AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
AND OTHER FINANCIAL INFORMATION

GOGEBIC-IRON WASTEWATER AUTHORITY
IRONWOOD, MICHIGAN

June 30, 2007

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Gogebic-Iron Wastewater Authority	Gogebic

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2007	December 14, 2007	December 27, 2007

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below.** (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☒	☐	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan,* as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	Not needed
Other (Describe)	☐	Not needed

Certified Public Accountant (Firm Name)	Telephone Number
Joki, Makela & Pollack, PLLC	906-932-4430

Street Address	City	State	Zip
301 N. Suffolk Street	Ironwood	MI	49938

Authorizing CPA Signature	Printed Name	License Number
Dean R. Beaudoin CPA	Dean R. Beaudoin	1101014194

CONTENTS

JOKI, MAKELA & POLLACK, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

TELEPHONE
906-932-4430
FAX
906-932-0677
EMAIL
jmp@ironwoodcpa.com

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the Board of Trustees
Gogebic-Iron Wastewater Authority
Ironwood, Michigan

We have audited the accompanying financial statements of the business-type activities of Gogebic-Iron Wastewater Authority as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gogebic-Iron Wastewater Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Gogebic-Iron Wastewater Authority as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Gogebic-Iron Wastewater Authority's basic financial statements. The accompanying Other Financial Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Gogebic-Iron Wastewater Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
December 14, 2007

Management's Discussion and Analysis

This section of the Gogebic-Iron Wastewater Authority's annual financial report presents management's discussion and analysis of the Authority's financial performance during the year ended June 30, 2007. It is to be read in conjunction with the Authority's financial statements, which immediately follow.

Basic Financial Statements

The basic financial statements include the statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows. The basic financial statements are prepared using the accrual basis of accounting which is the accounting basis used by private sector businesses. The statement of net assets includes all of the Authority's assets and liabilities. All revenues and expenses are reported for in the statement of revenues, expenses and changes in net assets and statement of cash flows.

The Authority consists of both the Gogebic-Iron Wastewater Authority and the Gogebic-Iron Wastewater Board. The Authority owns the physical properties, is responsible for the related indebtedness and is responsible for raising monies from the participating units to cover debt principal and interest payments plus monies with which to fund operations of the system. The system is operated by the Gogebic-Iron Wastewater Board (the Board), an independent joint board comprised of members from each of the constituent municipalities participating in the sewage disposal system. The Board's source of revenues is an operating fee received from the Authority from which the Board pays the operating costs.

The incorporating municipalities creating the Authority were City of Ironwood, Township of Erwin and Charter Township of Ironwood. The Township of Erwin officially withdrew from the Authority effective May 25, 2005. The Board consists of City of Ironwood, Charter Township of Ironwood and City of Hurley, Wisconsin.

Condensed Financial Information

Condensed financial information follows:

(1) Statement of Net Assets

	June 30, 2007	June 30, 2006
ASSETS		
Current assets	$ 112,757	$ 103,955
Capital assets	12,772,155	13,440,864
Restricted assets	2,739,761	2,710,668
Other assets	413,541	437,399
TOTAL ASSETS	$ 16,038,214	$ 16,692,886
LIABILITIES		
Current liabilities	$ 226,009	$ 334,611
Long-term debt, net of current portion	4,195,699	4,349,470
TOTAL LIABILITIES	$ 4,421,708	$ 4,684,081
NET ASSETS		
Invested in capital assets, net of related debt	$ 8,507,155	$ 9,020,864
Restricted	2,739,761	2,710,668
Unrestricted	369,590	277,273
TOTAL NET ASSETS	$ 11,616,506	$ 12,008,805

(2) Statement of Revenues, Expenses and Changes in Net Assets

	Year ended June 30, 2007	Year ended June 30, 2006
Operating revenues	$ 1,983,872	$ 2,163,430
Operating expenses	2,294,307	2,397,486
OPERATING LOSS	$ (310,435)	$ (234,056)
Nonoperating expenses	81,864	177,103
DECREASE IN NET ASSETS	$ (392,299)	$ (411,159)
Net assets at beginning of year	12,008,805	12,419,964
NET ASSETS AT END OF YEAR	$ 11,616,506	$ 12,008,805

Management's Analysis

The difference between the Authority's total assets and total liabilities is labeled as net assets. The difference is similar to the total owners' equity presented by a commercial enterprise. As shown above net assets consists of $8,507,155 invested in capital assets, net of related debt, $2,739,761 restricted and $369,590 unrestricted as of June 30, 2007. Net assets decreased during the year by $392,299. However, included as an operating expense for the year was depreciation expense of $749,510. Net of depreciation expense, net assets increased by $357,211.

As shown above net assets consists of $9,020,864 invested in capital assets, net of related debt, $2,710,668 restricted and $277,273 unrestricted as of June 30, 2006. Net assets decreased during the year by $411,159.

Capital Assets

The Authority purchased capital assets costing $80,801 during the year ended June 30, 2007, and $326,817 during the year ended June 30, 2006. Total capital assets at June 30, 2007, net of allowances for depreciation were $12,772,155 and total capital assets at June 30, 2006, net of allowances for depreciation were $13,440,864.

Debt

The Authority had outstanding long-term debt at June 30, 2007 of $4,284,000.

Future Considerations

The Authority continues to deal with sanitary sewage overflow (SSO) issues. The total cost to control SSO's have yet to be determined as specific solutions are not currently known. See Note I in the notes to financial statements for further discussion of the SSO issues.

Future near-term projects being considered include major renovations in the Headworks location of the treatment facility (grit, screenings and grease removal; outside liquid waste receiving station for the acceptance of liquid industrial, septic and holding tank wastes; and a vactor truck dump station). All these projects are related and have become necessary because they have either reached the end of their life, can no longer achieve their required efficiency, are required by our discharge permit or a combination. Other projects may include SCADA, a computer network and data management system.

Contacting Gogebic-Iron Wastewater Authority

Any questions can be addressed or additional information obtained by contacting the Authority's office at 700 West Cloverland Drive, Ironwood, MI 49938 or by calling (906) 932-5322.

BASIC

FINANCIAL

STATEMENTS

COMBINED STATEMENT

GOGEBIC-IRON

June 30,

	Gogebic-Iron Wastewater Authority	Board	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,162	$ 48,246	$ 49,408
Trade accounts receivable	10,815		10,815
Prepaid expenses	4,194	48,340	52,534
TOTAL CURRENT ASSETS	$ 16,171	$ 96,586	$ 112,757
CAPITAL ASSETS			
Property, plant and equipment	$ 28,609,905		$ 28,609,905
Less allowances for depreciation	15,837,750		15,837,750
	$ 12,772,155		$ 12,772,155
RESTRICTED ASSETS			
Cash and cash equivalents	$ 438,854		$ 438,854
Investments	2,300,907		2,300,907
	$ 2,739,761		$ 2,739,761
OTHER			
Deferred loan costs, less $134,131 amortization	$ 410,281		$ 410,281
Bond discount, less $1,066 amortization	3,260		3,260
	$ 413,541		$ 413,541
TOTAL ASSETS	$ 15,941,628	$ 96,586	$ 16,038,214

OF NET ASSETS

WASTEWATER AUTHORITY

2007

	Gogebic-Iron Wastewater Authority	Board	Totals
LIABILITIES			
CURRENT LIABILITIES			
Trade accounts payable		$ 9,401	$ 9,401
Accrued vacation pay		17,102	17,102
Payroll and related withholdings		17,478	17,478
Accrued interest	$ 17,228		17,228
Internal balances	23,694	(23,694)	
Current maturities on long-term debt	164,800		164,800
TOTAL CURRENT LIABILITIES	$ 205,722	$ 20,287	$ 226,009
LONG-TERM DEBT			
Revenue bonds payable, less current portion	$ 4,105,000		$ 4,105,000
Early retirement incentive, less current portion	14,400		14,400
Accrued sick leave, less current portion		$ 76,299	76,299
	$ 4,119,400	$ 76,299	$ 4,195,699
TOTAL LIABILITIES	$ 4,325,122	$ 96,586	$ 4,421,708
NET ASSETS			
Invested in capital assets, net of related debt	$ 8,507,155		$ 8,507,155
Restricted	2,739,761		2,739,761
Unrestricted	369,590		369,590
TOTAL NET ASSETS	$ 11,616,506		$ 11,616,506

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

GOGEBIC-IRON WASTEWATER AUTHORITY

Year ended June 30, 2007

	Gogebic-Iron Wastewater Authority	Board	Totals
Operating revenues:			
Sewage treatment charges:			
Participating municipalities	$ 1,183,109		$ 1,183,109
Others	45,697		45,697
Operating fee		$ 755,066	755,066
	$ 1,228,806	$ 755,066	$ 1,983,872
Operating expenses:			
Operating fee charged by Gogebic-Iron Wastewater Board	$ 755,066		$ 755,066
Provision for depreciation	749,510		749,510
Employee compensation		$ 514,929	514,929
Utilities and heat		95,523	95,523
Other	33,083	146,196	179,279
	$ 1,537,659	$ 756,648	$ 2,294,307
OPERATING LOSS	$ (308,853)	$ (1,582)	$ (310,435)
Nonoperating revenues (expenses):			
Net increase in the fair value of investments	$ 24,292		$ 24,292
Interest charges and loan fee amortization, net of $115,320 interest earned	(107,738)	$ 1,582	(106,156)
	$ (83,446)	$ 1,582	$ (81,864)
DECREASE IN NET ASSETS	$ (392,299)	$ 0	$ (392,299)
Net assets at July 1, 2006	12,008,805	0	12,008,805
NET ASSETS AT JUNE 30, 2007	$ 11,616,506	$ 0	$ 11,616,506

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS

GOGEBIC-IRON WASTEWATER AUTHORITY

Year ended June 30, 2007

	Gogebic-Iron Wastewater Authority	Board	Totals
Cash flows from operating activities:			
Cash received from customers	$ 1,229,592		$ 1,229,592
Operating fee received (paid)	(759,958)	$ 759,958	
Cash paid to suppliers and employees for goods and services	(42,077)	(757,452)	(799,529)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 427,557	$ 2,506	$ 430,063
Cash flows from capital and related financing activities:			
Acquisition of capital assets	$ (184,506)		$ (184,506)
Principal paid on revenue bonds	(155,000)		(155,000)
Interest paid on revenue bonds	(199,195)		(199,195)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	$ (538,701)		$ (538,701)
Cash flows from investing activities:			
Interest earned	$ 115,320	$ 1,582	$ 116,902
Purchases of investments	(298,611)		(298,611)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	$ (183,291)	$ 1,582	$ (181,709)
NET INCREASE (DECREASE) IN CASH	$ (294,435)	$ 4,088	$ (290,347)
Cash and cash equivalents at July 1, 2006	734,451	44,158	778,609
CASH AND CASH EQUIVALENTS AT JUNE 30, 2007	$ 440,016	$ 48,246	$ 488,262

COMBINED STATEMENT OF CASH FLOWS (CONTINUED)

	Gogebic-Iron Wastewater Authority	Gogebic-Iron Wastewater Board	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (308,853)	$ (1,582)	$ (310,435)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	$ 749,510		$ 749,510
(Increase) decrease in:			
Trade accounts receivable	786		786
Due to/from Authority/Board	(4,892)	$ 4,892	
Prepaid expenses	(4,194)	(1,931)	(6,125)
Increase (decrease) in:			
Trade accounts payable		6,354	6,354
Payroll and related items		224	224
Early retirement incentive	(4,800)		(4,800)
Accrued sick leave		(5,451)	(5,451)
Total adjustments	$ 736,410	$ 4,088	$ 740,498
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 427,557	$ 2,506	$ 430,063

The accompanying notes are an integral part of the financial statements.

NOTES

TO

FINANCIAL

STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

Gogebic-Iron Wastewater Authority (the Authority) was formed to acquire and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1955, as amended, serving the Ironwood, Michigan and Hurley, Wisconsin, areas. The Authority owns the physical properties, is responsible for the related indebtedness and is responsible for raising monies from the participating units to cover debt principal and interest payments plus monies with which to fund operations of the system. The system is operated by the Gogebic-Iron Wastewater Board (the Board), an independent joint board comprised of members from each of the constituent municipalities participating in the sewage disposal system. The Board's source of revenues is an operating fee received from the Authority from which the Board pays the operating costs.

The incorporating municipalities creating the Authority were City of Ironwood, Township of Erwin and Charter Township of Ironwood. The Township of Erwin officially withdrew from the Authority effective May 25, 2005. The Board consists of City of Ironwood, Charter Township of Ironwood and City of Hurley, Wisconsin.

Service charges for sewage treatment and disposal services charged by the Authority are set forth in a regional user charge system adopted by the participants in connection with the Federal grant received to help finance construction of the facility. Substantially all of the Authority's revenues are derived from charges to the municipalities referred to above, and credit is extended to them and to private waste haulers. The participating municipalities have an opportunity to submit recommendations prior to final adoption of annual operating budgets of the Authority and the Board.

Each participating municipality is an owner in common of an undivided interest in the facility. Each interest will be determined by its capacity share in the facility. When all revenue bonds issued in connection with the project (see Note E below) are paid in full, title to the treatment facility will pass from the Authority to the Board and title to the collection system will pass to the municipality in which the system is located.

Basis of Presentation

The Authority, because it is the organization responsible for physical properties, significant indebtedness and collections from customers, is considered the primary reporting organization for financial-statement purposes. The Authority is considered to have significant oversight responsibility over the Board, and further, the Authority has a special financing relationship with the Board. For these reasons, the Board, even though a separate legal entity, is considered as a part of the Authority for financial-reporting purposes in accordance with the provisions of the Governmental Accounting Standards Board (GASB).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

The accrual basis of accounting and the flow of all economic resources (measurement focus) are followed. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Authority applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accountants Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The Authority has not adopted GASB Statement No. 20.

Cash and Cash Equivalents

Cash, as used in the Statement of Cash Flows, includes cash on hand and in bank and all cash equivalents with an original maturity of three months or less.

Accounts Receivable

Accounts receivable consist of receivables from private waste haulers.

Bad debts are accounted for using the direct write-off method. The expense is recognized only when a specific account is determined to be uncollectible. The effects of using this method approximate those of the allowance method.

Capital Assets

Capital assets, including land and improvements, buildings, furniture and fixtures, equipment and vehicles are reported in the financial statements. Capital assets are defined by the Authority as assets with an acquisition cost of generally more than $1,000 or betterments totaling $10,000 with an estimated useful life of five or more years. Assets meeting this criteria are recorded at historical cost. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense.

Maintenance and Repairs

Repairs to property, plant and equipment which materially extend the useful lives are capitalized. Other repair and maintenance costs are expensed as incurred.

Depreciation

Depreciation is determined by use of the straight-line method using estimated useful lives of 40 years for buildings and sewers and 5 to 30 years for equipment.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Loan Costs

Deferred loan costs consist of various bond issuance costs incurred in connection with the revenue bonds referred to in Note E below and deferred loss on advance refunding of old debt. These costs are being amortized over the period of the bonds by charges to operations.

Bond Discount

Bond discount is the difference between the par value of the bonds and the actual proceeds from the bond issuance referred to in Note E below. This discount is being amortized over the period of the bonds by charges to operations.

Investment in Capital Assets, Net of Related Debt

This is the portion of net assets of the Authority that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for revenue bonds attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Trustees. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board of Trustees authorizes cash to be deposited in banks located within the State of Michigan which are insured by Federal Deposit Insurance Corporation or its successor and in United States government obligations, or obligations the principal of and interest on which is fully guaranteed by the United States government and in other instruments as permitted by PA 20 of 1943, as amended. Cash and cash equivalents are carried at cost plus accrued interest. Investments are carried at fair market value. All investments consist of certificates of deposit and government securities. The amount displayed on the Balance Sheet as "Cash and cash equivalents and investments" consisted of:

Cash and cash equivalents:		
Cash on hand and in transit	$	125
Deposits in demand deposit accounts in a local bank		48,937
Uninsured money market mutual funds		439,200
	$	488,262
Investments:		
Insured certificates of deposit	$	1,506,259
Government securities		794,648
	$	2,300,907
	$	2,789,169

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board of Trustees' deposits may not be returned or the Board of Trustees will not be able to recover collateral securities in the possession of an outside party. The Board of Trustees places its deposits with, what it believes to be, high quality financial institutions. Although such deposits were not fully insured, they are, in the opinion of the Board of Trustees, subject to minimal risk.

For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the Board of Trustees will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the Board of Trustees' investments are insured or registered or for which the securities are held by the Board of Trustees or its agent in the Board of Trustees' name.

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

At June 30, 2007, the Authority had the following cash and cash equivalents and investments:

Type	Fair Value/ Carrying Amount	Cost	Average Credit Quality Rating (1)	Effective Duration (2)	Weighted Average Months to Maturity (2)
Cash on hand and in transit	$ 125	$ 125	N/A		N/A
Deposits in demand deposit accounts	48,937	48,937	N/A		N/A
Money market mutual funds	439,200	439,200	AAA		N/A
Certificates of deposit	1,506,259	1,509,253	N/A		16
Government securities:					
Federal Home Loan Bank	99,063	100,625	AAA	9.50 years	
Federal Home Loan Bank	99,719	100,000	AAA	1.75 years	
Federal Home Loan Bank	99,375	100,000	AAA	2.75 years	
Federal Home Loan Mortgage	99,582	99,500	AAA		2
Federal Home Loan Bank	99,344	100,500	AAA	5.50 years	
Federal Home Loan Bank	99,813	100,000	AAA	2.75 years	
Federal Home Loan Mortgage	97,846	100,000	AAA	5.75 years	
Federal Home Loan Bank	99,906	100,000	AAA		2
	$ 794,648	$ 800,625			
	$2,789,169	$2,798,140			

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using either duration or weighted average months to maturity depending on the respective policy. Amounts are shown in months except as otherwise noted. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets and related depreciation follows:

	Balance at July 1, 2006	Additions	Deductions	Balance at June 30, 2007
Building and structures	$ 13,767,584	$ 35,202		$ 13,802,786
Sewers	9,736,644			9,736,644
Equipment	5,028,525	45,599	$ 3,649	5,070,475
	$ 28,532,753	$ 80,801	$ 3,649	$ 28,609,905
Less allowances for depreciation	15,091,889	749,510	3,649	15,837,750
NET CARRYING AMOUNT	$ 13,440,864	$ (668,709)	$ 0	$ 12,772,155

NOTE D – RESTRICTED ASSETS

The Authority has four restricted bank accounts. Three are restricted by the bond ordinance and one is restricted by action of the Authority Board of Trustees.

The bond ordinance requires that monthly deposits be made into the Bond and Interest Redemption Account sufficient to pay the next interest and principal payment. The Bond Reserve Account is to be used to pay any delinquent bond payments. The Equipment Replacement Account is to be used for repairs and replacements to the facility.

The Board of Trustees has established a separate bank account for revenue received from liquid waste haulers, to which monies used are restricted by the Board. This account has been labeled as a Special Purpose Account.

Restricted accounts with required funding levels are as follows at June 30, 2007:

	Bond and Interest Redemption	Bond Reserve	Equipment Replacement	Special Purpose	Totals
Required reserve at June 30, 2007	$ 109,507	$ 363,875	$ 0	$ 0	$ 473,382
Actual balance at June 30, 2007	162,520	384,652	1,088,364	1,104,225	2,739,761

NOTE E – LONG-TERM DEBT

Changes in long-term debt are summarized as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Current Portion
2001 Series Bonds	$ 4,420,000		$ 155,000	$ 4,265,000	$ 160,000
Early Retirement Incentive	24,000		4,800	19,200	4,800
Sick leave	81,750		5,451	76,299	
	$ 4,525,750	$ 0	$ 165,251	$ 4,360,499	$ 164,800

The aggregate amounts of long-term debt principal and interest maturities (excluding accumulated sick leave payable) for the five years ending June 30, 2012, and in five-year increments there after until maturity are:

Year ending June 30,	Principal	Interest	Total
2008	$ 164,800	$ 193,483	$ 358,283
2009	169,800	187,183	356,983
2010	174,800	180,398	355,198
2011	179,800	173,281	353,081
2012	185,000	165,719	350,719
2013-2017	1,065,000	698,866	1,763,866
2018-2022	1,345,000	419,921	1,764,921
2023-2025	1,000,000	77,000	1,077,000
	$ 4,284,200	$ 2,095,851	$ 6,380,051

2001 Revenue Bonds

On October 16, 2001, the Authority advance refunded $4,350,000 of the 1995 series bonds by issuing $4,685,000 Gogebic-Iron Wastewater Authority Wastewater Treatment System Revenue Refunding Bonds 2001 Series. The 2001 Series bonds have principal payments due each December 1 and interest is due each December 1 and June 1. Interest rates vary from 3.00% to 5.00%. These bonds are in denominations of $5,000. Principal and interest are collateralized by and payable from net revenues of the wastewater treatment system. The payment of the principal and interest are insured by an insurance company. Bonds maturing in years 2002 to 2011 are not subject to redemption prior to maturity.

NOTE E – LONG-TERM DEBT (CONTINUED)

2001 Revenue Bonds (Continued)

Debt service charges to maturity on the outstanding bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2008	$ 160,000	$ 193,483	$ 353,483
2009	165,000	187,183	352,183
2010	170,000	180,398	350,398
2011	175,000	173,281	348,281
2012	185,000	165,719	350,719
2013	195,000	157,741	352,741
2014	200,000	149,445	349,445
2015	215,000	140,465	355,465
2016	220,000	130,785	350,785
2017	235,000	120,430	355,430
2018	245,000	109,267	354,267
2019	255,000	97,390	352,390
2020	270,000	84,722	354,722
2021	280,000	71,315	351,315
2022	295,000	57,227	352,227
2023	315,000	42,125	357,125
2024	330,000	26,000	356,000
2025	355,000	8,875	363,875
	$ 4,265,000	$ 2,095,851	$ 6,360,851

Early Retirement Incentive

During the year ended June 30, 2005, the Authority agreed to pay early retirement incentives to two retired employees. Following is a summary of future payments:

Year ending June 30,	Principal
2008	$ 4,800
2009	4,800
2010	4,800
2011	4,800
	$ 19,200

NOTE E – LONG-TERM DEBT (CONTINUED)

Accumulated Absences

Under a union contract negotiated with employees, individual employees have a vested right to receive payments for unused sick, personal and vacation leave. The dollar amount of these vested rights as of June 30, 2007, is $17,102 for vacation leave and $76,299 for sick leave. In the financial statements, vacation leave is recorded as a current liability and sick leave is recorded as part of long-term debt.

Following is a summary of employment policies related to accumulated absences:

Sick Leave

Sick leave is earned thirteen days for each completed year of service and may generally be accumulated up to 1,600 hours.

Employees receive cash payment upon retirement of 100 percent of accumulated sick days at current hourly rates of pay with an 800-hour maximum payout for hourly employees and 960-hour maximum for salaried employees.

Vacation Leave

Vacation leave is earned in varying amounts depending upon years of service and may generally be accumulated up to 30 days. Upon termination, employees receive cash payment for all unused vacation leave at current hourly rates of pay.

NOTE F - DEFINED BENEFIT PENSION PLAN

Plan Description

The Board's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer pension plan administered by Gabriel, Roeder, Smith & Company. Act No. 427 of the Public Acts of 1984, as amended, and the Constitution of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. Gabriel, Roeder, Smith & Company issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Gabriel, Roeder, Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076 or by calling (248) 799-9000.

NOTE F - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

Plan members are required to contribute 6.1% of their annual covered salary. The Board is required to contribute at an actuarially determined rate; the current rate is 22.19% of annual covered payroll. The contribution requirements of plan members and the Board are established and may be amended by the MERS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, the Board's annual pension cost of $62,711 for the Plan was equal to the Board's required and actual contributions. The required contribution was determined as part of the December 31, 2003, actuarial valuation using the entry age normal funding method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.5% per year, additional projected salary increases ranging from 0.0% to 8.40% per year and (c) 2.5% per year cost-of-living adjustments. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized by level percent of payroll contributions. The amortization period at December 31, 2006, was 30 years.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	$41,410	100%	-0-
June 30, 2006	41,144	100	-0-
June 30, 2007	62,711	100	-0-

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/04	$ 987,995	$1,713,593	$725,598	58%	$257,091	282%
12/31/05	1,036,329	1,858,392	822,063	56	287,623	286
12/31/06	1,066,950	1,701,134	634,184	63	260,852	243

NOTE G - SIMPLIFIED EMPLOYEE PENSION PLAN

All employees of the Authority are covered by a simplified employee pension plan administered by Edward Jones. The Plan is a simplified employee pension plan covering all employees who have performed services for the Authority in at least two of the immediately preceding five years.

Pursuant to terms of the current union contract, the Authority is required to contribute $20,000 annually to the Plan. Employees do not make contributions to the Plan. The Authority's payroll for employees covered by the Plan for the year ended June 30, 2007, was $230,919. There were wages of $71,174 paid to employees not covered by the Plan. All participants are fully vested immediately. Contributions to the Plan become the sole property of the participants. All contributions are invested for the participants in up to three of nineteen available mutual funds, at the discretion of each participant.

During the year ended June 30, 2007, the Authority made contributions to the Plan of $20,000.

NOTE H - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Authority has obtained coverage from commercial insurance companies. The Authority has comprehensive general liability coverage of $5,000,000 per occurrence, with no deductible amount, and wrongful acts coverage of $5,000,000 per occurrence, with no deductible amount. The Authority carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance.

The Authority's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The Authority estimates that the potential unpaid and unreported claims do not substantially exceed the amount of deductibles.

Management estimates that the amount of actual or potential claims against the Authority as of June 30, 2007, will not materially affect the financial condition of the Authority. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE I – SANITARY SEWAGE OVERFLOW (SSO) ISSUE

In June 2002, the Authority received a draft of an Administrative Consent Order (ACO) issued by the Michigan Department of Environmental Quality. This ACO addresses the illegal discharges that occur when the Authority experiences high wastewater flows due to the excessive inflow and infiltration of clearwater during periods of rainfall or snowmelt. The State required the Authority to submit a written plan by December 20, 2002, explaining how the Authority will correct the SSO problem. In July 2002, the Authority engaged an engineering firm to study the sanitary sewer collection system. The State required the Authority to submit a written report detailing the results of this study by December 19, 2004, explaining how the Authority will correct the SSO problem. The Authority entered into agreements with each member community for the allocation and enforcement of peak flows as requested by the State. As of June 30, 2006, the engineering firm concluded its studies of the problems. The State required scheduled projects to eliminate the SSO be completed by November 15, 2007. This was not completed by this date. The total cost to control SSOs have yet to be determined as specific solutions are not currently known. The member communities of the Authority continue to work on correcting the SSO problem in their respective communities.

OTHER FINANCIAL INFORMATION

DETAIL OF OPERATING EXPENSES

GOGEBIC-IRON WASTEWATER AUTHORITY

Year ended June 30, 2007

	Gogebic-Iron Wastewater Authority	Board
Operating fee charged by Gogebic-Iron Wastewater Board	$ 755,066	
Provision for depreciation	749,510	
Employee compensation:		
Salaries and wages		$ 295,861
Payroll taxes		23,263
Group insurance		110,243
Workers' compensation insurance		2,851
Pension		62,711
Simplified Employee Pension		20,000
Utilities and heat		95,523
Other:		
Chemicals		21,484
Lab supplies and expense		14,747
Safety supplies		2,051
Gas and oil		8,255
Insurance	1,875	35,734
Maintenance	20,026	34,302
Office supplies		7,137
Professional services	7,082	1,607
Telephone		3,745
Travel and education	3,870	8,438
Environmental fees		5,900
Miscellaneous	230	2,796
	$ 1,537,659	$ 756,648