IOWA GREAT LAKES SANITARY DISTRICT
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
JUNE 30, 2013

IOWA GREAT LAKES SANITARY DISTRICT

TABLE OF CONTENTS

		Page
Officials		1
Independent Auditors' Report		2 - 3
Basic Financial Statements:	Exhibit	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	4
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	B	5 - 6
Notes to Financial Statements		7 - 13
Other Information (Unaudited):		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) – General and Debt Service Funds		14
Notes to Other Information – Budgetary Reporting		15
Supplementary Information:	Schedule	
Schedule of General Obligation Bond/Note Indebtedness	1	16 - 17
General Obligation Bond/Note Maturities	2	18 - 19
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*		20 - 21
Schedule of Findings		22

IOWA GREAT LAKES SANITARY DISTRICT

OFFICIALS

Name	Title	Term Expires
Robert H. Boettcher	President	January 2019
Jim Rohlfsen	Vice President	January 2015
Kae Hoppe	Clerk/Treasurer	January 2019
John Senn	Deputy Clerk/Treasurer	January 2017
Alan Bailey	Trustee	January 2017
Steve Anderson	District Superintendent	Indefinite

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance auditing standards generally accepted in the United States 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 auditors' 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 District'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 District'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 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 respective cash basis financial position of the governmental activities and each major fund of Iowa Great Lakes Sanitary District as of June 30, 2013, 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.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iowa Great Lake Sanitary 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 basic 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, budgetary comparison information on pages 14 and 15, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013 on our consideration of the Iowa Great Lake Sanitary District'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 the 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 District's internal control over financial reporting and compliance.

Winther, Starr & Co., LLP

September 17, 2013

IOWA GREAT LAKES SANITARY DISTRICT
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A

FUNCTIONS/PROGRAMS:	Disbursements	Program Receipts: Charges for Service	Program Receipts: Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position
Governmental activities:				
Public works	$ 1,789,393	$1,419,906		$ (369,487)
Debt service	6,224,026			(6,224,026)
Capital projects	3,118,498	8,100	$13,358	(3,097,040)
TOTAL	$11,131,917	$1,428,006	$13,358	(9,690,553)
GENERAL RECEIPTS:				
Property tax levied for:				
General purposes				830,255
Debt service				3,755,458
Unrestricted interest on investments				8,983
Bond proceeds				4,465,000
Miscellaneous				23,824
Total general receipts				9,083,520
Change in cash basis net position				(607,033)
Cash basis net position beginning of year				5,435,392
Cash basis net position end of year				$4,828,359
CASH BASIS NET POSITION:				
Restricted, expendable:				
Debt service				$ 405,153
Capital projects				3,087,001
Unrestricted				1,336,205
TOTAL CASH BASIS NET POSITION				$4,828,359

See Notes to Financial Statements

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, 2013

	General	Debt Service
RECEIPTS:		
Property tax	$ 830,255	$3,755,458
Charges for service	1,419,906	
Use of money and property	27,149	5,334
Miscellaneous	324	
TOTAL RECEIPTS	2,277,634	3,760,792
DISBURSEMENTS:		
Operations	1,789,393	
Debt service		6,210,631
Capital projects	96,367	
TOTAL DISBURSEMENTS	1,885,760	6,210,631
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	391,874	(2,449,839)
OTHER FINANCING SOURCES (USES):		
Bond proceeds		
Discount on general obligation bonds issued		
Operating transfers in		2,550,000
Operating transfers out	(250,000)	
TOTAL OTHER FINANCING SOURCES (USES)	(250,000)	2,550,000
CHANGE IN CASH BALANCES	141,874	100,161
CASH BALANCES BEGINNING OF YEAR	1,194,331	304,992
CASH BALANCES END OF YEAR	$1,336,205	$ 405,153
CASH BASIS FUND BALANCES:		
Restricted for debt service		$ 405,153
Restricted for capital projects		
Assigned for contingency	$ 100,000	
Unassigned	1,236,205	
TOTAL CASH BASIS FUND BALANCES	$1,336,205	$ 405,153

See Notes to Financial Statements

Exhibit B

Capital Projects	Total
	$ 4,585,713
$ 8,100	1,428,006
13,358	45,841
	324
21,458	6,059,884
	1,789,393
	6,210,631
3,022,131	3,118,498
3,022,131	11,118,522
(3,000,673)	(5,058,638)
4,465,000	4,465,000
(13,395)	(13,395)
250,000	2,800,000
(2,550,000)	(2,800,000)
2,151,605	4,451,605
(849,068)	(607,033)
3,936,069	5,435,392
$3,087,001	$ 4,828,359
	$ 405,153
$3,087,001	3,087,001
	100,000
	1,236,205
$3,087,001	$ 4,828,359

See Notes to Financial Statements

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 Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the District's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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.

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 accounting principles generally accepted in the United States of America.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budget and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function.

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, 2013 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.

3. BONDS AND NOTES PAYABLE

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

YEAR ENDING JUNE 30,	Principal	Interest	Total
2014	$3,495,000	$ 305,890	$3,800,890
2015	2,975,000	254,247	3,229,247
2016	2,970,000	208,098	3,178,098
2017	2,365,000	155,447	2,520,447
2018	1,650,000	111,850	1,761,850
2019 – 2023	3,150,000	162,550	3,312,550
TOTAL	$16,605,000	$1,198,082	$17,803,082

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 5.78% of their annual covered salary and the District is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were $62,581, $58,951, and $51,244, 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 11 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.

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 benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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, 2013, 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, 2013 is as follows:

Type of Benefit	Amount
Vacation	$25,948
Sick Leave	38,224
Total	$64,172

This liability has been computed based on rates of pay in effect at June 30, 2013.

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$2,550,000
Capital Projects	General	250,000
Total		$2,800,000

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

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 679 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 at a level determined by the Board not to exceed 300 percent of 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, 2013 were $77,631.

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 $15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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

8. RISK MANAGEMENT - Continued

recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, 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 the amount of capital distributions previously received by the withdrawing member and 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 construction contracts totaling $7,191,683. As of June 30, 2013, costs of $4,852,251 have been incurred on the project. The remaining $2,339,432 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 and bonds issued in May 2011 and April 2013, respectively, 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, 2013

	Actual	Original/ Final Budget	Final to Actual Variance
RECEIPTS:			
Property tax	$4,585,713	$4,572,175	$ 13,538
Use of money and property	32,483	37,000	(4,517)
Charges for services and miscellaneous	1,420,230	1,350,000	70,230
TOTAL RECEIPTS	6,038,426	5,959,175	79,251
DISBURSEMENTS:			
General	1,885,760	2,020,200	134,440
Debt service	6,210,631	3,699,275	(2,511,356)
TOTAL DISBURSEMENTS	8,096,391	5,719,475	(2,376,916)
EXCESS(DEFICIENCY) OF RECEIPTS OVER(UNDER) DISBURSEMENTS	(2,057,965)	239,700	$2,297,665
OTHER FINANCING SOURCES(USES), NET	2,300,000	(275,000)	
EXCESS(DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER(UNDER) DISBURSEMENTS AND OTHER FINANCING USES	242,035	(35,300)	
BALANCES BEGINNING OF YEAR	1,499,323	1,418,072	
BALANCES END OF YEAR	$1,741,358	$1,382,772	

IOWA GREAT LAKES SANITARY DISTRICT
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING (UNAUDITED)
JUNE 30, 2013

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 ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

SUPPLEMENTARY INFORMATION

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF GENERAL OBLIGATION BOND/NOTE INDEBTEDNESS
YEAR ENDED JUNE 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
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
Construction & Refunding	April 17, 2013	0.30% - 1.65%	4,465,000
Total			

Schedule 1

Balance 07/01/12	Issued During Year	Redeemed During Year	Balance 06/30/13	Interest Paid
$3,050,000		$(3,050,000)		$105,600
3,000,000		(400,000)	$2,600,000	86,800
7,590,000		(1,230,000)	6,360,000	151,875
4,265,000		(1,085,000)	3,180,000	98,806
	$4,465,000		4,465,000	
$17,905,000	$4,465,000	$(5,765,000)	$16,605,000	$443,081

IOWA GREAT LAKES SANITARY DISTRICT
GENERAL OBLIGATION BOND/NOTE MATURITIES
JUNE 30, 2013

Year Ending June 30,	Construction Issued February 1, 2009 Interest Rates	Amount	Capital Loan Note Issued May 1, 2011 Interest Rates	Amount
2014	2.75%	$ 400,000	1.50%	$1,125,000
2015	2.75%	400,000	1.50%	1,110,000
2016	2.75%	400,000	2.00%	1,125,000
2017	3.00%	400,000	2.10%	600,000
2018	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
2022				
2023				
Total		$2,600,000		$6,360,000

Refunding Issued April 4, 2012		Construction & Refunding Issued April 17, 2013		
Interest Rates	Amount	Interest Rates	Amount	Total
2.00%	$ 845,000	0.30%	$1,125,000	$ 3,495,000
2.00%	790,000	0.40%	675,000	2,975,000
2.00%	795,000	0.50%	650,000	2,970,000
2.00%	750,000	0.65%	615,000	2,365,000
		0.80%	650,000	1,650,000
		1.00%	150,000	1,150,000
		1.20%	150,000	950,000
		1.35%	150,000	750,000
		1.50%	150,000	150,000
		1.65%	150,000	150,000
	$3,180,000		$4,465,000	$16,605,000

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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 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 governmental activities and each major fund of Iowa Great Lakes Sanitary District, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 17, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures 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 Iowa Great Lakes Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 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*. However, we noted an immaterial instance of non-compliance which is described in Part II of the accompanying Schedule of Findings.

Iowa Great Lakes Sanitary District's Responses to Findings

Iowa Great Lakes Sanitary District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Wuthen, Stavert Co., LLP

September 17, 2013

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-13 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.

Part II: Other Findings Related to Statutory Reporting

II-A-11 Certified Budget - Disbursements exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.