

**IOWA GREAT LAKES SANITARY DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
JUNE 30, 2012**

IOWA GREAT LAKES SANITARY DISTRICT

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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 2013
Jim Rohlfson	Vice President	January 2015
Kae Hoppe	Clerk/Treasurer	January 2013
John Senn	Deputy Clerk/Treasurer	January 2017
Alan Bailey	Trustee	January 2017
Glen Petersen	District Superintendent	Indefinite

**WINTHER, STAVE & Co., LLP**  
*Certified Public Accountants*

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Spencer, Iowa 51301-0175  
Phone 712-262-3117  
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P.O. Box 187  
Milford, Iowa 51351  
Phone 712-338-2488  
FAX 712-338-2510

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Iowa Great Lakes Sanitary District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Iowa Great Lakes Sanitary District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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. Those standards require that we 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. We believe our audit provides a reasonable basis for our opinions.

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 U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the governmental activities and each major fund of Iowa Great Lakes Sanitary District as of June 30, 2012 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*, we have also issued our report dated September 7, 2012 on our consideration of the District's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic 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. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other procedures in accordance with U.S generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Wintner, Starnes Co., LLC*

September 7, 2012

IOWA GREAT LAKES SANITARY DISTRICT  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A

		Program Receipts		
	Disbursements	Charges for Service	Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public works .....	\$ 1,882,151	\$1,344,732		\$ (537,419)
Debt service .....	7,939,759			(7,939,759)
Capital projects.....	<u>3,927,877</u>	<u>11,900</u>	<u>\$187,550</u>	<u>(3,728,427)</u>
TOTAL	<u>\$13,749,787</u>	<u>\$1,356,632</u>	<u>\$187,550</u>	<u>(12,205,605)</u>
<b>GENERAL RECEIPTS:</b>				
Property tax levied for:				
General purposes .....				854,637
Debt service .....				3,570,891
Unrestricted interest on investments.....				14,076
Bond proceeds .....				4,265,000
Miscellaneous.....				<u>23,447</u>
Total general receipts				<u>8,728,051</u>
Change in cash basis net assets				(3,477,554)
Cash basis net assets beginning of year				<u>8,912,946</u>
Cash basis net assets end of year				<u>\$ 5,435,392</u>
<b>CASH BASIS NET ASSETS:</b>				
Restricted, expendable:				
Debt service .....				\$ 304,992
Capital projects .....				3,936,069
Unrestricted.....				<u>1,194,331</u>
TOTAL CASH BASIS NET ASSETS				<u>\$ 5,435,392</u>

IOWA GREAT LAKES SANITARY DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>
RECEIPTS:		
Property tax .....	\$ 854,637	\$3,570,891
Charges for service .....	1,344,732	
Use of money and property .....	6,026	8,050
Miscellaneous .....	<u>23,447</u>	
TOTAL RECEIPTS	<u>2,228,842</u>	<u>3,578,941</u>
DISBURSEMENTS:		
Operations .....	1,882,151	
Debt service .....		7,939,759
Capital projects .....	<u>8,143</u>	
TOTAL DISBURSEMENTS	<u>1,890,294</u>	<u>7,939,759</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>338,548</u>	<u>(4,360,818)</u>
OTHER FINANCING SOURCES (USES):		
Bond proceeds .....		
Premium on general obligation bonds issued .....		
Operating transfers in .....		4,405,954
Operating transfers out .....	<u>(250,000)</u>	<u>(5,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,000)</u>	<u>4,400,954</u>
NET CHANGE IN CASH BALANCES	88,548	40,136
CASH BALANCES BEGINNING OF YEAR .....	<u>1,105,783</u>	<u>264,856</u>
CASH BALANCES END OF YEAR	<u>\$1,194,331</u>	<u>\$ 304,992</u>
CASH BASIS FUND BALANCES:		
Restricted for debt service .....		\$ 304,992
Restricted for capital projects .....		
Assigned for contingency .....	\$ 100,000	
Unassigned .....	<u>1,094,331</u>	
TOTAL CASH BASIS FUND BALANCES	<u>\$1,194,331</u>	<u>\$ 304,992</u>

Exhibit B

<u>Capital Projects</u>	<u>Total</u>
	\$ 4,425,528
\$ 11,900	1,356,632
32,992	47,068
	<u>23,447</u>
<u>44,892</u>	<u>5,852,675</u>
	1,882,151
	7,939,759
<u>3,919,734</u>	<u>3,927,877</u>
<u>3,919,734</u>	<u>13,749,787</u>
<u>(3,874,842)</u>	<u>(7,897,112)</u>
4,265,000	4,265,000
154,558	154,558
255,000	4,660,954
<u>(4,405,954)</u>	<u>(4,660,954)</u>
<u>268,604</u>	<u>4,419,558</u>
(3,606,238)	(3,477,554)
<u>7,542,307</u>	<u>8,912,946</u>
<u>\$3,936,069</u>	<u>\$ 5,435,392</u>
	\$ 304,992
\$3,936,069	3,936,069
	100,000
	<u>1,094,331</u>
<u>\$3,936,069</u>	<u>\$ 5,435,392</u>



IOWA GREAT LAKES SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Iowa Great Lakes Sanitary District is formed under Iowa Code Section 358 in Dickinson County, Iowa. The function of this entity is constructing and maintaining the interceptor sewer line and lift stations and providing for the treatment of wastewater for the Iowa Great Lakes area.

The governing body of the District consists of five trustees elected on a non-partisan basis.

**Reporting Entity**

For financial reporting purposes, the District has included all funds, organizations, 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. The District has no component units which meet the Governmental Accounting Standards Board criteria.

**Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from this statement. The Statement of Activities and Net Assets presents the District's nonfiduciary net assets. Net assets are reported in two categories:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

IOWA GREAT LAKES SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the District's general obligation long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those paid from the General Fund.

**Measurement Focus and 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 District in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

**Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other classifications.

IOWA GREAT LAKES SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Budget and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information.

**Use of Estimates**

The preparation of financial statements in conformity with an other comprehensive basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events**

The District has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

**2. CASH AND INVESTMENTS**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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 Board of Trustees.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

IOWA GREAT LAKES SANITARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2012

**3. BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation bonds/notes are as follows:

<b><u>YEAR ENDING JUNE 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$3,215,000	\$ 443,081	\$3,658,081
2014	2,870,000	363,175	3,233,175
2015	2,800,000	301,900	3,101,900
2016	2,820,000	241,450	3,061,450
2017	2,250,000	174,550	2,424,550
2018 – 2021	<u>3,950,000</u>	<u>246,950</u>	<u>4,196,950</u>
<b>TOTAL</b>	<b><u>\$17,905,000</u></b>	<b><u>\$1,771,106</u></b>	<b><u>\$19,676,106</u></b>

The Code of Iowa requires principal and interest on general obligation bonds/notes be paid from the Debt Service Fund.

**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.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$58,951, \$51,244, and \$44,322 respectively, equal to the required contributions for each year.

**5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees. There are 12 active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

IOWA GREAT LAKES SANITARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2012

**5. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued**

Contributions are required for retiree coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the District and plan members are \$596 for single coverage and \$1,414 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the District made no contributions to the retiree benefit plan.

**6. COMPENSATED ABSENCES**

District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the District until used or paid. The District's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$29,676
Sick Leave	<u>44,470</u>
Total	<u>\$74,146</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**7. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$4,405,954
Capital Projects	General	250,000
Capital Projects	Debt Service	<u>5,000</u>
Total		<u>\$4,660,954</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

IOWA GREAT LAKES SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2012

**8. RISK MANAGEMENT**

The District is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The District's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The District's contributions to the Pool for the year ended June 30, 2012 were \$72,852.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing

IOWA GREAT LAKES SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2012

**8. RISK MANAGEMENT - Continued**

recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The District also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**9. CONSTRUCTION CONTRACT**

The District has entered into a construction contract totaling \$4,206,111. As of June 30, 2012, costs of \$2,364,500 have been incurred on the project. The remaining \$1,841,611 will be paid as work on the project progresses. The district intends to pay for this project from proceeds of general obligation capital loan notes issued in May 2011 and held in the Capital Projects Fund.

## OTHER INFORMATION



IOWA GREAT LAKES SANITARY DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - GENERAL AND DEBT SERVICE FUNDS  
 OTHER INFORMATION (UNAUDITED)  
 YEAR ENDED JUNE 30, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to</u>
		<u>Original</u>	<u>Final</u>	<u>Actual</u>
				<u>Variance</u>
RECEIPTS:				
Property tax .....	\$4,425,528	\$4,393,818	\$4,393,818	\$ 31,710
Use of money and property .....	14,076	18,000	18,000	(3,924)
Charges for services and miscellaneous ..	<u>1,368,179</u>	<u>1,420,000</u>	<u>1,420,000</u>	<u>(51,821)</u>
TOTAL RECEIPTS .....	<u>5,807,783</u>	<u>5,831,818</u>	<u>5,831,818</u>	<u>(24,035)</u>
DISBURSEMENTS:				
General .....	1,890,294	2,025,500	2,025,500	135,206
Debt service .....	<u>7,939,759</u>	<u>3,585,010</u>	<u>7,970,010</u>	<u>30,251</u>
TOTAL DISBURSEMENTS.....	<u>9,830,053</u>	<u>5,610,510</u>	<u>9,995,510</u>	<u>165,457</u>
EXCESS(DEFICIENCY) OF RECEIPTS OVER(UNDER) DISBURSEMENTS.....	(4,022,270)	221,308	(4,163,692)	<u>\$141,422</u>
OTHER FINANCING SOURCES(USES), NET	<u>4,150,954</u>	<u>(250,000)</u>	<u>4,135,000</u>	
EXCESS(DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER(UNDER) DISBURSEMENTS AND OTHER FINANCING USES	128,684	(28,692)	(28,692)	
BALANCES BEGINNING OF YEAR .....	<u>1,370,639</u>	<u>1,255,809</u>	<u>1,255,809</u>	
BALANCES END OF YEAR .....	<u>\$1,499,323</u>	<u>\$1,227,117</u>	<u>\$1,227,117</u>	

IOWA GREAT LAKES SANITARY DISTRICT  
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING (UNAUDITED)  
JUNE 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major fund.

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

Formal and legal budgetary control is based upon the class of disbursements known as functions, not by fund. 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, a budget amendment increased budgeted disbursements by \$4,385,000. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

IOWA GREAT LAKES SANITARY DISTRICT  
 SCHEDULE OF GENERAL OBLIGATION BOND/NOTE INDEBTEDNESS  
 YEAR ENDED JUNE 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Construction	November 1, 2006	3.60% - 3.85%	\$4,000,000
Construction	June 1, 2007	3.75% - 5.50%	5,000,000
Construction & Refunding	May 1, 2008	3.25% - 3.70%	6,500,000
Construction	February 1, 2009	2.25% - 3.50%	4,000,000
Capital Loan Note	May 1, 2011	1.40% - 3.00%	8,845,000
Refunding	April 4, 2012	2.00%	4,265,000
Total			

## Schedule 1

<u>Balance</u> <u>07/01/11</u>	<u>Issued</u> <u>During</u> <u>Year</u>	<u>Redeemed</u> <u>During</u> <u>Year</u>	<u>Balance</u> <u>06/30/12</u>	<u>Interest</u> <u>Paid</u>
\$ 1,950,000		\$(1,950,000)		\$ 72,800
3,220,000		(3,220,000)		123,855
3,550,000		(500,000)	\$ 3,050,000	121,850
3,400,000		(400,000)	3,000,000	96,800
8,845,000		(1,255,000)	7,590,000	183,565
<u>                    </u>	<u>\$4,265,000</u>	<u>                    </u>	<u>4,265,000</u>	<u>                    </u>
<u>\$20,965,000</u>	<u>\$4,265,000</u>	<u>\$(7,325,000)</u>	<u>\$17,905,000</u>	<u>\$598,870</u>

IOWA GREAT LAKES SANITARY DISTRICT  
GENERAL OBLIGATION BOND/NOTE MATURITIES  
JUNE 30, 2012

Year Ending June 30,	<u>Construction &amp; Refunding</u>		<u>Construction</u>		<u>Capital Loan Note</u>	
	<u>Issued May 1, 2008</u>		<u>Issued February 1, 2009</u>		<u>Issued May 1, 2011</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2013	3.25%	\$ 500,000	2.50%	\$ 400,000	1.50%	\$1,230,000
2014	3.30%	500,000	2.75%	400,000	1.50%	1,125,000
2015	3.40%	500,000	2.75%	400,000	1.50%	1,110,000
2016	3.50%	500,000	2.75%	400,000	2.00%	1,125,000
2017	3.60%	500,000	3.00%	400,000	2.10%	600,000
2018	3.70%	550,000	3.00%	400,000	2.40%	600,000
2019			3.20%	400,000	2.60%	600,000
2020			3.50%	200,000	2.80%	600,000
2021					3.00%	600,000
Total		<u>\$3,050,000</u>		<u>\$3,000,000</u>		<u>\$7,590,000</u>

Schedule 2

<u>Refunding</u>		
<u>Issued April 4, 2011</u>		
<u>Interest</u>		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
2.00%	\$1,085,000	\$ 3,215,000
2.00%	845,000	2,870,000
2.00%	790,000	2,800,000
2.00%	795,000	2,820,000
2.00%	750,000	2,250,000
		1,550,000
		1,000,000
		800,000
		<u>600,000</u>
	<u>\$4,265,000</u>	<u>\$17,905,000</u>

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INDEPENDENT AUDITORS' 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

To the Board of Trustees of  
Iowa Great Lakes Sanitary District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Iowa Great Lakes Sanitary District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 7, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our 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

The management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Great Lakes Sanitary District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings to be a material weakness.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Iowa Great Lakes Sanitary District are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Iowa Great Lakes Sanitary District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's response, we did not audit Iowa Great Lakes Sanitary District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of District officials, the 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.

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

Wintner, Stave & Co., LLP

September 7, 2012

IOWA GREAT LAKES SANITARY DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiency:**

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bookkeeping and accounting functions are the primary responsibility of one person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult; further we recognize the active participation by management in the review of the financial transactions and data. We 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.

**Instances of Noncompliance:**

No matters were noted.