# IOWA GREAT LAKES SANITARY DISTRICT
# INDEPENDENT AUDITORS' REPORTS
# BASIC FINANCIAL STATEMENTS
# SUPPLEMENTARY AND OTHER INFORMATION
# SCHEDULE OF FINDINGS
# JUNE 30, 2025

IOWA GREAT LAKES SANITARY DISTRICT

TABLE OF CONTENTS


| | Exhibit | Page |
|---|---|---|
| Officials | | 1 |
| Independent Auditors' Report | | 2 - 4 |
| Basic Financial Statements: | | |
| Government-wide Financial Statement: | | |
| Cash Basis Statement of Activities and Net Position | A | 5 |
| Governmental Fund Financial Statement: | | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | B | 6 - 7 |
| Notes to Financial Statements | | 8 - 19 |
| Other Information (Unaudited): | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – General and Debt Service Funds | | 20 |
| Notes to Other Information - Budgetary Reporting | | 21 |
| Schedule of the District's Proportionate Share of the Net Pension Liability | | 22 - 23 |
| Schedule of District Contributions | | 24 - 25 |
| Notes to Other Information - Pension Liability | | 26 |
| Schedule of General Obligation Bond/Note Indebtedness | | 27 - 28 |
| 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* | | 29 - 30 |
| Schedule of Findings | | 31 |

IOWA GREAT LAKES SANITARY DISTRICT

OFFICIALS

| Name | Title | Term Expires |
|---|---|---|
| Kae Hoppe | President | January 2031 |
| Craig Camozzi | Vice President | January 2029 |
| Chad Clary | Clerk/Secretary | January 2029 |
| Tom Kuhlman | Trustee | January 2027 |
| Joe Andres | Trustee | January 2031 |
| | | |
| Steve Anderson | District Superintendent | Indefinite |

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# INDEPENDENT AUDITORS' REPORT

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited 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, 2025, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

In our opinion, the accompanying 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, 2025, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Iowa Great Lakes Sanitary District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter - Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.


Member Private Companies Practice Section,
American Institute of Certified Public Accountants

***Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Information***

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, Schedule of the District's Proportionate Share of Net Pension Liability, Schedule of District Contributions and Schedule of General Obligation Bond/Note Indebtedness on pages 20 through 28 but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025 on our consideration of the Iowa Great Lakes 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 solely 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 effectiveness of the District's 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.

Wintheiser, Staver & Co., LLP

September 22, 2025
Milford, Iowa

IOWA GREAT LAKES SANITARY DISTRICT
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

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 | $ 3,420,030 | $2,565,840 | | $ (854,190) |
| Debt service | 6,590,271 | | | (6,590,271) |
| Capital projects | 11,108,511 | | $695,919 | (10,412,592) |
| TOTAL | $21,118,812 | $2,565,840 | $695,919 | (17,857,053) |
| GENERAL RECEIPTS: | | | | |
| Property tax levied for: | | | | |
| General purposes | | | | 1,759,750 |
| Debt service | | | | 6,751,701 |
| Unrestricted interest on investments | | | | 208,369 |
| Miscellaneous | | | | 75,785 |
| Total general receipts | | | | 8,795,605 |
| Change in cash basis net position | | | | (9,061,448) |
| Cash basis net position beginning of year | | | | 23,239,708 |
| Cash basis net position end of year | | | | $14,178,260 |
| CASH BASIS NET POSITION: | | | | |
| Restricted, expendable: | | | | |
| Debt service | | | | $ 901,377 |
| Capital projects | | | | 9,803,558 |
| Unrestricted | | | | 3,473,325 |
| TOTAL CASH BASIS NET POSITION | | | | $14,178,260 |

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, 2025

| | General | Debt Service |
|---|---|---|
| RECEIPTS | | |
| Property tax | $1,759,750 | $6,751,701 |
| Charges for service | 2,565,840 | |
| Use of money and property | 70,681 | 137,688 |
| Miscellaneous | 40,285 | |
| TOTAL RECEIPTS | 4,436,556 | 6,889,389 |
| DISBURSEMENTS: | | |
| Operations | 3,420,030 | |
| Debt service | | 6,590,271 |
| Capital projects | | |
| TOTAL DISBURSEMENTS | 3,420,030 | 6,590,271 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,016,526 | 299,118 |
| CHANGE IN CASH BALANCES | 1,016,526 | 299,118 |
| CASH BALANCES BEGINNING OF YEAR | 2,456,799 | 602,259 |
| CASH BALANCES END OF YEAR | $3,473,325 | $ 901,377 |
| CASH BASIS FUND BALANCES: | | |
| Restricted for debt service | | $ 901,377 |
| Restricted for capital projects | | |
| Assigned for contingency | $ 100,000 | |
| Unassigned | 3,373,325 | |
| TOTAL CASH BASIS FUND BALANCES | $3,473,325 | $ 901,377 |

Exhibit B

| Capital Projects | Total |
|---|---|
| | $ 8,511,451 |
| | 2,565,840 |
| $ 695,919 | 904,288 |
| 35,500 | 75,785 |
| 731,419 | 12,057,364 |
| | 3,420,030 |
| | 6,590,271 |
| 11,108,511 | 11,108,511 |
| 11,108,511 | 21,118,812 |
| (10,377,092) | (9,061,448) |
| (10,377,092) | (9,061,448) |
| 20,180,650 | 23,239,708 |
| $ 9,803,558 | $14,178,260 |
| | $ 901,377 |
| $ 9,803,558 | 9,803,558 |
| | 100,000 |
| | 3,373,325 |
| $ 9,803,558 | $14,178,260 |

## 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.

### A. 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.

### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position 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 is often subject to constraints 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 long-term debt.

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

### C. 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 funds 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.

### D. 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 the preceding classifications.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### E. Budget and Budgetary Accounting

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

### F. Use of Estimates

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

### G. Management's Review

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

## 2. CASH AND INVESTMENTS

The District's deposits in banks at June 30, 2025 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

A summary of changes in bonds and notes payable for the year ended June 30, 2025 is as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances | Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds/Notes | $34,215,000 | | $5,229,448 | $28,985,552 | $4,074,444 |

## 3. BONDS AND NOTES PAYABLE - Continued

A summary of the District's June 30, 2025 general obligation bonds/notes payable is as follows:

| Year Ending June 30, | Sewer Improvements Issued November 6, 2018 | | | Sewer Improvements Issued February 25, 2020 | | | Sewer Improvements Issued July 6, 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2026 | 3.00% | $315,000 | $28,350 | 4.00% | $ 310,000 | $ 49,600 | 3.00% | $ 750,000 | $ 64,500 |
| 2027 | 3.00% | 315,000 | 18,900 | 4.00% | 310,000 | 37,200 | 1.00% | 750,000 | 42,000 |
| 2028 | 3.00% | 315,000 | 9,450 | 4.00% | 310,000 | 24,800 | 1.00% | 750,000 | 34,500 |
| 2029 | | | | 4.00% | 310,000 | 12,400 | 1.10% | 750,000 | 27,000 |
| 2030 | | | | | | | 1.20% | 750,000 | 18,750 |
| 2031-2034 | | | | | | | 1.30% | 750,000 | 9,750 |
| Total | | $945,000 | $56,700 | | $1,240,000 | $124,000 | | $4,500,000 | $196,500 |

| Year Ending June 30, | Sewer Improvements Issued June 14, 2022 | | | Facilities & Sewer Improvements Issued December 6, 2022 | | | Facilities & Sewer Improvements Issued July 17, 2023 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2026 | 4.00% | $ 400,000 | $ 92,000 | 4.00% | $ 304,444 | $ 97,422 | 5.00% | $ 850,000 | $ 329,700 |
| 2027 | 4.00% | 400,000 | 76,000 | 4.00% | 304,444 | 85,244 | 5.00% | 850,000 | 287,200 |
| 2028 | 3.00% | 400,000 | 60,000 | 4.00% | 304,444 | 73,067 | 5.00% | 850,000 | 244,700 |
| 2029 | 3.00% | 400,000 | 48,000 | 4.40% | 304,444 | 66,978 | 5.00% | 850,000 | 202,200 |
| 2030 | 3.00% | 400,000 | 36,000 | 4.40% | 304,444 | 53,582 | 5.00% | 850,000 | 159,700 |
| 2031-2034 | 3.00% | 800,000 | 36,000 | 4.40% | 913,332 | 80,373 | 4.0-5.0% | 2,510,000 | 225,100 |
| Total | | $2,800,000 | $348,000 | | $2,435,552 | $456,666 | | $6,760,000 | $1,448,600 |

| Year Ending June 30, | Sewer Improvements Issued May 28, 2024 | | |
|---|---|---|---|
| | Interest Rates | Principal | Interest |
| 2026 | 5.00% | $ 1,145,000 | $ 458,000 |
| 2027 | 5.00% | 1,145,000 | 400,750 |
| 2028 | 5.00% | 1,145,000 | 343,500 |
| 2029 | 5.00% | 1,145,000 | 286,250 |
| 2030 | 4.00% | 1,145,000 | 229,000 |
| 2031-2034 | 4.00% | 4,580,000 | 458,000 |
| Total | | $10,305,000 | $2,175,500 |

| Year Ending June 30, | Total | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 4,074,444 | $1,119,572 | $ 5,194,016 |
| 2027 | 4,074,444 | 947,294 | 5,021,738 |
| 2028 | 4,074,444 | 790,017 | 4,864,461 |
| 2029 | 3,759,444 | 642,828 | 4,402,272 |
| 2030 | 3,449,444 | 497,032 | 3,946,476 |
| 2031-2034 | 9,553,332 | 809,223 | 10,362,555 |
| Total | $28,985,552 | $4,805,966 | $33,791,518 |

**3. BONDS AND NOTES PAYABLE** - Continued

On November 6, 2018, the District issued $4,500,000 of general obligation notes with interest rates ranging from 3.00% to 4.00% per annum. The notes were issued for sewer improvements. During the year ended June 30, 2025, the District paid $320,000 of principal and $41,150 of interest on the notes.

On February 25, 2020, the District issued $5,155,000 of general obligation notes with interest rates ranging from 4.00% to 5.00% per annum. The notes were issued for sewer improvements. During the year ended June 30, 2025, the District paid $310,000 of principal and $65,100 of interest on the notes.

On August 25, 2020, the District issued $10,385,000 of general obligation notes with an interest rate of 4.00% per annum. The notes were issued for sewer improvements and note refunding. During the year ended June 30, 2025, the District paid $600,000 of principal and $24,000 of interest on the notes.

On July 6, 2021, the District issued $8,000,000 of general obligation notes with interest rates ranging from 1.00% to 3.00% per annum. The notes were issued for sewer improvements. During the year ended June 30, 2025, the District paid $750,000 of principal and $87,000 of interest on the notes.

On June 14, 2022, the District issued $4,905,000 of general obligation notes with interest rates ranging from 3.00% to 4.00% per annum. The notes were issued for sewer improvements. During the year ended June 30, 2025, the District paid $400,000 of principal and $108,000 of interest on the notes.

On December 6, 2022, the District issued $5,050,000 of general obligation notes with interest rates ranging from 4.00% to 4.40% per annum. The notes were issued for facilities & sewer improvements. During the year ended June 30, 2025, the District paid $304,448 of principal and $109,600 of interest on the notes.

On July 17, 2023, the District issued $7,610,000 of general obligation notes with interest rates ranging from 4.00% to 5.00% per annum. The notes were issued for facilities & sewer improvements. During the year ended June 30, 2025, the District paid $850,000 of principal and $372,200 of interest on the notes.

On May 28, 2024, the District issued $12,000,000 of general obligation notes with interest rates ranging from 4.00% to 5.00% per annum. The notes were issued for sewer improvements. During the year ended June 30, 2025, the District paid $1,695,000 of principal and $547,273 of interest on the notes.

## 4. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a Regular member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**4. PENSION PLAN** - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2025, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2024 totaled $120,064.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the District reported a liability of $462,686 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2024, the District's proportion was 0.012529%, which was an increase of 0.00029% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District's pension expense, deferred outflows of resources and deferred inflows of resources totaled $53,179, $290,574 and $248,265, respectively.

There were no non-employer contributing entities to IPERS.

**4. PENSION PLAN** - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---|---|
| Rate of inflation (effective June 30, 2017) | 2.60% per annum. |
| Rates of salary increase (effective June 30, 2017) | 3.25 to 16.25% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 2017) | 7.00% compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 2017) | 3.25% per annum, base on 2.60% inflation and 0.65% real wage inflation. |

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2024 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 21.0% | 3.52% |
| International equity | 13.0 | 5.18 |
| Global smart beta equity | 5.0 | 4.12 |
| Core plus fixed income | 25.5 | 3.04 |
| Public credit | 3.0 | 4.53 |
| Cash | 1.0 | 1.69 |
| Private equity | 17.0 | 8.89 |
| Private real assets | 9.0 | 4.25 |
| Private credit | 5.5 | 6.62 |
| Total | 100% | |

## 4. PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability(Asset) to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability(asset) calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability(asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| District's proportionate share of the net pension liability(asset) | $1,135,423 | $462,686 | $(100,735) |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

## 5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The District currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2025, the District contributed $161,381 and plan members eligible for benefits contributed $53,541 to the plan. At June 30, 2025, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2025, there were 12 active employees and no inactive employees or beneficiaries covered by the benefit terms.

## 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 the leave which is attributable to services already rendered, the leave accumulates and carries forward from one reporting period to the next and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means for earned vacation and sick leave payable to employees at June 30, 2025 is as follows:

| Type of Benefit | Amount |
|---|---|
| Vacation | $ 50,084 |
| Sick Leave | 61,554 |
| Total | $111,638 |

This liability has been computed based on rates of pay in effect at June 30, 2025.

## 7. 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 805 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, property, employment practices liability, public officials liability, cyber liability and law enforcement liability. 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 casualty 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 estimated for the fiscal 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% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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.

**7. RISK MANAGEMENT** - Continued

The District's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the pool. The District's contributions to the Pool for the year ended June 30, 2025 were $201,592.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the District's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $500,000 each occurrence, each location. Property risks exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the District's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the District's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2025, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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.

## 8. CONSTRUCTION CONTRACT COMMITMENTS

At June 30, 2025, the District had entered into construction contracts for facilities and sewer improvements totaling $29,059,360, of which $14,274,816 remained outstanding. The balance on the contracts will be paid as work on the project progresses. The District intends to pay for these projects from unspent proceeds of general obligation capital loan note issues.

## 9. LITIGATION

The District is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the District's financial condition.

## 10. SUBSEQUENT EVENTS

In July and September 2025, the District entered into contracts totaling $24,073,183 for construction of sewer improvements in the south center core of the sanitary district. In July 2025, the District issued $20,230,000 of general obligation capital loan notes to pay the majority of these construction costs. Additional capital loan notes will be issued at a later date to cover the remaining construction costs. Proceeds from a levy of property tax will be used to repay the notes.

# 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, 2025

| | Actual | Original/ Final Budget | Final to Actual Variance |
|---|---|---|---|
| RECEIPTS: | | | |
| Property tax | $ 8,511,451 | $8,305,965 | $ 205,486 |
| Use of money and property | 208,369 | | 208,369 |
| Charges for services | 2,565,840 | 2,400,000 | 165,840 |
| Miscellaneous | 40,285 | 41,000 | (715) |
| TOTAL RECEIPTS | 11,325,945 | 10,746,965 | 578,980 |
| DISBURSEMENTS: | | | |
| General government | 3,420,030 | 3,854,124 | 434,094 |
| Debt service | 6,590,271 | 6,595,299 | 5,028 |
| TOTAL DISBURSEMENTS | 10,010,301 | 10,449,423 | 439,122 |
| EXCESS OF RECEIPTS OVER DISBURSEMENTS | 1,315,644 | 297,542 | $1,018,102 |
| EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS | 1,315,644 | 297,542 | |
| BALANCES BEGINNING OF YEAR | 3,059,058 | 2,887,420 | |
| BALANCES END OF YEAR | $ 4,374,702 | $ 3,184,962 | |

IOWA GREAT LAKES SANITARY DISTRICT
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING (UNAUDITED)
JUNE 30, 2025

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.

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS*
(IN THOUSANDS)
OTHER INFORMATION (UNAUDITED)

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.012529% | 0.012239% | 0.011724% | 0.011396% ** |
| District's proportionate share of the net pension liability | $463 | $565 | $465 | $16 |
| District's covered payroll | $1,172 | $1,101 | $986 | $908 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 39.50% | 51.27% | 47.18% | 1.76% |
| IPERS' net position as a percentage of the total pension liability | 92.30% | 90.13% | 91.40% | 100.81% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

** Overall plan net pension asset.

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| 0.011341% | 0.011339% | 0.011333% | 0.011190% | 0.011319% | 0.011439% |
| $797 | $657 | $717 | $745 | $712 | $565 |
| $897 | $865 | $863 | $821 | $798 | $762 |
| 88.85% | 75.96% | 83.08% | 90.74% | 89.22% | 74.17% |
| 82.90% | 85.45% | 83.62% | 82.21% | 81.82% | 85.19% |

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)
OTHER INFORMATION (UNAUDITED)

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| Statutorily required contribution | $120 | $111 | $104 | $93 |
| Contributions in relation to the statutorily required contribution | (120) | (111) | (104) | (93) |
| Contribution deficiency (excess) | $ 0 | $ 0 | $ 0 | $ 0 |
| District's covered payroll | $1,272 | $1,172 | $1,101 | $986 |
| Contributions as a percentage of covered payroll | 9.44% | 9.44% | 9.44% | 9.44% |

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| $86 | $85 | $82 | $77 | $73 | $71 |
| (86) | (85) | (82) | (77) | (73) | (71) |
| $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| $908 | $897 | $865 | $863 | $821 | $798 |
| 9.44% | 9.44% | 9.44% | 8.93% | 8.93% | 8.93% |

*Changes of benefit terms*:

There are no significant changes in benefit terms.

*Changes of assumptions*:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumption to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF GENERAL OBLIGATION BOND/NOTE INDEBTEDNESS
YEAR ENDED JUNE 30, 2025

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---|---|---|---|
| Sewer Improvements | November 6, 2018 | 3.00% - 4.00% | $ 4,500,000 |
| Sewer Improvements | February 25, 2020 | 4.00% - 5.00% | 5,155,000 |
| Sewer Improvements & Refunding | August 25, 2020 | 4.00% | 10,385,000 |
| Sewer Improvements | July 6, 2021 | 1.00% - 3.00% | 8,000,000 |
| Sewer Improvements | June 14, 2022 | 3.00% - 4.00% | 4,905,000 |
| Facilities & Sewer Improvements | December 6, 2022 | 4.00% - 4.40% | 5,050,000 |
| Facilities & Sewer Improvements | July 17, 2023 | 4.00% - 5.00% | 7,610,000 |
| Sewer Improvements | May 28, 2024 | 4.00% - 5.00% | 12,000,000 |
| Total | | | |

| Balance Beginning Of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---|---|---|---|---|
| $1,265,000 | | $ 320,000 | $ 945,000 | $ 41,150 |
| 1,550,000 | | 310,000 | 1,240,000 | 65,100 |
| 600,000 | | 600,000 | | 24,000 |
| 5,250,000 | | 750,000 | 4,500,000 | 87,000 |
| 3,200,000 | | 400,000 | 2,800,000 | 108,000 |
| 2,740,000 | | 304,448 | 2,435,552 | 109,600 |
| 7,610,000 | | 850,000 | 6,760,000 | 372,200 |
| 12,000,000 | | 1,695,000 | 10,305,000 | 547,273 |
| $34,215,000 | | $5,229,448 | $28,985,552 | $1,354,323 |

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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, 2025, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 22, 2025. 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.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings, 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. 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 2025-001 to be a material weakness.

## Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited.

## Iowa Great Lakes Sanitary District's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to findings identified in our audit and described in the accompanying Schedule of Findings. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District'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.

Wintheer, Starr & Co., LLP

September 22, 2025
Milford, Iowa

IOWA GREAT LAKES SANITARY DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2025

## Part I: Findings Related to the Financial Statements

### Internal Control Deficiency:

2025-001 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - We noted employees were performing incompatible functions.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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.