

CENTRAL STATES WATER ENVIRONMENT ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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SMT & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central States Water Environment Association, Inc.
Crystal Lake, Illinois

We have audited the accompanying statement of financial position of Central States Water Environment Association, Inc. as of December 31, 2005, and the related statement of activities for the year then ended. These financial statements are the responsibility of 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. 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 the 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 Central States Water Environment Association, Inc. as of December 31, 2005 and the changes in its net assets and its cash flows for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SMT & Associates Inc.

SMT & Associates, Inc.
May 1, 2006

CENTRAL STATES WATER ENVIRONMENT ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION – CASH BASIS

DECEMBER 31, 2005

	<u>2005</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 147,432
TOTAL ASSETS	<u><u>\$ 147,432</u></u>
 CURRENT LIABILITIES AND NET ASSETS:	
 NET ASSETS:	
Unrestricted	\$ 132,849
Temporarily restricted: Joint Exposition	14,583
TOTAL NET ASSETS	<u><u>\$ 147,432</u></u>

The accompanying notes are an integral part of the financial statements

CENTRAL STATES WATER ENVIRONMENT ASSOCIATION, INC.

STATEMENT OF ACTIVITIES – CASH BASIS

YEAR ENDED DECEMBER 31, 2005

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Membership	\$ 16,575	\$ -	\$ 16,575
General	3,000		3,000
Activity	181,004	15,335	196,339
	<u>200,579</u>	<u>15,335</u>	<u>215,914</u>
EXPENSES:			
Activities:			
Annual meeting	49,696	-	49,696
Awards	8,476	-	8,476
Educational seminars	18,223	-	18,223
Newsletter	13,570	-	13,570
Operation challenge	9,020	-	9,020
Website	3,985	-	3,985
WEFTEC Reception	15,909	-	15,909
State section events	43,082	-	43,082
Joint exposition disbursements	2,000	752	2,752
Total activities	<u>163,961</u>	<u>752</u>	<u>164,713</u>
Membership and general: expense	<u>35,552</u>	<u>-</u>	<u>35,552</u>
Total Expenses:	<u>199,513</u>	<u>752</u>	<u>200,265</u>
Increase (decrease) in net assets	1,066	14,583	15,649
Net assets - beginning of year	<u>131,783</u>	<u>0</u>	<u>131,783</u>
Net assets - end of year	<u><u>\$ 132,849</u></u>	<u><u>\$ 14,583</u></u>	<u><u>\$ 147,432</u></u>

The accompanying notes are an integral part of the financial statements

CENTRAL STATES WATER ENVIRONMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Central States Water Environment Association, Inc. (the Association) was incorporated December 12, 1972 in the state of Wisconsin as a not-for-profit entity. The Association is a member of the Water Environment Federation. The objectives of the Association are to advance the fundamental knowledge of the water environment and to advance the technology in the design, construction, operation and management of water quality systems and facilities.

BASIS OF ACCOUNTING

The financial statements were prepared on the cash basis of accounting. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

CASH AND CASH EQUIVALENTS

The Association considers all checking accounts, savings accounts, money market accounts, certificates of deposit, and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2. CASH AND CASH EQUIVALENTS

As of December 31, 2005, the Association's cash and cash equivalents consisted of the following:

	Cash and Checking Accounts	Savings Accounts	Certificates of Deposit	Total
Unrestricted	\$ 50,570	\$ 22,997	\$ 59,282	\$ 132,849
Temporarily restricted			14,583	14,583
	<u>\$ 50,570</u>		<u>\$ 73,865</u>	<u>\$ 147,432</u>

3. TAX STATUS

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

4. TEMPORARILY RESTRICTED NET ASSETS: JOINT EXPOSITION

The Association and the Wisconsin Water Association, Inc. are cooperating to jointly sponsor expositions on an annual basis. It is expected that the exposition will be held in January or February of each year. Under the terms of the agreement, each organization will bear the responsibility of tracking revenues and costs on alternating years. Both associations will equally share any net gain or net loss from the exposition.

SUPPLEMENTARY INFORMATION

CENTRAL STATES WATER ENVIRONMENT ASSOCIATION, INC.
SCHEDULE OF REVENUE
YEAR ENDED DECEMBER 31, 2005

MEMBERSHIP REVENUE:

Membership dues	<u>\$ 16,575</u>
Total membership	<u>16,575</u>

GENERAL REVENUE:

Interest income	2,689
Miscellaneous	<u>311</u>
Total general	<u>3,000</u>

ACTIVITY REVENUE:

Annual meeting	80,685
Advertising income	12,495
Operation Challenge donations	4,000
Educational seminars	26,545
WEFTEC reception sponsorships	13,174
Grants and corporate contributions	4,250
State section activities	39,855
Joint exposition	<u>15,335</u>
Total activity	<u>196,339</u>
Total revenue	<u><u>\$ 215,914</u></u>

CENTRAL STATES WATER ENVIRONMENT ASSOCIATION, INC.
SCHEDULE OF MEMBERSHIP AND GENERAL EXPENSE
YEAR ENDED DECEMBER 31, 2005

Insurance/bonds	\$ 6,017
Legal and professional	2,901
Licenses and fees	492
Management fee	16,300
Meeting expense	2,158
Office expense	4,105
Travel	3,579
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Total membership and general	<u>\$ 35,552</u>