LAKE COUNTY PUBLIC WORKS DEPARTMENT WATERWORKS AND SEWERAGE SYSTEMS FUND

An Enterprise Fund of Lake County, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

November 30, 2010 and 2009

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

An Enterprise Fund of Lake County, Illinois

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November 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Public Works Committee
Lake County Public Works Department
Waterworks and Sewerage Systems Fund
Libertyville, Illinois

We have audited the statements of net assets of Lake County Public Works Department, Waterworks and Sewerage Systems Fund (department), an enterprise fund of Lake County, Illinois, as of November 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Lake County Public Works Department, Waterworks and Sewerage Systems Fund, an enterprise fund of Lake County, Illinois, and are not intended to present fairly the financial position of Lake County, Illinois, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake County Public Works Department, Waterworks and Sewerage Systems Fund as of November 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 and other required supplementary information as listed in the table of contents is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Public Works Committee
Lake County Public Works Department

Our audits were conducted for the purpose of forming opinions on the financial statements. The supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
May 20, 2011

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2010, 2009 and 2008
(UNAUDITED)

The Management's Discussion and Analysis (MD&A) provides users of the Lake County Public Works Department's (department) financial statements an analytical overview of the department's financial position for the fiscal years ended November 30, 2010, 2009 and 2008. The users are encouraged to consider the information presented here in conjunction with additional information furnished in the Lake County Public Works Department's financial statements.

FINANCIAL HIGHLIGHTS

- The department operation provided funds sufficient to meet the required reserve transfers for fiscal year 2010 and also allowed an additional transfer of $10.0 million to the Depreciation, Extension and Improvement Account. Total funds transferred in accordance with the bond ordinance during fiscal year 2010 were $14.3 million.
- In 2010 the department invested $12.0 million in property, plant and equipment. The additions were primarily for continuing expansions of wastewater treatment plant, replacement of water mains, rehabilitation of sanitary sewer lines and improvement of lift stations.
- The department's operating revenues increased by $2.2 million or 6.1% to $38.5 million for fiscal year 2010, compared to $36.2 for fiscal year 2009, at the same time the operating expenses excluding depreciation expenses, increased by $0.9 million dollars or 3.35%. During economic recovery in fiscal year 2010, the department was still able to collect $0.7 million or 30.8% more in connection fee revenue due to growth in the commercial sectors than the year before.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the department's financial performance for the fiscal years ended November 30, 2010, 2009 and 2008.

The Public Works Department is considered an enterprise fund of Lake County, Illinois that provides water and sewerage services to various communities within the county. This business-type activity is intended to recover all or a significant portion of its operating cost and required contribution to reserve accounts through user fees and charges. The Public Works and Transportation Committee of Lake County establishes rates and service rules managed by the Public Works Department. Accounting records are maintained in accordance with the Governmental Accounting Standards.

The Statement of Net Assets includes all of the department's assets and liabilities and provides information about the nature and the amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the department. In the following Table 1, this statement has been condensed for analysis purposes. Please review the financial statements section in order to review details of this statement.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Table 1
Condensed Statement of Net Assets

	2010	2009	2008	Amount Change	% Change
Current and Other Assets	$ 107,872,004	$ 87,776,781	$ 78,529,761	20,095,223	22.89%
Capital Assets	211,588,438	199,666,891	201,280,157	11,921,547	5.97%
Total Assets	319,460,442	287,443,672	279,809,918	32,016,770	11.14%
Long-term Debt Outstanding	67,269,471	50,018,849	51,835,033	17,250,622	34.49%
Other Liabilities	7,680,200	6,161,783	5,610,563	1,518,417	24.64%
Total Liabilities	74,949,671	56,180,632	57,445,596	18,769,039	33.41%
Invested in Capital Assets, Net of Related Debt	181,722,143	174,174,863	170,704,159	7,547,280	4.33%
- Restricted Net Assets	42,538,776	36,476,734	32,580,303	6,062,042	12.00%
- Unrestricted	20,249,852	20,611,443	19,079,860	(361,591)	-1.75%
Total Net Assets	$ 244,510,771	$ 231,263,040	$ 222,364,322	$ 13,247,731	5.73%

The department's total net assets are $244,510,771 as of November 30, 2010, and represent the amount of assets exceeding liabilities. The largest portion of the net assets total, $181,722,143 is made up of capital assets, net of related debt. This represents the cost of the department's capital assets used to provide services to the customers net of the debt related to these assets. These assets include land, buildings, equipment and water and sewerage systems and they are not available for the department's future solvency needs. Restricted net assets total $42,538,776 and represent resources that are subject to bond ordinance covenants as to how they may be spent. Included in this total are net assets that are restricted for the future payment of debt and construction projects. Unrestricted net assets of $20,249,852 represent the remaining balance that may be used to pay for the department's day-to-day operations.

Net assets invested in capital assets, net of related debt, increased by $ 7,547,280 or 4.33% in 2010. Major factors contributing to this change were the following:

- In 2010 the department has invested $12.0 million in property, plant and equipment, primarily for continuing expansions of treatment plants, replacement of water mains, and rehabilitation of sanitary sewer lines and improvement of lift stations. This investment was an increase from the previous year of $4.1 million. The department anticipates the same level or increased level of capital spending will be continuing over the next several years as management is committed to the fiscal responsibility of managing the department's capital needs and to assure preservation of

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

the long-term viability of the existing capital assets. The depreciation expenses were remained flat to $6,356,679 in fiscal year 2010, which is net result of continuing efforts of capital investment the capital assets that have became fully depreciated.

- During the current year, the department's long-term capital related debt increased by $17.2 million to $66.4 million compared to $49.2 million for the prior year. This is the result of paying off a portion of the existing debt and the issuance of 2010A First Lien Revenue Bonds in the amount of $20,000,000, to fund the replacement and expansion of various water and sewer systems and facilities.

The increase in restricted net assets of $6.0 million resulted primarily from the following:

- Net assets restricted for Depreciation, Extension and Improvement (a restricted fund for Extension and Improvement of Water and Sewerage Systems) increased by $6.5 million in 2010 as a result of a fund transfers of $10.6 million, and expenditures of $4.1 million. These assets include $14.1 million, the proceeds received from 2010A First Lien Revenue Bonds set aside for the construction of water and sewer systems and facilities.

Unrestricted net assets slightly decreased by $0.4 million or 1.75%. This decreased occurred in the unrestricted net assets during fiscal year was attributable to transferred of operating income to various restricted accounts, in accordance with the bond ordinance.

Table 2 summarizes the Statement of Revenues, Expenses, and Changes in Net Assets. This statement presents information pertaining to the department's financial performance during fiscal year 2010 and how this affects the department's net assets. In addition, it helps the user to predict the future cash flows and the financial health of the department.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2010	2009	2008	Amount Change	% Change
Operating Revenues:					
Water and sewer charges	$ 38,097,557	$ 36,011,088	$ 33,594,598	$ 2,086,469	5.79%
Miscellaneous	354,948	214,956	240,188	139,992	65.13%
Total Operating Revenues	38,452,505	36,226,044	33,834,786	2,226,461	6.15%
Operating Expenses:					
Personnel services	7,112,482	7,361,934	7,286,933	(249,452)	-3.39%
Commodities	2,146,835	1,754,809	2,150,889	392,026	22.34%
Contractual	18,474,063	17,716,610	18,044,136	757,453	4.28%
Total Expenses	27,733,380	26,833,353	27,481,958	900,027	3.35%
Operating income or (loss) before depreciation	10,719,125	9,392,691	6,352,828	1,326,434	14.12%
Depreciation expense	6,356,679	6,284,661	5,935,264	72,018	1.15%
Operating income or (loss)	4,362,446	3,108,030	417,564	1,254,416	644.32%
Non-operating income (expense):					
Property tax revenue	876,326	885,701	873,130	(9,375)	-1.06%
Interest earned	1,620,011	2,374,615	3,112,540	(754,604)	-31.78%
Miscellaneous	50,915	(40,482)	23,736	91,397	-225.77%
Interest expense	(2,467,113)	(2,454,776)	(2,599,539)	(12,337)	0.50%
Income (loss) before contributions	4,442,585	3,873,088	1,827,431	569,497	111.94%
Transfer out	-	-	(50,000)	50,000	100.00%
Capital contributions:					
Connection fees	3,136,304	2,397,228	2,245,985	739,076	30.83%
Developer contributions	5,668,842	2,628,402	1,720,037	3,040,440	52.81%
Change in net assets	13,247,731	8,898,718	5,743,453	4,349,013	54.94%
Beginning Net Assets	231,263,040	222,364,322	216,620,869	8,898,718	4.00%
Total Net Assets - Ending	$ 244,510,771	$ 231,263,040	$ 222,364,322	$ 13,247,731	4.00%

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Operating revenues totaled $38,452,505 in fiscal year 2010, up $2,226,461 from the prior year. The 6.1% increase in revenue is mainly due to increase in the wholesale sewage usage in the Southeast and Northeast Central service areas, an increase of $200K is due to the revised terms of a sewer agreement with the Village of Libertyville, and the implementation of the board approved 2007 Rate Study's final rate increases in 2010. Revenues from Connection Fees totaled $3,136,304, an increase from the prior year of $2,397,228. The increase of 30.8% was largely contributed from the commercial developments in fiscal year 2010. In addition, interest earnings on investments continue to decrease by $754,604 or 31.8% in the current year from previous year, due to decrease in interest rate during fiscal year.

Total operating expenses before depreciation during fiscal year 2010 were $27,733,382. Even though the personnel services costs decreased by $249k or 3.4% from the prior year, the total operating expenses represents a net increase of $900,029 or 3.3% from the fiscal year 2009. Factors contributing to this net change were the following.

- Commodities costs, which include non-capitalized system, equipment and furniture improvement costs, increased by $392K over results reported for fiscal year 2009. This change resulted from increased spending of $293K on non-capital projects and $86K on computer equipment and furniture replacement over the prior year. The major non-capital projects and programs that were completed this year were Des Plaines River Water Reclamation Facility Polymer Feed System, engineering studies on various systems, annual fire hydrants and meters replacement programs and replacement of computer equipment and furniture.

- The Department's contractual cost, which includes the wholesale purchase of water and sewage treatment services, totaled $18,474,063 and represents an increase of $757,455 or 4.3% from the prior year. This change resulted largely from increases in purchases of water and sewage treatment services of $550K that were offset by increases in water and sewage revenues; annual lease payment of $102K to a new lab facility and an additional $75K of legal services to defend against lawsuits and a proposed North Lake water service expansion.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Table 3
Capital Assets

	2010	2009	2008	Amount Change	% Change
Land	$ 2,577,013	$ 2,576,151	$ 2,576,151	$ 862	0.00%
Buildings and Improvements	72,138,881	71,471,866	71,461,866	$ 667,015	0.93%
Improvements other than buildings					
Water facility					
Transmission and distribution mains	57,878,007	55,758,089	54,456,176	2,119,918	3.80%
Elevated water storage tanks	9,754,696	9,811,192	8,612,921	(56,496)	-0.58%
Land improvements	1,720,385	1,720,385	1,608,596	-	0.00%
Wells	6,979,922	6,979,921	5,398,780	1	0.00%
Total water facility	$ 76,333,009	$ 74,269,586	$ 70,076,473	$ 2,063,423	2.78%
Sewer facility					
Trunk and lateral sewers	63,932,831	58,513,270	58,512,172	5,419,561	9.26%
Lift station	13,370,163	12,930,163	12,931,147	440,000	3.40%
Retention lagoon	499,890	499,890	499,890	-	0.00%
Treatment equipment	31,471,030	31,469,069	30,080,145	1,961	0.01%
Interceptor sewers	39,378,462	39,378,462	39,378,462	-	0.00%
Total sewer facility	$ 148,652,376	$ 142,790,854	$ 141,401,816	$ 5,861,522	4.10%
Total improvements other than building	$ 224,985,385	$ 217,060,440	$ 211,478,289	$ 7,924,945	3.65%
Machinery and equipment	9,332,435	9,516,201	9,394,173	(183,766)	-1.93%
Construction in progress	13,638,252	4,264,031	5,388,197	9,374,221	219.84%
Total Capital Assets	$ 322,671,966	$ 304,888,689	$ 300,298,676	$ 17,783,277	5.83%
Less: Accumulated depreciation	(111,083,529)	(105,221,799)	(99,018,519)	$ (5,861,730)	5.57%
Net Capital Assets	$ 211,588,437	$ 199,666,890	$ 201,280,157	$ 11,921,547	5.97%

In 2010 the net capital assets were $212 million. This amount represents a net increase of $11.9 million or 5.97%, over prior year. The major factors contributed to this increase are the expansion and improvement of Mill Creek water reclamation facility, the replacement and the installation of the water mains and the sewer lines and the improvement of lift stations.

ECONOMIC FACTORS

The department's Ten Year Capital Improvements Budget anticipates spending a significant amount of money on plant improvements, interceptor improvements and replacement of infrastructure to meet EPA's guidelines and mandates for portable water and wastewater while increasing capacity of its facilities to be prepared for future customers' demand. The department has plans to fund these projects with a combination of various funding sources, including use of reserved funds, user fees and by issuing new debt. On November 13, 2007 the county board established new service rates to provide adequate financial resources to fund these projects successfully.

On December 1, 2009, the department approved and established new sewer rates which were applicable to all rate classes.

LONG-TERM DEBT

As of November 30, 2010, the department has total revenue bond debt of $67,269,471 including $17,170,000 of crossover refunding bonds. In 2010 the department issued a new debt of $20,000,000 Taxable Water and Sewer System First Lien Revenue Bonds, Series 2010 A (Build America Bonds-Direct Payment) to fund the various water and wastewater Systems improvements and expansion projects. At the same time the department has reduced the outstanding principal by paying out a portion of $3.6 million.

A table of separate bond issues is included in the notes to the financial statements.

CONTACTING DEPARTMENT FINANCIAL MANAGEMENT

This financial report is designed to provide our customers with a general overview of the department's finances. If you have questions about this report, or need additional information, please contact Manager of Budget and Financial Control, Lake County Public Works Department, 650 West Winchester Road, Libertyville, Illinois 60048-1391.

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

STATEMENTS OF NET ASSETS
November 30, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Operation account		
Cash	$ 454,437	$ 887,707
Investments	22,727,000	20,403,314
Tax receivable	14,306	14,804
Customer accounts receivable		
Billed	5,331,330	5,255,408
Unbilled	2,344,521	2,293,623
Allowance for uncollectible accounts	(85,000)	(85,000)
Accrued interest receivable	304,621	893,946
Restricted Assets		
Bond interest account		
Cash	96,665	50,678
Investments	900,000	1,000,000
Bond fund account		
Cash	12,186	85,680
Investments	2,700,000	2,800,000
Materials and supplies	552,671	489,451
Total Current Assets	35,352,737	34,089,611
NON-CURRENT ASSETS		
Accrued interest receivable	20,888	-
Restricted Assets		
Bond reserve account		
Cash	471,203	87,300
Investments	4,800,000	4,800,000
Depreciation, extension and improvement account		
Cash	9,836	61,837
Investments	34,010,000	27,500,000
Construction account		
Cash	66,243	68,402
Investments	14,650,000	2,574,013
Subordinated ordinance - bond reserve account		
Cash	9,882	349,078
Investments	280,000	-
Crossover refunding escrow account		
Cash	500	501
Investments	17,053,608	17,081,309
Other Assets		
Prepaid connection fees	162,898	342,055
Unamortized bond issuance costs	984,209	822,675
Capital Assets		
Capital assets	309,033,715	300,624,659
Accumulated depreciation	(111,083,529)	(105,221,799)
Construction work in progress	13,638,252	4,264,031
Total Non-Current Assets	284,107,705	253,354,061
Total Assets	319,460,442	287,443,672

LIABILITIES	2010	2009
CURRENT LIABILITIES		
Accounts payable	3,761,551	$ 2,677,465
Due to other funds	40,268	66,653
Accrued wages	186,653	201,416
Accrued payroll taxes	53,441	94,283
Accrued vacation	408,402	414,228
Construction deposit	30,000	30,000
Accrued IMRF liability	79,918	105,536
Accelerated retirement obligation	60,000	-
Current Liabilities Payable from Restricted Assets		
Interest payable	155,742	2,861
Current portion of revenue bonds	3,810,000	3,585,000
Various construction accounts - accounts payable	750,996	254,978
Total Current Liabilities	9,336,971	7,432,420
NON-CURRENT LIABILITIES		
Revenue bonds payable	63,459,471	46,433,849
Unamortized bond premium	327,422	362,029
Accrued sick leave	290,178	383,251
Other post employment benefit obligation	386,253	257,502
Unearned revenue	1,149,376	1,311,581
Total Non-Current Liabilities	65,612,700	48,748,212
Total Liabilities	74,949,671	56,180,632
NET ASSETS		
Invested in capital assets, net of related debt	181,722,143	174,174,863
Restricted	42,538,776	36,476,734
Unrestricted	20,249,852	20,611,443
TOTAL NET ASSETS	$ 244,510,771	$ 231,263,040

See accompanying notes to financial statements.

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended November 30, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Water and sewer charges	$ 38,097,557	$ 36,011,088
Miscellaneous	354,948	214,956
Total Operating Revenues	38,452,505	36,226,044
OPERATING EXPENSES		
Personnel services		
Salaries and wages	6,046,199	6,326,112
Pension - IMRF and social security	1,066,283	1,035,822
Total Personnel Services	7,112,482	7,361,934
Commodities		
Office supplies and maintenance	61,270	44,187
Postage	68,271	67,395
Housekeeping supplies	30,732	32,175
Gasoline	147,651	134,768
Buildings and ground supplies	127,570	134,526
Operational supplies	773,444	810,531
Chemical supplies	273,365	250,408
Uniforms	28,246	29,926
Laboratory supplies	75,921	67,621
Medical supplies	8,604	5,164
Non capitalized equipment and improvements	546,170	172,513
Miscellaneous	5,591	5,595
Total Commodities	2,146,835	1,754,809
Contractual		
Insurance		
Employees' life, health and dental	1,326,086	1,236,987
Unemployment	12,960	15,213
Self insurance - liability and worker's compensation	467,136	406,740
Miscellaneous benefits	46,042	40,218
Gas (utility)	224,315	320,337
Electricity	1,702,868	1,735,027
Telephone and telemetry	150,881	161,169
Wholesale purchase of water	3,877,778	3,698,246
Wholesale sewage treatment	7,591,849	7,223,102
Vehicle maintenance	137,649	124,771
Buildings and equipment maintenance	566,803	653,972
Equipment rental/real estate lease	126,784	33,355

	2010	2009
OPERATING EXPENSES (cont.)		
Disposal service	$ 360,788	$ 373,168
Miscellaneous	1,882,124	1,694,305
Total Contractual	18,474,063	17,716,610
Depreciation	6,356,679	6,284,661
Total Operating Expenses	34,090,059	33,118,014
OPERATING INCOME	4,362,446	3,108,030
NON-OPERATING REVENUES (EXPENSES)		
Property tax revenue	876,326	885,701
Investment income	1,620,011	2,374,615
Proceeds from sale of capital assets	23,994	16,997
Grant revenue	94,754	-
Interest expense	(2,467,113)	(2,454,776)
Amortization of bond issuance costs	(106,251)	(102,871)
Amortization of bond premium	38,418	45,392
Total Non-Operating Revenues	80,139	765,058
Income Before Transfers and Contributions	4,442,585	3,873,088
CAPITAL CONTRIBUTIONS	5,668,842	2,628,402
CAPITAL CONTRIBUTIONS - CONNECTION FEES	3,136,304	2,397,228
CHANGE IN NET ASSETS	13,247,731	8,898,718
NET ASSETS - Beginning of Year	231,263,040	222,364,322
NET ASSETS - END OF YEAR	$ 244,510,771	$ 231,263,040

See accompanying notes to financial statements.

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

STATEMENTS OF CASH FLOWS
Years Ended November 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$ 38,163,976	$ 35,770,992
Paid to suppliers	(22,243,653)	(19,960,379)
Paid to employees	(5,677,327)	(6,382,182)
Net Cash Flows From Operating Activities	10,242,996	9,428,431
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer out	-	-
Property tax revenue	876,326	885,701
Grant	94,754	-
Net Cash Flows From Noncapital and Related Financing Activities	971,080	885,701
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(10,769,356)	(4,375,302)
Proceeds from sale of capital assets	23,990	16,998
Debt retired	(3,585,000)	(3,830,000)
Interest paid	(1,478,610)	(1,658,099)
Bond issuance costs	(263,973)	(90,606)
Proceeds from debt issue	20,000,000	1,220,000
Capital contributions	25,863	2,628,402
Connection charges	3,136,304	2,397,228
Net Cash Flows From Capital and Related Financing Activities	7,089,218	(3,691,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable securities purchased	(80,067,000)	(39,077,328)
Marketable securities sold	59,105,028	29,593,561
Investment income	2,188,447	2,991,177
Net Cash Flows From Investing Activities	(18,773,525)	(6,492,590)
Net Change in Cash and Cash Equivalents	(470,231)	130,163
CASH AND CASH EQUIVALENTS - Beginning of Year	1,591,183	1,461,020
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,120,952	$ 1,591,183
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to capital assets	$ 5,642,890	$ -
Accretion of Series C of 2003 debt issue	$ 835,622	$ 793,816

	2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 4,362,446	$ 3,108,030
Noncash items in operating income		
Depreciation	6,356,679	6,284,661
Unearned revenue	(162,205)	(148,269)
Accrued other post employment benefit liability	128,751	128,751
Accrued accelerated retirement obligation	60,000	-
Changes in assets and liabilities		
Customer accounts receivable	(126,820)	(310,388)
Other accounts receivable	498	3,605
Due from/to general fund	(26,385)	10,268
Materials and supplies	(63,220)	(72,166)
Prepaid connection fees	179,157	127,817
Accrued vacation and sick leave	(98,899)	(23,417)
Accrued IMRF liability	(25,618)	21,122
Accounts payable	(285,783)	240,925
Accrued wages and payroll taxes	(55,605)	58,365
Other current liabilities	-	(873)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 10,242,996	$ 9,428,431
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS		
Operation account	$ 23,181,437	$ 21,291,021
Bond interest account	996,665	1,050,678
Bond fund account	2,712,186	2,885,680
Bond reserve account	5,271,203	4,887,300
Depreciation, extension and improvement account	34,019,836	27,561,837
Construction account	14,716,243	2,642,415
Subordinated ordinance - bond reserve account	289,882	349,078
Crossover refunding escrow account	17,054,108	17,081,810
Total Cash and Investments	98,241,560	77,749,819
Less: Noncash equivalents	(97,120,608)	(76,158,636)
CASH AND CASH EQUIVALENTS	$ 1,120,952	$ 1,591,183

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake County Public Works Department (department) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the department are described below.

REPORTING ENTITY

The department is a separate enterprise fund of Lake County, IL (county). The department is managed by a public works committee. The department provides water and sewerage service to communities within the county.

The water and sewerage utility operate under rules and rates established by the public works committee.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The department is presented as an enterprise fund of the county. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The department follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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.

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Deposits and Investments (cont.)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

Transactions between the department and other funds of the county that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the department and other funds of the county are reported as due to/from other funds.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

Materials and Supplies

Materials and supplies are generally used for construction, operation and maintenance work, not for resale. The materials and supplies inventory is valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Prepaid Connection Fees

The department is required to purchase permits from North Shore Sanitary District prior to issuing permits to contractual and retail customers. The department must purchase permits in increments equal to 500 population equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Capital Assets

Capital assets are generally defined by the department as assets with an initial, individual cost of more than $5,000 for moveable property, $200,000 for infrastructure, and $75,000 for all other assets, and an estimated useful life in excess of one year.

Capital assets of the department are recorded at cost or the fair market value at the time of contribution to the department. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets both tangible and intangible used in operations are either depreciated or amortized using the straight-line method over the following useful lives unless they are inexhaustible:

	Years
Buildings and Other Improvements	25 – 40
Improvements Other Than Buildings	
Water facilities	10 – 75
Sewerage facilities	10 – 75
Machinery and Equipment	4 – 25

Accrued Sick and Vacation

Under terms of employment, employees earn vacation and sick leave in varying amounts which accumulate if not used. Once each year, employees with at least 30 days in their sick leave bank may elect to be paid for 50% of their unused sick leave days earned during the current year which exceed the 30 days.

Employees who are terminated and are in good standing may receive payment for 50% of their accumulated sick leave bank in excess of 30 days to a maximum of 60 days. Reimbursements are paid at the employee's then current pay rate. The liability is paid out of the general operating revenues of the department.

Vacation time shall not exceed 330 hours unless carryover approval by the Public Works and Transportation Committee is obtained.

Accrued IMRF Liability

This represents the amount of accrued Illinois Municipal Retirement funding the department owed for its full-time employees who participate in the retirement fund as discussed in further detail in Note 8.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Accelerated Retirement Obligation

This represents the amount of accrued funding the department owed for employees who participate in the county's accelerated retirement option as discussed in further detail in Note 9.

Unearned Revenues

Unearned revenues consist of prepaid property taxes. The department received property taxes related to Special Service Area No. 9 in advance from the respective property owners. The department will amortize the prepaid property taxes on a straight-line basis until 2017. At November 30, 2010 and 2009, the balance of prepaid property taxes was $1,149,376 and $1,311,581, respectively.

Long-Term Obligations

Long-term debt and other obligations are reported as department liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Gains or losses on prior refunding are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Construction Deposit

A deposit was received for the installation of a cell phone antenna on a water tower. When construction is complete this will be returned to the customer.

REVENUES AND EXPENSES

The department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a department's principal ongoing operations. The principal operating revenues of the department are charges to customers for sales and services. At year end, unbilled revenues are accrued based on estimates of the first billings in the subsequent year. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital Contributions

Cash and capital assets are contributed to the department from customers, the county or external parties. The value of property contributed to the department is reported as revenues on the statements of revenues, expenses and changes in net assets.

Capital Contributions – Connection Fees

The department charges new customers a connection fee to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses and changes in net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES (cont.)

Property Taxes

Property taxes are levied and recorded as revenue as of the second Tuesday in November on property values assessed as of the same date. The tax levy is payable in two equal installments due June 1 and September 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for interest bearing accounts and unlimited for non-interest bearing accounts as of December 1, 2009 and December 1, 2010.

The department may also maintain separate cash and investment accounts at the same financial institutions utilized by the county. Federal depository insurance applies to all county accounts, and accordingly, the amount of insured funds is not determinable for the department alone. Please refer to the county's financial statements for categorization of custodial credit risk on all county accounts.

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the department's deposits may not be returned to the department.

The department maintains certain deposits at the same institutions as the county. The custodial credit risk pertaining specifically to the department's resources at these institutions cannot be determined individually for those accounts.

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Deposits (cont.)

The following is a summary of the department's total deposit balances at these institutions.

	2010		2009	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Fifth Third Bank	$ 680,422	$ 767,143	$ 1,164,546	$ 1,187,062
Associated Bank	21,000,000	21,000,000		
First Midwest Bank	27,852,809	27,852,809	19,586,225	19,586,225
Inland Bank	5,000,000	5,000,000		
MB Financial	6,067,000	6,067,000		
Northern Trust	8,000,000	8,000,000	4,500,000	4,500,000
Norstates Bank	1,000,000	1,000,000	4,000,000	4,000,000
Private Bank	9,500,000	9,500,000		
State Bank of the Lakes	1,000,000	1,000,000	7,067,000	7,067,000
US Bank	-	-	7,000,000	7,000,000
Other Banks	1,000,000	1,000,000	4,000,000	4,000,000
Totals	$ 81,100,231	$ 81,186,952	$ 47,317,771	$ 47,340,287

The county's current investment policy addresses custodial credit risk. The county's investment policy states that it will not maintain funds in any financial institution that is not a member of the FDIC or National Credit Union Association Systems (NCUA). Furthermore, the county will not maintain funds in any financial institutions that do not collateralize all funds in excess of the FDIC or NCUA insurance limits. Refer to the county financial statements for additional details.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At November 30, 2010 and 2009, the department had no investments exposed custodial credit risk.

The county's investment policy addresses this risk by stating that U.S. Government agency obligations which have a liquid market and determinable market value are acceptable investments.

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

As of November 30, 2010, the department's investments were as follows:

		Maturity (In Years)		
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10
U.S. Treasury SLGS	$ 17,054,108	$ 28,885	$ 17,025,223	$ -

As of November 30, 2009, the department's investments were as follows:

		Maturity (In Years)		
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10
U.S. Treasury SLGS	$ 17,081,810	$ 27,701	$ 17,054,109	$ -
Illinois Metro Investment Fund	13,327,222	13,327,222	-	-
Totals	$ 30,409,032	$ 13,354,923	$ 17,054,109	$ -

The county's investment policy addresses this risk by stating that U.S. Government agency obligations which have a liquid market and determinable market value are acceptable investments.

Credit Risk

As of November 30, 2009, the department held investment in the Illinois Metro Investment Fund which is an external pool that is not rated. During 2009, the county's investment policy addressed this risk by stating investments with the Illinois Funds are acceptable investments

As of November 30, 2010, the department no longer has funds invested in the Illinois Metro Investment Fund.

NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances as of November 30, 2010 and 2009:

		2010		2009	
Due To	Due From	Amount	Principal Purpose	Amount	Principal Purpose
General Fund	Waterworks and Sewerage Fund	$ 40,268	Operations	$ 66,653	Operations

NOTE 4 – RESTRICTED ASSETS

SERIES A OF 2003, B AND C OF 2003 AND A AND B OF 2006 AND A OF 2010:

All revenues of the entire combined system are reserved to meet the requirements of the bond ordinance. The ordinances authorizing the issuance of series revenue bonds require separate accounts be maintained and designated as follows:

1. Operation account
2. Bond interest account
3. Bond fund account
4. Bond reserve account
5. Depreciation, extension and improvement account
6. Reserve for construction account
7. Crossover refunding account

Quarterly cash transfers are required on or before the 15th day of each quarter ending February, May, August and November in the following order:

Operation account	An amount sufficient to provide (1) a sum on hand equal to one-fourth of the amount of the operating expenses as stated in the annual budget, and (2) an operating reserve in an amount certified from time to time by the consulting engineer as the reasonable amount necessary for 45 days' cost of operation, maintenance, and ordinary current repairs of the system.
Bond interest account	An amount, together with any other monies then on deposit in the account, sufficient to pay the amount of interest becoming due on the next interest date.
Bond fund account	An amount, together with any other monies then on deposit in the account, sufficient to pay the amount of interest becoming due on the next interest date.

NOTE 4 – RESTRICTED ASSETS (cont.)

SERIES A OF 2003, B AND C OF 2003 AND A AND B OF 2006 AND A OF 2010: (cont.)

Bond reserve account	Quarterly deposits of $40,000 until the maximum debt service is reached, or such higher amount as the County Board may designate from time to time.
Depreciation, extension, and improvement account	Quarterly deposits of $150,000 or such higher amounts as the County Board may designate from time to time. $3,800,000 and $5,400,000 in deposits were made to this account in fiscal years 2010 and 2009, respectively.
Reserve for construction account	All monies deposited in a construction account shall be applied to the cost of construction, improvements, or additions of the water and sewer systems.
Crossover refunding account	All monies deposited in the crossover refunding account shall be held to provide for future debt service payments on callable debt until the crossover date, June 1, 2013.

Funds accumulated in the bond fund are comprised of the bond interest account, bond fund account, and bond reserve account and shall be used solely for the purpose of paying the principal, redemption price, and interest on the bonds, and for retiring such bonds prior to maturity.

Funds accumulated in the bond reserve account shall be used to make up any deficiency in the interest account or bond fund account. If, at any time, the amounts held in the bond reserve account exceed the aggregate debt service requirement for the bonds of all series then outstanding, such excess shall be transferred to the surplus account.

Funds accumulated in the surplus account shall be used to make up any deficiency in any reserve account. Any excess funds may be used in accordance with County Board designation.

***WATER AND SEWER SYSTEM SUBORDINATE REVENUE BONDS,
SERIES S-1 AND S-2 OF 2005 AND S OF 2009***

The ordinance authorizing the subordinate issue of bonds created separate accounts to be designated as follows:

- Subordinate interest account
- Subordinate bond account
- Subordinate reserve account

NOTE 4 – RESTRICTED ASSETS (cont.)

WATER AND SEWER SYSTEM SUBORDINATE REVENUE BONDS, SERIES S-1 AND S-2 OF 2005 AND S OF 2009 (cont.)

Cash transfers shall be made to the subordinate accounts after the required cash transfers to accounts 1 through 6 for the series revenue bonds have been made, in the following order:

Subordinate interest account	On the 25th day of February, May, August, and November, an amount at least equal to the interest becoming due on the Series S-1, S-2 of 2005 bonds and S of 2009 on the next succeeding interest payment date. All monies in the account shall be used only for the purpose of paying interest on the Series S-1, S-2 of 2005 and S of 2009 bonds.
Subordinate reserve account	Annual deposits no later than November 25 in an amount sufficient to provide for portions of the maximum annual debt service as specified in the ordinance. All funds in the subordinate reserve account shall be retained and used for the following purposes:

1. For the payment of interest on, and principal of, Series S-1, S-2 of 2005 and S of 2009 bonds, whenever there are insufficient funds in the subordinate interest account and in the subordinate bond account for that purpose, or

2. For calling and redeeming Series S-1 and S-2 of 2005 bonds prior to their maturity, or for the purchase thereof on the open market, at not more than par and accrued interest to the date of redemption or purchase.

RESTRICTED NET ASSETS

The following calculation supports the amount of restricted net assets:

	2010	2009
Restricted Assets		
Bond interest	$ 996,665	$ 1,050,678
Bond fund	2,712,186	2,885,680
Bond reserves	5,561,085	5,236,378
Depreciation, extension, and improvement	34,019,836	27,561,837
Construction	14,716,243	2,642,415
Crossover refunding escrow	17,054,108	17,081,810
Total Restricted Assets	75,060,123	56,458,798
Less: Restricted Assets Not Funded by Revenues		
Construction	(14,716,243)	(2,642,415)
Crossover refunding escrow	(17,054,108)	(17,081,810)
Current Liabilities Payable From Restricted Assets	(750,996)	(257,839)
Total Restricted Net Assets as Calculated	$ 42,538,776	$ 36,476,734

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

NOTES TO FINANCIAL STATEMENTS
November 30, 2010 and 2009

NOTE 5 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,576,151	$ 862	$ -	$ 2,577,013
Construction in progress	4,264,031	11,953,841	(2,579,620)	13,638,252
Total Capital Assets Not Being Depreciated	6,840,182	11,954,703	(2,589,620)	16,215,265
Capital assets being depreciated				
Buildings and other improvements	71,471,866	667,015	-	72,138,881
Improvements other than buildings				
Water facilities	74,269,587	2,123,302	(59,879)	76,333,010
Sewer facilities	142,790,854	5,861,522	-	148,652,376
Machinery and equipment	9,516,201	251,305	(435,071)	9,332,435
Total Capital Assets Being Depreciated	298,048,508	8,903,144	(494,950)	306,456,702
Total Capital Assets	304,888,690	20,857,847	(3,074,570)	322,671,967
Less: Accumulated depreciation for				
buildings and other improvements	(26,738,379)	(1,831,457)	-	(28,569,836)
Improvements other than buildings				
Water facilities	(22,680,615)	(1,164,866)	56,697	(23,788,784)
Sewer facilities	(48,215,127)	(2,984,137)	-	(51,199,264)
Machinery and equipment	(7,587,678)	(373,038)	435,071	(7,525,645)
Total Accumulated Depreciation	(105,221,799)	(6,353,498)	(491,768)	(111,083,529)
Net Capital Assets	$ 199,666,891			$ 211,588,438

NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)

Capital asset activity for the year ended November 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,576,151	$ -	$ -	$ 2,576,151
Construction in progress	5,388,197	-	(1,124,166)	4,264,031
Total Capital Assets Not Being Depreciated	7,964,348	-	(1,124,166)	6,840,182
Capital assets being depreciated				
Buildings and other improvements	71,461,866	10,000	-	71,471,866
Improvements other than buildings				
Water facilities	70,076,473	4,193,114	-	74,269,587
Sewer facilities	141,401,816	1,389,038	-	142,790,854
Machinery and equipment	9,394,173	203,409	(81,381)	9,516,201
Total Capital Assets Being Depreciated	292,334,328	5,795,561	(81,381)	298,048,508
Total Capital Assets	300,298,676	5,795,561	(1,205,547)	304,888,690
Less: Accumulated depreciation for buildings and other improvements	(24,919,328)	(1,819,051)	-	(26,738,379)
Improvements other than buildings				
Water facilities	(21,511,562)	(1,169,053)	-	(22,680,615)
Sewer facilities	(45,305,977)	(2,909,150)	-	(48,215,127)
Machinery and equipment	(7,281,652)	(386,725)	80,699	(7,587,678)
Total Accumulated Depreciation	(99,018,519)	(6,283,979)	80,699	(105,221,799)
Net Capital Assets	$ 201,280,157			$ 199,666,891

NOTE 6 – LONG-TERM OBLIGATIONS

REVENUE BONDS PAYABLE

The following revenue bonds have been issued:

Bond	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 11/30/10
2003 A	Water and Sewer System revenue refunding bonds	2011	5.20 - 5.50%	$ 20,790,000	$ 2,780,000
2003 B	Vernon Hills New Century Town WWTP	2012	2.25 - 4.125%	3,405,000	2,500,000
2003 C	Vernon Hills New Century Town WWTP	2021	4.55 - 5.65%	15,933,849	16,769,471
2005 S-1	Connection charges to Central Lake County JAWA	2024	3.75 - 4.50%	1,000,000	785,000
2005 S-2	Refund the outstanding Series A97S bonds	2017	5.20 - 5.50%	1,000,000	650,000
2006 A	Water and Sewer System revenue refunding bonds	2017	4.00%	6,700,000	5,395,000
2006 B	Crossover refunding	2021	4.25 - 4.50%	17,170,000	17,170,000
2009 S	Hawthorn Woods/Glenshire Water Project	2039	2.70 - 6.60%	1,220,000	1,220,000
2010A	Various Capital Improvement Water/Sewer Projects	2035	2.00 – 5:45%	20,000,000	$20,000,000

Outstanding revenue bonds at November 30, 2010 consist of $64,614,471 of series ordinance revenue bonds due serially December 1, 2010 through 2035 and $2,655,000 of subordinate revenue bonds due serially December 1, 2010 through 2039. Annual interest rates vary between 2.00% and 5.65% for the series revenue bonds and vary between 2.70% and 6.60% for the subordinate bonds.

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

REVENUE BONDS PAYABLE (cont.)

Aggregate principal payments applicable to the bonds outstanding are:

Year Ending November 30	Principal	Interest	Total
2011	$ 3,810,000	$ 2,489,236	$ 6,299,236
2012	3,230,000	2,139,780	5,369,780
2013	2,498,150	2,930,028	5,428,178
2014	4,028,848	2,977,883	7,006,731
2015	4,060,368	2,946,618	7,006,986
2016 - 2020	20,985,139	15,263,978	36,249,117
2021 - 2025	13,911,966	6,677,054	20,589,020
2026 - 2030	5,715,000	3,392,575	9,107,575
2031 - 2035	8,770,000	1,632,750	10,402,750
2036 - 2039	260,000	43,890	303,890
Totals	$ 67,269,471	$ 40,493,792	$ 107,763,263

The Series C 2003 Capital Appreciation Bonds are deep discount financial instruments which are issued in such denominations as will result in the total amount received by the purchaser at maturity being equal to $5,000 or any integral multiple thereof. As such, a portion of the appreciation in value of each certificate "accretes" to each certificate annually. Accretion of the certificates recorded increased the long-term obligation payable at maturity of the certificates by $835,622 and $793,816 at November 30, 2010 and 2009, respectively. This brought the total accretion of the certificates to $5,175,247 and $4,339,625 at November 30, 2010 and 2009, respectively.

The Series A 2010 Various Capital Projects debt was issued under the taxable municipal debt Build America Bond Program (BABs). The department's annual interest expense for these bonds is shown gross and will be reduced by a 35% federal interest subsidy provided by the federal government.

The county established Special Service Area No. 9 on November 10, 1994. The Special Service Area will finance a substantial portion of a sewage treatment facility and related system improvements in the area. Allocation of $21 million in estimated costs was made on the basis of population equivalents. Current plans call for using property taxes generated from the area to cover debt service of future financings. The current resources have come from prepayment of the taxes by certain property holders and from the 2003 tax levy on other properties in the area.

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended November 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Revenue Bonds					
Series ordinance	$ 47,248,849	$20,835,622	$ 3,470,000	$ 64,614,471	$ 3,660,000
Subordinated series	2,770,000	-	115,000	2,655,000	150,000
Unamortized					
Bond premium	362,029	-	34,607	327,422	34,606
Total Bonds Payable	50,380,878	20,835,622	3,619,607	67,596,893	3,844,606
Accrued sick leave	383,251	48,048	141,121	290,178	-
OPEB obligation	257,502	128,751	-	386,253	-
Unearned revenues	1,311,581	13,935	176,140	1,149,376	176,140
Long-Term Liabilities	$ 52,333,212	$ 21,086,356	$ 3,936,868	$ 69,422,700	$ 4,020,746

Long-term liability activity for the year ended November 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Revenue Bonds					
Series ordinance	$ 50,170,033	$ 793,816	$ 3,715,000	$ 47,248,849	$ 3,470,000
Subordinated series	1,665,000	1,220,000	115,000	2,770,000	115,000
Unamortized					
Bond premium	396,635	-	34,606	362,029	34,606
Total Bonds Payable	52,231,668	2,013,816	3,864,606	50,380,878	3,619,606
Accrued sick leave	390,197	95,950	102,896	383,251	-
OPEB obligation	128,751	128,751	-	257,502	-
Unearned revenues	1,459,850	13,936	162,205	1,311,581	162,205
Long-Term Liabilities	$ 54,210,466	$ 2,252,453	$ 4,129,707	$ 52,333,212	$ 3,781,811

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

DEBT COVERAGE

Revenue, as defined by the Water and Sewer System Revenue Bond - Basic Ordinance, includes sources of operating and nonoperating revenues, tax levy, and interest income. The 2010 and 2009 debt coverage is as follows:

	2010	2009
Operating revenues	$ 38,452,505	$ 36,226,044
Connection fees	3,136,304	2,397,228
Non-operating income – interest earned	1,620,011	2,374,615
– property taxes	876,326	885,701
Revenue as defined by ordinance	44,085,146	41,883,588
Expenses (less depreciation)	(27,733,380)	(26,833,353)
Net Revenue Available Before Debt Service (as Defined in the Series Bond Ordinance)	$ 16,351,766	$ 15,050,235
Debt Service Requirements – current year		
Serial bond deposits	$ 3,585,000	$ 3,830,000
Interest	1,537,806	1,658,099
Total Debt Service Requirements	$ 5,122,806	$ 5,488,099
Revenue Bond Coverage as Calculated	3.19	2.74
Revenue Bond Coverage Required by Bond Ordinance	1.50	1.50

In addition to the above calculation, the bond ordinance covenants state the ratio of net revenue derived from charges for services, excluding connection charges, shall be at all times not less than 1.25 of the principal and interest on all outstanding bonds payable during the year. For fiscal years 2010 and 2009, this ratio was 2.58 and 2.31, respectively. Hence, for fiscal years 2010 and 2009, the coverage was met.

Annual principal and interest payments on the bonds are expected to require 11% of gross revenues. The total principal and interest remaining to be paid on the bonds is $107.7 million. Principal and interest paid for 2010 and 2009 were $5,060,749 and $5,488,099, respectively.

REVENUE REFUNDING BOND SERIES OF 2003 A

The county issued $20,790,000 of Revenue Refunding Bond Series of 2003 A, on June 1, 2003, to complete a partial in-substance defeasance of the outstanding Revenue Bond Series A 1993 bonds. An irrevocable trust was established to handle the partially refunded future principal and interest payments. The partially refunded outstanding principal at November 30, 2010 and 2009 was $2,780,000 and $5,390,000, respectively.

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

CROSSOVER REFUNDING

On November 2, 2006, the public works issued $17,170,000 in revenue bonds with interest rates between 4.25% – 4.50% to refund $16,611,835 of callable bonds with interest rates between 4.90% - 5.65%. The proceeds were deposited in an account to provide for future debt service payments on the new bonds until the crossover date, June 1, 2013. The bonds are not considered to be defeased and the liability for those bonds as well as the escrow account is recorded in the financial statements. This type of advance refunding is commonly called a crossover refunding.

The cash flow requirement on the old bonds after the crossover date, June 1, 2013, is $22,150,000 from December 1, 2013 through 2021. The cash flow requirement on the new bonds after the crossover date is $21,252,222 from 2013 through 2021. At the date of the crossover, this will result in an economic gain of $897,778 with a present value savings of $524,352 using a 4.23% factor.

NOTE 7 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the department's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 7 – NET ASSETS (cont.)

The following calculation supports the net assets invested in capital assets, net of related debt:

	2010	2009
Capital assets	$ 309,033,715	$ 300,624,659
Accumulated depreciation	(111,083,529)	(105,221,799)
Construction work in progress	13,638,252	4,264,031
Sub-Totals	211,588,438	199,666,891
Less: Capital Related Debt		
Current portion of capital related long-term debt	3,765,000	3,545,000
Long-term portion of capital related long-term debt	57,544,224	41,309,224
Unamortized bond premium	327,422	362,029
Sub-Totals	61,636,646	45,216,253
Add: Unspent Debt Proceeds		
Construction account	14,716,243	2,642,415
Crossover refunding escrow account	17,054,108	17,081,810
Sub-Totals	31,770,351	19,724,225
Total Net Assets Invested in Capital Assets, Net of Related Debt	$ 181,722,143	$ 174,174,863

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM

All full-time county employees participate in the Illinois Municipal Retirement Fund (IMRF). The IMRF provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. All permanent employees expected to work over 600 hours a year are eligible to participate in the IMRF. Employees participating in the IMRF were required by statute to contribute 4.5% of their annual covered salary in calendar years 2010, 2009, and 2008. The employer rate for calendar years 2010, 2009, and 2008 were 10.96%, 8.59%, and 9.02%, respectively. All employer contributions are made by the county with a portion of the cost being allocated to the department. The actuarial valuation of the plan is computed for the county as a whole and; therefore, it is impractical to determine the Lake County Public Works Department, Waterworks, and Sewerage Systems Fund's proportionate share.

IMRF is established under statutes adopted by the Illinois General Assembly, and is governed by a Board of eight Trustees who must also be participating members and one Trustee who must be receiving an IMRF annuity. The IMRF issues an annual financial report which may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, IL 60523-2337, or by visiting the IMRF website at http://www.imrf.org.

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

Further details regarding the county's entire commitment to the fund can be found in the Lake County, Illinois financial statements.

	Year Ended November 30		
	2010	2009	2008
Total covered payroll	$ 6,046,199	$ 6,382,182	$ 6,336,366
Total required contributions	662,663	548,229	571,540
Total required contributions	10.96%	8.59%	9.02%

NOTE 9 – ACCELERATED RETIREMENT OBLIGATION

The County Administrator offers certain eligible employees an accelerated retirement option. Eligible employees are allowed two options.

Option 1 will allow employees to continue health insurance and dental benefits and make contributions at the same monthly rate as full-time regular employees for two years. Option 2 allows employees to continue health and dental insurance benefits and make contributions at the same monthly rate as full-time regular employees for one year and receive one (1) week of pay for every two years of service above 7 years with a maximum total payout of $20,000. Employees will be allowed to continue health insurance and dental benefits at the retiree group rate after the chosen health insurance benefit option has expired.

Further details regarding the county's liability as a whole can be found in the Lake County, Illinois financial statements.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

LONG-TERM CONTRACTS – GENERAL

At November 30, 2010, the department had commitments under long-term contracts for the following:

On July 15, 2010, the department entered into a 20 year contract with the Village of Fox Lake for the treatment and disposal of sanitary and industrial wastes which the county system has collected, received and transported to the Village of Fox Lake treatment plant.

On March 21, 1994, the department entered into a continuous and perpetual contract with the North Shore Sanitary District (NSSD) to deliver to the NSSD's Gurnee Plant all waste that the county collects from the county's Northeast Central Service Area.

On March 22, 1989, the county entered into a 40 year agreement to become a charter member of the Central Lake County Joint Action Water Agency. The agency agreed to supply water to four county water systems and the county agreed to purchase water exclusively from the agency.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (cont.)

CLAIMS AND JUDGMENTS

From time to time, the department is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the department's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the department's financial position or results of operations.

The IEPA has cited the county for operating a public water system, the Glennshire Water System, in violation of State regulations, including the absence of full and permanently conforming chlorination of the water. At this point the parties have entered into a consent decree that lead to the dismissal of the lawsuit, with the county agreeing to install a new and conforming water system and to pay a minimal fine.

Related to the above case, the residents within the Glenshire Water System have expressed opposition to paying a surcharge to pay for the construction and installation of a new IEPA-compliant water system. The residents have retained counsel to determine if any surcharges were improperly assessed. Summary judgment was granted in the County's favor on January 5, 2010. Plaintiffs have appealed.

A developer, United Land Development has sued the County, the Village of Hawthorn Woods and a public utility, Aqua Illinois claiming they constructed, own and control a water main that runs along Old McHenry Road. The developer claims the County has no right to utilize or allow connection to the water main to serve the residents of Hawthorn Woods. The County has filed a motion to dismiss the case, which is now settled and dismissed. A dismissal order was entered by the trial court on January 13, 2011.

Three municipalities and a sanitary district have sued the County, alleging the County is attempting to include unlawful provisions in a proposed contract for continuing sewage transport services. Trial is set for July 2011.

OPEN CONTRACTS

The department has active construction projects as of November 30, 2010. The projects include construction of additional wastewater treatment facilities, water main replacement, and interceptor sewer relining projects. At year end, the department's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Building and structures	$ 397,564	$ 390,611
Interceptor sewer improvements	252,105	290,904
Wastewater reclamation facilities improvements	5,321,604	4,510,574
Water and sewer main replacement	7,365,827	3,414,531
Totals	$ 13,337,100	$ 8,606,620

NOTE 11 – SELF INSURANCE

The department is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The county is self-insured for all of these risks. These activities are accounted for and financed by the county risk management special revenue fund and health, life, and dental internal service fund. Refer to the county statements for added details.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB)

IMPLEMENTATION OF GASB 45

Being an enterprise fund of the county, the Department of Public Works is liable for its allocated share of all health insurance expenses for the employees. Prior to 2009, the department has neither contributed nor recognized the cost of OPEB in periods when the related services are received, due to not measuring the OPEB obligation. However, since fiscal year 2009, the department, as part of the county's implementation of GASB Statement No 45 is being able to recognize measure and display OPEB expenses and related liabilities of $128,751 for each fiscal year.

COUNTY EMPLOYEES

The county's group health insurance plan is a single-employer self-insured health care plan administered by the county. The Plan provides limited health care coverage at 100% of the active premium rate. The State of Illinois requires IMRF employers who offer health insurance to their active employees to offer the same health insurance to disabled members, retirees, and surviving spouses at the same premium rate for active employees. Therefore an implicit rate subsidy exists for retirees (that is, the difference between the premium rate charged to retirees for the benefit and the estimated rate that would be applicable to those retirees if that benefit were acquired for them as a separate group) resulting from the participation in postemployment healthcare plans that cover both active employees and retirees. The plan operates on a pay-as-you-go funding basis. No assets are accumulated or dedicated to funding the retiree health insurance benefits.

The county's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the county's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the total county's net OPEB obligation to the Retiree Health Plan:

Annual required contribution (ARC)	$ 4,256,594
Interest on net OPEB obligation	(270,000)
Adjustment to ARC	272,000
Annual OPEB cost	4,259,000
Contributions made	1,169,799
Increase in net OPEB obligation	3,089,201
Net OPEB Obligation – Beginning of Year	7,095,799
Net OPEB Obligation – End of Year	$ 10,185,000

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB) (cont.)

COUNTY EMPLOYEES (cont.)

The county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and 2010 is as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contribution	Net OPEB Obligation
11/30/2010	$ 4,259,000	20.5%	$ 10,185,000
11/30/2009	4,501,847	19.4%	7,095,799
11/30/2008	4,265,959	18.9%	3,457,339

The funded status of the plan as of December 1, 2009, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 46,157,000
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 46,157,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 153,979,000
UAAL as a percentage of covered payroll	30.0%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB) (cont.)

COUNTY EMPLOYEES (cont.)

In the December 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 6 years. Both rates include a 4% salary inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at November 30, 2010 was 27 years.

REQUIRED
SUPPLEMENTAL INFORMATION

LAKE COUNTY, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
November 30, 2010

County

Actuarial Valuation Date	Actuarial Value of Assets (a)	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)
11/30/2010	$ -	$ 46,157,000	$ 46,157,000	0.00%	$ 153,979,000	30.00%
11/30/2009	-	47,307,231	47,307,231	0.00%	144,383,846	32.76%
11/30/2008	-	43,576,000	43,576,000	0.00%	138,830,621	31.40%

Per Public Works File-
We have omitted the IMRF required supplemental information as this is shown in the county financial statements and discussed in greater detail in Note 8 of these financial statements.

SUPPLEMENTAL INFORMATION

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

CAPITAL ASSETS
November 30, 2010

	Balance 11/30/09	Additions	Retirements	Balance 11/30/10
LAND	$ 2,576,151	$ 862	$ -	$ 2,577,013
BUILDINGS AND IMPROVEMENTS	71,471,866	667,015	-	72,138,881
IMPROVEMENTS OTHER THAN BUILDINGS				
Water Facilities				
Transmission and distribution mains	55,758,089	2,119,918	-	57,878,007
Elevated water storage tanks	9,811,192	3,383	(59,879)	9,754,696
Land improvements	1,720,385	-	-	1,720,385
Wells	6,979,922	-	-	6,979,922
Total Water Facilities	74,269,587	2,123,301	(59,879)	76,333,009
Sewer Facilities				
Trunk and lateral sewers	58,513,270	5,419,561	-	63,932,831
Lift stations	12,930,163	440,000	-	13,370,163
Retention lagoon	499,890	-	-	499,890
Treatment equipment	31,469,069	1,961	-	31,471,030
Interceptor sewers	39,378,462	-	-	39,378,462
Total Sewer Facilities	142,790,854	5,861,522	-	148,652,376
Total Improvements Other Than Buildings	217,060,441	7,984,823	(59,879)	224,985,386
MACHINERY AND EQUIPMENT				
Fire hydrants	99,231	-	-	99,231
Pumping equipment	3,364,526	-	-	3,364,526
Laboratory equipment	559,550	18,588	-	578,138
Trucks and trailers	2,736,960	182,181	(160,925)	2,758,216
Other	2,755,934	50,536	(274,146)	2,532,324
Total Machinery and Equipment	9,516,201	251,305	(435,071)	9,332,435
TOTAL PLANT IN SERVICE	$ 300,624,659	$ 8,904,005	$ (494,950)	$ 309,033,714

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

ACCUMULATED DEPRECIATION
November 30, 2010

	Balance 11/30/09	Additions	Retirements	Balance 11/30/10
LAND	$ -	$ -	$ -	$ -
BUILDINGS AND IMPROVEMENTS	(26,738,379)	(1,831,457)	-	(28,569,836)
IMPROVEMENTS OTHER THAN BUILDINGS				
Water Facilities				
Transmission and distribution mains	(14,019,313)	(720,868)	-	(14,740,181)
Elevated water storage tanks	(4,847,317)	(161,461)	56,697	(4,952,081)
Land improvements	(139,553)	(37,761)	-	(177,314)
Wells	(3,674,432)	(244,775)	-	(3,919,207)
Total Water Facilities	(22,680,615)	(1,164,865)	56,697	(23,788,783)
Sewer Facilities				
Trunk and lateral sewers	(18,779,217)	(849,167)	-	(19,628,384)
Lift station	(5,108,818)	(495,258)	-	(5,604,076)
Retention lagoon	(295,315)	(15,169)	-	(310,484)
Treatment equipment	(13,985,035)	(1,099,497)	-	(15,084,532)
Interceptor sewers	(10,046,742)	(525,046)	-	(10,571,788)
Total Sewer Facilities	(48,215,127)	(2,984,137)	-	(51,199,264)
Total Improvements Other Than Buildings	(70,895,742)	(4,149,002)	56,697	(74,988,047)
MACHINERY AND EQUIPMENT				
Fire hydrants	(71,788)	(1,807)	-	(73,595)
Pumping equipment	(3,253,215)	(33,683)	-	(3,286,898)
Laboratory equipment	(331,698)	(35,821)	-	(367,519)
Trucks and trailers	(1,876,940)	(181,389)	160,925	(1,897,404)
Other	(2,054,037)	(120,337)	274,146	(1,900,228)
Total Machinery and Equipment	(7,587,678)	(373,037)	435,071	(7,525,644)
TOTAL ACCUMULATED DEPRECIATION	$ (105,221,799)	(6,353,496)	$ 491,768	$ (111,083,527)

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

SERIES ORDINANCE SYSTEM
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended November 30, 2010

		Restricted Accounts			
	Operation Account	Series Ordinance	Subordinate Ordinance	Construction	Combined Total
Cash Balance, December 1, 2009	$ 887,707	$ 285,495	$ 349,078	$ 68,402	$ 1,590,682
Receipts					
Bond proceeds		-	-	19,833,538	19,833,538
Water and sewer charges	41,990,135	-	-	-	41,990,135
Interest	1,420,898	-	-	18,780	1,439,678
Sale or redemption of investments	-	36,100,000	-	2,574,013	38,674,013
Contributions - Capital Improvements	-	714,619	-	-	714,619
Other	74,584	-	-	-	74,584
Total Receipts	43,485,617	36,814,619	-	22,426,331	102,726,567
Disbursements					
Operating expenses	27,160,123	-	-	-	27,160,123
Purchase of investments	2,323,686	42,410,000	280,000	14,600,000	59,613,686
Principal due December 1, 2010	-	3,470,000	115,000	-	3,585,000
Interest	-	649,775	79,229	-	729,004
Transfers pursuant to bond ordinances	14,394,707	(14,175,478)	(194,229)	-	25,000
Other	40,371	-	-	-	40,371
Capital outlay expenditures	-	4,155,927	59,196	7,828,490	12,043,613
Total Disbursements	43,918,887	36,510,224	339,196	22,428,490	103,196,797
Cash Balance, November 30, 2010	$ 454,437	$ 589,890	$ 9,882	$ 66,243	$ 1,120,452

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

SERIES ORDINANCE SYSTEM OPERATION ACCOUNT
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended November 30, 2010

	Operation Account		
	Revenue Account	Operation Account	Combined Total
Cash Balance, December 1, 2009	$ -	$ 887,707	$ 887,707
Receipts			
Water and sewer charges	41,990,135	-	41,990,135
Interest	1,420,898	-	1,420,898
Other	74,584	-	74,584
Total Receipts	43,485,617	-	43,485,617
Disbursements			
Operating expenses	-	27,160,123	27,160,123
Purchase of investments	-	2,323,686	2,323,686
Transfers pursuant to bond ordinances	43,485,617	(29,090,910)	14,394,707
Other	-	40,371	40,371
Total Disbursements	43,485,617	433,270	43,918,887
Cash Balance, November 30, 2010	$ -	$ 454,437	$ 454,437

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

SERIES ORDINANCE SYSTEM RESTRICTED ACCOUNTS
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended November 30, 2010

	Restricted Accounts									
	Series Ordinance						Subordinate Ordinance			
	Interest Account	Bond Fund Accounts	Bond Reserve Account	Depreciation, Extension and Improvement Account	Sinking Fund Account	Combined Total	Subordinate Interest Account	Subordinate Bond Account	Subordinate Reserve Account	Combined Total
Cash Balance, December 1, 2009	$ 50,678	$ 85,680	$ 87,300	$ 61,837	$ -	$ 285,495	$ 59,196	$ -	$ 289,882	$ 349,078
Receipts	-	-	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-	-	-
Sale or redemption of investments	1,000,000	2,800,000	4,800,000	27,500,000	-	36,100,000	-	-	-	-
Contributions - Special Service Areas	189,187	511,506	-	13,926	-	714,619	-	-	-	-
Transfers pursuant to bond ordinances	406,575	2,785,000	383,903	10,600,000	-	14,175,478	79,229	115,000	-	194,229
Total Receipts	1,595,762	6,096,506	5,183,903	38,113,926	-	50,990,097	79,229	115,000	-	194,229
Disbursements										
Purchase of investments	900,000	2,700,000	4,800,000	34,010,000	-	42,410,000	-	-	280,000	280,000
Principal due December 1, 2010	-	3,470,000	-	-	-	3,470,000	-	115,000	-	115,000
Interest	649,775	-	-	-	-	649,775	79,229	-	-	79,229
Transfers pursuant to bond ordinances	-	-	-	-	-	-	-	-	-	-
Capital outlay expenditures	-	-	-	4,155,927	-	4,155,927	59,196	-	-	59,196
Total Disbursements	1,549,775	6,170,000	4,800,000	38,165,927	-	50,685,702	138,425	115,000	280,000	533,425
Cash Balance, November 30, 2010	$ 96,665	$ 12,186	$ 471,203	$ 9,836	$ -	$ 589,890	$ -	$ -	$ 9,882	$ 9,882

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

SERIES ORDINANCE SYSTEM
STATEMENT OF CHANGES IN NET ASSETS - RESTRICTED
Year ended November 30, 2010

	Business-type Activities-Enterprise Fund Accounts								
	Series Ordinance System								
	Interest Account	Bond Fund Account	Bond Reserve Account	Bond Sinking Fund Account	Depreciation, Extension, and Improvement Account	Reserve for Construction Accounts	Crossover Refunding Escrow Account	Subordinate Ordinance Total	Net Assets
Balance, December 1, 2009	$ 1,055,608	$ 2,899,007	$ 4,887,300	$ -	$ 27,561,837	$ 2,642,415	$ 17,081,810	$ 349,078	$ 56,477,055
Add (deduct)									
Transfers pursuant to bond	-	-	-	-	-	-	-	-	-
ordinances	406,575	2,785,000	383,903	-	10,600,000	-	-	194,229	14,369,707
Property tax	189,187	511,506	-	-	13,926	-	-	-	714,619
Interest income	-	-	-	-	-	18,780	721,905	-	740,685
Bond proceeds	-	-	-	-	-	19,833,538	-	-	19,833,538
Contributions- Capital Improvements	-	-	-	-	-	25,000	-	-	25,000
Interest paid on bonds	(649,775)	-	-	-	-	-	(749,606)	(79,229)	(1,478,610)
Bond principal due December 1, 2010	-	(3,470,000)	-	-	-	-	-	(115,000)	(3,585,000)
Other	(4,930)	(13,326)	-	-	-	25,000	-	-	6,744
Capital outlay expenditures	-	-	-	-	(4,155,927)	(7,828,490)	-	(59,196)	(12,043,613)
Balance, November 30, 2010	$ 996,665	$ 2,712,187	$ 5,271,203	$ -	$ 34,019,836	$ 14,716,243	$ 17,054,109	$ 289,882	75,060,125

Less: Restricted assets not funded by revenues	
Construction Account	$ (14,716,243)
Escrow account	(17,054,109)
Current liabilities payable from restricted assets	(750,996)
Total Restricted Net Assets	$ 42,538,777

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

REVENUE BONDS PAYABLE
Year Ended November 30, 2010

	Interest Rates (Percent)	Amount of Original Issue	Redemptions Through November 30, 2010	Bonds Outstanding November 30, 2010
Series A of 2003	5.20 - 5.50%	$ 20,790,000	$ 18,010,000	$ 2,780,000
Series B of 2003	2.25 - 4.125	3,405,000	905,000	2,500,000
Series C of 2003	4.55 - 5.65	16,769,471	-	16,769,471
Series 2005S-1	3.75 - 4.50	1,000,000	215,000	785,000
Series 2005S-2	5.20 - 5.50	1,000,000	350,000	650,000
2006A Refunding bonds	4.00	6,700,000	1,305,000	5,395,000
2006B Crossover refunding bonds	4.25 - 4.50	17,170,000	-	17,170,000
Series S of 2009	2.70 - 6.60	1,220,000	-	1,220,000
Series A of 2010	2.00 - 5.45	20,000,000	-	20,000,000
TOTAL REVENUE BONDS		$ 88,054,471	$ 20,785,000	$ 67,269,471

Note - Interest on all bonds is payable semiannually on June 1 and December 1.

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

SUMMARY OF REVENUE BOND DEBT SERVICE REQUIREMENTS TO MATURITY - PRINCIPAL
For the Years 2011 Through 2039

Maturing as follows	Series A of 2003	Series B of 2003	Series C of 2003	Series S-2 of 2005	Series S-1 of 2005	Series 2006A	Series 2006B	Series S of 2009	Series A of 2010	Total
Year Ending November 30,										
2011	$ 2,780,000	$ 200,000	$ -	$ 80,000	$ 45,000	$ 680,000	$ -	$ 25,000	$ -	$ 3,810,000
2012	-	2,300,000	-	85,000	45,000	775,000	-	25,000	-	3,230,000
2013	-	-	1,578,150	90,000	45,000	760,000	-	25,000	-	2,498,150
2014	-	-	1,393,848	90,000	50,000	755,000	1,550,000	30,000	160,000	4,028,848
2015	-	-	1,315,368	95,000	50,000	790,000	1,615,000	30,000	165,000	4,060,368
2016	-	-	1,232,976	105,000	50,000	830,000	1,690,000	30,000	170,000	4,107,976
2017	-	-	1,149,888	105,000	55,000	805,000	1,765,000	30,000	175,000	4,084,888
2018	-	-	1,419,035	-	55,000	-	2,615,000	30,000	200,000	4,319,035
2019	-	-	1,251,810	-	60,000	-	2,555,000	30,000	300,000	4,196,810
2020	-	-	1,166,430	-	60,000	-	2,665,000	35,000	350,000	4,276,430
2021	-	-	6,261,966	-	65,000	-	2,715,000	35,000	400,000	9,476,966
2022	-	-	-	-	65,000	-	-	35,000	1,080,000	1,180,000
2023	-	-	-	-	70,000	-	-	35,000	1,000,000	1,105,000
2024	-	-	-	-	70,000	-	-	40,000	1,000,000	1,110,000
2025	-	-	-	-	-	-	-	40,000	1,000,000	1,040,000
2026	-	-	-	-	-	-	-	40,000	1,000,000	1,040,000
2027	-	-	-	-	-	-	-	40,000	1,000,000	1,040,000
2028	-	-	-	-	-	-	-	45,000	1,000,000	1,045,000
2029	-	-	-	-	-	-	-	45,000	1,250,000	1,295,000
2030	-	-	-	-	-	-	-	45,000	1,250,000	1,295,000
2031	-	-	-	-	-	-	-	50,000	1,250,000	1,300,000
2032	-	-	-	-	-	-	-	50,000	1,500,000	1,550,000
2033	-	-	-	-	-	-	-	55,000	1,750,000	1,805,000
2034	-	-	-	-	-	-	-	55,000	2,000,000	2,055,000
2035	-	-	-	-	-	-	-	60,000	2,000,000	2,060,000
2036	-	-	-	-	-	-	-	60,000	-	60,000
2037	-	-	-	-	-	-	-	65,000	-	65,000
2038	-	-	-	-	-	-	-	65,000	-	65,000
2039	-	-	-	-	-	-	-	70,000	-	70,000
Totals	$ 2,780,000	$ 2,500,000	$ 16,769,471	$ 650,000	$ 785,000	$ 5,395,000	$ 17,170,000	$ 1,220,000	$ 20,000,000	$ 67,269,471

LAKE COUNTY PUBLIC WORKS DEPARTMENT
WATERWORKS AND SEWERAGE SYSTEMS FUND

SUMMARY OF REVENUE BOND DEBT SERVICE REQUIREMENTS TO MATURITY - INTEREST
For the Years 2011 Through 2039

Maturing as follows	Series A of 2003	Series B of 2003	Series C of 2003	Series S-2 of 2005	Series S-1 of 2005	2006A Bonds	2006B Bonds	Series S of 2009	Series A of 2010	Total
Year Ending November 30,										
2011	$ 152,900	$ 103,125	$ -	$ 25,080	$ 32,313	$ 215,800	$ 749,606	$ 71,035	$ 1,139,377	$ 2,489,236
2012	-	94,874	-	22,080	30,625	188,600	749,606	70,360	983,635	2,139,780
2013	-	-	921,850	18,850	28,938	157,600	749,607	69,548	983,635	2,930,028
2014	-	-	1,006,152	15,430	27,250	127,200	749,606	68,610	983,635	2,977,883
2015	-	-	1,084,632	12,010	25,350	97,000	679,856	67,335	980,435	2,946,618
2016	-	-	1,167,024	8,400	23,350	65,400	607,181	66,015	976,475	2,913,845
2017	-	-	1,250,112	4,200	21,350	32,200	531,131	64,635	972,225	2,875,853
2018	-	-	1,755,965	-	19,122	-	451,706	63,195	966,975	3,256,963
2019	-	-	1,748,190	-	16,865	-	340,569	61,695	960,375	3,127,694
2020	-	-	1,833,570	-	14,377	-	231,981	60,120	949,575	3,089,623
2021	-	-	1,913,280	-	11,858	-	115,388	58,283	936,275	3,035,084
2022	-	-	-	-	9,095	-	-	56,445	920,275	985,815
2023	-	-	-	-	6,300	-	-	54,450	874,375	935,125
2024	-	-	-	-	3,150	-	-	52,455	830,375	885,980
2025	-	-	-	-	-	-	-	50,175	784,875	835,050
2026	-	-	-	-	-	-	-	47,895	737,875	785,770
2027	-	-	-	-	-	-	-	45,495	689,375	734,870
2028	-	-	-	-	-	-	-	43,095	639,375	682,470
2029	-	-	-	-	-	-	-	40,395	587,875	628,270
2030	-	-	-	-	-	-	-	37,695	523,500	561,195
2031	-	-	-	-	-	-	-	34,770	459,125	493,895
2032	-	-	-	-	-	-	-	31,520	392,875	424,395
2033	-	-	-	-	-	-	-	28,270	313,375	341,645
2034	-	-	-	-	-	-	-	24,695	218,000	242,695
2035	-	-	-	-	-	-	-	21,120	109,000	130,120
2036	-	-	-	-	-	-	-	17,160	-	17,160
2037	-	-	-	-	-	-	-	13,200	-	13,200
2038	-	-	-	-	-	-	-	8,910	-	8,910
2039	-	-	-	-	-	-	-	4,620	-	4,620
Totals	$ 152,900	$ 197,999	$ 12,680,775	$ 106,050	$ 269,943	$ 883,800	$ 5,956,237	$ 1,333,196	$ 18,912,892	$ 40,493,792

(A) Crossover bonds with interest paid from escrow.