NORTH SHORE SANITARY DISTRICT
Lake County, Illinois

ANNUAL FINANCIAL REPORT

YEAR ENDED APRIL 30, 2008

NORTH SHORE SANITARY DISTRICT
APRIL 30, 2008

INDEX

Independent Auditor's Report

Swarztrauber & Co.
Certified Public Accountants

311 North Genesee Street
P.O. Box 1160
Waukegan, IL 60079-1160
847.662.1960
Fax: 847.662.1903
e-mail: cpa@swarztrauber.com

INDEPENDENT AUDITOR'S REPORT

October 20, 2008

To the President and Board of Trustees
North Shore Sanitary District
Gurnee, Illinois 60031

We have audited the accompanying basic financial statements of the NORTH SHORE SANITARY DISTRICT as of April 30, 2008 as listed in the index. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the NORTH SHORE SANITARY DISTRICT as of April 30, 2008, and the 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 and required supplementary information listed in the index are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily 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 basic financial statements taken as a whole. The accompanying financial information listed as supplementary financial schedules and supplementary information in the index is presented for purposes of additional analysis and is not a required part of the financial statements of the NORTH SHORE SANITARY DISTRICT. This 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.

In our opinion, the District has generally complied with the requirements of the 1991 General Obligation Bond Ordinance dated February 28, 1991. See Note 8 to the financial statements.

Certified Public Accountants

Management's Discussion and Analysis
(Required Supplementary Information)

North Shore Sanitary District

FY08 Management Discussion & Analysis (MD&A)

Governmental Accounting Standards Board (GASB) Statement 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" applied to the District beginning with the fiscal year ending April 30, 2004. The provisions of GASB 34 require that a "management discussion and analysis" be completed and included in the annual audited financial statements. The following MD&A has been prepared to comply with the applicable requirements of GASB 34.

Overview of Financial Statements

This annual report includes the management discussion and analysis, independent auditor's report, basic financial statements, supplementary financial schedules and supplementary information.

Management Discussion and Analysis – The MD&A is intended to provide the reader with an objective and easily readable analysis of the District's financial activities based on currently known facts, decisions, or conditions.

Independent Auditor's Report – This report outlines the scope of work completed by the independent auditor and presents the auditor's opinion on the financial statements.

Basic Financial Statements – Required financial statements include the statement of net assets, statement of revenues, expenses and changes in net assets, statement of cash flows, and the notes to the financial statements.

- Statement of Net Assets – This statement presents the District's assets, including investments and property, and reduces those assets by the District's liabilities, including current obligations and long-term debt. The resulting difference equals the net assets of the District, which may be invested in capital, legally restricted or unrestricted.

- Statement of Revenues, Expenses and Changes in Net Assets - This statement presents the operating revenues and reduces them by operating expenses to determine the District's operating income or loss. The operating income or loss is then adjusted by non-operating transactions and capital contributions to determine the change in net assets during the fiscal year, and resulting net assets at year-end.

- Statement of Cash Flows – This statement presents cash receipts and cash payments from operating activities, noncapital and capital financing activities, and investing activities.

- Notes to the Financial Statements – The notes are an important component of the financial statements, providing detailed information underlying the statements discussed above.

Required Supplemental Information – This includes required disclosures regarding Illinois Municipal Retirement Fund (IMRF) funding and trend information.

Supplementary Financial Schedules – These schedules are not required, but have been included by the District to provide the reader with tools to gain a better understanding of the basic financial statements and additional information on the District's financial health.

Supplementary Information – This information may or may not be required and is included to provide the reader with tools to gain a better understanding of the basic financial statements and additional information on the District's financial health.

Financial Comparison: FY08 to FY07

Pursuant to GASB 34, the District is required to present certain condensed financial information, comparing the current year to the previous year, along with an analysis of that information.

Summary – Statement of Net Assets

	Yr. End 4/30/08	Yr. End 4/30/07	$ Incr (Decr)	% Incr (Decr)
Capital Assets	$195,649,843	$196,471,737	($821,894)	-0.4%
Other Assets	$69,499,805	$71,015,483	($1,515,678)	-2.1%
Total Assets	**$265,149,648**	**$267,487,220**	**($2,337,572)**	**-0.9%**
Current Liabilities	$13,652,306	$15,416,196	($1,763,890)	-11.4%
Noncurrent Liabilities	$5,618,317	$7,016,192	($1,397,875)	-19.9%
Total Liabilities	**$19,270,623**	**$22,432,388**	**($3,161,765)**	**-14.1%**
Invested in Capital Assets net of Related Debt	$187,042,603	$184,173,733	$2,868,870	1.6%
Restricted Assets	$903,936	$860,368	$43,568	5.1%
Unrestricted Assets	$57,932,486	$60,020,731	-$2,088,245	-3.5%
Total Net Assets	**$245,879,025**	**$245,054,832**	**$824,193**	**0.3%**

Total assets, liabilities and net assets all remained relatively stable. The decrease in liabilities is the result of fewer year-end accounts payable and the retirement of $1.3 million of debt. Restricted assets represent legal restrictions for bond payments.

Summary – Statement of Revenues, Expenses and Changes in Net Assets

	Yr. End 4/30/08	Yr. End 4/30/07	$ Incr (Decr)	% Incr (Decr)
Operating Revenues	$14,582,268	$14,380,148	$202,120	1.4%
Nonoperating Revenues	$17,647,116	$17,086,910	$560,206	3.3%
Total Revenues	**$32,229,384**	**$31,467,058**	**$762,326**	**2.4%**
Depreciation Expense	$12,708,341	$10,920,905	$1,787,436	16.4%
Other Operating Expense	$23,798,821	$22,255,649	$1,543,172	6.9%
Nonoperating Expense	$478,828	$352,128	$126,700	36.0%
Total Expenses	**$36,985,990**	**$33,528,682**	**$3,457,308**	**10.3%**
Income (Loss) Before Capital contributions	($4,756,606)	($2,061,624)	($2,694,982)	-130.7%
Capital Contributions	$5,580,799	$7,697,314	($2,116,515)	-27.5%
Changes in Net Assets	**$824,193**	**$5,635,690**	**($4,811,497)**	**-85.4%**
Beginning Net Assets	$245,054,832	$239,419,142	$5,635,690	2.4%
Prior Period Adjustments	$0	$0	$0	n/a
Ending Net Assets	**$245,879,025**	**$245,054,832**	**$824,193**	**0.3%**

Operating and Nonoperating revenues were very similar to revenues realized in the previous fiscal year. Depreciation expenses increased as the sludge recycling facility was depreciated for an entire year for its first time, following its capitalization in FY07. Operating expenses also increased, with electricity and repair expenditures accounting for more than $1 million of the additional costs. The flat revenues and increased expenses resulted in a greater loss before capital contributions. Capital contributions were significantly down from FY07, as connection, annexation and County capital fees dropped more than 50%, reflecting both the diminishing number of available development sites within the service area and the well-publicized weaknesses in the economy and construction industry. However, the District did recognize capital component fees of over $4 million from the Navy pursuant to their agreement to reimburse capital improvement projects benefiting the Great Lakes Naval Base and Fort Sheridan. Most of this amount is based upon the District's request to the Navy for reimbursement of its share of construction costs for the recently completed sludge recycling facility. The District's ending net assets were essentially unchanged.

Budget Analysis

Pursuant to GASB 34, the District is required to present an analysis of significant variations between amounts budgeted and amounts actually realized, along with an analysis of that information.

Summary – Budget vs. Actual

	FY08 Budget	FY08 Actual	Variance
REVENUES			
Operating Revenues	$14,758,500	$14,582,268	($176,232)
Nonoperating Revenues	$15,713,440	$17,647,116	$1,933,676
Total Revenues	**$30,471,940**	**$32,229,384**	**$1,757,444**
EXPENSES			
Personal Services	$9,116,850	$8,885,019	$231,831
Supplies & Repairs	$2,628,930	$2,928,372	($299,442)
Utilities	$8,233,070	$8,038,999	$194,071
Other Services & Charges	$3,819,971	$3,946,431	($126,460)
Depreciation	$0	$12,708,341	($12,708,341)
Total Operating Expenses	$23,798,821	$36,507,162	($12,708,341)
Nonoperating Expenses	$0	$478,828	($478,828)
Total Expenses	**$23,798,821**	**$36,985,990**	**($13,187,169)**
Income (Loss) Before Capital Contributions	$6,673,119	($4,756,606)	($11,429,725)

REVENUES

Actual operating revenues were very close to expectations, as only general user charge revenues exhibited a variance of any significance ($200k < budget or 2%). Nonoperating revenues exceeded expectations, primarily as a result of personal property replacement taxes ($1.35 million > budget or 64%). This is a surprising result, as replacement tax revenues are closely tied to general economic conditions. The District will continue to budget these revenues very conservatively, to avoid deficits should deteriorating economic conditions begin to impact the actual revenues recognized.

EXPENSES

Actual operation and maintenance expenses prior to depreciation increased by more than $1.5 million from FY07 but almost exactly met the budget, exceeding total budgeted funds by only $32k (0.1%). The District's self-insurance program for health and dental coverage again had a favorable year for claims, resulting in actual employee insurance costs almost $400k less than budget. Electricity expenditures were about $450k less than budget. This can primarily be attributed to the shut down of the SRF vitrification process, until system improvements can be determined and implemented, which resulted in a $660k budget surplus. However, there was a corresponding SRF natural gas budget deficit of $600k as the vitrification process heat was not available to fuel the drying system. District-wide, natural gas expenditures exceeded budget by $235k. A large number of unanticipated repairs, including an unusual frequency of water line ruptures, blower service calls and generator repairs, resulted in actual repairs more than 630k greater than budget and far exceeded the $300k set aside in non-allocated, contingency funds for such unexpected repairs. Finally, contractual services costs were about $625k greater than budgeted, due in a large part to additional sludge hauling and disposal fees necessitated by since-resolved problems with the dryer heat exchanger coil.

In accordance with customary governmental practices, the District does not budget for non-cash items such as depreciation.

Capital Assets & Long-term Debt

Pursuant to GASB 34, the District is required to present an analysis of significant capital asset and long-term debt activity, including a discussion of commitments made for capital expenditures and debt limitations that may affect the financing of planned facilities or services.

Summary - Capital Assets

	Yr. End 4/30/08	Yr. End 4/30/07	$ Incr (Decr)	% Incr (Decr)
Buildings	$180,181,667	$179,760,592	$421,075	0.2%
Sewers	$68,285,649	$64,001,938	$4,283,711	6.7%
Equipment	$119,881,602	$118,538,632	$1,342,970	1.1%
Improvements	$39,604,487	$37,042,309	$2,562,178	6.9%
Vehicles	$1,310,776	$1,278,114	$32,662	2.6%
Land	$4,970,259	$4,970,259	$0	0.0%
Land Improvements	$3,758,472	$3,853,729	($95,257)	-2.5%
Construction in Progress	$10,680,961	$8,081,202	$2,599,759	32.2%
Total Capital Assets at Cost	$428,673,873	$417,526,775	$11,147,098	2.7%
Less: Accumulated Depreciation	$233,024,030	$221,055,038	$11,968,992	5.4%
Net Capital Assets	**$195,649,843**	**$196,471,737**	**($821,894)**	**-0.4%**

The most significant capital asset activity during the fiscal year was the construction of the retention basin at the Lake Forest Pumping Station as part of the Forcemain Failure Contingency Plan Phase I project (05A19). This project, which is expected to be capitalized in the next fiscal year, had almost $6 million charged to it during FY08. Accumulated depreciation increased by almost $12 million during the period. Net capital assets decreased slightly.

The District's 5-year capital improvement plan provides for major expenditures of over $28 million in FY09, with planned FY09 expenditures of $5.3 million planned for the Sludge Management Study & Improvements project (09A08) and $4.0 million for the Vitrification System Improvements project (09R05). The District intends to finance these and other capital projects using unrestricted assets.

As of April 30, 2008, the District has $6,717,990 of long-term debt outstanding from the 1991 general obligation bond issue purchased by the Illinois EPA through its Water Pollution Control Revolving Loan Fund. Principal payments made during the year were $1,246,325. Pursuant to 70 ILCS 2305/9, the District's statutory debt limitation is 5.75% of EAV. Based upon 2007 EAV of $9,889,114,895 the District's legal debt margin is $561,906,116. However, as noted above, the District intends to pay for currently planned capital projects using currently held unrestricted assets.

Conditions Significantly Affecting Financial Position or Operations

Pursuant to GASB 34, the District is required to present a description of currently known facts, decisions or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

As mentioned earlier, the District is using unrestricted assets to pay for major capital projects. Upon completion of those projects, there will be no effect on net assets as the increase in capital assets will be offset by a corresponding decrease in unrestricted assets.

As noted earlier, the District's 5-year capital improvement plan provides for major expenditures of over $28 million in FY09. The CIP further designates projects to be completed in future years at costs exceeding $35 million. Major projects for future periods include the Clavey Road excess flow u.v. system ($9 million), additional standby Power at SRF ($5 million), biological nutrient removal systems phase II ($5 million), forcemain failure contingency plan phase II ($10 million), and Zion interceptor sewer phase II ($5 million).

The District operates its sludge recycling facility through an agreement with the developer of the vitrification technology, Minergy. The initial three-year operating contract expires in April 2009, and Minergy has provided notice that it does not intend to renew that agreement. The District is currently evaluating all of its options for operating that facility, many of which may be more costly than the current contractual arrangement.

Expenditures for energy comprise a significant use of District funds. Electricity and natural gas accounted for more than $7.6 million or 32% of total O&M expenditures (excluding depreciation) during FY08 ($7.0 million or 31% in FY07). The District entered a five-year, fixed-price electricity procurement agreement in the beginning of FY07 to eliminate much of the risk inherent in that market. However, while the rates are fixed, ultimate expenditures are dependant upon the quantity of electricity used. Furthermore, the District is unable to establish fixed pricing for either PJM (the regional transmission organization) charges or ComEd (the local utility) demand/delivery costs and the charges from these entities continue to rise. The District pays monthly market-based rates for natural gas but is monitoring that market for an attractive "lock-in" point.

Over the last few years, Illinois Municipal Retirement Fund (IMRF) investment performance has failed to keep pace with the actuarial rate of return of 7.5%. As a result, the District has moved from an actuarially determined surplus of over $6 million on 12/31/01 to an unfunded liability of more than $1.3 million on 12/31/07, and the District's employer contribution rate has risen from 1% of payroll in 2001 to more than 12% during 2008.

In an effort to reduce ongoing employment-related expenditures, the District offered an IMRF early retirement incentive during FY05 & FY06. 15 of the 27 eligible employees elected to retire, resulting in net annual salary reductions of almost $550,000. These salary reductions combined with projected benefits savings and reduced by the supplemental employer contributions to IMRF for the ERI, are expected to result in an ultimate ten-year net savings of more than $4 million. A total of six positions were eliminated through this initiative.

Basic Financial Statements

NORTH SHORE SANITARY DISTRICT
STATEMENT OF NET ASSETS
APRIL 30, 2008

ASSETS

CURRENT ASSETS	
Cash	$ 1,640,251
Investments	39,474,878
	$ 41,115,129
Receivables	
Property taxes receivable	$ 11,866,938
Replacement taxes receivable	641,192
Accrued interest receivable	49,602
Great Lakes capital component fees	507,689
Accounts receivable	984,479
User fees receivable	
Billed and currently collectible, net of $35,827 allowance for bad debts	1,221,114
Unbilled (estimated)	2,066,067
Total receivables	$ 17,337,081
Inventories	2,186,415
Prepaid expenses	263,936
Total current assets	$ 60,902,561
RESTRICTED ASSETS	
Investments	$ 903,936
Total restricted assets	$ 903,936
PROPERTY PLANT AND EQUIPMENT	
Net of $ 233,024,030 accumulated depreciation	$ 195,649,843
NONCURRENT ACCOUNTS RECEIVABLE	$ 7,693,308
Total assets	$ 265,149,648

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

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	$	5,490,813
Accrued expenses		
Accrued payroll	$	191,308
Accrued interest		55,216
Accrued sick and vacation pay/personal time		519,077
Total accrued expenses	$	765,601
Current portion - long-term debt	$	1,277,678
- landfill closure/postclosure costs		57,201
Deferred revenue - property taxes		6,040,180
- other		20,833
Total current liabilities	$	13,652,306
NONCURRENT LIABILITIES		
Long-term debt	$	6,717,990
Less: current portion		(1,277,678)
	$	5,440,312
Accrued sick pay		73,176
Landfill closure/postclosure costs		104,829
Total noncurrent liabilities	$	5,618,317
Total liabilities	$	19,270,623

NET ASSETS

Invested in capital assets, net of related debt	$	187,042,603
Restricted		903,936
Unrestricted		57,932,486
Total net assets	$	245,879,025

NORTH SHORE SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED APRIL 30, 2008

OPERATING REVENUES	
General user charge	$ 9,700,943
Sewage treatment contracts	4,403,312
Sulfate fees	308,098
Laboratory analytical fees	155,143
General penalties	2,000
Sewer inspection fees	2,200
Miscellaneous	10,572
Total operating revenues	$ 14,582,268
OPERATING EXPENSES	
Salaries	$ 5,963,342
Employee benefits	2,921,677
Process chemicals	815,573
Repairs	1,466,417
Supplies	524,688
Vehicle expense	106,020
Miscellaneous safety improvements	15,674
Utilities	8,038,999
Contractual and professional services	3,402,292
Property and liability insurance	538,090
Consulting and engineering	4,571
Other	1,478
Subtotal	$ 23,798,821
Depreciation	12,708,341
Total operating expenses	$ 36,507,162
OPERATING (LOSS) forwarded	$(21,924,894)

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

NORTH SHORE SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED APRIL 30, 2008

OPERATING (LOSS) brought forward	$ (21,924,894)
NONOPERATING REVENUES (EXPENSES)	
Property taxes	$ 11,646,589
Replacement taxes	3,451,078
Interest income	2,012,967
Lafarge facilities use agreement	250,000
Electricity curtailment revenue	69,600
Interest expense	(181,123)
Miscellaneous	216,882
Gain (loss) on disposition of assets	(297,705)
Net nonoperating revenues	$ 17,168,288
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	$ (4,756,606)
CAPITAL CONTRIBUTIONS	5,580,799
Change in net assets	$ 824,193
NET ASSETS, BEGINNING	245,054,832
NET ASSETS, ENDING	$ 245,879,025

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

NORTH SHORE SANITARY DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 15,426,894
Cash paid to suppliers for goods and services	(17,394,218)
Cash paid to employees for services	(6,184,884)
Net cash provided from (used in) operating activities	$ (8,152,208)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Real estate taxes received	$ 11,555,285
Personal property replacement taxes received	3,373,937
Other nonoperating revenues	536,482
Net cash provided from (used in) noncapital financing activities	$ 15,465,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contibutions	$ 2,721,671
Interest paid on debt	(191,366)
Acquisition of fixed assets	(14,645,812)
Proceeds from the sale of assets	27,465
Principal payments on debt	(1,246,325)
Net cash provided from (used in) capital and related financing activities	$(13,334,367)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	$ 2,169,774
Investments sold (purchased) - net	3,455,252
Net cash provided from (used in) investing activities	$ 5,625,026
Net increase (decrease) in cash	$ (395,845)
CASH BALANCE, BEGINNING	34,367,937
CASH BALANCE, ENDING	$ 33,972,092
CASH RECONCILIATION	
Cash	$ 1,640,251
Illinois Funds	32,331,840
	$ 33,972,091

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

NORTH SHORE SANITARY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED APRIL 30, 2008

RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES	
Net operating income (loss)	$(21,924,894)
Depreciation	12,708,341
Net (increase) decrease in receivables	874,123
Net (increase) decrease in inventory	(10,838)
Net (increase) decrease in prepaid expenses	(124,645)
Net increase (decrease) in deferred operating revenues	-
Net increase (decrease) in payables	325,705
	$ (8,152,208)

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

NORTH SHORE SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2008

1. Summary of significant accounting policies

The financial statements of the North Shore Sanitary District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement Number 34 " Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. The District implemented this Standard on May 1, 2003.

The District applies all applicable GASB pronouncements as well as relevant Financial Accounting Standards Board (FASB) pronouncements issued on or before November 1, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

Reporting entity

The North Shore Sanitary District was organized in 1914 under the Illinois Sanitary Act of 1911. Under this Act, the District is charged with the responsibility of providing sewage treatment and disposal within its corporate limits. An elected Board of Trustees consisting of five members governs the District. It is a separate and distinct corporation, not part of any other governmental agency, with full powers to levy taxes and to enact necessary ordinances, rules and regulations pertaining to waste treatment matters within its borders.

In evaluating how to define the government, for financial reporting purposes, all potential component units have been considered. The decision to include or exclude a potential component unit in the District's financial statements was made by applying the criteria set forth in GAAP. Under GASB, the primary basis of determining whether outside agencies and organizations should be included in the District's financial statements is the significance of their operational or financial relationships. Based on application of the foregoing criteria, there are no component units included in these statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Fund accounting

The District uses proprietary fund accounting to report on its financial position and the results of its operations. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Basis of accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Proprietary funds utilize accrual basis accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sewage treatment services. Operating expenses of the District include the cost of service, administrative expenses and depreciation on capital assets. All revenues (except capital contributions) and expenses not meeting this definition are reported as nonoperating revenues and expenses. Specifically, facility fees are recorded as a nonoperating revenue.

The personal property replacement tax is recorded as revenue in the same year as collected by the Illinois Department of Revenue (see Note 3).

Property tax revenues are recognized in accordance with the requirements described in Note 4.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Investments with an original maturity of one year or more are stated at fair value. Investments with maturities of less than one year are stated at amortized cost. Investments treated as cash equivalents are stated at amortized cost.

Inventory of chemicals, repair parts, general supplies, auto supplies and automotive fuel is recorded using the "moving average" cost method.

Grants from State and Federal agencies are recorded as revenues when earned.

Sewer connection and annexation fees and capital component fees are recorded as capital contributions.

Financial instruments

The District's financial instruments that are exposed to concentration of credit risk consist primarily of its cash deposits. The District's cash deposits are placed with financial institutions with high credit rating and partial insurance coverage by the Federal Deposit Insurance Corporation.

The accounts receivable balances, reflecting the District's diversified sources of revenue, are dispersed among a broad user base. As a consequence, concentrations of credit risk are limited.

Budgeting (appropriation)

The District prepares its budget (GAAP basis) in conformity with practices prescribed or permitted by the applicable statutes of the State of Illinois. Amounts appropriated are equal to budgeted operations and maintenance amounts increased for approved capital acquisitions. As prescribed by the Statutes, the District, in its budgeting process, includes as a resource (amount available for current expenses/expenditures) a portion of the equity that has been accumulated in prior years. The District's fiscal year begins May 1 and ends on April 30. Its procedures for adopting the annual budget are composed of the following stages:

a) Department heads propose expense/expenditure estimates for the coming year. These estimates, if approved by the General Manager, become his recommendations for presentation to the Board of Trustees as the Tentative Combined Annual Budget and Appropriation Ordinance.

b) Notice is published in the newspaper that the Tentative Annual Budget and Appropriation Ordinance is available for public inspection. The Ordinance is then presented at a public hearing after thirty days has passed. The Ordinance was approved June 13, 2007.

c) Immediately after the public hearing, the Board of Trustees adopts the Ordinance in final form, and it is published to meet statutory requirements.

d) The Annual Budget and Appropriation Ordinance executory phase is performed by the General Manager and department heads, and commences May 1.

e) The Ordinance may be amended as the need arises, by the Board of Trustees in accordance with the provisions of statutes of the State of Illinois.

f) Appropriations lapse each April 30.

Fixed assets

Fixed assets, including infrastructure assets, are recorded at cost. These assets, typically, have a minimum cost of $500 and a life expectancy of more than one year. Depreciation of all exhaustible fixed assets is charged as an expense against operation. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Sewers	50 years
Equipment	7-15 years
Improvements	20 years
Vehicles	5-10 years

User charge

The District implemented a "User Charge" system on January 1, 1983. The system was developed in accordance with Public Law 92-500 which required recipients of grants from the Environmental Protection Agency to charge certain users of wastewater treatment services a proportionate share of the cost of operations and maintenance. User fee revenue is recognized at the time it is earned.

Net working capital

Net working capital was $47,250,255 at April 30, 2008.

Fund Equity

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

2. Deposits and investments

The District is authorized to invest in the following:

Savings accounts, certificates of deposit and other time accounts of commercial banks insured by the Federal Deposit Insurance Corporation.

Securities of savings and loan associations insured by the Federal Deposit Insurance Corporation.

Bonds, notes, certificate of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America.

Short term discount obligations of the Federal National Mortgage Association.

Commercial paper issued by corporations organized in the United States with assets exceeding $500,000,000.

Dividend or share accounts of a credit union insured by the National Credit Union Administration.

Repurchase agreements, as per state law not to exceed 330 days.

The Illinois Funds.

a) Deposits

At year end, the District had the following investments and deposits:

Investment Type	Carrying Amount	Bank Balance
The Illinois Funds	$ 32,331,840	$ 32,331,807
FDIC Insured	200,000	200,000
Collateralized with bank's agent		
In District's name	1,539,852	1,587,985
In bank's name	7,946,973	7,946,973
	$ 42,018,665	$ 42,066,765
Petty cash	400	
	$ 42,019,065	

Of this total, $41,115,129 is shown as a current asset and $903,936 is shown as a restricted asset.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy is to attain market rates of return on investments, consistent with constraints imposed by the safety objective, namely, the avoidance of capital losses, cash flow considerations and Illinois laws that restrict the placement of public funds. At year-end, the District's investments are in compliance with the guidelines outlined above related to interest rate risk.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District invests only in categories authorized by the Illinois Compiled Statutes and, per policy, does not make deposits or investments that exceed 75% of the net worth or capital surplus of the institutions, excepting for credit unions where the limit is 50%.

Custodial credit risk - Custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments and deposits. The District only deposits in financial institutions insured by the Federal Deposit Insurance Corporation or National Credit Union Administration. The amount of deposits or investments not insured by an agency of the federal government must be collateralized by an instrument acceptable under the Illinois Public Funds Investment Act with a market value in an amount equal to or at least 110% of the market value of the investment. All such collateral must be held by a safekeeping receipt in the District's name. Of the District's $42,018,665 on deposit at April 30, 2008, $7,946,973 was on deposit with third party collateral in the name of the financial institution rather than the District. See note 16.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy states that deposits or investments shall not exceed 75% of the net worth or capital stock and surplus of the institution excepting for credit unions which are limited to 50%. At year-end, the District is in compliance with this policy.

b) Investments

At year-end, the District's investments included $32,331,840 in the Illinois Funds. Cost approximates market for this investment. The District's investments are categorized to give an indication of the level of risk assumed at year-end. The investment in the Illinois Funds is non-categorizable, and considered a cash equivalent for the statement of cash flows. Certificates of deposit totaling $8,046,974 (included in Note 2a) are shown as investments since they had an original maturity greater than three months.

3. Personal property replacement taxes

All personal property taxes in Illinois were abolished effective January 1, 1979 and a Personal Property Replacement Tax was enacted, effective July 1, 1979. The Personal Property Replacement Tax represents an additional State of Illinois income tax for corporations (including certain utilities) and trusts, an income tax for partnerships and S corporations and a tax on the invested capital of public utilities providing gas, communications, electrical, and water services.

Revenues are collected by the State of Illinois and are allocated to the District eight times a year. The replacement tax law provides that monies received should be first applied toward payment of the proportionate amount of debt service which was previously levied against personal property for bonds outstanding as of December 31, 1978, and next applied toward payment of the proportionate share of the pension or retirement obligations which were previously levied on personal property.

4. Property taxes receivable and deferred

The District accounts for property taxes using requirements that taxes relating to the current budget be recognized as revenue currently; and a property tax assessment made during the current year for the purpose of and relating to the following fiscal period budget be recorded as receivable and the related revenue deferred to the period for which it was levied. Taxes receivable and deferred as of April 30, 2008 were from the 2007 levy dated November 14, 2007 and are summarized as follows:

Taxes receivable	$11,866,938
Less: deferred	6,040,180
Current revenue	$ 5,826,758

Property taxes attach as an enforceable lien on property on January 1 in the year that taxes are levied, and are payable in the following year in two installments (typically June 1 and September 1). Property taxes are billed and collected by the County, which, in turn remits them to the District. Payments are typically made during the period May through November with a final settlement payment during the following February.

Calendar year 2008 taxes have not been levied and are not, currently measurable. Therefore, the receivable for these taxes and the related deferred revenue have not been recorded.

5. Noncurrent receivables

a) Great Lakes Naval Training Center Agreement

In 2007, the District signed modifications to its Navy and Fort Sheridan sewerage service contracts requiring the Navy to reimburse the District for its share of previously completed capital improvement projects. With these modifications, a methodology was established for the Navy to pay its share of future capital improvement projects in a timely manner.

Capital improvement projects completed before April 30, 2006

On March 21, 2007, the District's board approved modification P00014 to its Navy Sewerage Service Contract. This amendment requires the Navy to reimburse the District $6,742,891 for its share of previously completed capital improvement projects benefiting Naval Station Great Lakes. The repayment schedule calls for monthly payments of $62,500 for the first three years of the contract, $83,330 for the next two years and $20,775 for years six through fifteen of the contract. Using an interest rate of 6%, the present value of the contract was $5,037,964 and was recorded as revenue for the year ended April 30, 2007. The first installment was billed in May, 2007 and was retroactive to October, 2006. The difference between the payment schedule and the amortization of the present value $146,423 was, also, recorded as capital component fees for the year ended April 30, 2007. For the year ended April 30, 2008, $271,805 was recorded as capital component fees.

On June 13, 2007, the District approved modification P00011 to the Fort Sheridan Sewerage Service Contract which, similarly, requires the Navy to reimburse the District $372,643 for its share of previously completed capital improvement projects benefiting Fort Sheridan. This reimbursement was recorded as revenue during the year ended April 30, 2008.

Capital improvement projects completed subsequently

For the year ended April 30, 2008, revenues were recorded to recognize estimated reimbursements due from the Navy for its share of completed projects during the years ended April 30, 2007 and 2008. Using an interest rate of 6%, the present value of this portion of the contract was $3,774,823.

Accounts receivable

At April 30, 2008, the District has a receivable balance of $8,043,515 from the Great Lakes Naval Training Center. Of this, $7,535,827 will not be received within one year and is recorded as a noncurrent receivable.

b) Commonwealth Edison

In January, 2005, the District made a deposit with Commonwealth Edison for a line extension in the amount of $276,474. Pursuant to the agreement terms, the District will receive annual credits of 25% of the delivery service charges paid to Commonwealth Edison from the line until the balance of this deposit is returned. At April 30, 2008 the District has a receivable balance of $197,481. Of this, $157,481 will not be received within one year and is recorded as a noncurrent receivable.

6. Fixed assets

A summary of changes in fixed assets follows:

	Balance May 1, 2007	Additions	Deletions	Balance April 30, 2008
COST				
Buildings	$ 179,760,592	$ 542,618	$ 121,543	$ 180,181,667
Sewers	64,001,938	4,283,711		68,285,649
Equipment	118,538,632	2,052,255	709,285	119,881,602
Improvements	37,042,309	2,562,178		39,604,487
Vehicles	1,278,114	171,096	138,434	1,310,776
Total depreciable	$ 400,621,585	$ 9,611,858	$ 969,262	$ 409,264,181
Land	$ 4,970,259			$ 4,970,259
Land improvements	3,853,729		$ 95,257	3,758,472
Construction in progress	8,081,202	$12,211,617	9,611,858	10,680,961
Total nondepreciable	$ 16,905,190	$12,211,617	$ 9,707,115	$ 19,409,692
	$ 417,526,775	$21,823,475	$10,676,377	$ 428,673,873
ACCUMULATED DEPRECIATION				
Buildings	$ 86,856,895	$ 4,439,911	$ 104,322	$ 91,192,484
Sewers	34,915,224	1,246,942		36,162,166
Equipment	71,265,561	5,884,052	496,593	76,653,020
Improvements	26,952,549	1,038,091		27,990,640
Vehicles	1,064,809	99,345	138,434	1,025,720
	$221,055,038	$12,708,341	$ 739,349	$ 233,024,030

7. Risk management

The District has purchased insurance from private insurance companies. Risks covered by commercial insurance include general liability, workers' compensation, medical and other. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years and there have been no significant reductions in insurance coverage. The District also maintains a self-insurance program for that portion of health care costs not covered by insurance. The District is liable for claims up to $100,000 per individual and aggregate claims up to $1,472,222 annually based on enrollment projections. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. Estimated unpaid claims are determined by analyzing claims paid subsequent to the end of the fiscal reporting period. These costs have been displayed as expended. Changes in the liability for claims incurred but not reported are summarized as follows:

May 1, 2007 balance	$ 83,000
Claims incurred	835,521
Less: claims paid	857,521
April 30, 2008 balance	$ 61,000

8. Changes in long-term debt

The following is a summary of long-term debt transactions of the District for the year ended April 30, 2008:

Obligation payable at May 1, 2007	$ 7,964,315
Less: Payments made during fiscal year 2008	1,246,325
Obligations payable at April 30, 2008	$ 6,717,990

The District entered into a loan agreement in April 1991 with the Illinois Environmental Protection Agency to finance the expansion of the Waukegan Wastewater Treatment Plant. The maximum amount of the loan was $22,500,000. Upon completion, a single bond payable to the Illinois Environmental Protection Agency bearing interest at 2.50% was issued under the 1991 General Obligation Bond Ordinance dated February 28, 1991. Semi-annual installments of $718,846 are due on January 1 and July 1.

Annual requirements are as follows:

Fiscal Year Ending April 30	Principal	Interest	Total
2009	$ 1,277,678	$ 160,014	$ 1,437,692
2010	1,309,819	127,873	1,437,692
2011	1,342,769	94,922	1,437,691
2012	1,376,548	61,143	1,437,691
2013	1,411,176	26,515	1,437,691
	$ 6,717,990	$ 470,467	$ 7,188,457

9. Accrued sick and vacation pay

The District accounts for unpaid sick and vacation pay (including personal time off) by accruing a liability for future sick and vacation benefits that meet the following conditions:

a) The obligation relating to employee's rights to receive compensation for future absences is attributable to employees' services already rendered.

b) The obligation relates to rights that vest or accumulate.

c) Payment of the compensation is probable.

d) The amount can be reasonably estimated.

Sick and vacation pay benefits due on April 30, 2008 totaled $592,253. Of this, $73,176 is considered not likely to be paid within one year and has been recorded as a noncurrent liability.

10. Sewage disposal agreement

The District provides sewage treatment at its Gurnee Sewage Treatment Plant to County customers legally connected to the County Northeast Central Sewerage system either before or within ten (10) years after the effective date of the agreement, or until June 11, 2013. Under the terms of the agreement the County shall pay the District the following fees for the cost of sewage treatment:

a) The flow component is billed based on actual flow at the District's lowest user charge rate for residential customers, less seven (7) percent.

b) The property component is established by multiplying the total tax rate of the District for the same tax year by a fraction, the numerator of which is the most current equalized assessed valuation of the County service area and the denominator of which is the sum of the equalized assessed valuations of the County's service area and that of the entire District.

c) The connection fee is determined by multiplying the District's capital recovery fee by 70.94%.

11. Defined Benefit Pension Plan

The District's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs-homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The District is required to contribute at an actuarially determined rate. The employer rate for calendar year 2007 was 12.95% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2007 was 25 years.

For December 31, 2007, the District's annual pension cost of $776,302 was equal to the District's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial evaluation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2007 actuarial valuation were based on the 2002 - 2004 experience study.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
12/31/07	$ 776,302	100%	-0-
12/31/06	442,591	100%	-0-
12/31/05	521,814	100%	-0-

12. Net asset reserves and restrictions

a) Reserved

The following summary details transactions as directed by the Board of Trustees in reserved net asset accounts for the year ended April 30, 2008:

	Reserved for		
	Additions	Replacements	Expansion
May 1, 2007 balance	$ 3,279,384		$ 12,853,574
Additions:			
Lake County Public Works - Capital Fees			282,500
Capital component fees			
Great Lakes	1,187,500		
Fort Sheridan	372,643		
Lake County Public Works service contract – Property component fee	1,222,186		
Property taxes – Capital additions component*	6,729,450		
Connection, annexation and fair capital fees			879,028
User charge – Capital component**		$ 3,501,023	
Interest on reserved monies**	205,572	22,440	564,803
Subtotal	$ 12,996,735	$ 3,523,463	$ 14,579,905
Subtractions:			
Capital outlay	$ 7,270,627	$ 3,355,335	$ 1,585,655
April 30, 2008 balance	$ 5,726,108	$ 168,128	$ 12,994,250

* Effective May 1, 1994, the pro-rata share of property taxes received which had been levied for capital additions was added to the reserve. The remaining property tax revenues were designated for the treatment of infiltration/inflow as approved by the United States Environmental Protection Agency.

** The Board has designated that sufficient user fee monies be transferred to the reserve for replacements that, when added to interest on reserved monies, total $3,523,463. Remaining user fees are used for operations.

Accounts payable include the following amounts to be paid from reserved funds:

Additions	$ 1,069,877
Replacements	636,217
Expansion	127,941
	$ 1,834,035

b) Restricted

Property tax receipts accumulated to make debt retirement payments on the 1991 bond issue are considered to be assets restricted by enabling legislation. The May 1, 2007 cash balance of $860,368 was increased by property tax collections of $1,481,259 and decreased by bond and interest payments of $1,437,691 resulting in an ending balance of $903,936. Debt retirement payments are made from these funds first and from unrestricted funds only when restricted funds are not available.

13. Contractual commitments

a) At April 30, 2008, the District had the following major contractual obligations outstanding:

	Project	Contract Amount	Amount Completed April 30, 2008	Amount Remaining
Rawson Contractors	Clavey Air Line/ Pump Station #6 PS-6	$ 1,291,000	$ 190,000	$ 1,101,000
Keno & Sons	Lake Forest Pump Station PS-7	8,274,819	6,979,224	1,295,595
Pieper Electric	Pump Drive Replacements	1,080,000	737,000	343,000
		$10,645,819	$ 7,906,224	$ 2,739,595

Commitments in excess of reserved amounts will be funded from unreserved amounts and future revenues.

b) On June 11, 2003, the District signed an amendment to a real estate contract wherein it agreed to sell part of its landfill property to the City of Zion. Under the agreement, the City agrees to incrementally buy 411 acres from the District at a cost of $46,683 per acre, or a total of $19,186,713. These incremental purchases should, basically occur on or before May 1, 2023. As part of the agreement, the District has agreed to provide sanitary sewer service to the proposed development. Since that time the two parties have amended the agreement to allow the City to make improvements on a portion of the land. Upon sale, the District would receive the same amount of money but there would be fewer acres sold at a higher price per acre. On May 14, 2008, the Board approved an ordinance authorizing the sale of 8 acres to the City of Zion for $550,310.

c) Effective April 5, 2005, Lafarge North America, Inc. has agreed to pay the District for the use of an excavated cell at the landfill property. The District receives a facility fee of $250,000 per year for the use of the facility. This agreement is set to expire January, 2015, but can be terminated earlier under certain specific conditions.

d) The District has signed an agreement wherein Minergy will operate the sludge recycling facility on a cost reimbursement basis for a period of three years ending April 3, 2009. Under the terms of the agreement, generally, Minergy will be responsible for operations and mechanical maintenance while the District will be responsible for electrical maintenance and automation.

14. Contingencies

a) The District is continuing its studies of its sewers to determine the extent of repairs, which may be needed. The District is unable to determine the magnitude of repair costs which may be disclosed from these studies.

b) A consent order was issued in 2001 related to the unpermitted discharge of treated effluent to Lake Michigan during the investigation and repair of the F3 forcemain rupture. Pursuant to this order, the District implemented a plan to mitigate future ruptures. This plan includes the testing of the entire forcemain every five years to determine the need for repair or replacement of any weakened sections. Testing of this forcemain has begun, however the District is unable to estimate the cost of any needed repairs until the ultimate condition assessment results are available.

c) State and federal laws require the District to perform certain maintenance and monitoring functions at the Zion Township landfill site for thirty years after closure. The District reported a portion of estimated closure and postclosure costs as operating expenses in each period that the landfill was used until it closed the landfill in April, 2005. Since that time, payments totaling $688,431 have been charged against the accrued liability leaving $162,029 as the landfill closure and postclosure care liability at April 30, 2008. This represents the balance of landfill closure and post closure costs remaining to be paid and is based on current estimates. Actual cost may be higher due to inflation, changes in technology and/or changes in regulations and will be funded from future revenues.

15. Post employment benefits

The District provides COBRA health benefits to all prior employees as required by federal law. The Agency also provides health benefits to all retirees as required by state statutes (IMRF). In both cases, the prior employee/retiree pays 100 percent of the premium.

16. Subsequent events

On October 3, 2008, President George W. Bush signed the Emergency Economic Stabilization Act of 2008, which temporarily raised the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. The temporary increase in deposit insurance became effective upon the President's signature. The legislation provides that the basic insurance limit will return to $100,000 after December 31, 2009. For statement purposes, the FDIC limit in effect on April 30, 2008 was reported. See note 2.

Required Supplementary Information - IMRF

NORTH SHORE SANITARY DISTRICT
ILLINOIS MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
APRIL 30, 2008

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)
12/31/2007	$19,715,722	$ 21,071,765	$ 1,356,043	93.56%	$5,994,608	22.62%
12/31/2006	18,821,418	20,729,978	1,908,560	90.79%	5,674,247	33.64%
12/31/2005	17,064,541	19,309,371	2,244,830	88.37%	5,909,553	37.99%
12/31/2004	21,979,541	21,117,667	(861,874)	104.08%	5,833,451	-14.77%
12/31/2003	21,506,989	21,253,066	(253,923)	101.19%	6,327,977	-4.01%
12/31/02	21,501,321	17,748,815	(3,752,506)	121.14%	5,731,708	-65.47%

On a market value basis, the actuarial value of assets at December 31, 2007 is $21,411,745. On a market basis, the funded ratio would be 101.61%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2007 were based on the 2002-2004 Experience Study. The principal changes were:

- The 1994 Group Annuity Mortality was implemented.
- For Regular members, fewer normal and more early retirements are expected to occur.

NORTH SHORE SANITARY DISTRICT
ILLINOIS MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTAL INFORMATION
TREND INFORMATION
APRIL 30, 2008

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	$ 776,302	100%	-0-
12/31/06	442,591	100%	-0-
12/31/05	521,814	100%	-0-
12/31/04	84,002	100%	-0-
12/31/03	62,647	100%	-0-
12/31/02	59,037	100%	-0-

Supplementary Financial Schedules

NORTH SHORE SANITARY DISTRICT
COMPARATIVE SCHEDULES OF NET ASSETS
APRIL 30, 2008 AND 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash	$ 1,640,251	$ 2,812,624
Investments	39,474,878	42,197,171
	$ 41,115,129	$ 45,009,795
Receivables		
Property taxes receivable	$ 11,866,938	$ 11,572,340
Replacement taxes receivable	641,192	564,051
Accrued interest receivable	49,602	206,409
Great Lakes capital component fees	507,689	915,695
Accounts receivable	984,479	1,659,274
User fees receivable		
Billed and currently collectible, net of $35,827 allowance for bad debts ($50,049 -2007)	1,221,114	1,282,306
Unbilled (estimated)	2,066,067	2,174,706
Total receivables	$ 17,337,081	$ 18,374,781
Inventories	2,186,415	2,175,577
Prepaid expenses	263,936	139,291
Total current assets	$ 60,902,561	$ 65,699,444
RESTRICTED ASSETS		
Investments	$ 903,936	$ 860,368
Total restricted assets	$ 903,936	$ 860,368
PROPERTY PLANT AND EQUIPMENT		
Net of $ 233,024,030 accumulated depreciation ($221,055,038 - 2007)	$ 195,649,843	$ 196,471,737
NONCURRENT ACCOUNT RECEIVABLE	$ 7,693,308	$ 4,455,671
Total assets	$ 265,149,648	$ 267,487,220