

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



Clear Answers for Clean WaterSM

**FOR THE FISCAL YEAR ENDING
DECEMBER 31, 2010**

Western Lake Superior Sanitary District

Duluth, Minnesota

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

Prepared by Business Services Division

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**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
Comprehensive Annual Financial Report
Year Ended December 31, 2010**

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Certificate of Achievement	4
Organization Structure	5
Principal Officials	6
Political Boundaries	7
 FINANCIAL SECTION	
Independent Auditor's Report	8
Management's Discussion and Analysis	10
Basic Financial Statements	
Comparative Statement of Net Assets	15
Comparative Statement of Revenues, Expenses, and Changes in Net Assets	18
Comparative Statement of Cash Flows	20
Notes to Financial Statements	23
Required Supplementary Information	
Schedule of Funding Progress-Other Postemployment Benefit Plan	53
Supplemental Schedules	
Detailed Schedule of Revenue Compared to Budget	54
Detailed Schedule of Expenses	
Compared to Budget-Department Level	55
Schedule of Expenditures of Federal Awards	58
Notes to the Schedule of Expenditures of Federal Awards	59
 STATISTICAL SECTION (Last Ten Fiscal Years)	
Financial Trends	
Net Assets By Component	62
Changes in Net Assets	63
Operating Revenues By Source/User	64
Operating Expenses by Function/Object	65
Nonoperating Revenues and Expenses	66
Revenue Capacity	
Total Wastewater Treated by Billing Parameters	67
Wastewater Volume	68
Operations and Maintenance Unit Costs	69
Solid Waste Volume and Tipping Fee	70
Solid Waste Volume	71
Principal Revenue Payers	72

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
Comprehensive Annual Financial Report
Year Ended December 31, 2010**

Table of Contents - Continued

	<u>Page Number</u>
STATISTICAL SECTION (Last Ten Fiscal Years) - Continued	
Debt Activity	
Ratio of Outstanding Debt by Type	73
Net Tax Capacity and Estimated Actual Value of Taxable Property	74
Net General Bonded Debt Ratios	75
Pledged Revenue Coverage	76
Demographic and Economic Information	
Demographic and Economic Statistics	77
Principal Employers	78
Operating Information	
Number of Employees by Identifiable Activity	79
Operating Indicators – Wastewater Operations	80
Capital Asset Statistics – Wastewater Operations	81



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Western Lake Superior Sanitary District

June 8, 2011

Board of Directors
Western Lake Superior Sanitary District
2626 Courtland Street
Duluth, Minnesota 55806

The Comprehensive Annual Financial Report of the Western Lake Superior Sanitary District (WLSSD) for the fiscal year ended December 31, 2010 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the WLSSD. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the enterprise fund. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the WLSSD have been included.

Services of the WLSSD

The WLSSD is located in northeastern Minnesota, and encompasses 500 square miles and includes the cities of Cloquet, Carlton, Scanlon, Thomson and Wrenshall, and townships of Silver Brook, Thomson, and Twin Lakes in Carlton County and the cities of Duluth, Hermantown, and Proctor, and the townships of Canosia, Duluth, Grand Lake, Lakewood, Midway, Rice Lake, and Solway in St. Louis County.

The WLSSD was established in 1971 to improve and protect the waters of the St. Louis River and St. Louis Bay. In 1974, the State Legislature gave the WLSSD the additional responsibility for solid waste disposal. The cleanup of the St. Louis River remains the most significant event in the environmental history of this region.

The transition began for WLSSD in 1998 from the incineration of sewage sludge with solid waste (garbage) as a fuel to a new biosolids system, which became fully operational in 2001. The solid waste processing facility closed in mid 1999 and a new solid waste transfer station then began operations. Two new WLSSD facilities began in 2002 – a Materials Recovery Center, which replaced the old Industrial Landfill, and an Organics Composting Facility. WLSSD also has recycling and household hazardous waste programs. The WLSSD is widely recognized for its innovative programs and leadership on pollution prevention issues including mercury reduction. Since 1992 pollution prevention has been stressed as a cost-effective alternative to

2010 Comprehensive Annual Financial Report

treatment for industrial and residential wastewater customers. This program insures the ability to meet future water quality limits without the addition of costly treatment processes.

Local Economy

As stated, the WLSSD serves a large geographic territory (513 square miles) with a relatively diverse service area and a population of approximately 135,000. During 2010 the local economy experienced improvement. Industrial customers ran with minimal downtime in 2010 resulting in increased loadings to the waste treatment facility as compared to 2009. While the difficult national economy continues to have an impact on the region served by WLSSD, the region continues to fare better than average with Duluth's unemployment currently at 8.1% as compared to 9.0% nationally.

The region continues to have a diverse economy made up of healthcare, forest products manufacturing, aviation and a large and robust college and university sector all of which appear to be experiencing signs of recovery.

Long-term Financial Planning

As part of the Master Planning Process, the WLSSD develops a ten (10) year capital plan for its Wastewater and Solid Waste operations. This planning process integrates projected changes in demand with an engineering assessment of the major components of the facility. These capital projections are utilized in combination with loading projections and operating assumptions to develop a ten year projection for operating costs. These projections are used to make informed decisions on debt and loan financing to ensure adequate fund balances over both the short and long-term. Please refer to the Management Discussion and Analysis section of this document for a more detailed discussion of our financial and planning highlights.

Internal Controls

District management is responsible for designing, establishing and maintaining an internal control system that protects District assets from loss, theft or misuse and ensures that adequate accounting data is compiled to prepare the financial statements in accordance with generally accepted accounting principles. Internal control systems are designed to provide reasonable assurance that these objectives are met, while recognizing that the cost of a control should not exceed the benefits. The evaluation of costs and benefits requires management estimates and judgments. The District's internal control system is continually monitored and evaluated by management as a good business practice.

2010 Comprehensive Annual Financial Report

Independent Audit

The enabling legislation of the WLSSD requires an annual audit of all books and accounts to be made by independent certified public accountants or by the State Auditor's office. This requirement has been complied with, and the State Auditor's opinion accompanies this report.

The State Auditor will issue a management and compliance letter covering the review made as part of their examination of the District's system of internal control and compliance with applicable legal provisions. The management and compliance letter will not modify or affect in any way this report on the financial statements.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the WLSSD for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. This was the twenty-sixth consecutive year that the WLSSD has received this prestigious award. In order to be awarded a Certificate of Achievement, the WLSSD published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The accurate and timely preparation of this report could not have been accomplished without the efficiency and dedication of WLSSD's Business Services Division. We express our appreciation to all members of the division, and to the staff of the State Auditor's Office who reviewed and assisted in the preparation. We would also like to thank the WLSSD Board of Directors for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,


Marianne Bohren
Executive Director


Cathy Remington
Director of Finance

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Western Lake Superior
Sanitary District, Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
BOARD OF DIRECTORS**

<u>Members</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Appointment Date</u>
Ruth Janke	1 years	07/01/12	07/01/09
Guy Unertl	4 years	07/01/12	10/31/06
Paul Heller	4 years	07/01/12	08/01/06
Dave Manderfeld	6 years	07/01/13	08/24/04
James Aird	1 years	07/01/13	04/30/09
Bill Majewski	8 years	07/01/13	03/26/02
Al Katz	5 years	07/01/11	12/23/05
Debora Hill	5 years	07/01/11	07/01/05
Robert Prusak	8 years	07/01/11	10/21/02

Executive Team

Length of Service

Marianne Bohren
Executive Director

7 years

Jack Ezell
Manager of Planning & Technical Services

36 years

Al Parrella
Manager of Operations & Maintenance

32 years

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Western Lake Superior Sanitary District

WLSSD Statutory Limits

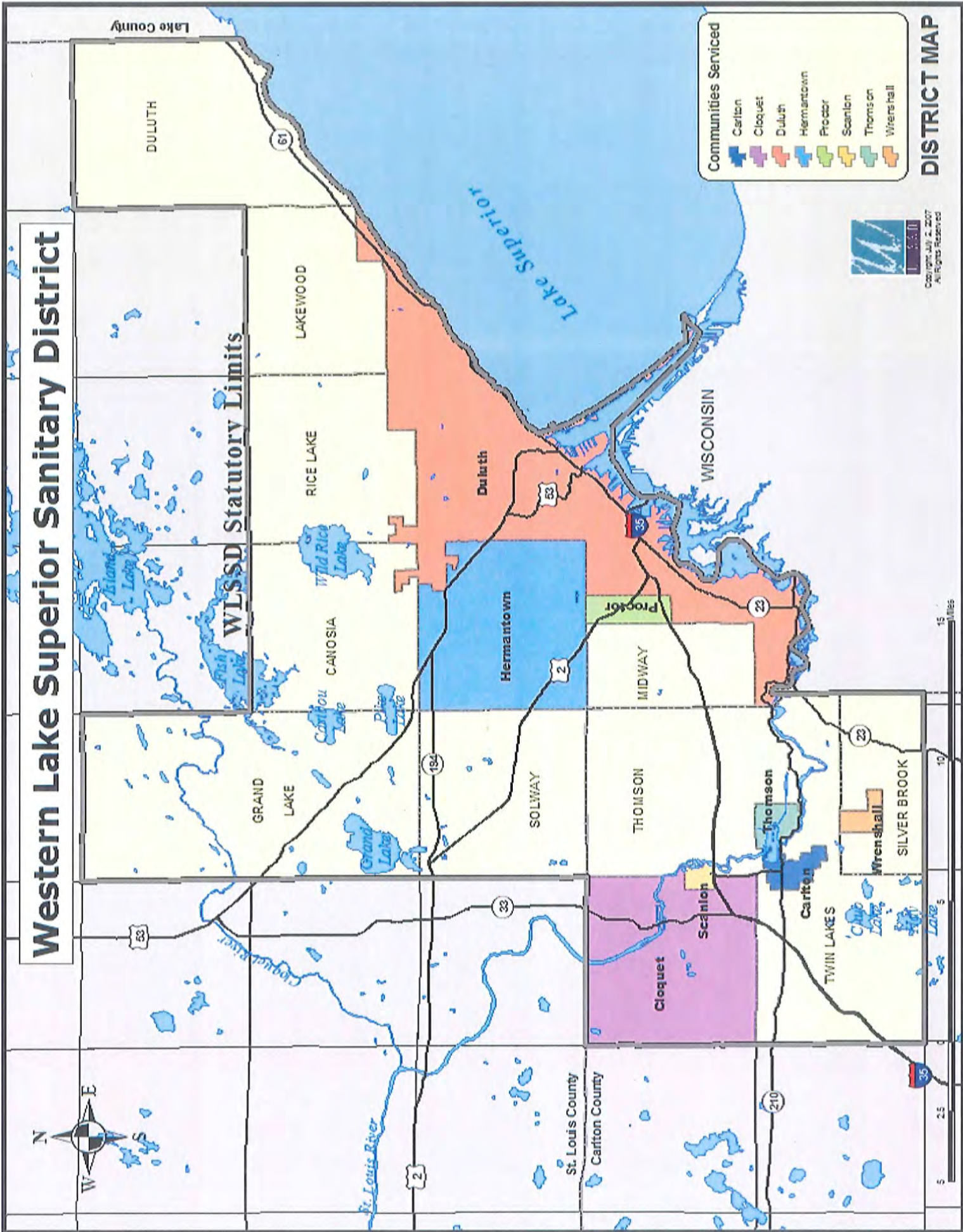
Communities Served

- Carlton
- Cloquet
- Duluth
- Hermantown
- Proctor
- Scanlon
- Thomson
- Wrenshall

DISTRICT MAP



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FINANCIAL SECTION

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Lake Superior Sanitary District

We have audited the accompanying basic financial statements of the Western Lake Superior Sanitary District as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Western Lake Superior Sanitary District'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits provide 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 Western Lake Superior Sanitary District at December 31, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In

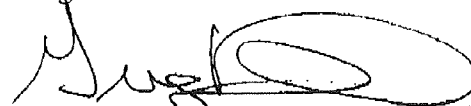
accordance with auditing standards generally accepted in the United States of America, we have applied limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, the supplemental schedules, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2011, on our consideration of the Western Lake Superior Sanitary District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 8, 2011

WESTERN LAKE SUPERIOR SANITARY DISTRICT

Management's Discussion and Analysis (Unaudited)

This section presents management's analysis of the District's financial condition and activities for the fiscal year ending December 31, 2010. Please read this information in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- Operating revenues increased by \$2,028,092 or 6.47% above 2009. Operating expenses before depreciation and amortization were 8.49% or \$1,729,022 higher than prior year expenses.
- The District continued to fund a significant portion of capital projects from current revenues. Wastewater capital projects funded from current revenue were \$3.0 million in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the District's financial condition and performance. The MD&A is required to accompany the basic financial statements and notes to the financial statements and, therefore, is included as required supplementary information.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District are presented as an enterprise fund using the accrual basis of accounting which is similar to the accounting used by private sector companies. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligation to creditors (liabilities). It also provides the basis for evaluating the capital structure and assessing the liquidity of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the performance of the operations over the past year and can be used to determine whether the District has recovered all of its costs through its user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and financing activities and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

**Management's Discussion and Analysis
(Unaudited)**

NET ASSETS

To begin our analysis, a summary of the District's Statement of Net Assets is presented in Table A-1.

**Table A-1
Condensed Statement of Net Assets
(000's)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2009 to 2010 Increase (decrease)</u>	<u>2008 to 2009 Increase (decrease)</u>
Current and Other Assets	\$30,734	\$27,715	\$26,687	\$3,019	\$1,028
Capital Assets	79,664	81,680	85,036	(2,016)	(3,356)
Total Assets	<u>110,398</u>	<u>109,395</u>	<u>111,723</u>	<u>1,003</u>	<u>(2,328)</u>
Current Liabilities	9,515	8,637	9,035	878	(398)
Long-term Debt	45,834	49,549	53,137	(3,715)	(3,588)
Total Liabilities	<u>55,349</u>	<u>58,186</u>	<u>62,172</u>	<u>(2,837)</u>	<u>(3,986)</u>
Invested in Capital Assets,	29,062	27,334	27,802	1,728	(468)
Net of Related Debt					
- Restricted	10,058	9,988	9,823	70	165
- Unrestricted	<u>15,929</u>	<u>13,887</u>	<u>11,926</u>	<u>2,042</u>	<u>1,961</u>
Total Net Assets	<u>\$55,049</u>	<u>\$51,209</u>	<u>\$49,551</u>	<u>\$3,840</u>	<u>\$1,658</u>

As noted in the table above, total net assets increased by \$3.84 million in 2010 as compared to \$1.658 million in 2009. The 2010 increase resulted from total assets increasing by \$1.003 million combined with a decrease in total liabilities in the amount of \$2.837 million. The 2009 increase resulted from total assets decreasing by \$2.328 million offset by a larger decrease in total liabilities in the amount of \$3.986 million. In 2010, current assets increased by \$3.019 million primarily due to an increase in cash and investments (\$2.895 million), a decrease in accounts receivable (\$.712 million), a decrease in due from other governments (\$.293 million), an increase in inventory and prepaid expenses (\$.151 million), an increase in assets restricted for construction (\$1.154 million), an increase in assets restricted for debt service (\$.069 million) and a decrease in noncurrent assets (\$.254 million). In 2009, current assets increased by \$1.028 million primarily due to an increase in cash and investments (\$1.55 million), an increase in accounts receivable (\$.428 million), a decrease in inventory and prepaid expenses (\$.074 million), a decrease in assets restricted for construction (\$.786 million), an increase in assets restricted for debt service (\$.166 million) and a decrease in noncurrent assets (\$.256 million). Capital assets (net of depreciation) decreased by \$2.016 million in 2010 due to greater depreciation of \$8.988 million compared to capital additions of \$6.972 million. Capital assets (net of depreciation) decreased by \$3.36 million in 2009 due to greater depreciation of \$8.68 million compared to capital additions of \$5.32 million.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

**Management's Discussion and Analysis
(Unaudited)**

Current liabilities increased in 2010 by \$.878 million primarily due to an increase in payables (\$.338 million), an increase in employment related liabilities (\$.225 million), a decrease in contracts payable (\$.038 million), a decrease in due to other governments (\$.556 million), an increase in deferred revenue (\$.055 million), an increase in construction contracts payable (\$1.001 million) and a decrease in current portion of debt (\$.148 million). Current liabilities decreased in 2009 by \$.398 million primarily due to a decrease in payables (\$.075 million), a decrease in employment related liabilities (\$.275 million), an increase in contracts payable (\$.108 million), a decrease in construction contracts payable (\$.411 million) and an increase in current portion of debt (\$.255 million). The decrease in long term debt of \$3.715 million for 2010 was due to debt principal payments exceeding new debt issues. For 2009, the decrease in long term debt of \$3.588 million was due to debt principal payments exceeding new debt issues.

**Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(000's)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	2009 to 2010 Dollar Change Increase (decrease)	2008 to 2009 Dollar Change Increase (decrease)
Operating Revenues:					
Wastewater User Charges	\$25,135	\$23,675	\$23,232	\$1,460	\$ 443
Solid Waste Fees	6,618	6,149	5,958	469	191
District-wide Allocation	355	335	335	20	0
Capacity Availability Fee	678	591	391	87	200
Other Operating Revenues	593	600	604	(7)	(4)
Nonoperating Revenues:					
Investment Earnings	51	126	505	(75)	(379)
Property Taxes	797	795	790	2	5
Operating Grants	349	346	363	3	(17)
Litigation Proceeds	0	0	25	0	(25)
Other Nonoperating Revenue	7	3	25	4	(22)
Total Revenues	<u>34,583</u>	<u>32,620</u>	<u>32,228</u>	<u>1,963</u>	<u>392</u>
Operating Expenses	22,105	20,376	21,090	1,729	(714)
Depreciation Expenses	9,257	8,945	8,743	312	202
Non-operating Expenses	2,215	2,097	2,349	118	(252)
Total Expenses	<u>33,577</u>	<u>31,418</u>	<u>32,182</u>	<u>2,159</u>	<u>(764)</u>
Income (loss) before Capital Contributions	1,006	1,202	46	(196)	1,156
Capital Contributions	<u>2,834</u>	<u>456</u>	<u>0</u>	<u>2,378</u>	<u>456</u>
Changes in Net Assets	3,840	1,658	46	2,182	1,612
Beginning Net Assets	<u>51,209</u>	<u>49,551</u>	<u>49,505</u>	<u>1,658</u>	<u>46</u>
Ending Net Assets	<u>\$55,049</u>	<u>\$51,209</u>	<u>\$49,551</u>	<u>\$3,840</u>	<u>\$1,658</u>

WESTERN LAKE SUPERIOR SANITARY DISTRICT

Management's Discussion and Analysis (Unaudited)

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, there was an increase before capital contributions of \$1.006 million in 2010, \$1.202 million in 2009 and \$.046 million for 2008. Operating revenues increased by \$2.029 million in 2010 due to an increase in wastewater user charges in the amount of \$1.46 million, an increase in solid waste fees in the amount of \$.469 million, an increase in district-wide allocation of \$.02 million, and an increase in the Capacity Availability Fee in the amount of \$.087 million. Operating revenues increased by \$.83 million in 2009 due to an increase in wastewater user charges in the amount of \$.443 million, an increase in solid waste fees in the amount of \$.191 million and an increase the Capacity Availability Fee in the amount of \$.2 million. Non-operating revenues for 2010 decreased by \$.066 million primarily due to a decrease in investment earnings of \$.075 million. Non-operating revenues for 2009 decreased by \$.438 million primarily due to a decrease in investment earnings of \$.379 million.

Total operating expenses increased by \$1.729 million in 2010. Primary expense increases were \$.542 million for solid waste disposal, \$.496 million for utilities, \$.477 million for payroll related expenses, and \$.161 million for repairs and maintenance. Total operating expenses decreased by \$.714 million in 2009. Primary expense decreases were \$.382 million for utilities, \$.212 million for fines and penalties and \$.181 million for contract services.

CAPITAL ASSETS

At the end of 2010, the District had invested \$253.718 million in capital assets as shown in Table A-3. Capital assets increased by \$6.971 million because of improvements to the wastewater treatment plant and conveyance system.

Table A-3
Capital Assets
(000's)

	2010	2009	2008	2009 to 2010 Dollar Change Increase (Decrease)	2008 to 2009 Dollar Change Increase (Decrease)
Land & Easement	\$ 812	\$ 750	\$ 750	\$ 62	\$ -
Improvements	145,185	138,421	133,141	6,764	5,280
Buildings & Structures	74,673	74,672	74,672	1	-
Furniture & Equipment	30,771	30,626	30,571	145	55
Motor Vehicle	2,278	2,278	2,288	-	(10)
Total	253,719	246,747	241,422	6,972	5,325
Less: Accumulated Depreciation	174,055	165,067	156,386	8,988	8,681
Net Capital Assets	\$ 79,664	\$ 81,680	\$ 85,036	\$ (2,016)	\$ (3,356)

WESTERN LAKE SUPERIOR SANITARY DISTRICT

Management's Discussion and Analysis (Unaudited)

More detailed information about the District's capital assets is presented in Note 3.A.3 to the financial statements.

DEBT ADMINISTRATION

The District is required to maintain in a sinking fund at year-end cash and investments to meet the debt service payments for the following year. Wastewater debt service charges are recovered entirely through user charges. It is the goal of management to maintain a minimum of 120% the following year's debt service in the fund at year-end. Such a goal has been incorporated into all future long-term capital planning.

General Obligation indebtedness at year end 2010 was \$50.722 million. This amount includes \$17.795 million in general obligation bonds and \$32.927 million in general obligation notes from the State of Minnesota revolving loan fund. More detailed information about the District's long term debt activity is presented in Notes 3.B. 2-4.

ECONOMIC FACTORS

Table A-4 shows the wastewater rate history for each of the four billing parameters: flow, peak flow, BOD, and suspended solids for the period 2006 through 2010. For the five year period presented, the cost of flow increased by 23.05%, the cost of BOD increased by 30.05% and the cost of suspended solids increased by 5.86%. The typical domestic strength (domestic equivalent) cost per 1000 gallons increased by 14.71% over this period. Domestic strength wastewater assumptions are 200 MG/L for BOD and 200 MG/L for suspended solids.

**Table A-4
Wastewater Rate History**

<u>Fiscal Year</u>	<u>Flow (per 1000 gal)</u>	<u>Peak Flow (per 1000 gal)</u>	<u>BOD (per lb)</u>	<u>Suspended Solids (per lb)</u>	<u>Domestic Equivalent Cost/1000 gallons</u>
2006	.3293	.0149	.1654	.1980	1.36
2007	.3636	.0126	.1837	.1792	1.40
2008	.3551	.0131	.2033	.1835	1.43
2009	.3762	.0124	.2286	.2013	1.54
2010	.4052	.0141	.2151	.2096	1.56

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about this report or need additional financial information, contact the Western Lake Superior Sanitary District, 2626 Courtland Street, Duluth, MN 55806-1894.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

EXHIBIT A

COMPARATIVE STATEMENT OF NET ASSETS

December 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and cash equivalents	\$ 2,340,957	\$ 1,218,363
Investments	11,330,362	9,558,427
Accounts receivable	1,944,274	2,656,649
Accrued interest receivable	17,757	13,856
Due from other governments	1,054,537	1,347,413
Inventory	1,609,600	1,447,553
Prepaid expense	169,847	181,099
Assets restricted for employee benefits		
Cash and cash equivalents	4,628	1,720
Assets restricted for memorial fund		
Investments	3,000	
Assets restricted for construction		
Due from other governments	1,357,166	203,431
Assets restricted for general obligation debt service		
Investments	10,057,849	9,988,676
Total Current Assets	\$ 29,889,977	\$ 26,617,187
Noncurrent Assets:		
Unamortized bond issuance costs	\$ 133,364	\$ 149,942
Unamortized project plan/startup costs	710,912	947,912
Total Noncurrent Assets, other than capital	\$ 844,276	\$ 1,097,854
Capital Assets:	\$ 253,718,763	\$ 246,746,995
Less: allowance for depreciation	(174,055,165)	(165,066,794)
Total Capital Assets		
-net of accumulated depreciation	\$ 79,663,598	\$ 81,680,201
Total Noncurrent Assets	\$ 80,507,874	\$ 82,778,055
Total Assets	\$ 110,397,851	\$ 109,395,242

The notes to the financial statements are an integral part of this statement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

EXHIBIT A
(Continued)

COMPARATIVE STATEMENT OF NET ASSETS
December 31, 2010 and 2009

	2010	2009
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 1,038,244	\$ 700,666
Salaries and wages payable	247,050	187,739
Accrued vacation payable	433,655	382,096
Payroll deductions payable	140,246	26,231
Contracts payable	69,390	107,701
Due to other governments	342,218	898,617
Deferred revenue	55,460	
Current liabilities payable from restricted assets:		
Employee benefits	4,628	1,720
Construction		
Contracts payable	1,203,953	203,431
General obligation debt service		
Accrued interest	644,129	705,423
General obligation bonds	2,045,000	2,355,000
General obligation taxable revenue notes	3,291,138	3,068,074
Total Current Liabilities	\$ 9,515,111	\$ 8,636,698
Noncurrent Liabilities:		
General obligation taxable revenue notes	\$ 29,635,400	\$ 31,277,856
General obligation bonds (net of unamortized bond discounts and deferred loss on refunding of debt)	15,629,932	17,645,545
Net other postemployment benefits obligation	568,279	625,950
Total Noncurrent Liabilities	\$ 45,833,611	\$ 49,549,351
Total Liabilities	\$ 55,348,722	\$ 58,186,049

The notes to the financial statements are an integral part of this statement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

EXHIBIT A

COMPARATIVE STATEMENT OF NET ASSETS
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 29,062,128	\$ 27,333,725
Restricted:		
General obligation debt service	10,057,849	9,988,676
Unrestricted	<u>15,929,152</u>	<u>13,886,792</u>
Total Net Assets	<u>\$ 55,049,129</u>	<u>\$ 51,209,193</u>

The notes to the financial statements are an integral part of this statement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

EXHIBIT B

(Continued)

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS

Years Ended December 31, 2010 and 2009

	2010	2009
Operating Revenue:		
User charges - municipalities	\$ 10,087,097	\$ 9,488,469
User charges - industries	15,047,612	14,186,969
User charges - solid waste	4,709,489	4,140,428
Service fee - solid waste	1,908,152	2,008,239
District-wide allocation	355,000	334,999
Capacity availability charges	677,868	591,377
Other income	593,202	599,847
Total Operating Revenue	\$ 33,378,420	\$ 31,350,328
Operating Expenses:		
Salaries, wages and compensation	\$ 6,547,219	\$ 6,152,977
Employee benefits	2,575,152	2,488,782
Other postemployment benefits	154,102	157,581
Professional services	191,254	140,778
Safety and training	78,468	84,127
Public information and other special services	153,915	177,733
Easements and rents	33,446	35,832
Travel	13,726	12,397
Repairs and maintenance	874,367	713,043
Solid waste disposal	4,366,532	3,824,531
Insurance	202,322	205,811
Outside services	178,618	185,353
Contracted services	1,392,242	1,377,745
Supplies	354,468	328,262
Utilities	3,351,447	2,855,473
Office expenses	71,130	89,421
Chemicals	1,288,508	1,308,196
Dues, publications, and permits	92,621	72,837
Grants to other governmental units	171,646	148,195
Miscellaneous	13,448	16,535
Depreciation	9,020,383	8,707,940
Amortization of project plan/ startup costs	237,000	237,000
Total Operating Expenses	\$ 31,362,014	\$ 29,320,549
Operating Income (Loss)	\$ 2,016,406	\$ 2,029,779

The notes to the financial statements are an integral part of this statement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

EXHIBIT B

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS**

Years Ended December 31, 2010 and 2009

	2010	2009
Nonoperating Revenue (Expenses):		
Earnings on investments	\$ 51,470	\$ 125,840
Gain on sale of capital asset	7,419	2,607
Operating grants	348,810	345,721
Property taxes	796,536	794,953
Interest expense	(2,190,312)	(2,067,620)
Amortization of bond issuance cost	(22,577)	(23,756)
Loss on disposal of obsolete inventory	(2,017)	(109)
Loss on disposal of capital assets		(2,359)
Bad debt expense		(3,271)
Total Nonoperating Revenue (Expenses)	\$ (1,010,671)	\$ (827,994)
Income (Loss) Before Contributions	\$ 1,005,735	\$ 1,201,785
Capital Contributions		
State	\$ 2,326,863	\$
Federal	507,338	456,160
Total Capital Contributions	\$ 2,834,201	\$ 456,160
Change in Net Assets	\$ 3,839,936	\$ 1,657,945
Net Assets - January 1	51,209,193	49,551,248
Net Assets - December 31	\$ 55,049,129	\$ 51,209,193

The notes to the financial statements are an integral part of this statement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

**EXHIBIT C
(Continued)**

**COMPARATIVE STATEMENT OF CASH FLOWS
Years Ended December 31, 2010 and 2009**

	<u>2010</u>		<u>2009</u>	
Cash flows from operating activities				
Cash received from customers	\$	32,730,405	\$	30,227,956
Cash paid to suppliers		(12,629,651)		(12,094,120)
Cash paid to employees		(9,106,351)		(9,100,657)
Other operating revenues		593,202		599,847
Net cash provided by operating activities	\$	<u>11,587,605</u>	\$	<u>9,633,026</u>
Cash flows from noncapital financing activities				
State and federal operating grants	\$	351,923	\$	346,713
District wide allocation		355,000		334,999
Property taxes		792,830		1,091,558
Net cash provided by noncapital financing activities	\$	<u>1,499,753</u>	\$	<u>1,773,270</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	\$	7,419	\$	3,406
Proceeds from note issues		1,428,215		2,163,597
Proceeds from capital contributions		2,000,776		519,782
Principal paid on general obligation bonds		(2,355,000)		(2,275,000)
Interest paid on general obligation bonds		(887,003)		(973,795)
Bond issuance costs		(5,999)		(4,698)
Interest paid on Public Facilities Authority general obligation note		(1,335,216)		(1,394,842)
Principal paid on Public Facilities Authority general obligation note		(2,976,940)		(2,880,917)

The notes to the financial statements are an integral part of this statement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

EXHIBIT C

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	2010	2009
Cash paid for arbitrage rebate		(29,662)
Acquisition or construction of capital assets	(6,041,569)	(5,367,398)
Net cash provided by (used in) capital and related financing activities	\$ (10,165,317)	\$ (10,239,527)
Cash flows from investing activities		
Sale of investments	\$ 44,010,663	\$ 52,922,033
Interest on investments	47,569	174,617
Purchase of investments	(45,854,771)	(55,170,450)
Net cash provided by (used in) investing activities	\$ (1,796,539)	\$ (2,073,800)
Net increase (decrease) in cash and cash equivalents	\$ 1,125,502	\$ (907,031)
Cash and cash equivalents - January 1	1,220,083	2,127,114
Cash and cash equivalents - December 31	\$ 2,345,585	\$ 1,220,083
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net operating income (loss)	\$ 2,016,406	\$ 2,029,779
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	9,020,383	8,707,940
Amortization of project/plan start-up costs	237,000	237,000
District wide allocation	(355,000)	(334,999)
Change in assets and liabilities		
Decrease (increase) in receivables	814,867	(734,559)
Decrease (increase) in inventory	(164,064)	91,981
Decrease (increase) in prepaids	11,252	(17,601)
Increase (decrease) in payables	(48,699)	(346,515)
Increase (decrease) in deferred revenue	55,460	-
Net cash provided by operating activities	\$ 11,587,605	\$ 9,633,026

The notes to the financial statements are an integral part of this statement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT

EXHIBIT C

**COMPARATIVE STATEMENT OF CASH FLOWS
Years Ended December 31, 2010 and 2009**

Noncash Investing, Capital and Financing Activities

In 2010, WLSSD acquired capital assets of \$1,273,343 which had not been paid for at year end. The unpaid amount is shown as contracts payable.

In 2009, WLSSD acquired capital assets of \$311,132 which had not been paid for at year end. The unpaid amount is shown as contracts payable.

The notes to the financial statements are an integral part of this statement.

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**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies

The accounting policies of the Western Lake Superior Sanitary District (WLSSD) conform to generally accepted accounting principles (GAAP) for the years ended December 31, 2010 and 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the WLSSD has the option to apply FASB pronouncements issued after that date, the WLSSD has chosen not to do so. This financial report has been prepared in conformity with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999. The following is a summary of the more significant policies.

A. Financial Reporting Entity

The WLSSD was formed pursuant to 1971 Minn. Laws, ch. 478, as amended. WLSSD was created for the purpose of protection of the public health, safety, and welfare of the area, for the preservation and best use of waters, land and other natural resources, for the prevention, control and abatement of water pollution and disposal of solid waste, and for the efficient and economic collection, treatment and disposal of sewage and solid waste. WLSSD is governed by a nine-member board which consists of one member appointed by Carlton County, three members appointed by the City of Cloquet, four members appointed by the City of Duluth and one member appointed by St. Louis County. The Board is organized with a chair and vice-chair elected in July of each year.

The WLSSD is a primary government, as defined by GASB Statement No. 14, and there are no component units for which the WLSSD is financially accountable.

B. Basis of Presentation - Fund Accounting

The accounts of WLSSD are presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

Accounting records are maintained on the accrual basis, under which revenues are recorded when earned, and expenses, including vacation leave, are recorded when incurred.

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

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

D. Assets, Liabilities and Net Assets

1. Assets

Cash and Cash Equivalents

For purposes of the statement of cash flows, the WLSSD has defined cash and cash equivalents as deposits in checking and savings accounts and petty cash. All other investments are not considered to be cash equivalents.

The WLSSD has elected to value all money market and participating interest-earning investment contracts that mature within one year of acquisition at amortized cost. All of the WLSSD's holdings in commercial paper, bankers' acceptances, negotiable certificates of deposit, and government agency securities qualify for amortized cost reporting. The WLSSD's investment in money market mutual funds are valued at the current share price. The carrying value of the investments which are valued at amortized cost does not differ materially from the fair value of those investments.

Inventory

The inventory consists of chemicals, fuels and expendable supplies held for consumption. The chemicals and fuels were inventoried at year-end and were valued at cost using the first-in, first-out method. A perpetual inventory system is maintained for the supplies inventory, which is valued using the moving weighted-average cost method.

Restricted Assets

Certain funds of the WLSSD are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

Restricted assets consist of monies specified for payment of employee flexible benefits, memorial fund scholarships, construction costs, and bond and note principal and interest. These assets are offset by the related liabilities.

Capital Assets

Capital assets are defined by the WLSSD as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

D. Assets, Liabilities and Net Assets

1. Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During the current period, the WLSSD did not record any capitalized interest.

Depreciation of capital assets is determined using the straight-line method. The estimated useful lives of the assets are:

<u>Classification</u>	<u>Range</u>
Buildings and structures	30 years
Improvements other than buildings	10-20 years
Furniture and equipment	
Furniture	10 years
Equipment	5-15 years
Motor vehicles	5 years

Unamortized Project Plan/Startup Costs

The costs applicable to beginning operations for new facilities are recorded as deferred charges and are amortized over a period of 30 years.

2. Liabilities

Compensated Absences

Employees are granted from ten to twenty-six days of vacation per year depending on their years of service and union bargaining unit. Varying amounts of vacation, depending on length of service, may be accumulated and carried over to the succeeding year. Unused vacation is paid to employees upon their termination. Vacation leave is expensed when earned.

Effective January 1, 1984, employees no longer accrue sick leave. Personnel are authorized sick leave as needed up to a maximum of twenty weeks. Prior to 1984, sick leave was earned and accumulated at various rates based on length of service.

Other Post-Employment Benefits

The WLSSD supervisory/confidential employees participate in a post-retirement health savings plan administered by the Minnesota State Retirement System. At retirement, the value of supervisory/confidential employees vacation balances are transferred to the post-retirement health savings plan to be used to cover post-retirement medical expenses. The

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

D. Assets, Liabilities and Net Assets

2. Liabilities

Other Post-Employment Benefits (Continued)

amounts are contributed tax-free and there are no taxes paid when the amounts are withdrawn from the employees account.

Effective January 1, 2009, upon voluntary retirement under PERA, the value of a bargaining unit employee's accumulated sick bank balance established as of December 31, 1983, will be transferred to a post-retirement health care savings plan administered by the Minnesota State Retirement System.

3. Net Assets

The WLSSD's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

E. Revenues

Operating revenues, such as user charges, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as operating grants and earnings on investments, result from non-exchange transactions or incidental activities.

WLSSD's operating and maintenance costs are allocated to the municipalities and industries using WLSSD's sewage treatment system through a user service charge. The allocation is based on the "Cost Apportionment Policy" adopted by the Board of Directors.

The general planning, regulation, and technical assistance provided by WLSSD are funded by a district-wide allocation. These costs are allocated against all governmental units within the WLSSD based on their assessed valuation.

Solid waste users are charged tipping fees based on the volume of refuse disposed and a hauler collected solid waste management fee based on the customer container sizes. The fees are approved by the Board. A line item property tax is levied on residential parcels to cover use of the solid waste facilities such as the household hazardous waste facility and material recovery center. The amount to be charged against real estate per parcel is set by the Board and certified to St. Louis County and Carlton County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The counties are required to distribute collections to the WLSSD three times each year.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

The property tax calendar is as follows:

Adopt final levy and certify to Counties	October 15
Lien date	January 1
Receive first installment from Counties prior year's balance of tax collections	January 26
First half property taxes due	May 15
Receive second installment from County first half tax collections	July 6
Second half property taxes due	October 15
Receive third installment from County second half tax collections	December 4

Capital contributions consist of federal and state capital grants for the construction of pump stations and other wastewater treatment system improvements.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. Stewardship, Compliance and Accountability

A. General Obligation Bond Reserve Requirement

The bond resolutions require that the value of cash, cash equivalents, and investments on hand at October 1, 2010 and 2009 plus the estimated revenues to be collected through September 30, 2011 and 2010, be not less than the amount of principal and interest due on the bonds in the next succeeding year. The WLSSD has complied with this requirement.

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

2. Stewardship, Compliance and Accountability

B. Budgets and Budgetary Accounting

Minn. Stat. Section 458D.08, requires the WLSSD Board to adopt an annual budget.

The WLSSD follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During September thru October the Executive Director submits to the Board of Directors an estimate of revenues and expenses for the fiscal year commencing January 1. Revenues and expenses are budgeted on an accrual basis.
- b. The budget is adopted by the Board of Directors by the passage of a motion on or before November 1.
- c. The Board of Directors may increase or decrease the budget at any time by the passage of a motion. Management may increase or decrease line items within the budget.
- d. Budgetary control of expenses is maintained at the level of total expenses. For management control purposes, the expenses are controlled at the department level.
- e. Unexpended items within the budget lapse at year-end.

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance, and Accountability

B. Budgets and Budgetary Accounting

Below is a summary statement of actual and budgeted revenues and expenses for the fiscal years ended December 31, 2010 and 2009:

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenue			
User charges - municipalities	\$10,028,866	\$10,087,097	\$58,231
User charges - industries	14,218,718	15,047,612	828,894
User charges - solid waste	4,795,164	4,709,489	(85,675)
Service fee - solid waste	2,013,750	1,908,152	(105,598)
District-wide allocation	355,000	355,000	-
Capacity availability charges	300,000	677,868	377,868
Other revenue	562,900	593,202	30,302
Total Operating Revenue	<u>\$32,274,398</u>	<u>\$33,378,420</u>	<u>\$1,104,022</u>
Operating Expenses			
Operating expenses before depreciation & amortization	\$22,896,293	\$22,104,631	\$791,662
Depreciation	8,468,595	9,020,383	(551,788)
Amortization of project plan/startup costs	237,000	237,000	-
Total Operating Expenses	<u>\$31,601,888</u>	<u>\$31,362,014</u>	<u>\$239,874</u>
Operating Income (Loss)	<u>\$672,510</u>	<u>\$2,016,406</u>	<u>\$1,343,896</u>
Nonoperating Revenue (Expenses)			
Earnings on investments	\$196,490	\$51,470	(\$145,020)
Gain on sale of capital asset	-	7,419	7,419
Operating grants	335,000	348,810	13,810
Property taxes	796,536	796,536	0
Interest expense	(2,591,325)	(2,190,312)	401,013
Amortization of bond issuance cost	(23,601)	(22,577)	1,024
Loss on disposal of obsolete inventory	-	(2,017)	(2,017)
Total Nonoperating Revenue (Expenses)	<u>\$(1,286,900)</u>	<u>\$(1,010,671)</u>	<u>\$276,229</u>
Income (Loss) Before Contributions	<u>\$(614,390)</u>	<u>\$1,005,735</u>	<u>\$1,620,125</u>
Capital Contributions	<u>-</u>	<u>2,834,201</u>	<u>2,834,201</u>
Change in Net Assets	<u><u>\$(614,390)</u></u>	<u><u>\$3,839,936</u></u>	<u><u>\$4,454,326</u></u>

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance, and Accountability

B. Budgets and Budgetary Accounting (Continued)

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenue			
User charges - municipalities	\$9,933,626	\$9,488,469	\$(445,157)
User charges - industries	14,300,495	14,186,969	(113,526)
User charges - solid waste	3,980,376	4,140,428	160,052
Service fee - solid waste	2,115,750	2,008,239	(107,511)
District-wide allocation	335,000	334,999	(1)
Capacity availability charges	300,000	591,377	291,377
Other revenue	459,455	599,847	140,392
Total Operating Revenue	<u>\$31,424,702</u>	<u>\$31,350,328</u>	<u>\$(74,374)</u>
Operating Expenses			
Operating expenses before depreciation & amortization	\$22,356,801	\$20,375,609	\$1,981,192
Depreciation	8,468,595	8,707,940	(239,345)
Amortization of project plan/startup costs	237,000	237,000	-
Total Operating Expenses	<u>\$31,062,396</u>	<u>\$29,320,549</u>	<u>\$1,741,847</u>
Operating Income (Loss)	<u>\$362,306</u>	<u>\$2,029,779</u>	<u>\$1,667,473</u>
Nonoperating Revenue (Expenses)			
Earnings on investments	\$597,000	\$125,840	(\$471,160)
Gain on sale of capital asset	-	2,607	2,607
Operating grants	326,231	345,721	19,490
Property taxes	794,952	794,953	1
Interest expense	(2,591,325)	(2,067,620)	523,705
Amortization of bond issuance cost	(23,601)	(23,756)	(155)
Loss on disposal of obsolete inventory	-	(109)	(109)
Loss on disposal of capital assets	-	(2,359)	(2,359)
Bad debt expense	-	(3,271)	(3,271)
Total Nonoperating Revenue (Expenses)	<u>\$(896,743)</u>	<u>\$(827,994)</u>	<u>\$68,749</u>
Income (Loss) Before Contributions	<u>\$(534,437)</u>	<u>\$1,201,785</u>	<u>\$1,736,222</u>
Capital Contributions	-	456,160	456,160
Change in Net Assets	<u><u>\$(534,437)</u></u>	<u><u>\$1,657,945</u></u>	<u><u>\$2,192,382</u></u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

A. Assets

1. Deposits and Investments

Reconciliation of WLSSD's total cash and investments to the financial statements follows:

Current Assets:	
Cash and cash equivalents	\$ 2,340,957
Investments	11,330,362
Restricted Assets:	
Employee benefits	
Cash and cash equivalents	4,628
Memorial Fund	
Investments	3,000
Debt service	
Investments	10,057,849
Total Cash and Investments	\$ 23,736,796

a. Deposits

Minn. Stat. §§118A.02 and 118A.04 authorize the WLSSD to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. §118A.03 requires that all WLSSD deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the WLSSD's deposits may not be returned to it. The WLSSD's policy is that all Certificates of Deposit shall be collateralized in compliance with Minnesota Statute §118A.03. As of December 31, 2010, the WLSSD's bank balance of \$9,173,607 was not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the WLSSD:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the WLSSD's policy that all investment securities be held in safekeeping in compliance with the requirements of Minnesota Statute § 118A.06. This statute allows investment securities to be held in safekeeping with (1) any federal reserve bank, (2) any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to the bank from which the investment is purchased, (3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York, or (4) a securities broker-dealer which is registered as a broker-dealer under chapter 80A or is exempt from the registration requirements, is regulated by the Securities and Exchange Commission, and maintains insurance through the Securities Investor Protection Corporation or excess insurance coverage in an amount equal to or greater than the value of the securities held.

At December 31, 2010, the WLSSD had no investments which were subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The WLSSD investment policy limits investment maturities to under two years. The policy sets guidelines for the minimum percentages of the investment portfolio to be

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

maintained at various maturities. In this way, the WLSSD minimizes their exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the WLSSD's policy to invest only in securities that meet the ratings requirements set by state statute. Minn. Stat. §118A.04 requires commercial paper to be rated in the highest quality category by at least two nationally recognized rating agencies and mature in 270 days or less. State and local government securities must be rated "A" or better for general obligation securities and "AA" or better for revenue obligations. Public funds may also be invested in United States securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the WLSSD's investment in a single issuer. It is the WLSSD's policy to diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

The WLSSD investment policy allows the WLSSD to invest in U.S. treasury obligations, U.S. government agency securities, and certificates of deposit which are fully insured by the Federal Deposit Insurance Corporation, without limit. However, certificates of deposit are limited to 50% with any one depository. Repurchase agreements and bankers

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments

Concentration of Credit Risk (Continued)

acceptances are limited by the investment policy to no more than 50% of the portfolio and no more than 50% with any one depository. Commercial paper is limited to no more than 50% of the portfolio and no more than 10% with any one issuer. Money market funds are limited to a maximum of 25% of the portfolio.

The following table presents the WLSSD's investment balances at December 31, 2010, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. Treasury Bill	AAA	S&P/ Moody's	<5%	5/26/2011	\$ 499,654
U.S. Government Agency Securities					
Federal Home Loan Bank Notes	AAA	S&P/ Moody's		01/20/2011	\$ 499,330
Federal Home Loan Bank Notes	AAA	S&P/ Moody's		01/21/2011	1,005,743
Federal Home Loan Bank Notes	AAA	S&P/ Moody's		04/25/2011	1,498,725
Federal Home Loan Bank Notes	AAA	S&P/ Moody's		05/25/2011	749,445
Federal Home Loan Bank Notes	AAA	S&P/ Moody's		07/15/2011	249,765
Federal Home Loan Bank Notes	AAA	S&P/ Moody's		09/30/2011	1,001,716
Subtotal Federal Home Loan Bank			37%		\$ 5,004,724
Federal Home Loan Mortgage Corp.	AAA	S&P/ Moody's		05/23/2011	\$ 999,246
Federal Home Loan Mortgage Corp.	AAA	S&P/ Moody's		08/16/2011	749,077

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments

Concentration of Credit Risk (Continued)

Investment Type	Credit Risk Rating	Credit Risk Rating Agency	Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying Value
U.S. Government Agency Securities (Cont)					
Federal Home Loan Mortgage Corp.	AAA	S&P/Moodys		09/13/2011	998,560
Subtotal Federal Home Mortgage Cop.			20%		\$ 2,746,883
Federal National Mortgage Association	AAA	S&P/Moodys	<5%	04/28/2011	\$ 502,321
Negotiable Certificates of Deposit					
Wright Bank	N/A	N/A	<5%	01/14/2011	\$ 245,000
New Century Bank, PA	N/A	N/A	<5%	01/18/2011	245,000
Mizrahi Tefahot	N/A	N/A	<5%	01/18/2011	245,000
Citizen's National Bank	N/A	N/A	<5%	02/28/2011	245,000
Greystone Bank	N/A	N/A	<5%	05/23/2011	249,752
Bank of Baroda	N/A	N/A	<5%	05/31/2011	245,000
Safra National Bank	N/A	N/A	<5%	06/30/2011	245,000
Pacific City Bank	N/A	N/A	<5%	06/30/2011	245,000
Lakeside Bank Chicago, IL	N/A	N/A	<5%	08/30/2011	245,000
Total Negotiable Certificates of Deposit					\$ 2,209,752
Money market mutual funds					
First American-Prime Obligation Fund	AAA	S&P/Moodys	<5%	N/A	\$ 519,397
Wells Fargo Government Fund	AAA	S&P/Moodys	10%	N/A	1,373,324
4M Fund	N/A		<5%	N/A	594,118
Total money market mutual funds					\$ 2,486,839
Total investments			100%		\$ 13,450,173
Deposits					10,285,428
Petty cash					1,195
Total Cash and Investments					\$ 23,736,796

N/A - Not Applicable

<5% - Concentration is less than 5% of investments

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

3. Detailed Notes

A. Assets (Continued)

2. Due from Other Governments

Due from other governments consists of the following:

	<u>2010</u>	<u>2009</u>
Current Assets -		
Municipalities service charges	\$ 987,322	\$1,080,487
Other	<u>67,215</u>	<u>266,926</u>
Total	<u>\$1,054,537</u>	<u>\$1,347,413</u>
Restricted Assets -		
Federal loans	<u>\$1,357,166</u>	<u>\$ 203,431</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 542,682	\$ 62,583	\$	\$ 605,265
Easements	207,149			207,149
Total capital assets, not depreciated	\$ 749,831	\$ 62,583	\$	\$ 812,414
Capital assets, depreciated				
Improvements	\$ 138,420,999	\$ 6,763,161	\$	\$ 145,184,160
Buildings and structures	74,672,544			74,672,544
Furniture and equipment	30,625,408	149,156	3,300	30,771,264
Motor vehicles	2,278,213	28,880	28,712	2,278,381
Total capital assets, depreciated	\$ 245,997,164	\$ 6,941,197	\$ 32,012	\$ 252,906,349
Less: accumulated depreciation for:				
Improvements	\$ 67,393,766	\$ 6,258,857	\$	\$ 73,652,623
Buildings and structures	65,291,466	2,465,797		67,757,263
Furniture and equipment	30,161,296	245,974	3,300	30,403,970
Motor vehicles	2,220,266	49,755	28,712	2,241,309
Total accumulated depreciation	\$ 165,066,794	\$ 9,020,383	\$ 32,012	\$ 174,055,165
Total capital assets, depreciated, net	\$ 80,930,370	\$ (2,079,186)	\$	\$ 78,851,184
Capital assets, net	\$ 81,680,201	\$ (2,016,603)	\$	\$ 79,663,598
Project Plan/Startup	\$ 947,912	\$	\$ 237,000	\$ 710,912

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

A. Assets

3. Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 542,682	\$	\$	\$ 542,682
Easements	207,149			207,149
Total capital assets, not depreciated	\$ 749,831	\$	\$	\$ 749,831
Capital assets, depreciated				
Improvements	\$ 133,140,917	\$ 5,280,082	\$	\$ 138,420,999
Buildings and structures	74,672,544			74,672,544
Furniture and equipment	30,571,051	64,885	10,528	30,625,408
Motor vehicles	2,288,046	10,254	20,087	2,278,213
Total capital assets, depreciated	\$ 240,672,558	\$ 5,355,221	\$ 30,615	\$ 245,997,164
Less: accumulated depreciation for:				
Improvements	\$ 61,453,965	\$ 5,939,801	\$	\$ 67,393,766
Buildings and structures	62,825,668	2,465,798		65,291,466
Furniture and equipment	29,920,425	248,241	7,370	30,161,296
Motor vehicles	2,186,253	54,100	20,087	2,220,266
Total accumulated depreciation	\$ 156,386,311	\$ 8,707,940	\$ 27,457	\$ 165,066,794
Total capital assets, depreciated, net	\$ 84,286,247	\$ (3,352,719)	\$ 3,158	\$ 80,930,370
Capital assets, net	\$ 85,036,078	\$ (3,352,719)	\$ 3,158	\$ 81,680,201
Project plan/startup	\$ 1,184,912	\$	\$ 237,000	\$ 947,912

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

3. Detailed Notes

B. Liabilities

1. Due to Other Governments

Due to other governments consists of the following:

Current liabilities - (Payable from current assets):

	<u>2010</u>	<u>2009</u>
User adjustments	\$ 26,775	\$ 596,915
Other	<u>315,443</u>	<u>301,702</u>
Total	<u>\$ 342,218</u>	<u>\$ 898,617</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

B. Liabilities (Continued)

2. Long-Term Debt

Long-term debt is comprised of the following:

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issues Amount</u>	<u>Outstanding Balance December 31, 2010</u>
General obligation bonds					
1998A G.O. WWT Capital Improvement Bonds	2013	\$50,000- \$110,000	4.25-5.00	\$ 1,230,000	\$ 315,000
2002 G.O. Capital Improvement Bonds	2017	\$250,000- \$450,000	3.625-5.00	4,945,000	2,715,000
2004A G.O. WWT Capital Improvement Bonds	2019	\$250,000- \$780,000	4.00-5.00	8,750,000	5,935,000
2005A G.O. WWT Capital Improvement Bonds	2020	\$150,000- \$275,000	2.40-4.15	3,035,000	2,225,000
2005B G.O. Refunding Bonds	2011	\$370,000- \$455,000	3.75-4.00	2,490,000	455,000
2006 G.O. WWT Capital Improvement Bonds	2021	\$140,000- \$255,000	3.75-5.00	2,860,000	2,270,000
2007 G.O. WWT Capital Improvement Bonds	2022	\$225,000- \$410,000	4.00-4.50	<u>4,575,000</u>	<u>3,880,000</u>
Total general obligation bonds				<u>\$ 27,885,000</u>	\$ 17,795,000
Less: unamortized discount					(117,813)
Less: deferred loss on early retirement					<u>(2,255)</u>
Total general obligation bonds, net				<u>\$</u>	<u>17,674,932</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

B. Liabilities

2. Long-Term Debt (Continued)

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issues Amount</u>	<u>Outstanding Balance December 31, 2010</u>
General obligation taxable revenue notes					
1991 G.O. Taxable Revenue Note	2012	\$1,541-\$226,925	4.78	\$ 5,078,000	\$ 876,410
1997 G.O. Taxable Revenue Note	2013	\$105,686-\$196,687	4.33	4,400,000	942,625
1998 G.O. Taxable Revenue Note	2020	\$74,945-\$161,616	3.98	4,517,000	2,586,712
1999 G.O. Taxable Revenue Note	2020	\$110,000-\$1,565,000	4.27	21,053,000	13,056,000
1999 G.O. Taxable Revenue Note	2014	\$9,800-\$73,000	3.56	835,800	278,000
2000 G.O. Taxable Revenue Note	2021	\$121,000-\$538,006	4.87	7,023,372	4,723,006
2002 G.O. Taxable Revenue Note	2018	\$136,184-\$263,000	3.24	3,149,184	1,884,000
2006 G.O. Taxable Revenue Note	2021	\$243,000-\$324,000	2.82	3,579,691	3,115,000
2007 G.O. Taxable Revenue Note	2023	\$4,000-\$186,000	2.611	2,359,776	2,085,000
2009 G.O. Taxable Revenue Note	2024	\$9,541-\$158,000	2.70	1,889,541	1,880,000
2010 G.O. Taxable Revenue Note	2025	\$200,540-\$249,000	1.589	3,351,540	479,167
2010 G.O. Taxable Revenue Note	2025	\$40,748-\$50,000	1.59	678,748	526,490
2010 G.O. Taxable Revenue Note	2025	\$22,072-\$27,000	1.591	364,072	342,262
2010 G.O. Taxable Revenue Note	2025	\$8,866-\$11,000	1.586	151,866	151,866
Total general obligation taxable revenue notes				<u>\$ 58,431,590</u>	<u>\$ 32,926,538</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

B. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2011	2,045,000	794,200	3,291,138	1,248,153
2012	1,660,000	709,820	3,421,432	1,117,603
2013	1,725,000	639,060	2,889,625	985,533
2014	1,685,000	563,610	2,795,362	877,993
2015	1,770,000	489,029	2,827,210	770,610
2016-2020	7,855,000	1,218,370	15,143,941	2,136,043
2021-2025	1,055,000	67,005	2,557,830	131,787
Total	\$ 17,795,000	\$ 4,481,094	\$ 32,926,538	\$ 7,267,722

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Public Facilities Authority General Obligation Notes	\$ 20,150,000	\$	\$ 2,355,000	\$ 17,795,000	\$ 2,045,000
	34,345,930	1,557,548	2,976,940	32,926,538	3,291,138
Total	\$ 54,495,930	\$ 1,557,548	\$ 5,331,940	\$ 50,721,538	\$ 5,336,138
Net OPEB Liability	625,950	154,102	211,773	568,279	
Long-Term Liabilities	\$ 55,121,880	\$ 1,711,650	\$ 5,543,713	\$ 51,289,817	\$ 5,336,138

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

B. Liabilities

4. Changes in Long-Term Liabilities (Continued)

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Public Facilities Authority	\$ 22,425,000	\$	\$ 2,275,000	\$ 20,150,000	\$ 2,355,000
General Obligation Notes	35,367,052	1,859,795	2,880,917	34,345,930	3,068,074
Total	\$ 57,792,052	\$ 1,859,795	\$ 5,155,917	\$ 54,495,930	\$ 5,423,074
Net OPEB Liability	652,227	157,581	183,858	625,950	
Long-Term Liabilities	\$ 58,444,279	\$ 2,017,376	\$ 5,339,775	\$ 55,121,880	\$ 5,423,074

The General Obligation bonds and notes are retired with income from operations and property taxes. WLSSD has a contingent liability against its full faith and credit to the extent that income from operations is insufficient to retire the general obligation bonds. The general obligation bonds of WLSSD are exempt from the limitations on net debt imposed by Minnesota law.

5. Pension Plans

Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of the WLSSD are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are

3. Detailed Notes

B. Liabilities

5. Pension Plans

Defined Benefit Plans

Plan Description (Continued)

covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

3. Detailed Notes

B. Liabilities

5. Pension Plans

Defined Benefit Plans

Plan Description (Continued)

For General Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced social security benefits capped at age 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The WLSSD makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary.

The WLSSD is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan Members	11.78%
Coordinated Plan Members	7.00%

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

3. Detailed Notes

B. Liabilities

5. Pension Plans

Defined Benefit Plans

The WLSSD's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund were:

<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 457,357	\$ 404,131	\$ 395,748

These contributions are equal to the contractually required contribution rates for each year as set by state statute.

6. Postemployment Benefits

A. Plan Description and Funding Policy

The WLSSD explicitly subsidizes the cost of retiree health care coverage for employees hired prior to January 1, 1984 through a sick leave reserve program under a single-employer self-insured plan. For employees who were hired prior to January 1, 1984, any sick leave which they had accumulated as of December 31, 1983 is placed in a sick leave bank to be used upon retirement to pay health care premiums. At retirement, the accumulated sick leave hours are converted to a dollar amount using the employee's hourly pay rate at retirement. As of December 31, 2010, there were 8 retirees using their sick leave banks for insurance premiums. Beginning with retirements after January 1, 2009, the value of an employee's sick leave bank at the time of retirement is transferred to a post-retirement health savings plan to be used to cover post-retirement medical expenses. A separate report is not issued for the plan.

There is no explicit subsidy for employees hired prior to December 31, 1983 with no accumulated sick leave and for employees hired on or after January 1, 1984.

Active employees who retire from the WLSSD when eligible to receive a retirement benefit from PERA, that do not qualify for the aforementioned

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

B. Liabilities

6. Postemployment Benefits

A. Plan Description and Funding Policy (Continued)

benefits, and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependents under the WLSSD's health benefits program. These retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

The authority to provide these benefits is established in Minnesota Statute § 471.61, subdivision 2a.

The WLSSD's employment contract with the former Executive Director provides for continuing family health insurance coverage for a period of 54 months following the termination of his employment contract. The WLSSD will provide this benefit.

The cost of other postemployment benefits is funded on a "pay-as-you-go" method.

B. Annual OPEB Cost and Net OPEB Obligation

The WLSSD's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the 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 30 years. The following table shows the components of the WLSSD's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the WLSSD's net OPEB obligation:

Annual required contribution (ARC)	\$ 184,219
Interest on net OPEB obligation	28,168
Adjustment to ARC	<u>(58,285)</u>
Annual OPEB Cost	\$ 154,102
Contributions during the year	<u>(211,773)</u>
Decrease in net OPEB obligation	\$ (57,671)
Net OPEB, beginning of year	<u>625,950</u>
Net OPEB, end of year	<u>\$ 568,279</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Detailed Notes

B. Liabilities

6. Postemployment Benefits

B. Annual OPEB Cost and Net OPEB Obligation (Continued)

The WLSSD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010, 2009, and 2008 was as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Percentage of annual OPEB cost contributed	137.42%	116.68%	83.28%
Annual OPEB cost	\$154,102	\$157,581	\$166,512
Employer contributions	(211,773)	(183,858)	(138,676)
Net Increase (Decrease) in Net OPEB Obligation	\$(57,671)	\$(26,277)	\$27,836
Net OPEB obligation, beginning of year	\$625,950	652,227	624,391
Net OPEB obligation, end of year	<u>\$568,279</u>	<u>\$625,950</u>	<u>\$652,227</u>

C. Funding Status and Funding Progress

The actuarial accrued liability for benefits at January 1, 2008, the most recent actuarial date, is \$1,554,220. The WLSSD currently has no assets that have been irrevocably deposited in a trust for future health benefits, thus the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is \$5,395,402. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 28.8 percent.

Actuarial valuations involve estimates of 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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

3. Detailed Notes

B. Liabilities

6. Postemployment Benefits

C. Funding Status and Funding Progress (Continued)

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

In the January 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the WLSSD. The annual healthcare cost trend rate is 10.00 percent initially, reduced incrementally to an ultimate rate of 4.50 percent after nine years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 15 years based on an open group.

4. Other Note Disclosures

A. Major Customers

Major customers of services provided by WLSSD were as follows:

	<u>User Service</u> <u>Charges</u>		<u>Percentage of</u> <u>Total User</u> <u>Service Charges</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Sappi Cloquet LLC	\$9,810,222	\$9,492,796	29.8%	30.8%
City of Duluth	\$8,101,445	\$7,570,715	24.6%	24.5%
NewPage Corp	\$3,981,523	\$3,492,072	12.1%	11.3%

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

4. Other Note Disclosures

B. Construction Commitments

As of December 31, 2010, WLSSD had the following commitments with respect to unfinished capital projects.

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected date of Completion</u>
Interceptor Asset Management	\$ 186,150	7/31/11
Polk St Pump Station	2,923,610	11/30/11
Process Control Improvements	110,532	12/31/11
Headworks Electrical Reliability	<u>147,964</u>	3/31/12
	<u>\$ 3,368,256</u>	

C. Risk Management

The WLSSD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; health and dental claims, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties except for dental claims which are self-insured, workers compensation and health insurance for which the WLSSD belongs to public entity risk pools. The WLSSD has a \$75,000 deductible for property and a \$10,000 deductible for liability insurance coverage per covered incident. There have been no significant reductions in insurance coverage during the current year. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

The WLSSD retains the risk of loss from claims related to employee dental. The WLSSD has contracted with Delta Dental to administer the WLSSD's dental claims. The WLSSD charges a premium to each employee and contributes an employers share based on negotiated union contracts to cover the estimated dental claims. Claims are recognized as they are paid.

	<u>2010</u>	<u>2009</u>
Unpaid claims, beginning of year	\$ 0	\$ 0
Incurred claims	95,229	88,975
Claim payments	<u>(95,229)</u>	<u>(88,975)</u>
Unpaid claims, end of year	<u>\$ 0</u>	<u>\$ 0</u>

Workers compensation coverage is obtained through the League of Minnesota Cities Insurance Trust-- Group Self-Insured Workers' Compensation Plan, a public entity risk pool operated by the League of Minnesota Cities to lower and stabilize its members' workers' compensation costs and to assure that its members have a source of coverage available. The League of Minnesota Cities purchases reinsurance to protect the program from catastrophic and abnormal claims. The

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

4. Other Note Disclosures

C. Risk Management (Continued)

WLSSD pays an annual premium to the pool and has elected to have a deductible of \$5,000 per occurrence (for medical costs only). The deductible option under this plan allows the WLSSD to obtain a premium discount of 11%. As medical costs are incurred, the claims are paid by the pool and then are billed back to the WLSSD up to the amount of the deductible per occurrence.

For group health insurance, the WLSSD belongs to the North East Service Cooperative (NESC), a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the NESC and are based partially on the experience of the WLSSD and partially on the experience of the group. The NESC solicits proposals from carriers and negotiates the contracts.

D. Post Employment Health Care – Northland VEBA Trust Plan

In 2007, the WLSSD Board approved a Voluntary Employees' Beneficiary Association (VEBA) plan for funding employee health benefits for supervisors effective January 1, 2008 as authorized under Sections 501(c)(9) and 213(d) of the IRS Code. Effective January 1, 2009, all employees were eligible for participation in this plan. The VEBA plan is a health reimbursement plan providing for individual employer-funded accounts that can be used to help pay eligible medical expenses incurred by participating employees. The plan is used in combination with a high-deductible health plan. Funding is provided through pre-tax contributions from WLSSD based on employee health care elections. The VEBA plan is administered by Compensation Consultants, Ltd.

The current maximum WLSSD contribution for active participating employees is \$3,000 for those with family medical coverage with a \$3,700 deductible and \$1,350 for active participating employees for those with single medical coverage with a \$1,850 deductible. Any balance remaining in an employee's account at year-end rolls over into the subsequent year.

All bargaining unit and supervisory employees participating in the WLSSD high-deductible medical insurance plan are covered by the VEBA plan.

E. Subsequent Events

In 2011, the WLSSD Board approved the issuance of \$3,700,000 in Taxable General Obligation Notes to be used for the Scanlon Interceptor Rehabilitation project; \$750,000 in Taxable General Obligation Notes to be used for the Proctor Interceptor Replacement project and \$2,300,000 in Taxable General Obligation Notes to be used for the Electrical Reliability project.

REQUIRED SUPPLEMENTARY INFORMATION

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WESTERN LAKE SUPERIOR SANITARY DISTRICT

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b - a)/c)
January 1, 2008	\$ -	\$ 1,554,220	\$ 1,554,220	0.00%	\$ 5,395,402	28.80%

Notes to Schedule of Funding Progress

The Western Lake Superior Sanitary District currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

The WLSSD implemented Governmental Accounting Standards Board Statement 45 in the fiscal year ended December 31, 2008. Information for prior years is not available.

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SUPPLEMENTAL SCHEDULES

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**WESTERN LAKE SUPERIOR SANITARY DISTRICT
 DETAILED SCHEDULE OF REVENUE COMPARED TO BUDGET
 FOR YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE
 ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2009**

	2010			2009 Actual Revenue
	Budget	Actual Revenue	Variance Favorable (Unfavorable)	
Wastewater Treatment				
User Charges -				
Municipalities				
Duluth	\$8,063,191	\$8,101,445	\$38,254	\$7,570,715
Cloquet	790,302	791,860	1,558	753,292
Proctor	257,967	266,769	8,802	266,250
Hermantown	396,725	381,344	(15,381)	389,686
Scanlon	58,345	67,048	8,703	58,816
Thomson Township (Esko)	105,716	112,610	6,894	106,451
Carlton	94,248	105,563	11,315	97,484
Twin Lakes Township	52,727	56,913	4,186	54,959
Wrenshall	17,552	17,852	300	15,840
Thomson	7,273	8,921	1,648	7,539
Jay Cooke	5,142	5,181	39	5,320
North Shore	38,379	33,433	(4,946)	35,006
Knife River	11,704	10,108	(1,596)	11,470
Oliver	14,578	14,959	381	14,781
Rice Lake Township	43,813	46,739	2,926	44,429
MPCA Landfill	22,859	22,578	(281)	23,583
Midway	2,890	2,088	(802)	2,031
Pike Lake	45,455	41,686	(3,769)	41,416
WWT Cap Adjustment				(10,599)
Total Municipalities	\$10,028,866	\$10,087,097	\$58,231	\$9,488,469
Industries				
Sappi	\$9,761,900	\$9,810,222	\$48,322	\$9,492,796
Georgia Pacific	251,021	348,059	97,038	213,754
USG	655,051	682,041	26,990	778,621
NewPage Corp (Stora Enso)	3,331,587	3,981,523	649,936	3,492,072
Specialty Minerals	219,159	225,767	6,608	209,726
Total Industries	\$14,218,718	\$15,047,612	\$828,894	\$14,186,969
Total Wastewater Treatment	\$24,247,584	\$25,134,709	\$887,125	\$23,675,438
User Charges - Solid Waste	\$4,795,164	\$4,709,489	(\$85,675)	\$4,140,428
Service Fee - Solid Waste	\$2,013,750	\$1,908,152	(\$105,598)	\$2,008,239
Other Revenue				
District-wide allocation	\$355,000	\$355,000	\$0	\$334,999
Capacity availability fee	300,000	677,868	377,868	591,377
Earnings on investments	196,490	51,470	(145,020)	125,840
Operating grants	335,000	348,810	13,810	345,721
Property taxes	796,536	796,536	0	794,953
Capital contributions		2,834,201	2,834,201	456,160
Gain on sale of capital asset		7,419	7,419	2,607
Miscellaneous	562,900	593,202	30,302	599,847
Total Other Revenue	\$2,545,926	\$5,664,506	\$3,118,580	\$3,251,504
Total Revenue	\$33,602,424	\$37,416,856	\$3,814,432	\$33,075,609

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
 DETAILED SCHEDULE OF EXPENSES COMPARED TO BUDGET
 FOR YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE
 ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2009**

	2010		Variance Favorable (Unfavorable)	2009 Actual Expenses
	Budget	Actual Expenses		
Clean Water Production				
Salaries & Benefits	\$1,878,809	\$1,844,415	\$34,394	\$1,827,658
Electricity	1,695,192	1,899,150	(203,958)	1,553,441
Fuels	305,000	191,325	113,675	270,199
Chemicals	1,486,226	1,288,505	197,721	1,308,196
Other Operating Expenses	310,382	287,493	22,889	247,497
Total Clean Water Production	\$5,675,609	\$5,510,888	\$164,721	\$5,206,991
Conveyance System				
Salaries & Benefits	\$420,529	\$457,009	(\$36,480)	\$409,444
Electricity	705,106	811,384	(106,278)	622,079
Other Operating Expenses	447,117	365,551	81,566	294,768
Total Conveyance System	\$1,572,752	\$1,633,944	(\$61,192)	\$1,326,291
Biosolids				
Salaries & Benefits	\$699,654	\$683,194	\$16,460	\$651,658
Other Operating Expenses	232,172	177,447	54,725	179,333
Total Biosolids	\$931,826	\$860,641	\$71,185	\$830,991
Maintenance				
Salaries & Benefits	\$2,021,911	\$1,951,388	\$70,523	\$1,856,534
Repairs	615,000	692,698	(77,698)	565,888
Contracted Services	601,500	334,991	266,509	421,123
Other Operating Expenses	102,798	94,943	7,855	62,754
Total Maintenance	\$3,341,209	\$3,074,020	\$267,189	\$2,906,299
Transfer Station				
Salaries & Benefits	\$37,843	\$40,798	(\$2,955)	\$22,387
Solid Waste Disposal	4,239,073	4,139,547	99,526	3,616,466
Operating Expenses	22,284	24,832	(2,548)	31,263
Total Transfer Station	\$4,299,200	\$4,205,177	\$94,023	\$3,670,116
Material Recovery Center				
Salaries & Benefits	\$246,215	\$254,911	(\$8,696)	\$186,924
Solid Waste Disposal	208,840	209,445	(605)	189,606
Contract Services	176,450	114,973	61,477	149,010
Operating Expenses	61,651	42,020	19,631	48,330
Total Material Recovery Center	\$693,156	\$621,349	\$71,807	\$573,870

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
 DETAILED SCHEDULE OF EXPENSES COMPARED TO BUDGET
 FOR YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE
 ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2009**

	2010		Variance Favorable (Unfavorable)	2009 Actual Expenses
	Budget	Actual Expenses		
Recycling				
Salaries & Benefits	\$37,843	\$44,100	(\$6,257)	\$23,541
Operating Expenses	221,075	202,405	18,670	201,389
Total Recycling	\$258,918	\$246,505	\$12,413	\$224,930
Organics				
Salaries & Benefits	\$104,410	\$119,262	(\$14,852)	\$86,730
Operating Expenses	146,643	129,271	17,372	110,983
Total Organics	\$251,053	\$248,533	\$2,520	\$197,713
Household Hazardous Waste				
Salaries & Benefits	\$375,218	\$338,446	\$36,772	\$308,849
Operating Expenses	289,211	277,152	12,059	267,119
Total Household Hazardous Waste	\$664,429	\$615,598	\$48,831	\$575,968
Business Services				
Salaries & Benefits	\$1,311,096	\$1,090,232	\$220,864	\$1,127,478
Other Postemployment Benefits	0	154,102	(154,102)	157,581
Insurance	209,000	202,322	6,678	205,811
Professional Services	149,000	208,443	(59,443)	171,238
Operating Expenses	574,812	591,714	(16,902)	540,832
Total Business Services	\$2,243,908	\$2,246,813	(\$2,905)	\$2,202,940
Planning & Engineering				
Salaries & Benefits	\$925,710	\$898,879	\$26,831	\$813,037
Contracted Services	5,000	100	4,900	604
Operating Expenses	22,400	12,592	9,808	2,901
Total Planning & Engineering	\$953,110	\$911,571	\$41,539	\$816,542
Environmental Programs				
Salaries & Benefits	\$476,550	\$446,297	\$30,253	\$425,486
Operating Expenses	300,791	238,809	61,982	225,083
Total Environmental Programs	\$777,341	\$685,106	\$92,235	\$650,569
Management Information System				
Salaries & Benefits	\$394,110	\$372,591	\$21,519	\$346,137
Contracted Services	65,000	78,773	(13,773)	81,254
Operating Expenses	50,500	68,332	(17,832)	58,779
Total Management Information System	\$509,610	\$519,696	(\$10,086)	\$486,170

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
 DETAILED SCHEDULE OF EXPENSES COMPARED TO BUDGET
 FOR YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE
 ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2009**

	2010		Variance Favorable (Unfavorable)	2009 Actual Expenses
	Budget	Actual Expenses		
Lab Services				
Salaries & Benefits	\$580,732	\$580,849	(\$117)	\$555,900
Contracted Services	62,000	57,094	4,906	75,913
Operating Expenses	81,440	86,847	(5,407)	74,406
Total Lab Services	\$724,172	\$724,790	(\$618)	\$706,219
Non-Departmental				
Depreciation	\$8,468,595	\$9,020,383	(\$551,788)	\$8,707,940
Amortization	237,000	237,000	0	237,000
Interest and Bond Amortization Expense	2,614,926	2,212,889	402,037	2,091,376
Other Non-Departmental	0	2,017	(2,017)	5,739
Total Non-Departmental	\$11,320,521	\$11,472,289	(\$151,768)	\$11,042,055
Total Expenses	\$34,216,814	\$33,576,920	\$639,894	\$31,417,664

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Defense			
Direct			
Northeastern Minnesota Environmental Infrastructure - Section 569			
Gary Pump Station - ARRA		12.120	\$ <u>507,338</u>
U.S. Environmental Protection Agency			
Passed Through Minnesota Department of Employment and Economic Development			
Capitalization Grants for Clean Water State Revolving Funds			
Scanlon Pump Station Project	MPFA-08-0065-R-FY09	66.458	11,409
Scanlon Pump Station Project - ARRA	MPFA-08-0065-R-FY09	66.458	46,354
Hermantown Interceptor Project	MPFA-09-0070-R-FY11	66.458	151,866
Woodland Interceptor Project	MPFA-09-0093-R-FY11	66.458	342,262
Pike Lake Storage Basin Project	MPFA-09-0094-R-FY11	66.458	526,490
Polk Street Pump Station Project	MPFA-09-0095-R-FY11	66.458	<u>479,167</u>
Total U.S. Environmental Protection Agency			\$ <u>1,557,548</u>
Total Federal Awards			\$ <u>2,064,886</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Western Lake Superior Sanitary District. The District's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Lake Superior Sanitary District under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Western Lake Superior Sanitary District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Western Lake Superior Sanitary District.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Reconciliation to Comparative Statement of Revenues, Expenses, and Changes in Net Assets and Note 3.B.4.

Federal grant CFDA No. 12.120 is reported as capital contributions-federal. Expenditures under CFDA No. 66.458 are capitalized in capital assets on the financial statements. The funding received under this program is federal grant funding shown as additions to the long-term debt payable.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA**

4. Reconciliation to Comparative Statement of Revenues, Expenses, and Changes in Net Assets and Note 3.B.4. (Continued)

Capital contributions - federal (Exhibit B)	\$ 507,338
Public facility authority loans (Note 3.B.4.)	<u>\$ 1,557,548</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 2,064,886</u>

5. Subrecipients

Of the expenditures presented in the schedule, the Western Lake Superior Sanitary District did not provide federal awards to any subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

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STATISTICAL SECTION

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WESTERN LAKE SUPERIOR SANITARY DISTRICT

STATISTICAL SECTION

This part of the Western Lake Superior Sanitary District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends – Pages 62-66

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity – Pages 67-72

These schedules contain information to help the reader assess the District's revenue sources for both wastewater and solid waste generators.

Debt Capacity – Pages 73-76

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information – Pages 77-78

These schedules contain demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information – Pages 79-81

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003
Primary Government								
Invested in capital assets, net of related debt	\$29,062,128	\$27,333,725	\$27,802,278	\$28,739,773	\$29,884,216	\$29,528,012	\$30,610,976	\$31,387,726
Restricted	10,057,849	9,988,676	9,822,605	9,859,930	9,396,955	9,661,993	8,641,548	10,454,812
Unrestricted	15,929,152	13,886,792	11,926,365	10,905,794	9,235,331	9,778,019	10,084,363	9,765,249
Total Primary Government Net Assets	\$55,049,129	\$51,209,193	\$49,551,248	\$49,505,497	\$48,516,502	\$48,968,024	\$49,336,887	\$51,607,787

(Unaudited)

Note: Amounts are presented from the year that Governmental Accounting Standards Board Statement 34 was implemented.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS**

	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues	\$33,378,420	\$31,350,328	\$30,520,110	\$29,810,526	\$28,956,145	\$28,812,572	\$27,941,472	\$26,578,788
Operating Expenses	31,362,014	29,320,549	29,833,108	29,484,609	28,601,224	28,633,086	28,828,296	26,465,935
Operating Income	2,016,406	2,029,779	687,002	325,917	354,921	179,486	(886,824)	112,853
Total Nonoperating Revenues/(Expenses)	(1,010,671)	(827,994)	(641,251)	165,547	(406,837)	(1,102,076)	(1,554,607)	(1,521,415)
Income/(Loss) before Capital Contributions	1,005,735	1,201,785	45,751	491,464	(51,916)	(922,590)	(2,441,431)	(1,408,562)
Capital Contributions	2,834,201	456,160	0	497,531	24,697	553,727	170,531	656,435
Change in Net Assets	\$3,839,936	\$1,657,945	\$45,751	\$988,995	(\$27,219)	(\$368,863)	(\$2,270,900)	(\$752,127)

(Unaudited)

Note: Amounts are presented from the year that Governmental Accounting Standards Board Statement 34 was implemented.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
OPERATING EXPENSES BY FUNCTION/OBJECT
LAST TEN FISCAL YEARS**

OPERATING EXPENSES BY FUNCTION

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Clean Water Production	\$5,510,888	\$5,206,991	\$5,232,136	\$5,183,464	\$4,718,992	\$4,427,275	\$4,297,308	\$4,243,657	\$2,184,389	\$2,340,514
Clean Water - Heating									647,530	1,073,068
Biosolids	860,641	830,991	849,590	750,950	707,078	695,377	608,510	551,337	1,339,603	1,287,356
Conveyance System	1,633,944	1,326,291	1,355,411	1,477,143	1,178,546	1,214,824	1,155,073	1,166,312	1,005,242	906,129
Land Application									588,818	641,218
Operations Admin.									408,678	547,556
Maintenance	3,074,020	2,906,299	3,270,888	3,016,956	3,067,144	2,631,625	2,680,850	2,369,115	2,254,402	2,712,666
Transfer Station	4,205,177	3,670,116	3,434,625	3,483,158	3,949,557	4,501,790	4,517,943	4,206,475	3,909,316	3,017,793
Material Recovery Center	621,349	573,870	498,856	669,336	590,330	656,714	748,650	758,211	574,815	742,451
Industrial Landfill										492,553
Recycling	246,505	224,930	210,492	204,220	208,515	218,437	224,330	217,913	238,126	
Organics	248,533	197,713	213,271	221,271	230,002	213,359	195,087	203,969	170,882	
Household Hazardous Waste	615,598	575,968	586,551	637,658	591,976	586,266	526,260	488,315	471,467	466,000
Business Services	2,246,813	2,202,940	2,686,807	2,388,595	2,443,245	2,339,331	2,283,470	2,382,727	2,533,463	2,101,414
Planning & Engineering	911,571	816,542	799,199	785,361	699,935	563,764	531,594	438,668	472,501	726,377
Management Information	519,696	486,170	500,243	468,943	474,745	478,630	409,356	395,575	316,004	
Environmental Programs	685,106	650,569	761,670	706,418	679,731	835,015	827,907	861,268	701,296	239,259
Lab Services	724,790	706,219	690,709	690,750	696,277	486,402	477,764	496,351	471,650	595,474
Non-Departmental	9,257,383	8,944,940	8,742,660	8,800,386	8,365,151	8,436,914	8,948,079	7,315,804	8,395,120	8,411,578
TOTAL OPERATING EXPENSES	\$31,362,014	\$29,320,549	\$29,833,108	\$29,484,609	\$28,601,224	\$28,633,086	\$28,828,296	\$26,465,935	\$26,683,302	\$26,301,406

OPERATING EXPENSES BY OBJECT

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Salaries & Wages	\$6,547,219	\$6,152,977	\$6,088,502	\$6,024,203	\$6,013,545	\$5,729,980	\$5,519,775	\$5,187,506	\$4,961,952	\$5,436,427
Fringe Benefits	2,575,152	2,488,782	2,517,198	2,357,756	2,232,119	2,172,754	2,008,473	1,807,142	2,657,666	1,987,610
Other Postemployment Benefits	3,351,447	157,581	166,512	3,115,965	2,626,857	2,635,461	2,647,751	2,538,303	2,448,721	2,842,870
Utilities	1,288,508	1,308,196	1,141,659	1,143,706	916,718	736,012	676,380	734,334	740,119	723,258
Chemicals	874,367	713,043	835,962	985,096	793,610	733,609	725,104	683,623	547,256	715,583
Repairs	354,468	328,262	370,621	394,074	389,979	391,978	309,779	346,184	374,746	413,161
Supplies	1,392,242	1,377,745	1,558,649	1,548,022	1,537,682	1,425,149	1,532,423	1,467,896	1,432,335	1,079,412
Contract Services	4,366,532	3,824,531	3,581,277	3,644,284	3,745,145	4,258,542	4,310,876	4,046,290	3,728,253	2,981,254
Solid Waste Disposal	1,200,594	1,169,019	1,592,101	1,471,117	1,970,854	2,813,011	3,515,796	2,266,586	1,862,800	2,303,502
Other	22,104,631	20,375,609	21,090,448	20,684,223	20,226,509	20,896,496	21,246,357	19,077,864	18,753,848	18,483,077
Subtotal Expenses Before Depreciation	9,257,383	8,944,940	8,742,660	8,800,386	8,374,715	7,736,590	7,581,939	7,388,071	7,929,454	7,818,329
Depreciation/Amortization										
TOTAL OPERATING EXPENSES	\$31,362,014	\$29,320,549	\$29,833,108	\$29,484,609	\$28,601,224	\$28,633,086	\$28,828,296	\$26,465,935	\$26,683,302	\$26,301,406

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NONOPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Earnings on Investments	\$51,470	\$125,840	\$504,780	\$962,995	\$818,996	\$672,942	\$364,863	\$306,944	\$536,989	\$1,035,384
Gain/(Loss) on Sale of Capital Assets	7,419	2,607	24,489	2,389	42,651	7,527	11,905	12,176	6,809	
Operating Grants	348,810	345,721	363,251	392,798	340,995	428,713	358,722	376,905	407,335	900,566
Property Taxes	796,536	794,953	789,840	778,230	771,636	517,016	520,217	498,987	500,427	488,008
Other Revenues			25,000	466,620						499,349
Interest Expense (1)	(2,190,312)	(2,067,620)	(2,155,107)	(2,371,467)	(2,310,372)	(2,693,579)	(2,679,536)	(2,600,657)	(2,729,177)	(2,310,330)
Other Expenses	(24,594)	(29,495)	(193,504)	(66,018)	(70,743)	(34,695)	(130,778)	(115,770)	(100,032)	(63,029)
Total Nonoperating Revenues/(Expenses)	(1,010,671)	(827,994)	(641,251)	165,547	(406,837)	(1,102,076)	(1,554,607)	(1,521,415)	(1,377,649)	549,948

(Unaudited)

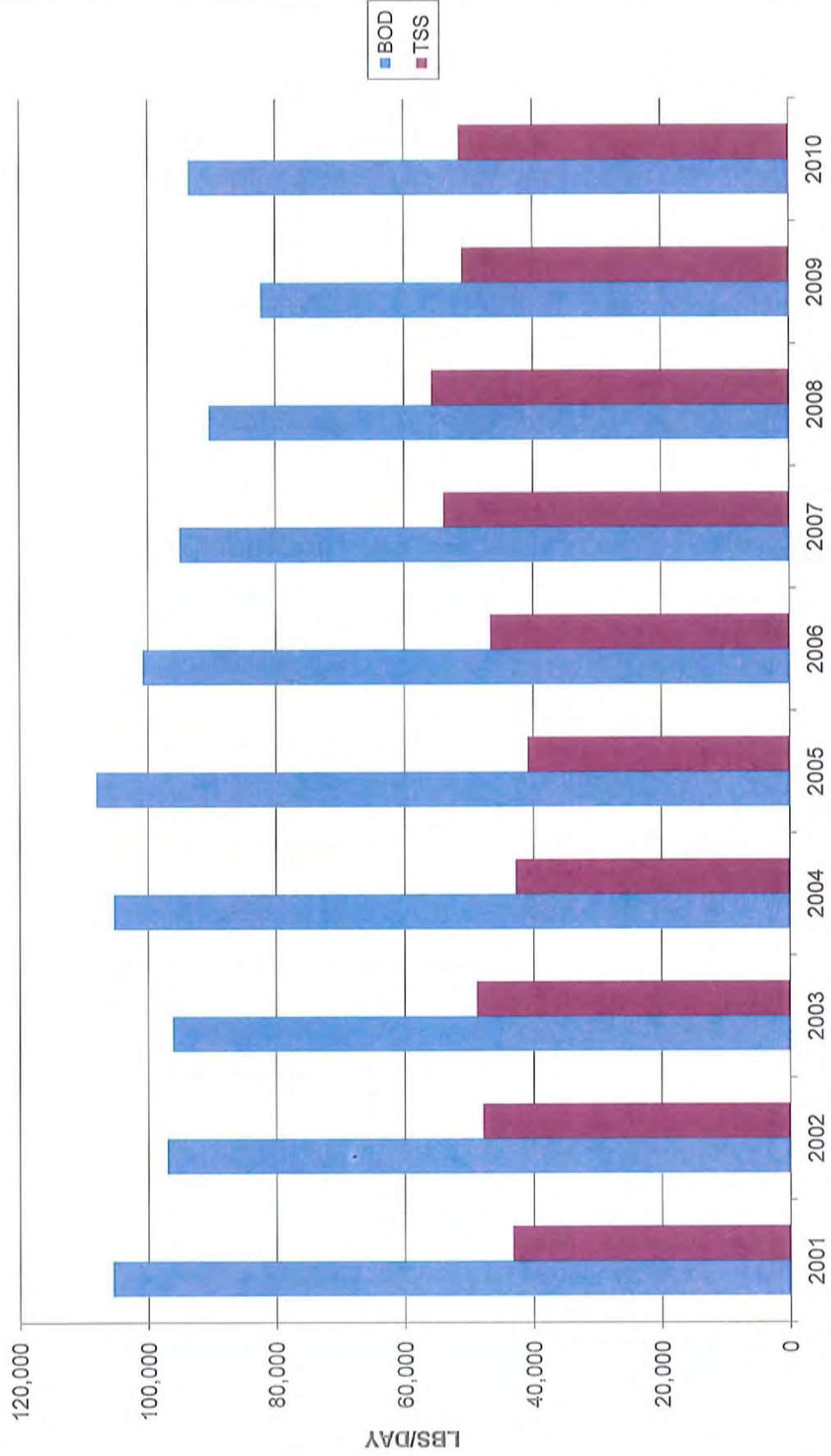
(1)- Net of capitalized amounts

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
REVENUE CAPACITY-WASTEWATER OPERATION
TOTAL WASTEWATER TREATED BY BILLING PARAMETERS
LAST TEN FISCAL YEARS**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
MUNICIPALITIES										
Flow (million gal/day)	17.51	16.28	18.39	16.66	16.03	17.54	17.17	16.00	18.47	19.98
BOD (lbs/day)	19,697	18,884	20,947	19,312	18,942	17,042	18,377	19,713	20,321	22,028
Suspended Solids (lbs/day)	26,457	24,555	30,105	26,035	24,598	21,387	22,624	24,451	25,760	25,581
INDUSTRIES										
Flow (million gal/day)	20.35	19.40	19.55	19.69	19.85	21.23	20.93	20.11	19.57	20.01
BOD (lbs/day)	73,809	63,291	69,390	75,612	81,849	91,039	87,003	76,411	76,709	83,554
Suspended Solids (lbs/day)	25,036	26,460	25,634	27,863	22,125	19,484	20,140	24,459	22,208	17,720
TOTAL WASTEWATER										
Flow (million gal/day)	37.86	35.68	37.94	36.35	35.88	38.77	38.10	36.11	38.04	39.99
BOD (lbs/day)	93,506	82,175	90,337	94,924	100,791	108,081	105,380	96,124	97,030	105,582
Suspended Solids (lbs/day)	51,493	51,015	55,739	53,898	46,723	40,871	42,764	48,910	47,968	43,301

(Unaudited)

WASTEWATER VOLUME (Unaudited)



WESTERN LAKE SUPERIOR SANITARY DISTRICT
 REVENUE CAPACITY-WASTEWATER TREATMENT
 OPERATIONS & MAINTENANCE UNIT COSTS
 LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Flow (cost/1000gal)	\$0.4052	\$0.3762	\$0.3551	\$0.3636	\$0.3293	\$0.3665	\$0.3716	\$0.3652	\$0.3369	\$0.2985
Excess Flow (cost/1000 gal) *	\$0.0141	\$0.0124	\$0.0131	\$0.0126	\$0.0149					
BOD (cost/lb)	\$0.2151	\$0.2286	\$0.2033	\$0.1837	\$0.1654	\$0.1492	\$0.1503	\$0.1624	\$0.1688	\$0.1591
Suspended Solids (cost/lb)	\$0.2096	\$0.2013	\$0.1835	\$0.1792	\$0.1980	\$0.2367	\$0.2215	\$0.1916	\$0.2054	\$0.2489
Domestic Equivalent (Cost/1000gal)	\$1.56	\$1.54	\$1.43	\$1.40	\$1.36	\$1.11	\$1.07	\$1.03	\$1.01	\$0.98

* new parameter added in 2006

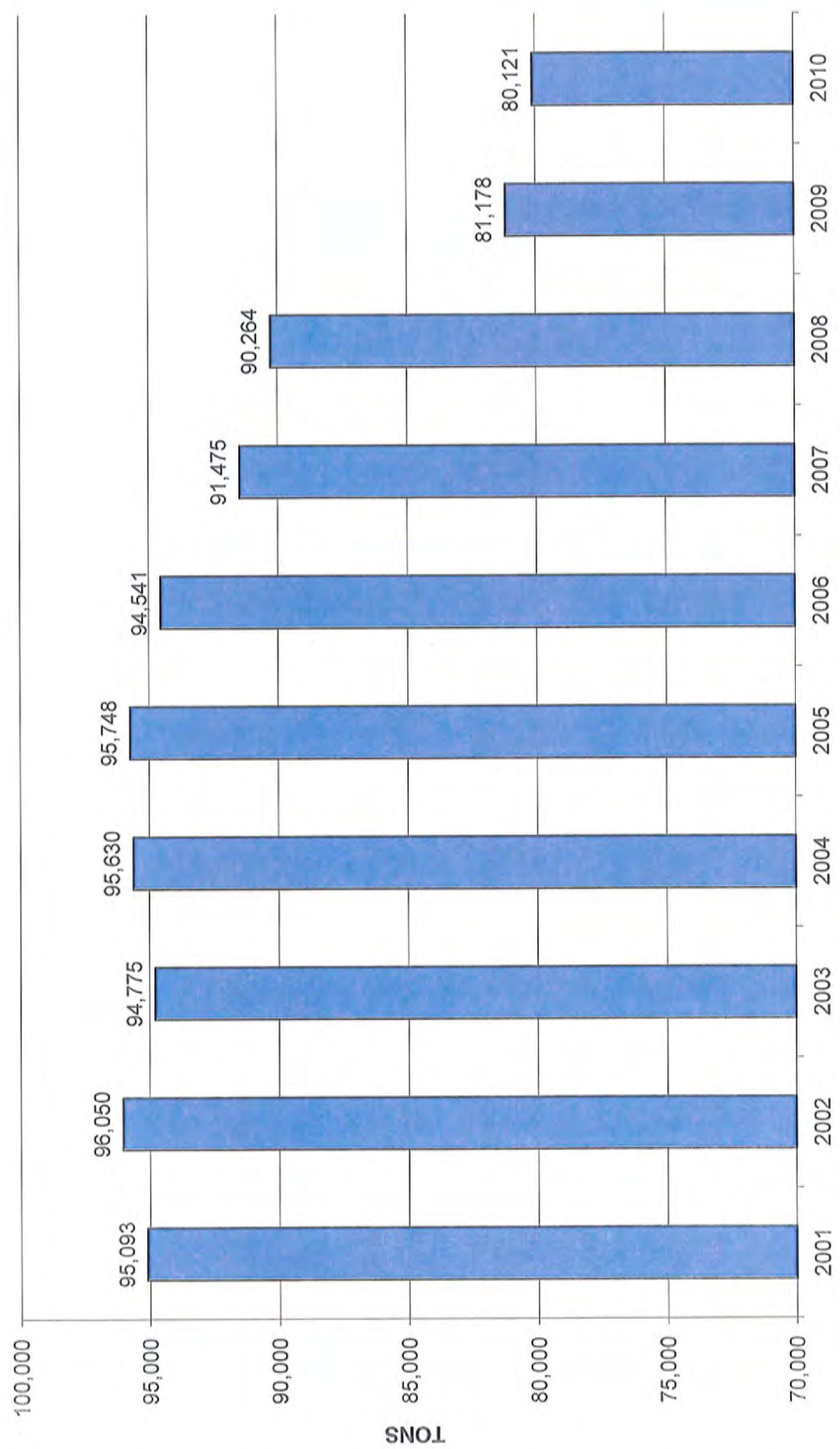
(Unaudited)

WESTERN LAKE SUPERIOR SANITARY DISTRICT
 REVENUE CAPACITY-SOLID WASTE OPERATION
 SOLID WASTE VOLUME (MSW) AND TIPPING FEE
 LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
VOLUME (Tons)										
District (St. Louis County)	53,984	55,719	62,178	61,951	64,505	64,431	63,963	65,390	67,935	66,856
Carlton County	12,752	12,919	13,097	13,785	13,610	13,552	13,191	12,270	11,973	12,581
Lake County	5,332	4,773	5,187	5,478	4,170	5,402	5,505	5,062	4,964	4,738
Cook County	3,452	4,092	5,055	4,760	4,748	4,481	4,021	3,638	3,399	3,339
City of Superior	4,601	3,675	4,747	5,501	7,508	7,882	8,950	8,415	7,779	7,579
TOTAL VOLUME	80,121	81,178	90,264	91,475	94,541	95,748	95,630	94,775	96,050	95,093
Tipping Fee (Per Ton)										
Transfer Station	\$45.28	\$45.48	\$36.05	\$35.28	\$33.80	\$33.88	\$33.07	\$32.58	\$32.09	\$31.08

(Unaudited)

**SOLID WASTE VOLUME (MSW)
(Unaudited)**



**WESTERN LAKE SUPERIOR SANITARY DISTRICT
PRINCIPAL REVENUE PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Customer	Fiscal Year 2010		Fiscal Year 2001	
	Amount	%	Amount	%
City of Duluth	\$8,101,445	24.27%	\$9,681,960 (1)	37.50%
Sappi	9,810,222	29.39%	7,494,967	29.03%
NewPage Corp (Stora Enso)	3,981,523	11.93%	0	0.00%
Waste Management	1,395,313	4.18%	1,560,574	6.04%
Subtotal	\$23,288,503	69.77%	\$18,737,501	72.56%
Balance from Other Customers	10,089,917	30.23%	7,084,269	27.44%
Grand Totals User Charges	\$33,378,420	100.00%	\$25,821,770	100.00%

(Unaudited)

(1) Included revenues from New Page

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FISCAL YEAR	GENERAL OBLIGATION BONDS	TAXABLE REVENUE NOTES	TOTAL DEBT	PER CAPITA	AS A SHARE OF PERSONAL INCOME
2001	\$16,300,000	\$40,244,972	\$56,544,972	\$423.91	1.59%
2002	\$17,785,000	\$40,469,413	\$58,254,413	\$436.23	1.55%
2003	\$14,840,000	\$40,366,352	\$55,206,352	\$412.10	1.42%
2004	\$21,430,000	\$38,385,346	\$59,815,346	\$445.41	1.45%
2005	\$22,350,000	\$36,284,072	\$58,634,072	\$434.25	1.37%
2006	\$22,735,000	\$34,907,215	\$57,642,215	\$427.98	1.38%
2007	\$24,940,000	\$36,350,342	\$61,290,342	\$453.66	1.48%
2008	\$22,425,000	\$35,367,052	\$57,792,052	\$428.17	1.31%
2009	\$20,150,000	\$34,345,930	\$54,495,930	\$401.53	1.18%
2010	\$17,795,000	\$32,926,538	\$50,721,538	\$368.79	1.07%

(Unaudited)

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NET TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL	
	NET TAX CAPACITY	ESTIMATED MARKET VALUE	NET TAX CAPACITY	ESTIMATED MARKET VALUE	NET TAX CAPACITY	ESTIMATED MARKET VALUE
2001	\$51,806,650	\$5,080,195,700	\$2,001,883	\$101,567,500	\$53,808,533	\$5,181,763,200
2002	\$56,530,192	\$5,564,220,200	\$1,965,420	\$99,206,000	\$58,495,612	\$5,663,426,200
2003	\$63,354,115	\$8,538,357,583	\$2,092,783	\$105,603,400	\$65,446,898	\$8,643,960,983
2004	\$73,632,475	\$7,467,771,300	\$2,132,174	\$107,603,800	\$75,764,649	\$7,575,375,100
2005	\$82,980,505	\$8,126,119,800	\$2,577,453	\$129,974,800	\$85,557,958	\$8,256,094,600
2006	\$90,001,366	\$8,654,672,321	\$2,907,088	\$148,887,079	\$92,908,454	\$8,803,559,400
2007	\$103,923,571	\$9,236,308,071	\$3,005,680	\$154,367,929	\$106,929,251	\$9,390,676,000
2008	\$108,733,128	\$9,598,358,800	\$3,120,079	\$161,591,400	\$111,853,207	\$9,759,950,200
2009	\$109,315,385	\$9,549,241,200	\$3,182,985	\$168,118,500	\$112,498,370	\$9,717,359,700
2010	\$105,713,422	\$9,392,341,074	\$3,281,294	\$173,320,126	\$108,994,716	\$9,565,661,200

SOURCE: St. Louis County and Carlton County Auditors' Office

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
NET GENERAL BONDED DEBT RATIOS
LAST TEN FISCAL YEARS**

	POPULATION	NET TAX CAPACITY	GROSS BONDED DEBT	DEBT SERVICE FUNDS AVAILABLE	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO NET TAX CAPACITY	NET BONDED DEBT PER CAPITA	RATIO OF NET BONDED DEBT TO ESTIMATED MARKET VALUE
2001	133,389	\$53,808,533	\$56,544,972	\$9,783,509	\$46,761,463	86.90%	\$350.56	0.90%
2002	133,542	\$58,495,612	\$58,254,413	\$8,660,545	\$49,593,868	84.78%	\$371.37	0.88%
2003	133,962	\$65,446,898	\$55,206,352	\$8,055,561	\$47,150,791	72.04%	\$351.97	0.55%
2004	134,293	\$75,764,649	\$59,815,346	\$8,641,548	\$51,173,798	67.54%	\$381.06	0.68%
2005	135,023	\$85,557,958	\$58,634,072	\$9,152,324	\$49,481,748	57.83%	\$366.47	0.60%
2006	134,684	\$92,908,454	\$57,642,215	\$9,396,955	\$48,245,260	51.93%	\$358.21	0.55%
2007	135,102	\$106,929,251	\$61,290,342	\$9,859,930	\$51,430,412	48.10%	\$380.68	0.55%
2008	134,975	\$111,853,207	\$57,792,052	\$9,822,605	\$47,969,447	42.89%	\$355.40	0.49%
2009	135,721	\$112,498,370	\$54,495,930	\$9,988,676	\$44,507,254	39.56%	\$327.93	0.46%
2010	137,536	\$108,994,716	\$50,721,538	\$10,057,849	\$40,663,689	37.31%	\$295.66	0.43%

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

FISCAL YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES(1)	NET REVENUE AVAILABLE FOR DEBT SERVICE		DEBT SERVICE REQUIREMENTS			TOTAL	COVERAGE
			DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL			
2001	\$28,745,077	\$18,483,077	\$10,262,000	\$3,890,980	\$2,310,330	\$6,201,310	165%		
2002	\$27,341,520	\$18,753,848	\$8,587,672	\$6,404,498	\$2,729,177	\$9,133,675	94%		
2003	\$28,431,881	\$19,077,864	\$9,354,017	\$5,879,345	\$2,600,657	\$8,480,002	110%		
2004	\$29,367,710	\$19,823,993	\$9,543,717	\$4,216,274	\$2,789,491	\$7,005,765	136%		
2005	\$30,992,497	\$20,896,496	\$10,096,001	\$4,664,481	\$2,503,363	\$7,167,844	141%		
2006	\$30,955,120	\$20,226,509	\$10,728,611	\$4,654,276	\$2,423,793	\$7,078,069	152%		
2007	\$32,911,089	\$20,684,223	\$12,226,866	\$5,121,261	\$2,534,016	\$7,655,277	160%		
2008	\$32,227,470	\$21,090,448	\$11,137,022	\$5,124,240	\$2,389,086	\$7,513,326	148%		
2009	\$32,619,449	\$20,375,609	\$12,243,840	\$5,423,074	\$2,233,946	\$7,657,020	160%		
2010	\$34,582,655	\$22,104,631	\$12,478,024	\$5,336,138	\$2,042,353	\$7,378,491	169%		

(1) Depreciation and amortization expenses have been excluded. In 2004 landfill takeover expenses which totaled \$1,422,364 were also excluded as these expenses had been funded in prior years from the Financial Assurance Fund.

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

FISCAL YEAR	POPULATION (1)	PERSONAL INCOME	PER CAPITA PERSONAL INCOME (2)	UNEMPLOYMENT RATE (3)	
				LOCAL	STATE
2001	133,389	\$3,558,018,186	\$26,674	5.80%	3.80%
2002	133,542	\$3,747,322,062	\$28,061	5.70%	4.50%
2003	133,962	\$3,891,864,024	\$29,052	6.20%	4.80%
2004	134,293	\$4,115,811,864	\$30,648	5.80%	4.60%
2005	135,023	\$4,285,494,997	\$31,739	5.20%	4.10%
2006	134,684	\$4,191,635,448	\$31,122	5.00%	4.00%
2007	135,102	\$4,143,848,544	\$30,672	5.50%	4.90%
2008	134,975	\$4,425,830,250	\$32,790	7.70%	6.80%
2009	135,721	\$4,633,379,219	\$34,139	8.20%	7.40%
2010	137,536	\$4,747,192,576	\$34,516	7.40%	6.80%

SOURCES: (1) Minnesota State Demographers Office
 (2) Bureau of Economic Analysis - Regional
 (3) Minnesota Department of Employment and Economic Development

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

Employer	Fiscal Year 2010			Fiscal Year 2000 (2)		
	Employees (1)	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Essentia Health (SMDC Health Syst	4,930	1	3.84%	5,196	1	5.00%
St. Louis County	1,956	2	1.52%	2,254	3	2.17%
University of Minnesota Duluth	1,700	3	1.32%	1,391	6	1.34%
United Health Care	1,634	4	1.27%			
St. Luke's Hospital	1,554	5	1.21%	1,275	9	1.23%
Duluth Public Schools	1,426	6	1.11%	1,508	5	1.45%
Allete (MN Power)	1,419	7	1.11%	1,278	8	1.23%
Duluth Air National Guard Base	1,068	8	0.83%			
Black Bear Casino	907	9	0.71%			
City of Duluth	850	10	0.66%			
Totals	17,444		13.58%	12,902		12.42%

(Unaudited)

(1) Northland Connection

(2) Data from nine years ago (2001) not available

WESTERN LAKE SUPERIOR SANITARY DISTRICT
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
WASTEWATER										
Clean Water	19.40	19.96	19.34	20.88	19.75	19.25	17.75	18.75	20.00	19.25
Conveyance	4.30	4.12	4.03	4.40	4.50	6.25	6.25	5.25	5.00	3.00
Biosolids	8.10	8.10	8.10	7.62	7.05	6.50	6.50	6.50	7.00	7.25
Transition										7.00
Maintenance	23.20	23.04	24.17	23.96	24.00	27.50	25.50	27.50	29.00	28.50
Subtotal	55.00	55.22	55.64	56.86	55.30	59.50	56.00	58.00	61.00	65.00
SOLID WASTE										
Solid Waste Hauling										0.25
Industrial Landfill										6.00
Pollution Prevention										2.50
Transfer Station	0.40	0.23	0.20	0.20	0.20	0.20	0.20	0.20	1.00	
MRC	4.00	2.93	2.65	2.83	2.80	2.70	2.70	3.20	2.50	
Household Hazardous Waste	4.34	4.35	4.20	4.29	4.20	4.20	4.20	4.20	3.00	3.98
Organics	1.40	1.23	1.20	1.28	1.30	1.20	1.20	1.20	1.00	
Recycling	0.62	0.26	0.20	0.20	0.20	0.20	0.20	0.20	1.00	3.38
Subtotal	10.76	9.00	8.45	8.80	8.70	8.50	8.50	9.00	8.50	16.10
ADMINISTRATION										
Business Services	13.46	13.49	11.70	12.22	15.42	13.35	12.60	12.60	12.60	18.10
Planning & Engineering	8.50	8.68	8.93	8.77	8.75	6.00	6.00	5.00	6.00	9.00
Environmental Programs	5.75	5.98	5.75	5.38	5.50	7.50	7.50	7.50	7.00	
Management Information Systems	3.88	3.66	4.00	4.00	4.00	4.00	4.00	4.00	3.00	
Lab	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00	6.50
Subtotal	37.59	37.81	36.38	36.37	39.67	35.85	35.10	34.10	33.60	33.60
Total Employees	103.35	102.03	100.47	102.03	103.67	103.85	99.60	101.10	103.10	114.70

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
OPERATING INDICATORS - WASTEWATER OPERATIONS
LAST TEN FISCAL YEARS**

FISCAL YEAR	VOLUME			RATES			
	FLOW MG/D	BOD LBS/DAY	TSS LBS/DAY	FLOW Cost/1000 Gal	PEAK FLOW * Cost/1000 Gal	BOD Cost/Lb	TSS Cost/Lb
2010	37.86	93,506	51,493	\$0.4052	\$0.0141	\$0.2151	\$0.2096
2009	35.68	82,175	51,015	\$0.3762	\$0.0124	\$0.2286	\$0.2013
2008	37.94	90,337	55,739	\$0.3551	\$0.0131	\$0.2033	\$0.1835
2007	36.35	94,924	53,898	\$0.3636	\$0.0126	\$0.1837	\$0.1792
2006 *	35.88	100,791	46,723	\$0.3293	\$0.0149	\$0.1654	\$0.1980
2005	38.77	108,081	40,871	\$0.3665		\$0.1492	\$0.2367
2004	38.10	105,380	42,764	\$0.3716		\$0.1503	\$0.2215
2003	36.00	96,124	48,910	\$0.3652		\$0.1624	\$0.1916
2002	38.04	97,020	47,968	\$0.3369		\$0.1688	\$0.2054
2001	39.99	105,582	43,301	\$0.2985		\$0.1591	\$0.2489

* new billing parameter effective 1/1/06

(Unaudited)

WESTERN LAKE SUPERIOR SANITARY DISTRICT
 CAPITAL ASSET STATISTICS - WASTEWATER OPERATIONS
 LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Wastewater										
Sanitary Sewers (miles)	74.667	74.667	74.667	74.667	74.667	74.667	74.667	74.667	74.667	74.667
Treatment Capacity (MGD)	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40
BOD Treatment Capacity (Lbs/Day)	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000

(Unaudited)