NORTH SHORE SANITARY DISTRICT
Lake County, Illinois

ANNUAL FINANCIAL REPORT

YEAR ENDED APRIL 30, 2010

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INDEPENDENT AUDITOR'S REPORT

November 19, 2010

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, 2010 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, 2010, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the index be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information with consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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.

Swaytrauber & Co.

Certified Public Accountants

Management's Discussion and Analysis
(Required Supplementary Information)

North Shore Sanitary District
FY10 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: FY10 to FY09

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 4/30/10	Yr. End 4/30/09	$ Incr (Decr)	% Incr (Decr)
Capital Assets	$181,601,822	$189,128,430	($7,526,608)	-4.0%
Other Assets	$63,335,926	$67,905,953	($4,570,027)	-6.7%
Total Assets	**$244,937,748**	**$257,034,383**	**($12,096,635)**	**-4.7%**
Current Liabilities	$11,688,683	$11,131,303	$557,380	5.0%
Noncurrent Liabilities	$2,912,536	$4,378,071	($1,465,535)	-33.5%
Total Liabilities	**$14,601,219**	**$15,509,374**	**($908,155)**	**-5.9%**
Invested in Capital Assets Net of Related Debt	$176,705,238	$183,260,805	($6,555,567)	-3.6%
Restricted Assets	$1,048,742	$949,612	$99,130	10.4%
Unrestricted Assets	$52,582,549	$57,314,592	($4,732,043)	-8.3%
Total Net Assets	**$230,336,529**	**$241,525,009**	**($11,188,480)**	**-4.6%**

Capital assets decreased, with depreciation exceeding capital outlay and reflecting asset write-downs related to the discontinuation of the vitrification process. The slight decrease in liabilities results from the retirement of $1.3 million of debt. Restricted assets represent legal restrictions for bond payments. Net assets decreased by $11.2 million however, the District's current ratio remains strong at more than 5:1 and current assets exceed current liabilities by more than $48 million.

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

	Yr. End 4/30/10	Yr. End 4/30/09	$ Incr (Decr)	% Incr (Decr)
Operating Revenues	$14,193,420	$14,296,086	($102,666)	-0.7%
Nonoperating Revenues	$15,304,715	$17,720,022	($2,415,307)	-13.6%
Total Revenues	**$29,498,135**	**$32,016,108**	**($2,517,973)**	**-7.9%**
Depreciation Expense	$11,944,290	$12,361,476	($417,186)	-3.4%
Other Operating Expense	$25,007,896	$24,659,687	$348,209	1.4%
Nonoperating Expense	$371,762	$176,765	$194,997	110.3%
Total Expenses	**$37,323,948**	**$37,197,928**	**$126,020**	**0.3%**
Income (Loss) Before Capital Contributions	($7,825,813)	($5,181,820)	($2,643,993)	-51.0%
Capital Contributions	$1,571,509	$827,804	$743,705	89.8%
Extraordinary Item	($5,286,615)	$0	($5,286,615)	N/A
Changes in Net Assets	**($11,540,919)**	**($4,354,016)**	**($7,186,903)**	**165.1%**
Beginning Net Assets	$241,525,009	$245,879,025	($4,354,016)	-1.8%
Accounting Principle Change	$352,439	$0	$352,439	N/A
Ending Net Assets	**$230,336,529**	**$241,525,009**	**($11,188,480)**	**-4.6%**

Revenues continued to slump, down over $2.5 million (8%). Drops of over $0.5 million in both replacement taxes and interest income due to the economic downturn were anticipated and budgeted appropriately. A one-time contractor settlement of $1.5 million during FY09 inflated the year-over-year decline. Operating expenses increased slightly (1.4%), with natural gas savings of over $0.4 million trumped by jumps in employee benefit costs (>$0.4 million) and repairs (>$0.3 million). Capital contributions rebounded slightly, as connection, annexation and County capital fees reversed their prolonged slide, from $2.9 million in FY06 to $0.5 million in FY09, and approached $0.7 million in FY10. However, it does not appear, at this time, that this slight bump represents a recovery or forecasts a return to more aggressive development activity. Capital contributions also increased due to recognition of about $0.6 million more in Navy capital component fees in FY10 than during FY09. These capital component fees are paid by the Navy pursuant to their agreement to reimburse NSSD capital improvement projects that benefit the Great Lakes Naval Base and Fort Sheridan.

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

	FY10 Budget	FY10 Actual	Variance
REVENUES			
Operating Revenues	$14,613,092	$14,193,420	($419,672)
Nonoperating Revenues	$15,057,598	$15,304,715	$247,117
Total Revenues	**$29,670,690**	**$29,498,135**	**($172,555)**
EXPENSES			
Personal Services	$9,677,275	$9,865,075	($187,800)
Supplies & Repairs	$2,739,460	$2,996,761	($257,301)
Utilities	$8,641,270	$7,939,072	$702,198
Other Services & Charges	$4,590,115	$4,206,988	$383,127
Depreciation	$0	$11,944,290	($11,944,290)
Total Operating Expenses	$25,648,120	$36,952,186	($11,304,066)
Nonoperating Expenses	$0	$371,762	($371,762)
Total Expenses	**$25,648,120**	**$37,323,948**	**($11,675,828)**
Income (Loss) Before Capital Contributions	$4,022,570	($7,825,813)	($11,848,383)
Capital Contributions	$950,761	$1,571,509	$620,748
Extraordinary Item	$0	($5,286,615)	($5,286,615)
Change in Net Assets	$4,973,331	($11,540,919)	($16,514,250)

REVENUES
The variance in operating revenues was due to historically weak user charge revenue $425k (4%) less than budgeted. Actual FY10 user charge revenue of about $9.2 million is $350k less than FY09, which until this year was the lowest realized in at least 20 years.

EXPENSES
Actual FY10 operation and maintenance expenses prior to depreciation increased by $350k or 1.4% from FY09 but were less than budgeted by $640k or 2.5%. Salaries were less than during FY09 and $230k lower than FY10 budget in part due to the elimination of three positions during the year. Employee insurances were $500k over budget as a result of an extremely bad year for medical claims. Chemical usage and expense was less than during the previous fiscal year and $130k under budget, reflecting operational changes and lower flow processed by the District's facilities. Repairs were $330k over budget due to unplanned additional work necessary at the Gurnee STP and the SRF. Electricity came in about $250k under budget, as its usage is also correlative to total flow processed. Natural gas remained a pleasant surprise as market prices continued to be depressed during the fiscal year. As a result, actual natural gas expenditures were $490k under budget and $445k less than during FY09.

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 4/30/10	Yr. End 4/30/09	$ Incr (Decr)	% Incr (Decr)
Buildings	$187,421,253	$180,180,927	$7,240,326	4.0%
Sewers	$68,485,859	$68,421,663	$64,196	0.1%
Equipment	$115,537,521	$120,995,027	($5,457,506)	-4.5%
Improvements	$43,007,119	$40,556,065	$2,451,054	6.0%
Vehicles	$1,682,042	$1,688,019	($5,977)	-0.4%
Land	$4,888,120	$4,888,120	$0	0.0%
Land Improvements	$3,866,672	$3,758,472	$108,200	2.9%
Assets not in Service	$271,407	$0	$271,407	N/A
Construction in Progress	$10,804,367	$13,339,576	($2,535,209)	-19.0%
Total Capital Assets at Cost	$435,964,360	$433,827,869	$2,136,491	0.5%
Less: Accumulated Depreciation	$254,362,538	$244,347,000	$10,015,538	4.1%
Net Capital Assets	**$181,601,822**	**$189,480,869**	**($7,879,047)**	**-4.2%**

Buildings increased following the capitalization of the retention basin at the Lake Forest Pumping Station. Equipment decreased following the write-downs of items associated with the discontinued vitrification process. Accumulated depreciation increased by more than $10 million during the period. Net capital assets decreased by almost $8 million. Significant projects to be capitalized in the next fiscal year (FY11) include the sewage screening improvements that have been completed at each of the three plants for more than $6 million and the $1.2 million Odor Control project for the Lake Bluff (PS-6) and Winthrop Harbor (PS-1) pumping stations.

The District's 5-year capital improvement plan provides for major expenditures of over $16 million in FY11. However, the scope/schedule has changed for a few of the major projects and, as a result, actual FY11 expenditures will likely be significantly less than budget.

As of April 30, 2010, the District has $4,130,494 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 $1,309,819. Pursuant to 70 ILCS 2305/9, the District's statutory debt limitation is 5.75% of EAV. Based upon 2009 EAV of $10,001,731,040 the District's legal debt margin is $570,969,041. Note that this figure slipped 2% from the previous fiscal year due to decreasing property values translating to a $240 million drop in EAV. 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 previously mentioned, 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 $16 million in FY11 but, as a result of schedule changes and project revisions, actual capital expenditures during the fiscal year will likely be far less than originally budgeted.

The Environmental Protection Agency has for many years warned of impending regulations regarding nutrient discharges and sanitary sewer overflows that will have a dramatic financial impact on wastewater treatment entities such as the District. Should such standards eventually be implemented, in a format similar to what is currently being forecast, the District will be required to undertake significant and costly construction projects to achieve compliance. However, these potential standards continue to be a moving target and entities are left with little choice but to wait until an ultimate outcome is determined.

Management and represented employees negotiated a new collective bargaining agreement for the period of May 2010 through April 2015. This agreement provides for long-term workplace stability and cost certainty. The District also extended its contract with Donohue & Associates for the operation and maintenance of its sludge recycling facility through November 2014.

Energy continues to comprise a significant use of District funds. Even with natural gas prices depressed for the entire fiscal year, electricity and natural gas still accounted for over $7.5 million or 30% of total O&M expenditures, excluding depreciation (vs. FY09 of $8.1 million or 33%). The District's five-year, fixed-price electricity procurement agreement expires in April 2011 and the District is currently evaluating its options to hedge future years and eliminate the risk inherent in that market, to the extent possible. However, the District is unable to establish fixed pricing for either PJM (the regional transmission organization) or ComEd (the local utility) charges, and those costs continue to climb, seemingly unabated. The District has historically "beaten the market" by floating natural gas and paying the monthly index settlement prices. However, the District's exposure to natural gas prices has risen in recent years as its consumption has increased twofold. Accordingly, in addition to seeking renewable fuel alternatives, the District continues to monitor natural gas markets for a potentially attractive "lock-in" point.

The Illinois Municipal Retirement Fund (IMRF), along with almost every pension fund in the country, experienced miserable investment returns during 2008. IMRF offered each participating employer the option of paying a lower contribution rate than required, thus deferring a significant portion of their obligation into future years. The District rejected this approach and continued to pay the annual required contribution. This decision was validated as, combined with strong investment returns during 2009, the District's actuarial funded ratio bumped from 69% up to 71% and its market funded ratio jumped from 44% all the way to 68%. The District intends to continue fully funding its pension obligations in the future however, it is expected that the effects of the 2008 financial crisis will take many years to fully overcome. It should be noted that this exposure should become lessened over time, as the State of Illinois enacted pension reforms that dramatically lessen IMRF pension benefits for all new hires beginning in January, 2011.

Basic Financial Statements

NORTH SHORE SANITARY DISTRICT
STATEMENT OF NET ASSETS
APRIL 30, 2010

ASSETS

CURRENT ASSETS	
Cash	$ 1,848,397
Investments	34,600,663
	$ 36,449,060
Receivables	
Property taxes receivable	$ 12,399,193
Replacement taxes receivable	354,902
Great Lakes capital component fees	3,904,288
Accounts receivable	832,567
User fees receivable	
Billed and currently collectible, net of $23,422 allowance for bad debts	1,504,618
Unbilled (estimated)	1,986,284
Total receivables	$ 20,981,852
Inventories	2,390,632
Prepaid expenses	136,253
Total current assets	$ 59,957,797
RESTRICTED ASSETS	
Investments	$ 1,048,742
Total restricted assets	$ 1,048,742
PROPERTY PLANT AND EQUIPMENT	
Net of $254,362,538 accumulated depreciation	$ 181,601,822
NONCURRENT ACCOUNTS RECEIVABLE	$ 2,329,387
Total assets	$ 244,937,748

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

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	$	3,293,853
Accrued expenses		
Accrued payroll	$	91,378
Accrued interest		33,949
Accrued sick and vacation pay/personal time		536,230
Total accrued expenses	$	661,557
Current portion - long-term debt	$	1,342,769
- landfill closure/postclosure costs		98,086
Deferred revenue - property taxes		6,292,418
Total current liabilities	$	11,688,683
NONCURRENT LIABILITIES		
Long-term debt	$	4,130,494
Less: current portion		(1,342,769)
	$	2,787,725
Accrued sick pay		112,662
Landfill closure/postclosure costs		10,175
Other post employment benefits payable		1,974
Total noncurrent liabilities	$	2,912,536
Total liabilities	$	14,601,219

NET ASSETS

Invested in capital assets, net of related debt	$	176,705,238
Restricted		1,048,742
Unrestricted		52,582,549
Total net assets	$	230,336,529

NORTH SHORE SANITARY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2010

OPERATING REVENUES	
General user charge	$ 9,161,351
Sewage treatment contracts	4,489,256
Sulfate fees	357,541
Laboratory analytical fees	175,916
Sewer inspection fees	1,450
Miscellaneous	7,906
Total operating revenues	$ 14,193,420
OPERATING EXPENSES	
Salaries	$ 6,277,251
Employee benefits	3,587,824
Process chemicals	879,445
Repairs	1,449,632
Supplies	586,112
Vehicle expense	83,231
Miscellaneous safety improvements	8,004
Utilities	7,939,072
Contractual and professional services	3,653,780
Property and liability insurance	576,597
Consulting and engineering	40,761
Other	(73,813)
Subtotal	$ 25,007,896
Depreciation	11,944,290
Total operating expenses	$ 36,952,186
OPERATING (LOSS) forwarded	$ (22,758,766)

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

NORTH SHORE SANITARY DISTRICT
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED APRIL 30, 2010

OPERATING (LOSS) brought forward		$ (22,758,766)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	$ 12,387,086	
Replacement taxes	2,512,048	
Interest income	63,689	
Lafarge facilities use agreement	36,600	
Electricity curtailment revenue	229,158	
Interest expense	(117,107)	
Miscellaneous	76,134	
Gain (loss) on disposition of assets	(254,655)	
Net nonoperating revenues		$ 14,932,953
NET INCOME BEFORE CAPITAL CONTRIBUTIONS		$ (7,825,813)
CAPITAL CONTRIBUTIONS		1,571,509
EXTRAORDINARY ITEM - See Note 17		(5,286,615)
Change in net assets		$ (11,540,919)
NET ASSETS, BEGINNING		241,525,009
ACCOUNTING PRINCIPLE CHANGE - See Note 18		352,439
NET ASSETS, ENDING		$ 230,336,529

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

NORTH SHORE SANITARY DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 14,061,112
Cash paid to suppliers for goods and services	(18,224,590)
Cash paid to employees for services	(6,721,098)
Net cash provided from (used in) operating activities	$ (10,884,576)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Real estate taxes received	$ 12,361,480
Personal property replacement taxes received	2,734,469
Other nonoperating receipts	341,892
Net cash provided from (used in) noncapital financing activities	$ 15,437,841
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	$ 3,003,296
Interest paid on debt	(127,873)
Acquisition of fixed assets	(9,462,709)
Principal payments on debt	(1,309,819)
Net cash provided from (used in) capital and related financing activities	$ (7,897,105)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	$ 63,689
Net cash provided from (used in) investing activities	$ 63,689
Net increase (decrease) in cash	$ (3,280,151)
CASH BALANCE, BEGINNING	40,777,953
CASH BALANCE, ENDING	$ 37,497,802
CASH RECONCILIATION	
Cash	$ 1,848,397
Illinois Metropolitan Investment Fund	25,102,723
Investments - Illinois Funds (current and restricted)	10,546,682
	$ 37,497,802

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, 2010

RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES

Net operating income (loss)	$(22,758,766)
Depreciation	11,944,290
Net (increase) decrease in receivables	(132,308)
Net (increase) decrease in inventory	(37,088)
Net (increase) decrease in prepaid expenses	12,971
Net increase (decrease) in payables	86,325
	$(10,884,576)

Supplemental data

No cash receipts or payments were involved with the recorded extraordinary event (impairment loss) of $5,286,615 reported. See Note 17.

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

NORTH SHORE SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2010

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 (as incorporated in the Accounting Standards Codification) 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 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 natural gas, chemicals, repair parts, general supplies, auto supplies and automotive fuel is recorded using the "moving average" cost method. The natural gas inventory is shown as a prepaid item.

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 10, 2009.

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 $2,000 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 $48,269,114 at April 30, 2010.

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. (Not permitted by District's investment policy adopted May 12, 2010. See Note 16).

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.

The Illinois Metropolitan Investment Fund.

a) Deposits

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

Investment Type	Carrying Amount	Bank Balance
IL Metropolitan Investment Fund	$ 25,102,723	$ 25,102,723
The Illinois Funds	10,546,681	10,546,529
FDIC Insured	250,000	250,000
Collateralized with bank's agent in District's name	1,597,998	1,713,313
	$ 37,497,402	$ 37,612,565
Petty cash	400	
	$ 37,497,802	

Of this total, $36,449,060 is shown as a current asset and $1,048,742 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 which include, but are not limited to certificates of deposit, money market accounts, the Illinois Funds, the Illinois Metropolitan Investment Fund and Treasury bills. At year-end, the District's investments are in compliance with its policy.

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 specific instruments allowable 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 third party safekeeping institution that protects the District's interests. At year-end, the District's investments are in compliance with these guidelines.

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 $10,546,681 in the Illinois Funds and $25,102,723 in the Illinois Metropolitan Investment Fund. The Illinois Funds Money Market Fund is a money market fund created in 1975 by the Illinois General Assembly. The monies invested by participants are pooled together and invested in U.S. Treasury bills and notes backed by full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements. 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. The Illinois Metropolitan Investment Fund offers money market accounts, certificates of deposit, commercial paper and government securities. Money market accounts market value is the original cost. Deposit insurance is carried in the depositor's name.

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, 2010 were from the 2009 levy dated December 7, 2009 and are summarized as follows:

Taxes receivable	$12,399,193
Less: deferred	6,292,418
Current revenue	$ 6,106,775

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 2010 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.

On March 21, 2007, the District's board approved modification P00014 to its Navy Sewerage Service Contract. This amendment required the Navy to reimburse the District for its share of capital improvement projects (completed through April 30, 2006 benefiting Naval Station Great Lakes) over a period of 15 years. Using an interest rate of 6%, the present value of the contract was recorded as capital component fees during the year ended April 30, 2007. The difference between the payment schedule and the amortization of the present value has been recorded as capital component fees since that time.

For applicable capital improvement projects since April 30, 2006, similar annual present value computations have been recorded. The Navy will start reimbursements to the District at the completion of each subsequent three year period. Payments over 36 month periods commence the following October.

On September 9, 2009, the District's board approved modification P00015 to its Navy Sewerage Contract. The Navy had requested that payments for year 4 and 5 of the original repayment schedule be expedited. A lump sum payment of $1,999,920 was received by the District in September, 2009. Due to this accelerated payment schedule, the present values originally calculated required adjustment.

Contract modification P00016 to this contract was approved by the Board on August 11, 2010 and addressed reimbursement for the first three year period (2007-2009). The modification calls for a lump sum payment of $3,500,000 in October, 2010 and twelve monthly payments starting October 1, 2011. Original present value calculations had considered monthly payments over a 36 month period and, therefore, had to be adjusted.

Contract amendment P00012 to the Navy's Fort Sheridan contract was approved by the Board on September 8, 2010 for the first three year period. Since this amendment called for an upfront payment of $179,991 in lieu of payments over a 36 month period, present value calculations were adjusted.

In addition to these modifications, there are amounts deemed reimbursable from projects by the District which were not included in contract amendments. After consideration for reasonably expected adjustments, the District has recorded present values for these amounts from the 2007-2009 period with the assumption that payments will start October, 2013.

A summary of the amount receivable from Great Lakes for the year ended April 30, 2010 is as follows:

	Through 2006	2007-2009	2010	Total
May 1, 2009 balance	$ 3,761,004	$3,825,969		$7,586,973
Plus: current projects*			$106,884	106,884
Less: cash collected	2,312,420			2,312,420
Subtotal	$ 1,448,584	$3,825,969	$106,884	$5,381,437
Present value adjust.*	220,675	553,075		773,750
April 30, 2010**	$ 1,669,259	$4,379,044	$106,884	$6,155,187

* recorded as revenue

** $2,250,899 of receivable is noncurrent

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, 2010 the District has a receivable balance of $118,489. Of this, $78,488 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, 2009	Additions	Deletions*	Balance April 30, 2010
COST				
Buildings	$ 180,180,927	$ 7,240,326		$ 187,421,253
Sewers	68,421,663	64,196		68,485,859
Equipment	120,995,027	2,414,565	$ 7,872,071	115,537,521
Improvements	40,556,065	2,451,054		43,007,119
Vehicles	1,688,019	69,120	75,097	1,682,042
Total depreciable	$ 411,841,701	$12,239,261	$ 7,947,168	$ 416,133,794
Land	$ 4,888,120			$ 4,888,120
Land improvements	3,758,472	$ 108,200		3,866,672
Assets not in service*		271,407		271,407
Construction in progress **	13,339,576	9,872,253	$12,407,462	10,804,367
Total nondepreciable	$ 21,986,168	$10,251,860	$12,407,462	$ 19,830,566
	$ 433,827,869	$22,491,121	$20,354,630	$ 435,964,360
ACCUMULATED DEPRECIATION				
Buildings	$ 95,637,453	$ 4,539,038		$ 100,176,491
Sewers	37,465,231	1,312,835		38,778,066
Equipment	81,126,220	4,972,195	$ 1,855,479	84,242,936
Improvements	28,979,239	997,986		29,977,225
Vehicles	1,138,857	122,236	73,273	1,187,820
	$ 244,347,000	$11,944,290	$ 1,928,752	$ 254,362,538

* Includes adjustment for impaired assets from vitrification process. See Note 17.
* * Restated for LIMS system costs. See Note 18

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 $1,370,685 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, 2009 balance	$ 112,000
Claims incurred	1,371,405
Less: claims paid	1,398,405
April 30, 2010 balance	$ 85,000

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, 2010:

Obligation payable at May 1, 2009	$ 5,440,313
Less: Payments made during fiscal year 2010	1,309,819
Obligations payable at April 30, 2010	$ 4,130,494

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
2011	$ 1,342,769	$ 94,922	$ 1,437,691
2012	1,376,548	61,143	1,437,691
2013	1,411,177	26,515	1,437,692
	$ 4,130,494	$ 182,580	$ 4,313,074

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, 2010 totaled $648,892. Of this, $112,662 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

Plan description - The District's defined benefit pension plan provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The plan is affiliated with the Illinois Municipal Retirement Fund (IMRF) which is an agent multiple employer pension plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on line at *www.imrf.org*.

Funding policy - As set by statute, plan members are required to contribute 4.50% of their annual covered salary. The statutes require the District to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 11.75% of annual covered payroll. The District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual pension cost – For 2009, the District's annual pension cost of $773,434 for the plan was equal to its required and actual contributions.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
12/31/09	$ 773,434	100%	-0-
12/31/08	791,639	100%	-0-
12/31/07	776,302	100%	-0-

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial evaluation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% 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 between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability is being amortized on a level percentage of projected payrolls on a closed basis. The remaining amortization period at the December 31, 2007 valuation was 23 years.

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the plan was 70.79% funded. The actuarial accrued liability for benefits was $24,784,468 and the actuarial value of assets was $17,545,098, resulting in an under funded actuarial accrued liability (UAAL) of $7,239,370. The covered payroll (annual payroll of active employees covered by the plan) was $6,582,420 and the ratio of the UAAL to the covered payroll was 110 percent. In conjunction with the December, 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

See Note 16 for additional comments regarding changes to the District's plan.

12. Other Post Employment Benefits (OPEB)

Plan Description and Funding Policy -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. Implicit costs arise from these transactions.

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit cost (expense) is calculated based on its annual required contribution (ARC) which is an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

Annual required contribution	$ 11,418
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	$ 11,418
Contributions made	10,431
Increase (decrease) in net OPEB obligation	$ 987
Net OPEB obligation, beginning	987
Net OPEB obligation, ending	$ 1,974

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended April 30, 2010 and 2009 are as follows:

	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2009	$ 11,418	91.4%	$ 987
April 30, 2010	11,418	91.4%	1,974

This is the second year of implementation for the District.

Funding progress at April 30, 2010

Actuarial value of assets	- 0 -
Actuarial accrued liability (AAL) – entry age	$ 160,958
Unfunded AAL (UAAL)	$ 160,958
Funded ratio	0.00%
Covered payroll	$ 6,325,550
UAAL as percentage of covered payroll	2.55%

Funding Policy and Actuarial Assumptions

Contribution rates:	
District	0.18%
Plan members	0.00%
Actuarial valuation dates	April 30, 2009
Actuarial cost method	Entry Age

Amortization period	Level percentage of pay, open
Remaining amortization period	29 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	5.00%
Healthcare inflation rates	8.00% initial 6.00% ultimate
Mortality, turnover, disability retirement ages	Same rates utilized for IMRF
Percentage of active employees assumed to elect benefit	25%
Employer provided benefit	Implicit: 20% of premium to age 65 50% of $435/mo. and 50% of $869/mo.)

* Includes inflation at 3%

13. Net assets committed and restricted

a) Committed

The following summary details transactions as directed by the Board of Trustees in committed net asset accounts for the year ended April 30, 2010:

	Committed for		
	Additions	Replacements	Expansion
May 1, 2009 balance	$ 11,775,310	$ 933,532	$ 13,702,137
Additions:			
Capital component fees Great Lakes	2,374,920		
Lake County Public Works service contract – Property component fee	1,322,875		
Property taxes – Capital additions component*	7,230,873		
Connection, annexation and fair capital fees			690,875
User charge – Capital component**		4,332,400	
Interest on reserved monies**	22,471	2,681	20,972
Subtotal	$ 22,726,449	$ 5,268,613	$ 14,413,984
Subtractions:			
Capital outlay	$ 7,704,950	$ 2,099,685	
April 30, 2010 balance	$ 15,021,499	$ 3,168,928	$ 14,413,984