

MILBURN CAIN & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
4237 GROVE AVENUE
GURNEE, ILLINOIS 60031

PHONE (847) 336-6455
FAX: (847) 336-9594

Agenda Item # 85

LAKE COUNTY PUBLIC WATER DISTRICT
FINANCIAL REPORT
APRIL 30, 2007

LAKE COUNTY PUBLIC WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lake County Public Water District
Zion, Illinois

We have audited the accompanying financial statements of the

LAKE COUNTY PUBLIC WATER DISTRICT

as of April 30, 2007 and 2006, and for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake County Public Water District as of April 30, 2007 and 2006, and the results of its operations and 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 appearing on pages 2-7 are not a required part of the basic financial statements listed above but are supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of insurance coverages and the bond amortization schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
June 16, 2007

REQUIRED SUPPLEMENTAL INFORMATION

LAKE COUNTY PUBLIC WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2007

The Acting General Manager and Board of Trustees offer the readers of the Lake County Public Water District's financial statements this narrative discussion and analysis of its financial activities for the fiscal year ended April 30, 2007. Please consider the information presented here in conjunction with the District's financial statements.

This section of the report, the Management's Discussion and Analysis (M D & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* issued in June of 1999. The District implemented the GASB 34 reporting model for the first time in 2005 and has repeated the model annually thereafter.

Financial Highlights

Financial highlights of the Public Water District are summarized as follows:

- The results of operations for the year increased the District's net assets by \$408,000.
- The District retired \$575,000 in bonded debt and \$2,221 in capital lease obligations.
- A 8.5% decrease in demand for water in the 2007 fiscal year has contributed to an increased delivery cost for water.
- The District elected to write off \$46,000 in costs incurred in 2003 toward a plant expansion project as it expected that such costs would not result in a significant benefit to future plant expansion projects.
- The annual depreciation provision charged to operations decreased by \$14,000 compared to the \$360,000 charged in 2006. The current provision is also \$54,000 less than the 2005 amount when depreciation totaled almost \$400,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Because it is a special-purpose entity providing treated water to three customers who are also governmental entities, the District maintains a single proprietary fund to account for its operations. Accordingly, the financial statements are similar to the financial statements of a business enterprise. As such, the basic financial statements include two components:

1. Financial statements consisting of Statements of Net Assets, Statements of Revenues, Expenditures and Changes in Net Assets, and Statements of Cash Flows. The statements are dual-purpose statements serving as both single-fund and government-wide financial statements.
2. Notes to Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements. Such information consists of schedules of insurance coverage and water treatment and pumping statistics required by the District's bond covenants. In addition, loan amortization schedules are presented for the District's outstanding bond issue.

Government-wide Financial Statements

The Government-wide financial statements are designed to provide readers with a broad overview of the Water District's finances in a manner similar to a private sector business. For the Water District, the GASB No. 34 requirement is satisfied by re-titling financial statements issued prior to 2005 as there are no other funds which need to be included.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two totals reported as Net Assets. Over time, increases and decreases in net assets may serve as a useful indicator of the District's financial position.

The Statement of Revenues, Expenditures and Changes in Net Assets is focused on the net results of the District's water treatment and distribution operations where the fees for service are intended to cover the costs of operations including depreciation, suitable reserves for working capital requirements, and satisfaction of covenants with the District's bond holders and other financing sources.

These financial statements and the Statement of Cash Flows can be found on pages 8-11 of this report.

Fund Financial Statements

Because in the case of the Lake County Public Water District the financial statements for its single proprietary fund are identical with the government-wide statements discussed above, there is no separate presentation of the fund financial statements. Thus, these statements are also found on pages 8-11 of this report.

Infrastructure Assets

By its nature as a proprietary activity, the District has historically included infrastructure assets (roads, bridges, underground lines and the like) in the Property, Plant and Equipment accounts. Further, it has consistently computed depreciation on these assets. Thus, the GASB No. 34 requirement to include such assets and compute depreciation on them did not change the District's net assets or the results of operations when compared to its financial statements presented in years prior to 2005.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the District's financial statements. The Notes to Financial Statements can be found at pages 12-16 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information. Such information can be found on pages 17 and thereafter.

Financial Analysis of the District

Net Assets - The Lake County Public Water District's net assets increased during the year which ended April 30, 2007 by \$408,000, or 9.52% over the 2006 balance of \$4,286,000. This is less than 2006 when net assets increased by \$431,000, or 11.17% compared to 2005.

The change in performance resulted from decreased water consumption when compared to the prior year. Water consumption declined from 1,101,621,000 gallons in 2006 to 1,008,518,000 gallons in 2007, a decrease in volume of 8.5%.

Table 1
Statement of Net Assets
As of April 30
(In Thousands)

	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 2,219	\$ 2,549
Capital Assets	<u>3,485</u>	<u>3,349</u>
Total Assets	\$ <u>5,704</u>	\$ <u>5,898</u>
Long-term Liabilities	\$ 451	\$ 1,113
Other Liabilities	<u>480</u>	<u>498</u>
Total Liabilities	\$ <u>931</u>	\$ <u>1,611</u>
Net Assets		
Invested in Capital Assets		
Net of Related Debt	\$ 2,931	\$ 2,236
Restricted	1,715	1,858
Unrestricted	<u>49</u>	<u>193</u>
Total Net Assets	\$ <u>4,695</u>	\$ <u>4,287</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Bonded debt and capital lease obligations were retired in the amount of \$575,000 and \$2,221, respectively.
- The results of operations for the year increased net assets by \$408,000.

Changes in Net Assets - The District's change in net assets for 2007 was an increase of \$408,000 compared with \$431,000 in 2006. Net income as a percentage of total revenue was 22.2% for 2007 compared with 22.6% the previous year.

Total revenue for 2007 of \$1,839,000 is approximately \$63,000 less than the \$1,902,000 reported in 2006. The increase is attributable a higher cost of water delivery per thousand gallons.

Table 2
Changes in Net Assets
For the Fiscal Year Ended April 30
(In Thousands)

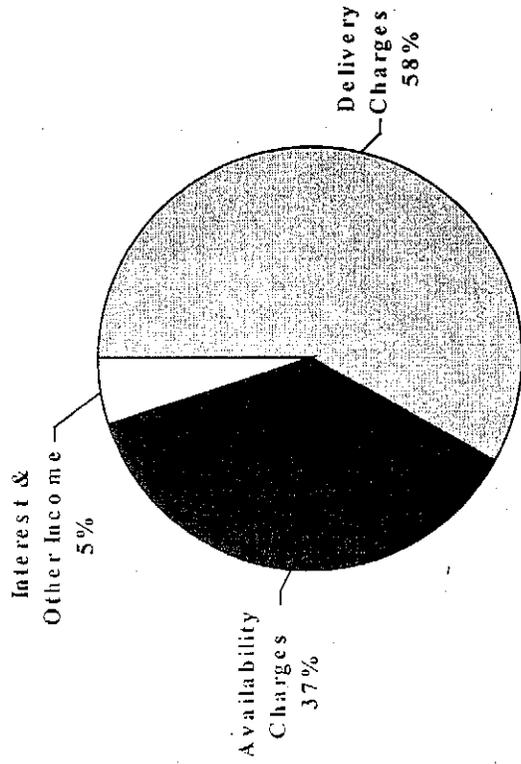
	<u>2007</u>	<u>2006</u>
Revenues		
Delivery Charges	\$ 1,118	\$ 1,147
Availability Charges	<u>721</u>	<u>755</u>
Total Revenues	\$ <u>1,839</u>	\$ <u>1,902</u>
Expenses		
Operating Expenses Other Than Depreciation	\$ 1,062	\$ 1,063
Depreciation	<u>346</u>	<u>360</u>
Total Expenses	\$ <u>1,408</u>	\$ <u>1,423</u>
Operating Income	\$ <u>431</u>	\$ <u>479</u>
Non-Operating Income (Expenses)		
Interest and Other Income	\$ 104	\$ 80
Interest Expense and Amortization	<u>(127)</u>	<u>(128)</u>
Total Non-Operating Income (Expenses)	\$ <u>(23)</u>	\$ <u>(48)</u>
Change in Net Assets	\$ 408	\$ 431
Net Assets - Beginning of Year	<u>4,287</u>	<u>3,856</u>
Net Assets - End of Year	\$ <u><u>4,695</u></u>	\$ <u><u>4,287</u></u>

Significant factors affecting the change in net assets for 2007 were:

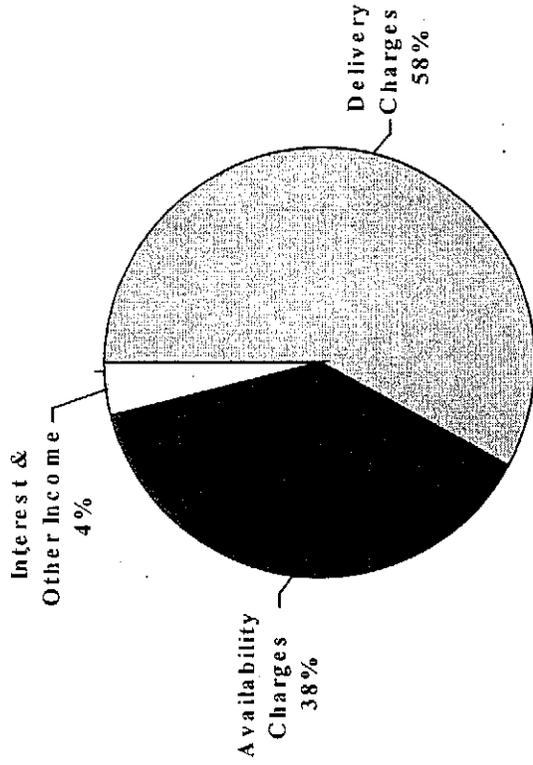
- As a result of decreased demand for water, the District delivered less water to its customers than in 2006.
- Personnel costs, including consulting fees of \$27,000, were \$40,000 more than in 2006.
- Pension costs for 2007 were \$30,000 more than 2006 due to increased employee eligibility and a correction of prior pension costs.
- The District's depreciation charge for 2007 of \$346,000 is \$14,000 less than the 2006 total due to the increasing age of the plant.

The charts which follow provide a graphic presentation of the District's revenue and expenses for 2006 and 2007.

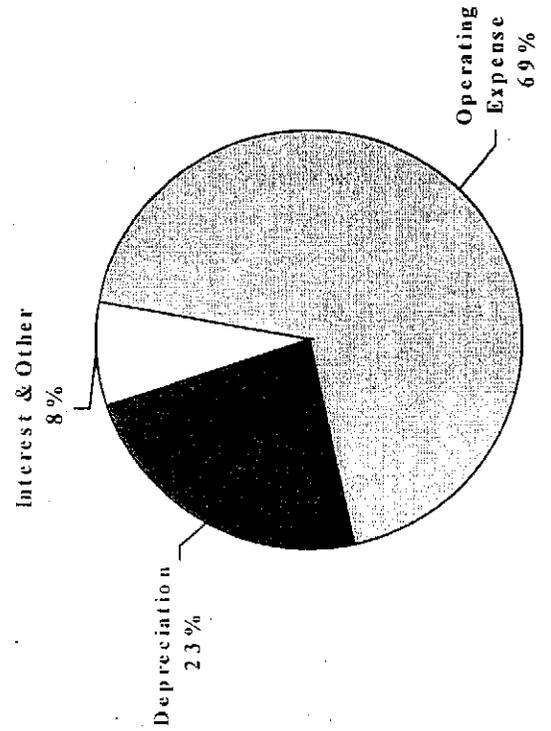
REVENUE FOR FISCAL YEAR 2007



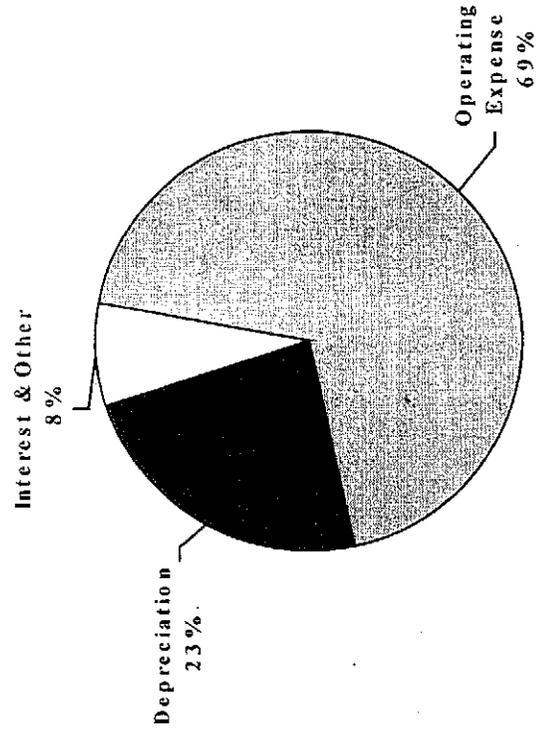
REVENUE FOR FISCAL YEAR 2006



EXPENSES FOR FISCAL YEAR 2007



EXPENSES FOR FISCAL YEAR 2006



Capital Assets

At April 30, 2007 and 2006, the District's capital assets included land, buildings, machinery, motor vehicles, computers, and furniture and fixtures. These assets net of depreciation were:

Table 3
Capital Assets at Year End
Net of Depreciation
(In Thousands)

	<u>2007</u>	<u>2006</u>
Land	\$ 60	\$ 60
Water Plant Facilities and Equipment	3,159	3,107
Computer Equipment	18	46
Motor Vehicles	14	18
Other Equipment	15	6
Projects in Progress	<u>219</u>	<u>112</u>
Totals	\$ <u>3,485</u>	\$ <u>3,349</u>

Detailed information concerning the capital assets can be found at Note 3 of the Notes to Financial Statements on page 14.

Economic Factors

The Lake County Public Water District treats and delivers water to three customers: The City of Zion; the Village of Winthrop Harbor; and the State of Illinois. These services are rendered under agreements with the two municipalities and the State of Illinois.

Request For Information

This financial report is designed to provide a general overview of the Lake County Public Water District's financial position and activities for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Acting General Manager at 500 17th St., Zion, Illinois 60099.

BASIC FINANCIAL STATEMENTS

LAKE COUNTY PUBLIC WATER DISTRICT

STATEMENT OF NET ASSETS

APRIL 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash and Cash Equivalents		
Operations and Maintenance	\$ 262,027	\$ 245,059
Receivables		
Customers	177,583	340,397
Interest	27,992	19,994
Prepaid Expenses	16,465	16,550
Total Current Assets	\$ <u>484,067</u>	\$ <u>622,000</u>
Restricted and Designated Assets		
Cash and Cash Equivalents Restricted For:		
Renewal and Replacement	\$ 639,734	\$ 244,317
Construction	---	182,998
Total Restricted and Designated Assets	\$ <u>639,734</u>	\$ <u>427,315</u>
Investments		
Renewal and Replacement	\$ 440,266	\$ 795,683
Bond and Interest Reserve	634,500	634,500
Total Investments	\$ <u>1,074,766</u>	\$ <u>1,430,183</u>
Total Restricted and Designated Assets	\$ <u>1,714,500</u>	\$ <u>1,857,498</u>
Property, Plant, and Equipment, Net of Accumulated Depreciation		
2007 \$5,721,329; 2006 \$5,375,466	\$ <u>3,485,030</u>	\$ <u>3,349,104</u>
Other Assets		
Deferred Charges	\$ 19,115	\$ 67,426
Deposits	1,600	1,600
Total Other Assets	\$ <u>20,715</u>	\$ <u>69,026</u>
Total Assets	\$ <u>5,704,312</u>	\$ <u>5,897,628</u>

See Notes to Financial Statements.

LAKE COUNTY PUBLIC WATER DISTRICT

STATEMENT OF NET ASSETS

APRIL 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Liabilities		
Current Liabilities		
Current Maturities of Capital Lease Obligations	\$ 2,337	\$ ---
Current Maturities on Bonded Debt	100,000	575,000
Accounts Payable	220,729	126,591
Customer Refunds	113,411	280,669
Accrued Pension Contributions	51,096	21,070
Accrued Post-Employment Benefits	59,581	62,746
Accrued Vacation Pay	<u>10,460</u>	<u>6,740</u>
Total Current Liabilities	\$ <u>557,614</u>	\$ <u>1,072,816</u>
Obligations Under Capital Leases, Less Current Maturities	\$ <u>8,390</u>	\$ <u>---</u>
Revenue Bonds Payable, Less Current Maturities	\$ <u>443,054</u>	\$ <u>538,274</u>
Total Liabilities	\$ <u>1,009,058</u>	\$ <u>1,611,090</u>
Net Assets		
Invested in Capital Assets		
Net of Related Debt	\$ 2,931,249	\$ 2,235,830
Restricted	1,714,500	1,857,498
Unrestricted	<u>49,505</u>	<u>193,210</u>
Total Net Assets	\$ <u>4,695,254</u>	\$ <u>4,286,538</u>

See Notes to Financial Statements.

LAKE COUNTY PUBLIC WATER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 YEAR ENDED APRIL 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Customer Delivery Charges	\$ 1,117,628	\$ 1,147,001
Customer Availability Charges	<u>721,539</u>	<u>755,476</u>
Total Operating Revenues	\$ <u>1,839,167</u>	\$ <u>1,902,477</u>
Operating Expenses		
Personnel	\$ 390,028	\$ 350,179
Trustees	7,000	6,583
Payroll Taxes	30,833	26,598
Electricity	113,239	147,844
Wastewater User Charge	19,088	16,347
Laboratory Fees	28	2,581
Chemicals	50,878	46,367
Operating Supplies	24,966	37,986
Repairs and Maintenance	53,609	78,284
Maintenance Contracts	54,557	37,623
Miscellaneous Equipment	---	390
Equipment Rentals	263	4,101
Telephone	18,693	17,554
Office Supplies	6,956	6,597
Insurance	130,635	131,453
Transportation	2,921	4,187
Meetings and Training	8,220	4,741
Dues and Subscriptions	2,999	2,911
Legal Fees	25,966	50,837
Audit Fees	13,600	13,500
Engineering Fees	49,908	8,768
Pension Contribution	51,096	21,070
District Security	3,150	35,296
Miscellaneous	<u>3,627</u>	<u>11,111</u>
Total Operating Expenses Before Depreciation	\$ <u>1,062,260</u>	\$ <u>1,062,908</u>
Depreciation	\$ <u>345,864</u>	\$ <u>360,395</u>
Total Operating Expenses	\$ <u>1,408,124</u>	\$ <u>1,423,303</u>
Operating Income	\$ <u>431,043</u>	\$ <u>479,174</u>
Non-Operating Income (Expenses)		
Interest Income	\$ 104,166	\$ 75,998
Gain on Sale of Assets	---	3,925
Interest Expense		
Revenue Bonds	(76,840)	(107,201)
Capital Lease	(1,341)	(478)
Amortization of Debt and Bond Issue Costs	<u>(48,312)</u>	<u>(20,628)</u>
Total Non-Operating Income (Expense)	\$ <u>(22,327)</u>	\$ <u>(48,384)</u>
Net Income	\$ 408,716	\$ 430,790
Net Assets - Beginning of Year	<u>4,286,538</u>	<u>3,855,748</u>
Net Assets - End of Year	\$ <u>4,695,254</u>	\$ <u>4,286,538</u>

See Notes to Financial Statements.

LAKE COUNTY PUBLIC WATER DISTRICT

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
Operating Income	\$ 431,043	\$ 479,174
Adjustments To Reconcile Operating Income To		
Net Cash Provided By Operating Activities:		
Depreciation	345,864	360,395
Change in Assets and Liabilities:		
(Increase) Decrease in Customer Receivables	162,814	(159,460)
(Increase) Decrease in Interest Receivable	(7,998)	5,159
Decrease (Increase) in Prepaid Expenses	85	4,883
Increase (Decrease) in Accounts Payable	94,138	93,464
Increase (Decrease) in Customer Refunds Payable	(167,258)	187,301
Increase (Decrease) in Accrued Expenses	30,581	(20,718)
Net Cash Provided By Operating Activities	\$ <u>889,269</u>	\$ <u>950,198</u>
Cash Flows From Capital and Related Financing Activities:		
Net Fixed Assets Retired	\$ 46,255	\$ ---
Purchase of Property, Plant and Equipment	(420,147)	(146,081)
Principal Payments on Revenue Bonds	(575,000)	(580,000)
Interest Paid on Revenue Bonds	(72,060)	(104,261)
Principal Payments on Capital Lease Obligations	(2,221)	(35,675)
Interest Paid on Capital Lease Obligations	(1,341)	(478)
Net Cash (Used In) Investing Activities	\$ <u>(1,024,514)</u>	\$ <u>(866,495)</u>
Cash Flows From Investing Activities:		
Interest Received on Investments	\$ 104,166	\$ 75,998
Gain on Sale of Assets	---	3,925
Sale of Investments	635,390	200,000
Purchase of Investments	(374,924)	(149,385)
Net Cash Provided By Investing Activities	\$ <u>364,632</u>	\$ <u>130,538</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 229,387	\$ 214,241
Cash and Cash Equivalents - Beginning	<u>672,374</u>	<u>458,133</u>
Cash and Cash Equivalents - Ending	\$ <u>901,761</u>	\$ <u>672,374</u>

See Notes to Financial Statements.

LAKE COUNTY PUBLIC WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2007 AND 2006

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Lake County Public Water District was organized in Zion, Illinois in 1951 to provide water service to various surrounding communities. The District has contracts to supply water to the City of Zion, the Village of Winthrop Harbor and the State of Illinois.

Reporting: Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the District.

Basis of Accounting: The financial statements are presented on the accrual method of accounting under which revenue is recognized when earned and expenses when they are incurred. The District has elected to adopt only Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, relating to its accounting and financial reporting practices.

Cash and Cash Equivalents and Investments: For purposes of reporting cash flows, the District considers all cash on hand, demand deposits, certificates of deposit, and U.S. government securities with maturities of three months or less as cash and cash equivalents. Certificates of deposit and U.S. government securities with maturities in excess of three months are classified as investments and are reported at cost, or amortized cost.

All monies derived from the operation of the waterworks system were, under the terms of the 1968, 1986, 1992, and 1998 Water Revenue Bond Ordinances, to be credited and segregated monthly into the following accounts in the order shown to the extent that monies are available:

Operation and Maintenance Account - Amounts sufficient to pay the reasonable expenses of operation, maintenance, and repair of the system for the next succeeding month.

Interest Account - Amounts sufficient to pay the next maturing bond interest requirements when due. There is no balance in this account at April 30, 2007 and 2006, since the May 1 interest was paid prior to April 30th.

Sinking Fund Account - Amounts sufficient to retire the principal amount of bonds scheduled for retirement on May 1 of the following fiscal year, including any redemption premium. There is no balance in this account at April 30, 2007 and 2006, since the May 1 principal payment was paid as of April 30th.

Bond and Interest Reserve Account - The District is required by the terms of its outstanding bond issue to maintain a bond and interest reserve account equal to the lesser of 10% of the amount of the original bond proceeds or the maximum annual debt service on all outstanding bonds. The required amount at the end of April 2007 was \$139,600. Amounts in the reserve are to be used for the payment of the principal and interest on any outstanding water revenue bonds when there are insufficient funds available in the sinking fund and interest accounts. At April 30, 2007 and 2006, this account balance was \$634,500 and \$634,500, respectively. As of April 30, 2007, all bonds outstanding except for the remainder of the 1986 bond issue had been retired. However, the Board has not yet acted to reduce the reserve to the \$139,600 required balance.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Renewal and Replacement Account - Amounts accumulated from September 1992 to September 1994 totaled \$250,000. The Board has approved increases of \$830,000 resulting in a maximum reserve of \$1,080,000. This account is to be used for the payment of the cost of replacement of system properties and for the payment of the principal and interest on any outstanding water revenue bonds when there are insufficient funds available in the sinking fund and interest accounts. At April 30, 2007 and 2006, the District has funded \$1,080,000 and \$1,040,000, respectively, for this account.

Surplus Account - Monies remaining at the end of the fiscal year shall be transferred to the surplus account to be used to make up deficiencies in other accounts or provide additional funds for improvement of the system. There were no balances at April 30, 2007 and 2006.

Property, Plant and Equipment (Capital Assets): Capital assets, which include land, land improvements, buildings and improvements thereto, plant and system equipment, vehicles, computers and office, and equipment are reported in the District's financial statements. Capital assets are defined as those property, plant and equipment items with an initial individual cost of more than \$5,000 and an estimated life of five years or more. For office equipment, capital assets include items with an initial individual cost of \$500 or more and a five year life. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation has been provided using the straight-line method over the following useful lives of the assets:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Plant and Improvements	5-40 years
Equipment	5-15 years
Computer Equipment	3-5 years
Automobiles	5 years

Deferred Charges: Deferred charges consist of the unamortized cost of legal, engineering, and administrative expenses incurred at the inception of the 1986, 1992, and 1998 bond issues, and the expense of any applicable bond insurance covering the outstanding revenue bond issues. These charges are being amortized over the terms of the bond issues using the straight-line method.

Compensated Absences: The liability for vacation hours is recorded during each calendar year when earned for subsequent use or for payment upon termination, death, or retirement. Vacation time, however, must be taken during the year earned or within the six months following year-end. It does not accumulate. No liability is recorded for personal time off because the liability does not vest and no payment is made upon termination of employment.

Operating and Non-Operating Expenses: Operating expenses include all expenses and depreciation related to the treatment and delivery of water including expenses for the administration of the District. Non-operating expenses consist of expenses not related to the District's day-to-day expenses to treat and deliver water. Currently, non-operating expenses consist primarily of interest on the District's long-term debt and the amortization of financing costs paid at the time bonds were issued.

Other Significant Accounting Policies: In those cases where expenditures may be charged either to current operating funds or to the reserve accounts, such charges are allocated according to decisions of the Board of Trustees.

NOTE 2 - CASH AND INVESTMENTS

State statutes authorize the District to invest in: direct obligations of federally insured banks and savings and loan associations; insured obligations of Illinois credit unions; securities issued or guaranteed by the U.S. Government; money market mutual funds investing only in U.S. Government-backed securities; commercial paper of U.S. corporations with assets over \$500 million; short-term obligations of the Federal National Mortgage Association; repurchase agreements; and the Illinois Treasurer's Pool.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - CASH AND INVESTMENTS (continued)

At year-end, the carrying amount of the District's deposits was \$1,976,527 and the bank balance was \$2,007,056. The insured and collateral status of the bank balances was as follows:

	<u>2007</u>	<u>2006</u>
Covered By Federal Depository Insurance	\$ 100,000	\$ 100,000
Covered By Pledging of Securities Held By the Pledging Bank's Agent in the District's Name	<u>1,876,527</u>	<u>2,002,557</u>
	<u>\$ 1,976,527</u>	<u>\$ 2,102,557</u>

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

A summary of the changes in property, plant and equipment at cost is as follows:

	<u>Balance April 30, 2006</u>	<u>Reclassifications and Additions</u>	<u>Reclassifications and Deletions</u>	<u>Balance April 30, 2007</u>	<u>Accumulated Depreciation</u>
Land	\$ 60,400	\$ ---	\$ ---	\$ 60,400	\$ ---
Water Plant Facilities and Equipment	8,318,357	406,798	45,726	8,679,429	5,521,358
Computer Equipment	142,456	---	---	142,456	124,120
Transportation	18,830	---	---	18,830	4,708
Other	73,009	12,948	---	85,957	71,143
Projects in Progress	<u>111,517</u>	<u>219,287</u>	<u>111,517</u>	<u>219,287</u>	<u>---</u>
	<u>\$ 8,724,569</u>	<u>\$ 639,033</u>	<u>\$ 157,243</u>	<u>\$ 9,206,359</u>	<u>\$ 5,721,329</u>
	<u>Balance April 30, 2005</u>	<u>Reclassifications and Additions</u>	<u>Reclassifications and Deletions</u>	<u>Balance April 30, 2006</u>	<u>Accumulated Depreciation</u>
Land	\$ 60,400	\$ ---	\$ ---	\$ 60,400	\$ ---
Water Plant Facilities and Equipment	8,309,307	9,050	---	8,318,357	5,211,307
Computer Equipment	142,456	---	---	142,456	96,001
Transportation	14,858	18,830	14,858	18,830	942
Other	66,325	6,684	---	73,009	67,216
Projects in Progress	<u>---</u>	<u>111,517</u>	<u>---</u>	<u>111,517</u>	<u>---</u>
	<u>\$ 8,593,346</u>	<u>\$ 146,081</u>	<u>\$ 14,858</u>	<u>\$ 8,724,569</u>	<u>\$ 5,375,466</u>

NOTE 4 - WATER REVENUE BONDS

Revenue bonds outstanding at April 30, 2007 were:

1986 Revenue Bonds Payable, interest at 5.3% to 7.2%, payable on May 1 and November 1, principal payable on May 1 through 2013	<u>\$ 550,000</u>
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The following is a summary of the Districts revenue bond transactions:

	<u>Balance April 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance April 30, 2007</u>	<u>Current Maturities</u>
1968 Issue	\$ 100,000	\$ ---	\$ 100,000	\$ ---	\$ ---
1986 Issue	600,000	---	50,000	550,000	100,000
1992 Issue	225,000	---	225,000	---	---
1998 Issue	<u>200,000</u>	<u>---</u>	<u>200,000</u>	<u>---</u>	<u>---</u>
	<u>\$ 1,125,000</u>	<u>\$ ---</u>	<u>\$ 575,000</u>	<u>\$ 550,000</u>	<u>\$ 100,000</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - WATER REVENUE BONDS (continued)

	Balance <u>April 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>April 30, 2007</u>	Current <u>Maturities</u>
1968 Issue	\$ 195,000	\$ ---	\$ 95,000	\$ 100,000	\$ 100,000
1986 Issue	675,000	---	75,000	600,000	50,000
1992 Issue	435,000	---	210,000	225,000	225,000
1998 Issue	<u>400,000</u>	<u>---</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 1,705,000</u>	<u>\$ ---</u>	<u>\$ 580,000</u>	<u>\$ 1,125,000</u>	<u>\$ 575,000</u>

Principal maturities on all outstanding revenue bonds at April 30, 2007, are as follows:

<u>Years Ending April 30</u>	<u>1986 Issue</u>
2008	\$ 100,000
2009	100,000
2010	100,000
2011	100,000
2012	125,000
2013	<u>25,000</u>
	\$ 550,000
Unamortized Bond Discounts	<u>6,946</u>
	<u>\$ 543,054</u>

NOTE 5 - CAPITAL LEASES

On May 6, 2006, the District entered into a lease/purchase agreement with GFC Leasing for the purchase of copier equipment. The equipment cost \$12,948. The lease requires 60 monthly payments of \$274 beginning May 6, 2006. The final payment is due in April 2011. The lease payments include interest computed at 3.25%. Annual total lease payments are:

<u>Fiscal Year Ended April 30</u>	<u>Total Payments</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,288	\$ 2,337	\$ 951
2009	3,288	2,612	676
2010	3,288	2,887	401
2011	<u>3,288</u>	<u>2,891</u>	<u>397</u>
	<u>\$ 13,152</u>	<u>\$ 10,727</u>	<u>\$ 2,425</u>

NOTE 6 - PENSION PLANS

Pension Plan: The District has a defined contribution pension plan covering all full-time employees who are at least 20 1/2-years-old and have been employed by the District at least one year. Annual contributions to the plan are determined by the Board of Trustees and may not exceed 15% of covered payroll. District expense for the years ended April 30, 2007 and 2006, was \$51,096 and \$21,071, respectively.

Deferred Compensation Plan: The District maintains a deferred compensation plan for its employees structured and operated in accordance with the provisions of the Internal Revenue Code Section 457. The plan, available to all District employees, permits employees to defer a portion of their salaries until future years. The deferred compensation and accumulated earnings thereon are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is fully funded as the deferred compensation is earned by the employees.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and injuries to employees. The District currently provides for workers' compensation coverage through the Illinois Public Risk Fund (IPRF), which is a public entity risk pool currently operating as a common risk management and insurance program for local governmental entities. The District pays an annual premium to IPRF for its workers' compensation coverage. The pooling agreement provides that IPRF will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$400,000 for each insured event.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - CERTAIN CONTRACTUAL OBLIGATIONS

In connection with the April 30, 2005 retirement of its General Manager, the District agreed to fund Medicare supplement premiums for the lives of he and his spouse. In accordance with generally accepted accounting principles, the District charged to expense at April 30, 2005 the \$65,683 estimated present value of these future payments. Each year, actual expenses paid for the Medicare supplement premiums are reduced by amortization of the 2005 provision. For 2007 and 2006, the amortization was \$3,165 and \$2,837, respectively.

Assumptions used in making the estimate of present value were that the cost of benefits would increase by 5% annually using an interest rate of 3% over the estimated remaining lives of the individuals covered by the agreement.

Further, the District entered into a consulting agreement with the retiring General Manager to provide consulting services for the three years which will end on April 30, 2008 at a monthly fee of \$2,250. The consulting payments will be charged to expense ratably over the three-year life of the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE COUNTY PUBLIC WATER DISTRICT

INFORMATION REQUIRED BY THE WATER REVENUE BOND ORDINANCES

SCHEDULE OF INSURANCE COVERAGE

APRIL 30, 2007
(Unaudited)

1. Commercial Property - Policy No. 35846791		06-01-06/07
Chubb		
Location 1, Building 1	\$9,100,000	
Deductible	\$1,000	
Blanket Personal Property	\$551,000	
Business Income and Extra Expense	\$1,000,000	
Additional Coverages Including Equipment Breakdown	\$1,000,000	
Location 2, Building 1 - Personal Property	\$185,000	
Additional Coverages - Back-up Generator	\$185,000	
EDF	\$429,000	
2. Worker's Compensation		12-15-06/07
Safety National - Policy No. AGC 7520		
Coverage A	Statutory	
Coverage B		
Each Accident	\$2,500,000	
Disease - Each Employee	\$2,500,000	
Disease - Policy Limit	\$2,500,000	
3. General Liability		06-01-06/07
St. Paul - Policy No. GP09312512		
General Total Limit	\$2,000,000	
Products and Completed Operations	\$2,000,000	
Personal Injury	\$1,000,000	
Advertising Injury	\$1,000,000	
Each Event Limit	\$1,000,000	
Failure To Supply Limit	\$1,000,000	
Premises Damage Limit	\$1,000,000	
Public Officials Liability Limit	\$1,000,000	
Employment Practices Limit		
Each Offense Limit	\$2,000,000	
Total Limit	\$2,000,000	
Deductibility	\$10,000	
Pollution Liability	\$1,000,000	
Employee Benefits		
Each Occurrence	\$1,000,000	
Total Limit	\$3,000,000	
Deductible	\$1,000	
Primary Umbrella		
Each Occurrence	\$10,000,000	
Aggregate	\$10,000,000	

LAKE COUNTY PUBLIC WATER DISTRICT

INFORMATION REQUIRED BY THE WATER REVENUE BOND ORDINANCES

SCHEDULE OF INSURANCE COVERAGE

APRIL 30, 2007

(Unaudited)

4. Automobile		
St. Paul - Policy No. GP09312512		06-01-06/07
Combined Single Liability Limit	\$1,000,000	
Comprehensive Deductible	\$1,000	
Collision Deductible	\$1,000	
Medical Payments	\$5,000	
Towing and Labor	\$100	
Hired and Non-Owned Liability	Included	
Vehicle Insured	2006 Ford F150	
5. Crime - Employee Dishonesty		
St. Paul - Policy No. GP09312512		06-01-06/07
Limit	\$100,000	
6. Bonds		
Ohio Casualty 34818658		05-01-06/07
Ohio Casualty 35139918		08-11-03/07
Ohio Casualty 35199280		08-11-03/07
7. Excess Liability		
St. Paul - Policy No. QY 01225314		06-01-06/07
Limit	\$10,000,000	
8. Municipal Bond New Issue Insurance	Expires date of last principal and interest payment	
Financial Guaranty Insurance Company	Premium: Paid at issue date	
Outstanding District Water Revenue Bond Issues, Series 1986		

LAKE COUNTY PUBLIC WATER DISTRICT
INFORMATION REQUIRED BY THE WATER REVENUE BOND ORDINANCES
WATER, CUSTOMER AND RATE INFORMATION
YEAR ENDED APRIL 30, 2007

(Unaudited)

Treated Water Pumped and Billed to Customers*	1,008,518,000 Gallons
Treated Raw Water*	1,132,360,000 Gallons
Water Used for Flushing Filters and Plant	40,645,400 Gallons
Number of Metered Customers	3
Number of Unmetered Customers	0
Purchased Water	None purchased during the year
Water Delivery Rates in Effect	\$1.1453 per 1,000 gallons

*In addition, all of the customers were charged a pro rata share of an availability fee which amounts to \$711,205 for the year ended April 30, 2007.

LAKE COUNTY PUBLIC WATER DISTRICT
 INFORMATION REQUIRED BY THE WATER REVENUE BOND ORDINANCES
 WATER REVENUE BONDS AMORTIZATION SCHEDULES

APRIL 30, 2007

1986 Issue

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2007	\$ ---	\$ 19,800	\$ 19,800
May 1, 2008	100,000	19,800	119,800
November 1, 2008	---	16,200	16,200
May 1, 2009	100,000	16,200	116,200
November 1, 2009	---	12,600	12,600
May 1, 2010	100,000	12,600	112,600
November 1, 2010	---	9,000	9,000
May 1, 2011	100,000	9,000	109,000
November 1, 2011	---	5,400	5,400
May 1, 2012	125,000	5,400	130,400
November 1, 2012	---	900	900
May 1, 2013	<u>25,000</u>	<u>900</u>	<u>25,900</u>
	\$ <u>550,000</u>	\$ <u>127,800</u>	\$ <u>677,800</u>

LAKE COUNTY PUBLIC WATER DISTRICT
 INFORMATION REQUIRED BY THE WATER REVENUE BOND ORDINANCES
 WATER REVENUE BONDS AMORTIZATION SCHEDULES

APRIL 30, 2007

Total All Issues

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2007	\$ ---	\$ 19,800	\$ 19,800
May 1, 2008	100,000	19,800	119,800
November 1, 2008	---	16,200	16,200
May 1, 2009	100,000	16,200	116,200
November 1, 2009	---	12,600	12,600
May 1, 2010	100,000	12,600	112,600
November 1, 2010	---	9,000	9,000
May 1, 2011	100,000	9,000	109,000
November 1, 2011	---	5,400	5,400
May 1, 2012	125,000	5,400	130,400
November 1, 2012	---	900	900
May 1, 2013	<u>25,000</u>	<u>900</u>	<u>25,900</u>
	\$ <u>550,000</u>	\$ <u>127,800</u>	\$ <u>677,800</u>