a Statement of Receipts, Disbursements and Cash Balances. This statement provides information about the activities of the District as a whole and presents an overall view of the District's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the District's funds.

BASIS OF ACCOUNTING

The District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Receipts, Disbursements and Changes in Cash Balances reports information which helps answer this question.

The Statement of Receipts, Disbursements and Changes in Cash Balances presents the District's net assets. Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Fund Financial Statements

The Proprietary funds account for the District's Enterprise Fund. Enterprise Funds are used to report business type activities.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balance.

DISTRICT WIDE FINANCIAL ANALYSIS

A summary of the changes in cash balances follows:

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
RECEIPTS:		
Property Tax.....	\$ 2,591,875	\$ 2,512,843
Tax Increment Financing Collections	80,386	119,469
Charges for Services	1,083,264	1,025,365
Use of Money and Property	182,014	109,282
Other General Receipts	547	751
Bond Proceeds.....	<u>5,974,900</u>	<u>-0-</u>
TOTAL RECEIPTS	<u>\$ 9,912,986</u>	<u>\$ 3,767,710</u>
DISBURSEMENTS:		
Operations.....	\$ 1,462,598	\$ 1,259,814
Debt Service.....	2,125,236	2,023,077
Capital Outlay.....	<u>1,941,275</u>	<u>1,658,221</u>
TOTAL DISBURSEMENTS	<u>\$ 5,529,109</u>	<u>\$ 4,941,112</u>
NET CHANGE IN CASH BALANCE	\$ 4,383,877	\$ (1,173,402)
CASH BALANCE - Beginning of Year	<u>3,858,585</u>	<u>5,031,987</u>
CASH BALANCE - End of Year	<u>\$ 8,242,462</u>	<u>\$ 3,858,585</u>

The cash balance increased by \$4,383,877 from the prior year, primarily because of bond issue proceeds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget once. The approved amendment resulted in an increase in Debt Service disbursements of \$15,000. The District had sufficient cash balances to absorb these additional disbursements.

ECONOMIC FACTORS

The District's increased cash balances from 2005 – 2006 bond proceeds are expected to be utilized for planned capital improvements during the year ended June 30, 2007.

DEBT ADMINISTRATION

At June 30, 2006, the District has \$9,225,000 in bonds outstanding, compared to \$5,030,000 last year.

The District issued 6,000,000 in bonds during the year.

The District redeemed \$1,805,000 in debt during the year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions may be directed to Glen Petersen, Iowa Great Lakes Sanitary District, Milford, Iowa.

BASIC FINANCIAL STATEMENTS

IOWA GREAT LAKES SANITARY DISTRICT
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>PROPRIETARY FUND</u>				<u>Total</u>
	<u>ENTERPRISE</u>				<u>(Memorandum</u>
	<u>Operating</u>	<u>Contingency</u>	<u>Debt</u>	<u>Capital</u>	<u>Only)</u>
			<u>Service</u>	<u>Projects</u>	
RECEIPTS:					
Property Tax.....	\$ 491,860	\$ -	\$ 2,100,015	\$ -	\$ 2,591,875
Tax Increment Financing Collections	-	-	-	80,386	80,386
Use of Money and Property	35,078	-	41,626	105,310	182,014
Charges for Services	1,015,064	-	-	68,200	1,083,264
Miscellaneous	547	-	-	-	547
TOTAL RECEIPTS	\$ 1,542,549	\$ -	\$ 2,141,641	\$ 253,896	\$ 3,938,086
DISBURSEMENTS:					
Operations.....	\$ 1,462,598	\$ -	\$ -	\$ -	\$ 1,462,598
Debt Service.....	-	-	2,125,236	-	2,125,236
Capital Outlay.....	35,124	-	-	1,906,151	1,941,275
TOTAL DISBURSEMENTS	\$ 1,497,722	\$ -	\$ 2,125,236	\$ 1,906,151	\$ 5,529,109
EXCESS (DEFICIENCY) OF RECEIPTS					
OVER DISBURSEMENTS	\$ 44,827	\$ -	\$ 16,405	\$ (1,652,255)	\$ (1,591,023)
OTHER FINANCING SOURCES (USES):					
Bond Sale Proceeds.....	-	-	-	5,974,900	5,974,900
NET CHANGE IN CASH BALANCES	\$ 44,827	\$ -	\$ 16,405	\$ 4,322,645	\$ 4,383,877
CASH BALANCE – BEGINNING OF YEAR	745,277	100,000	471,998	2,541,310	3,858,585
CASH BALANCE – END OF YEAR	\$ 790,104	\$ 100,000	\$ 488,403	\$ 6,863,955	\$ 8,242,462

See Notes to the Financial Statements.

IOWA GREAT LAKES SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Iowa Great Lakes Sanitary District is a body corporate and politic formed under Iowa Code Section 358 in Dickinson County, Iowa. The function of this entity is to assess and collect revenues for the purpose of constructing and maintaining the interceptor sewer line and lift stations and to provide for the treatment of wastewater, for the Iowa Great Lakes area.

The District operates under the Manager-Trustee form of government in which five trustees are elected on a non-partisan basis.

A. REPORTING ENTITY

For financial reporting purposes, the District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

These financial statements present the Iowa Great Lakes Sanitary District, which has no component units.

B. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, receipts, and disbursements. The various funds are classified as follows in the financial statements:

Proprietary Fund - Enterprise - The Proprietary Fund is the general operating fund of the District. This fund is utilized to finance and account for the acquisition, operation, and maintenance of district facilities and services that are supported by user charges. The contingency fund which is included in the proprietary fund represents specific financial resources to be used in case of an emergency.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principle on the District's general obligation long-term debt.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and other fixed assets, with the exception of those that are financed through the proprietary fund.

C. BASIS OF ACCOUNTING

The District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with generally accepted accounting principles.

D. BUDGET AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Board of Trustees adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budgetary comparison and related disclosures are reported as required supplemental information.

E. TOTAL COLUMN

The total columns on the combined statement of cash transactions are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

IOWA GREAT LAKES SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2006 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 insure there will be no loss of public funds.

The District 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 District's Trustee; 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 District had no investments at June 30, 2006.

At June 30, 2006, the District had certificates of deposit totaling \$7,300,000.

NOTE 3 - BONDS PAYABLE

Annual debt service requirements to maturity for District bonds are as follows:

<u>YEAR</u> <u>ENDING</u> <u>JUNE 30,</u>	<u>GENERAL OBLIGATION</u> <u>BONDS</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 1,880,000	\$ 337,090	\$ 2,217,090
2008	1,155,000	271,145	1,426,145
2009	1,115,000	229,385	1,344,385
2010	1,115,000	188,202	1,303,202
2011	1,115,000	146,042	1,261,042
2012	615,000	102,905	717,905
2013	620,000	81,540	701,540
2014	530,000	59,580	589,580
2015	530,000	40,235	570,235
2016	<u>550,000</u>	<u>20,625</u>	<u>570,625</u>
TOTAL	<u>\$ 9,225,000</u>	<u>\$ 1,476,749</u>	<u>\$ 10,701,749</u>

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$25,588, \$24,887, and \$24,713, respectively, equal to the required contributions for each year.

NOTE 5 - COMPENSATED ABSENCES

District employees accumulate vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as expenditures by the District until used or paid. The District's approximate liability for unrecognized accrued employee benefits at June 30, 2006 primarily relating to the Proprietary Fund - Enterprise is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 12,038
Sick Leave	<u>21,780</u>
TOTAL	<u>\$ 33,818</u>

This liability has been computed based on rates of pay as of June 30, 2006.

Sick leave hours are accumulated for subsequent use. A percentage of the accumulated hours are available for pay-out upon termination, retirement or death, depending on the employee's years of service with the District.

IOWA GREAT LAKES SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 - RISK MANAGEMENT

The District 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.

REQUIRED SUPPLEMENTAL INFORMATION

IOWA GREAT LAKES SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES -
ACTUAL TO BUDGET (CASH BASIS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006

	-----ENTERPRISE FUND-----				-----DEBT SERVICE-----				
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
RECEIPTS:									
Property Tax	\$ 491,860	\$ 482,000	\$ 9,860	\$ 2,100,015	\$ 2,091,945	\$ 8,070			
Use of Money and Property	35,078	15,000	20,078	41,626	18,000	23,626			
Operations	1,015,611	1,000,000	15,611	-0-	-0-	-0-			
TOTAL RECEIPTS	\$ 1,542,549	\$ 1,497,000	\$ 45,549	\$ 2,141,641	\$ 2,109,945	\$ 31,696			
DISBURSEMENTS:									
Operations	\$ 1,497,722	\$ 1,805,000	\$ 307,278	\$ -0-	\$ 2,125,236	\$ 2,135,345	\$ -0-	\$ -0-	\$ -0-
Debt Service	-0-	-0-	-0-	2,125,236	2,135,345	10,109			
TOTAL DISBURSEMENTS	\$ 1,497,722	\$ 1,805,000	\$ 307,278	\$ 2,125,236	\$ 2,135,345	\$ 10,109			
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ 44,827	\$ (308,000)	\$ 352,827	\$ 16,405	\$ (25,400)	\$ 41,805			
BALANCE, BEGINNING OF YEAR	745,277	688,128		471,998	437,650				
BALANCE, END OF YEAR	\$ 790,104	\$ 380,128		\$ 488,403	\$ 412,250				

See Notes to the Financial Statements.

IOWA GREAT LAKES SANITARY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments.

In accordance with the Code of Iowa, the District annually adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budgeted disbursements were increased by \$15,000. The budget amendment is included in the final budgeted amounts.

OTHER SUPPLEMENTAL INFORMATION

IOWA GREAT LAKES SANITARY DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
ENTERPRISE FUND - OPERATING
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

RECEIPTS:	
Property Tax	\$ 491,860
Use of Money and Property	35,078
Charges for Service:	
Sewer Rental	1,015,064
Miscellaneous	547
TOTAL RECEIPTS	<u>\$ 1,542,549</u>
DISBURSEMENTS:	
Salaries	\$ 448,864
Continuing Education	3,435
Trustees Fees	4,951
Utilities	5,121
Office Expense	31,953
General Insurance	65,276
Payroll Taxes	59,568
Truck Expense	26,509
Line Maintenance	66,523
Lift Maintenance	45,366
Plant Maintenance	187,901
Sales Tax	16,078
Legal Expense	3,012
Laboratory Expense	6,540
Plant Fuel	32,641
Plant Supplies	12,214
Power	285,749
Publications	774
Health Insurance	141,738
Equipment Repairs	6,917
Uniform Expense	2,766
Safety Coordinator	7,539
New Equipment	35,124
Miscellaneous	<u>1,163</u>
TOTAL DISBURSEMENTS	<u>\$ 1,497,722</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 44,827
CASH BALANCE – BEGINNING OF YEAR	<u>745,277</u>
CASH BALANCE – END OF YEAR	<u>\$ 790,104</u>

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
ENTERPRISE FUND - CONTINGENCY
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

RECEIPTS:		
None	\$	-0-
DISBURSEMENTS:		
None		<u>-0-</u>
NET CHANGE IN CASH BALANCE	\$	-0-
CASH BALANCE – BEGINNING OF YEAR		<u>100,000</u>
CASH BALANCE – END OF YEAR	\$	<u>100,000</u>

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
DEBT SERVICE FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

RECEIPTS:	
Property Tax	\$ 2,100,015
Use of Money and Property.....	<u>41,626</u>
TOTAL RECEIPTS	<u>\$ 2,141,641</u>
DISBURSEMENTS:	
Trust Fees and Bond Issue Expense	\$ 30,054
Interest Expense	290,182
Bonds Redeemed	<u>1,805,000</u>
TOTAL DISBURSEMENTS	<u>\$ 2,125,236</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 16,405
CASH BALANCE – BEGINNING OF YEAR	<u>471,998</u>
CASH BALANCE – END OF YEAR	<u>\$ 488,403</u>

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
CAPITAL PROJECTS FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

RECEIPTS:	
Property Taxes - T.I.F.	\$ 80,386
Use of Money and Property.....	105,310
Hook-up Charges	<u>68,200</u>
TOTAL RECEIPTS	<u>\$ 253,896</u>
DISBURSEMENTS:	
New Construction	\$ 1,904,821
Legal and Miscellaneous.....	<u>1,330</u>
TOTAL DISBURSEMENTS	<u>\$ 1,906,151</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (1,652,255)
OTHER FINANCING SOURCES (USES):	
Bond Sale Proceeds.....	<u>5,974,900</u>
NET CHANGE IN CASH BALANCE	\$ 4,322,645
CASH BALANCE – BEGINNING OF YEAR	<u>2,541,310</u>
CASH BALANCE – END OF YEAR	<u>\$ 6,863,955</u>

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Unpaid Interest</u>	<u>Interest Paid</u>
General Obligation Bonds:									
Construction Refunding Construction & Refunding	May 8, 2002 March 1, 2004	4.20% - 4.45% 2.60% - 3.60%	\$ 5,000,000 4,650,000	\$ 3,000,000 1,095,000	\$ - -	\$ 500,000 610,000	\$ 2,500,000 485,000	\$ - -	\$ 129,000 36,980
Construction	April 27, 2006	1.50% - 3.50%	1,700,000	935,000	-	210,000	725,000	-	21,905
Construction	December 1, 2005	3.25% - 3.75%	5,000,000	-	5,000,000	-	5,000,000	-	88,332
Construction	January 1, 2006	3.30% - 3.40%	1,000,000	-	1,000,000	485,000	515,000	-	13,965
			<u>\$ 17,350,000</u>	<u>\$ 5,030,000</u>	<u>\$ 6,000,000</u>	<u>\$ 1,805,000</u>	<u>\$ 9,225,000</u>	<u>\$ -</u>	<u>\$ 290,182</u>

IOWA GREAT LAKES SANITARY DISTRICT
BOND MATURITIES
JUNE 30, 2006

GENERAL OBLIGATION BONDS

Year June 30,	Construction Issued May 8, 2001		Refunding Issued March 1, 2004		Construction and Refunding Issued April 27, 2005		Construction Issued December 1, 2005		Construction Issued January 1, 2006		Total Bonds to be Redeemed Annually	Total Annual Interest on Bonds	Total Annual Debt Service Obligation
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
2007	4.25%	\$ 500,000	3.60%	\$ 485,000	2.00%	\$ 210,000	3.25%	\$ 170,000	3.40%	\$ 515,000	\$ 1,880,000	\$ 337,090	\$ 2,217,090
2008	4.25%	500,000	--	-0-	2.00%	85,000	3.30%	570,000	--	-0-	1,155,000	271,145	1,426,145
2009	4.25%	500,000	--	-0-	2.25%	85,000	3.40%	530,000	--	-0-	1,115,000	229,385	1,344,385
2010	4.35%	500,000	--	-0-	2.50%	85,000	3.45%	530,000	--	-0-	1,115,000	188,202	1,303,202
2011	4.45%	500,000	--	-0-	2.75%	85,000	3.50%	530,000	--	-0-	1,115,000	146,042	1,261,042
2012	--	-0-	--	-0-	3.00%	85,000	3.55%	530,000	--	-0-	615,000	102,905	717,905
2013	--	-0-	--	-0-	3.20%	90,000	3.60%	530,000	--	-0-	620,000	81,540	701,540
2014	--	-0-	--	-0-	--	-0-	3.65%	530,000	--	-0-	530,000	59,580	589,580
2015	--	-0-	--	-0-	--	-0-	3.70%	530,000	--	-0-	530,000	40,235	570,235
2016	--	-0-	--	-0-	--	-0-	3.75%	550,000	--	-0-	550,000	20,625	570,625
		<u>\$ 2,500,000</u>		<u>\$ 485,000</u>		<u>\$ 725,000</u>		<u>\$ 5,000,000</u>		<u>\$ 515,000</u>	<u>\$ 9,225,000</u>	<u>\$ 1,476,749</u>	<u>\$ 10,701,749</u>

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
FOR THE YEARS ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
RECEIPTS:				
Property Taxes.....	\$ 2,591,875	\$ 2,512,843	\$ 2,362,694	\$ 2,349,394
Tax Increment Financing Collections..	80,386	119,469	117,805	112,586
Use of Money and Property.....	182,014	109,282	59,446	97,764
Charges for Services.....	1,083,264	1,025,365	1,005,492	1,021,626
Refunds and Reimbursements	-0-	-0-	10,372	21,928
Miscellaneous	<u>547</u>	<u>751</u>	<u>1,102</u>	<u>7,164</u>
TOTAL	<u>\$ 3,938,086</u>	<u>\$ 3,767,710</u>	<u>\$ 3,556,911</u>	<u>\$ 3,610,462</u>
DISBURSEMENTS:				
Operations	\$ 1,462,598	\$ 1,259,814	\$ 1,103,910	\$ 1,054,002
Debt Service	2,125,236	2,023,077	2,338,149	1,980,030
Capital Outlay.....	<u>1,941,275</u>	<u>1,658,221</u>	<u>269,939</u>	<u>959,443</u>
TOTAL	<u>\$ 5,529,109</u>	<u>\$ 4,941,112</u>	<u>\$ 3,711,998</u>	<u>\$ 3,993,475</u>

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
 SCHEDULE OF CERTIFICATE OF DEPOSIT
 TRANSACTIONS BY FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Identifying Number</u>	<u>Interest Rate</u>	<u>Balance July 1, 2005</u>	<u>Purchased During Period</u>	<u>Redeemed During Period</u>	<u>Balance June 30, 2006</u>	<u>Interest Received</u>	<u>Maturity Date</u>
Debt Service Fund:								
	1802274	4.21%	\$ -	\$ 260,000	\$ 260,000	\$ -	\$ 7,503	May 26, 2006
	1802275	4.21%	-	260,000	260,000	-	7,503	May 26, 2006
	18634	4.43%	-	700,000	700,000	-	18,438	May 26, 2006
	11424	4.67%	-	250,000	250,000	-	3,749	May 26, 2006
	11473	4.85%	-	700,000	700,000	-	3,371	May 26, 2006
			<u>\$ -</u>	<u>\$ 2,170,000</u>	<u>\$ 2,170,000</u>	<u>\$ -</u>	<u>\$ 40,564</u>	
Proprietary Fund - Operating:								
	18468	3.19%	\$ 125,000	-	\$ 125,000	\$ -	\$ 1,355	July 12, 2005
	18469	3.28%	125,000	-	125,000	-	1,708	August 19, 2005
	1802225	3.38%	200,000	-	200,000	-	2,680	September 13, 2005
	502325	3.42%	125,000	-	125,000	-	2,515	December 12, 2005
	1802267	4.15%	-	125,000	125,000	-	2,162	January 10, 2006
	600422	3.91%	-	125,000	125,000	-	791	November 8, 2005
	600423	4.06%	-	125,000	125,000	-	2,164	February 14, 2006
	11374	4.00%	-	250,000	250,000	-	3,247	March 8, 2006
	6000551	4.04%	-	125,000	125,000	-	2,131	June 13, 2006
	6000589	4.64%	-	125,000	125,000	-	1,296	May 8, 2006
	11438	4.63%	-	300,000	300,000	-	2,992	May 8, 2006
	11472	4.94%	-	200,000	-	200,000	-	
	502955	4.90%	-	125,000	-	125,000	-	
	502956	5.00%	-	300,000	-	300,000	-	
	1802363	5.12%	-	125,000	-	125,000	-	
			<u>\$ 575,000</u>	<u>\$ 1,925,000</u>	<u>\$ 1,750,000</u>	<u>\$ 750,000</u>	<u>\$ 23,041</u>	
Proprietary Fund - Contingency:								
	1082248	3.92%	\$ 100,000	-	\$ 100,000	\$ -	\$ 3,916	June 27, 2006
	11518	5.60%	-	100,000	-	100,000	-	
			<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 3,916</u>	

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF CERTIFICATE OF DEPOSIT
TRANSACTIONS BY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Identifying Number</u>	<u>Interest Rate</u>	<u>Balance July 1, 2005</u>	<u>Purchased During Period</u>	<u>Redeemed During Period</u>	<u>Balance June 30, 2006</u>	<u>Interest Received</u>	<u>Maturity Date</u>
Capital Projects Fund:								
Certificate of Deposit	18403	2.85%	\$ 350,000	\$ -	\$ 350,000	\$ -	\$ 5,712	July 11, 2005
Certificate of Deposit	1802212	3.22%	500,000	-	500,000	-	7,984	August 8, 2005
Certificate of Deposit	1802264	3.91%	-	350,000	350,000	-	4,405	November 7, 2005
Certificate of Deposit	6000378	3.69%	-	450,000	450,000	-	5,715	December 3, 2005
Certificate of Deposit	600379	3.71%	-	500,000	500,000	-	3,200	October 11, 2005
Certificate of Deposit	1802310	3.50%	-	500,000	500,000	-	1,630	January 10, 2006
Certificate of Deposit	1802311	3.50%	-	500,000	500,000	-	1,630	January 10, 2006
Certificate of Deposit	1802312	3.75%	-	500,000	500,000	-	7,860	May 9, 2006
Certificate of Deposit	6000495	4.25%	-	500,000	500,000	-	8,908	May 9, 2006
Certificate of Deposit	6000501	4.00%	-	450,000	450,000	-	4,420	March 14, 2006
Certificate of Deposit	6000545	3.94%	-	500,000	500,000	-	4,911	April 11, 2006
Certificate of Deposit	6000549	3.94%	-	500,000	500,000	-	4,911	April 11, 2006
Certificate of Deposit	18715	4.74%	-	500,000	500,000	-	8,968	June 13, 2006
Certificate of Deposit	18716	4.74%	-	500,000	500,000	-	8,968	June 13, 2006
Savings	1077279	3.20%	450,000	-	450,000	-	4,525	August 8, 2005
Certificate of Deposit	180213	3.85%	-	500,000	-	500,000	-	-
Certificate of Deposit	180214	3.85%	-	500,000	-	500,000	-	-
Certificate of Deposit	180215	4.00%	-	500,000	-	500,000	-	-
Certificate of Deposit	180216	4.00%	-	500,000	-	500,000	-	-
Certificate of Deposit	180217	4.10%	-	500,000	-	500,000	-	-
Certificate of Deposit	180218	4.10%	-	500,000	-	500,000	-	-
Certificate of Deposit	18732	5.03%	-	450,000	-	450,000	-	-
Certificate of Deposit	6000676	5.15%	-	500,000	-	500,000	-	-
Certificate of Deposit	6000677	5.15%	-	500,000	-	500,000	-	-
Certificate of Deposit	1802352	5.24%	-	500,000	-	500,000	-	-
Certificate of Deposit	11504	5.19%	-	500,000	-	500,000	-	-
Certificate of Deposit	1802361	5.41%	-	500,000	-	500,000	-	-
Certificate of Deposit	1802362	5.44%	-	500,000	-	500,000	-	-
			<u>\$ 1,300,000</u>	<u>\$ 12,200,000</u>	<u>\$ 7,050,000</u>	<u>\$ 6,450,000</u>	<u>\$ 83,747</u>	

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF VEHICLES
JUNE 30, 2006

<u>Vehicle Year</u>	<u>Identification</u>	<u>Type or Make</u>	<u>License No.</u>	<u>Net Acquisition Cost After Trade-In (If Applicable)</u>
<u>Licensed Vehicles</u>				
1998	Pickup #6	Chevrolet	92529	\$ 13,424
2002	Pickup #5	Chevrolet	93579	21,332
2002	Pickup #7	Chevrolet	94401	17,427
2004	Truck	International	92534	37,700
2003	Pickup #4	Chevrolet	93969	11,149
2004	Trail Blazer #1	Chevrolet	94837	16,998
2006	Pickup #2	Ford	92528	12,061
2006	Pickup #3	Ford	94409	11,312
<u>Towed Vehicles</u>				
1980	Generator	Katolight	92092	78,600
1969	Rodding Machine	Champion	92725	N/A
1976	Steam Cleaner	Sioux	92527	1,515
1975	Trailer & Generator		92726	3,404
1988	Snowmobile Trailer		93200	150
1989	Snowmobile Trailer		93139	300
1990	Sludge Wagon	Calumet	93353	8,779
1994	Jet Machine	Hydroklean	93858	26,669
1996	Mower Trailer	Al-La-Kart	19219	800

See Accompanying Independent Auditor's Report.

IOWA GREAT LAKES SANITARY DISTRICT
COMPOSITION OF FUND BALANCES - ALL FUNDS
 JUNE 30, 2006

	<u>PROPRIETARY FUND</u>				<u>Total</u>
	<u>ENTERPRISE</u>				<u>(Memorandum</u>
	<u>Operating</u>	<u>Contingency</u>	<u>Debt</u>	<u>Capital</u>	<u>Only)</u>
	<u> </u>	<u> </u>	<u> Service</u>	<u> Projects</u>	<u> </u>
COMPOSITION OF FUNDS:					
Depository:					
First Bank & Trust:					
General.....	\$ 17,912	\$ -0-	\$ -0-	\$ -0-	\$ 17,912
United Community Bank:					
G.O. Bonds DDA.....	\$ -0-	\$ -0-	\$ 488,403	\$ -0-	\$ 488,403
New Construction - Hi-Fi.....	-0-	-0-	-0-	381,408	381,408
Certificates of Deposit.....	125,000	-0-	-0-	4,500,000	4,625,000
TOTAL	<u>\$ 125,000</u>	<u>\$ -0-</u>	<u>\$ 488,403</u>	<u>\$ 4,881,408</u>	<u>\$ 5,494,811</u>
Liberty Bank:					
Sewer Rental - Hi-Fi.....	\$ 22,117	\$ -0-	\$ -0-	\$ -0-	\$ 22,117
New Construction - Hi-Fi.....	-0-	-0-	-0-	32,547	32,547
Certificates of Deposit.....	-0-	-0-	-0-	450,000	450,000
TOTAL	<u>\$ 22,117</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 482,547</u>	<u>\$ 504,664</u>
Farmers Savings Bank:					
Certificates of Deposit.....	\$ -0-	\$ -0-	\$ -0-	\$ 1,000,000	\$ 1,000,000
Bank Midwest:					
Certificates of Deposit.....	\$ 425,000	\$ -0-	\$ -0-	\$ -0-	\$ 425,000
State Bank:					
Certificates of Deposit.....	\$ 200,000	\$ 100,000	\$ -0-	\$ 500,000	\$ 800,000
Cash on Hand.....	\$ 75	\$ -0-	\$ -0-	\$ -0-	\$ 75
TOTAL ALL FUNDS	<u>\$ 790,104</u>	<u>\$ 100,000</u>	<u>\$ 488,403</u>	<u>\$ 6,863,955</u>	<u>\$ 8,242,462</u>

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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 Trustees
Iowa Great Lakes Sanitary District
Milford, Iowa 51351

I have audited the financial statements of the Iowa Great Lakes Sanitary District as of and for the year ended June 30, 2006, and have issued my report thereon dated August 9, 2006. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 06-I-A is a material weakness. Prior year reportable conditions have been resolved except for item 06-I-A.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dickinson County and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


DAVID A. MASKE
Certified Public Accountant

August 9, 2006

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

PART I - FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

06-I-A Segregation of Duties - An important aspect of internal control is segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. I noted that the bookkeeping, and accounting functions are the primary responsibility of one person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult; further I recognize the active participation by management in the review of the financial transactions and data. I recommend that the District continue this active review, and consider other opportunities to maximize internal control when they arise.

Response - We will consider this.

Conclusion - Response accepted.

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

06-II-A Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.

06-II-C Questionable Disbursements - I noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.

06-II-D Travel Expense - No disbursements of the District's money for travel expenses of spouses of District's officials or employees were noted.

06-II-E Business Transactions - No business transactions between the District and trustee officials or employees were noted.

06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

06-II-G Trustee's Minutes - No transactions were found that should have been approved in the Trustee's minutes, but were not.

06-II-H Revenue Bonds - The District has no revenue bonds outstanding at June 30, 2006.

06-II-I Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.