



DuPage Water Commission

600 E. Butterfield Road, Elmhurst, IL 60126-4642
(630) 834-0100 Fax: (630) 834-0120

NOTICE IS HEREBY GIVEN THAT THE RESCHEDULED OCTOBER 2004 FINANCE COMMITTEE MEETING OF THE DUPAGE WATER COMMISSION WILL BE HELD AT 9:30 A.M. ON THURSDAY, OCTOBER 14, 2004, AT ITS OFFICES LISTED BELOW. THE AGENDA FOR THE RESCHEDULED OCTOBER 2004 REGULAR COMMITTEE MEETING IS AS FOLLOWS:

AGENDA

**FINANCE COMMITTEE
THURSDAY, OCTOBER 14, 2004
9:30 A.M.**

**600 EAST BUTTERFIELD ROAD
ELMHURST, IL 60126**

COMMITTEE MEMBERS

A. Poole, Chair
T. Feltes
G. Mathews
J. Vrdolyak

- I. Roll Call
- II. Approval of Minutes for Committee Meeting of September 9, 2004
- III. Approval of Minutes for Special Committee Meeting of October 7, 2004
- IV. Treasurer's Report – September, 2004
- V. Financial Statements –September, 2004
- VI. Accounts Payable
- VII. Insurance Renewal
- VIII. Fixed Asset Consulting Services
- IX. Resolution R-55-04: A Resolution Approving and Authorizing the Execution of the Tyler Technologies, Inc.—Incode Division (Interactive Computer Designs, Inc.) System Agreement for Financial Application Software and Associated Services
- X. FY 2003-044 Audit Report

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON SEPTEMBER 9, 2004**

The meeting was called to order at 9:53 a.m. at the offices of the DuPage Water Commission, 600 E. Butterfield Rd., Elmhurst, Illinois 60126. Committee members in attendance: A. Poole, Committee Chairman, Commissioner T. Feltes, and Commissioner J. Vrdolyak. Also in attendance: Treasurer R. Thorn and Financial Administrator C. Pattelli.

MINUTES OF MEETING – AUGUST 12, 2004

Motion by Commissioner Feltes to approve the minutes of the August 12, 2004 Finance Committee meeting. This motion carried unanimously.

TREASURER'S REPORT – AUGUST, 2004

Treasurer Thorn presented the August, 2004 Treasurer's Report for Committee review. Motion by Commissioner Feltes to recommend acceptance of the report by the full Commission at its meeting of September 9, 2004. This motion carried unanimously.

FINANCIAL STATEMENTS - AUGUST, 2004

The Committee reviewed the August, 2004 financial statements. After a brief discussion, the Committee accepted the financial statements for August, 2004.

ACCOUNTS PAYABLE

The Committee reviewed the accounts payable in the amount of \$7,414,472.03. Questions were raised regarding the check to BP Pipelines (North America) Inc. in the amount of \$1,035,252.00. After a brief discussion, the Committee voted to recommend approval of the accounts payable with the stipulation that the BP Pipelines (North America) Inc. check be discussed prior to the Board voting on the accounts payable list at its September 9, 2004 meeting.

RESOLUTION R-48-04: A RESOLUTION AMENDING INVESTMENT REGULATIONS

The Committee reviewed and recommended approval of the above resolution R-48-04 by the full Commission at its September 9, 2004 meeting.

RESOLUTION R-53-04: A RESOLUTION AUTHORIZING THE EXECUTION OF A MBNA AMERICA (DELAWARE), N.A. COMMERCIAL CREDIT AGREEMENT FOR A PLATINUM PLUS® FOR BUSINESS MASTER CARD® CREDIT CARD

After a brief discussion, the Committee reviewed and recommended approval of the above resolution R-53-04 by the full Commission at its September 9, 2004 meeting.

OTHER ISSUES

Financial Administrator Pattelli reported that the April 30, 2004 audit is complete and is awaiting approval by the Office of the Auditor General. Pattelli also indicated that she has completed all financial system demonstrations and plans on bringing a recommendation to the Board in October or November.

Commissioner Poole suggested that the Finance Committee meet to review the 15-year cash-flow analysis sometime within the next month. Financial Administrator Pattelli was directed to set up the meeting.

ADJOURNMENT

With no further business to come before the Committee, the meeting was adjourned at 10:14 a.m.

**MINUTES OF A SPECIAL MEETING OF THE
FINANCE COMMITTEE
OF THE DuPAGE WATER COMMISSION
HELD ON OCTOBER 7, 2004**

The meeting was called to order at 8:30 a.m. at the offices of the DuPage Water Commission, 600 E. Butterfield Rd., Elmhurst, Illinois 60126. Committee members in attendance: A. Poole, Committee Chairman, Commissioner T. Feltes, Commissioner Mathews and Commissioner J. Vrdolyak. Also in attendance: Treasurer R. Thorn, General Manager R. Martin, Financial Administrator C. Pattelli, Glen Ellyn City Manager G. Webster and K. Pate-Godden.

REVIEW OF 15-YEAR SUMMARY OF REVENUES, EXPENDITURES AND FUND BALANCES

The Committee discussed the 15-Year Summary of Revenues, Expenditures and Fund Balances, along with other related issues. The Committee felt that further discussion would be necessary after the five-year Capital Improvement Plan was approved.

ADJOURNMENT

With no further business to come before the Committee, the meeting was adjourned at 9:50 a.m.



DuPage Water Commission

MEMORANDUM

TO: Robert Martin, General Manager

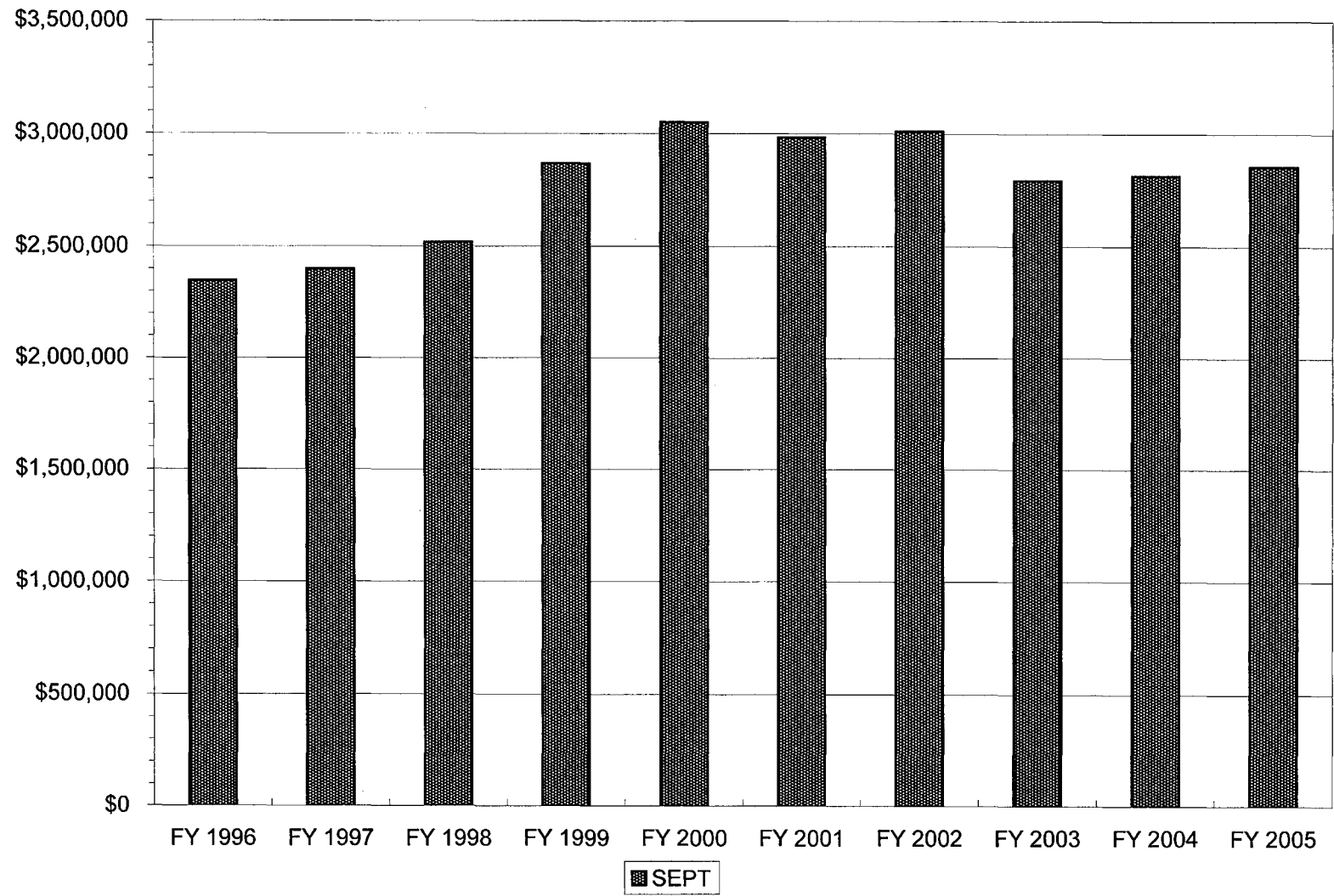
FROM: Cheryl Pattelli, Financial Administrator

DATE: October 6, 2004

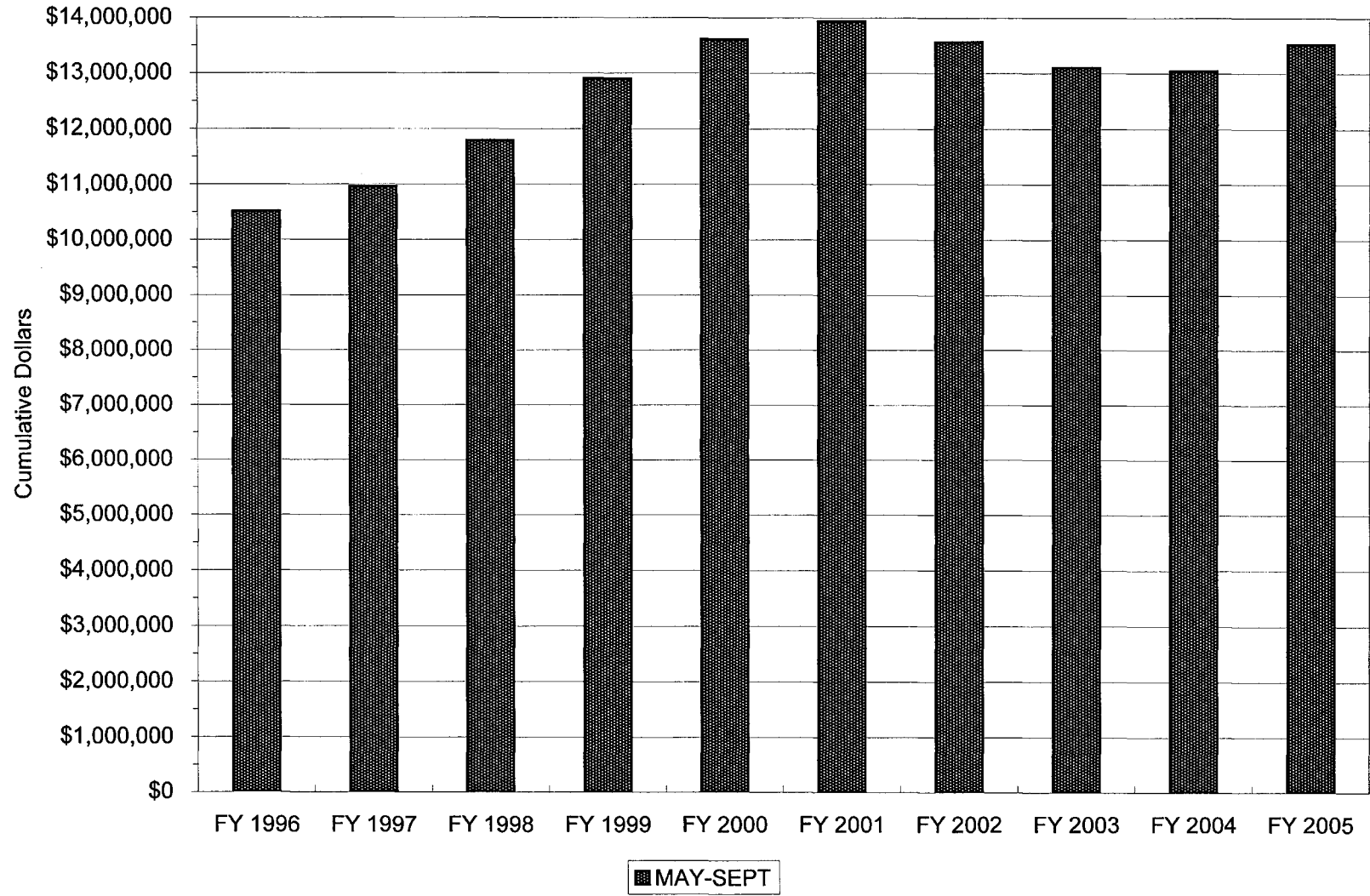
SUBJECT: Financial Report – September, 2004

- Water sales are under budget because of cool, wet weather in the spring and summer. Year-to-date water sales are \$1,713,825 less than budget, or 92.4% of budget. Actual year-to-date water sales are up \$433,186 from last year because of strong sales in September 2004. Prior to September, water sales were about equal to last year because cool, wet weather slowed last year's spring and summer sales as well.
- Water revenue collections in September were more than September 2003 because of the timing of July and August water bill payments. A few customers, including a major customer, paid their July 2004 bill in September this year, rather than August.
- Bond Issue Proceeds, along with Bond Principal & Interest Expenses, are substantially less than last year because of the 2003 refunding of the water revenue bonds.
- September sales tax cash collections (June sales) were \$41,428 (1.5%) more than the same period last fiscal year. Year-to-date sales tax collections are \$481,479 (3.7%) more than last fiscal year.
- Market yields rose 0.13% from last month causing a minor decrease in the market value of investments already held in the Commission's portfolio. There is an inverse relationship between market yields and market values of investments because investors are unwilling to pay as much for an investment that yields greater returns.
- Investment income is below budget because of rising interest rates and lower than budgeted cash and investment balances. The reason recorded investment income can be adversely affected by rising interest rates relates to GASB Statement 31, an accounting pronouncement that requires investments be reported at fair market value. When interest rates rise, the market value of an investment falls. The accounting entry made to report the decline in market value is to decrease both the investment and the investment income. The decrease in investment income is merely an accounting transaction; the Commission still earns the rate stated for that particular investment.
- Personnel costs are below budget (85.2% of budget) due to position vacancies.
- Professional service expenses are below budget because Greenberg Traurig has not billed the Commission since June. The contract with Greenberg Traurig was terminated at last month's Board meeting. In addition, the accounting consulting services are not being utilized at the rate that was anticipated.
- Insurance costs are below budget (55.3% of budget) because no claims have been paid against the budgeted \$1 million property loss deductible.
- Overall direct water supply costs are less than budget because of slow water sales. Year-to-date water costs are \$2,103,282 less than budget, or 91.0% of budget.
- Commission's investment portfolio totaled \$166.0 million on September 30th, compared to \$168.4 million last month. The decrease can be attributed to negative net fund transactions during the month and the minor decline in market value described above. The decrease can also be attributed to a large deposit made at Oak Brook bank on September 30th. This deposit was reported as cash in September and transferred to investments in October. The portfolio earned approximately 2.16% based on market yield and 2.59% based on original purchase price.

DuPage Water Commission **Sales Tax Collected - Current Month**



DuPage Water Commission Sales Tax Collections - Year to Date



ASSETS	REVENUE BOND								
	TOTAL WATER FUND ALL ACCOUNTS	WATER FUND DEPOSITORY ACCOUNTS	OPER & MAINT ACCOUNT	REVENUE BOND INTEREST ACCOUNT	REVENUE BOND PRINCIPAL ACCOUNT	REVENUE BOND DEBT SERVICE RESERVE ACCOUNT	OPER & MAINT RESERVE ACCOUNT	DEPRECIATION ACCOUNT	GENERAL ACCOUNT
CASH	849,938.21	841,397.59	8,540.62	0.00	0.00	0.00	0.00	0.00	0.00
INVESTMENTS	165,975,578.07	2,096,896.12	12,461,173.86	2,681,794.04	3,298,998.88	0.00	11,009,272.50	6,086,213.01	128,341,229.66
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	7,398,343.07	7,398,343.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - CURRENT	7,201,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,201,000.00
ACCOUNTS RECEIVABLE-OTHER	111,597.99	111,597.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	802,901.83	0.00	0.00	23,729.70	22,391.41	0.00	0.00	0.00	756,780.72
INVENTORIES & PREPAIDS	236,725.85	236,725.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	426,265,090.44	426,265,090.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONSTRUCTION IN PROGRESS	31,295,262.12	31,295,262.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LESS: ACCUMULATED DEPRECIATION	(75,183,336.45)	(75,183,336.45)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	868,166.47	868,166.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	5,021,700.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,021,700.00
TOTAL ASSETS	570,842,967.60	393,930,143.20	12,469,714.48	2,705,523.74	3,321,390.29	0.00	11,009,272.50	6,086,213.01	141,320,710.38
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LIABILITIES & EQUITY									
ACCOUNTS PAYABLE	5,539,874.26	0.00	5,539,874.26	0.00	0.00	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	209,663.32	0.00	209,663.32	0.00	0.00	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRANTS PAYABLE CURRENT	15,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,000,000.00
BONDS PAYABLE CURRENT	17,140,000.00	4,596,666.67	0.00	0.00	3,283,333.33	0.00	0.00	0.00	9,260,000.00
ACCRUED INTEREST	2,991,819.79	0.00	0.00	2,669,973.96	0.00	0.00	0.00	0.00	321,845.83
ACCRUED LIABILITIES	517,722.85	0.00	517,722.85	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT RETENTION	726,489.30	0.00	726,489.30	0.00	0.00	0.00	0.00	0.00	0.00
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED REVENUE	2,938,293.71	2,938,293.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	181,577,268.49	181,577,268.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRANTS PAYABLE LONG TERM	30,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,000,000.00
TOTAL LIABILITIES	256,641,131.72	189,112,228.87	6,993,749.73	2,669,973.96	3,283,333.33	0.00	0.00	0.00	54,581,845.83
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NET ASSETS									
UNRESTRICTED FUNDS (R-14-04)									
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	11,700,000.00	0.00	0.00	0.00	0.00	0.00	57,343.00	1,086,213.01	10,556,443.99
RESERVED FOR WATER RATE STABILIZATION	45,821,462.72	7,746,666.91	0.00	0.00	0.00	0.00	0.00	0.00	38,074,795.81
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	19,842,583.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,842,583.74
TOTAL UNRESTRICTED OPERATING NET ASSETS	77,364,046.46	7,746,666.91	0.00	0.00	0.00	0.00	57,343.00	1,086,213.01	68,473,823.54
UNRESTRICTED NON-OPERATING NET ASSETS									
WATER QUALITY LOANS RESERVE	9,937,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,937,000.00
IMRF PRIOR SERVICE PENSION COST RESERVE	2,605,192.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,605,192.00
TOTAL UNRESTRICTED NON-OPERATING NET ASSETS	12,542,192.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,542,192.00
TOTAL UNRESTRICTED NET ASSETS	89,906,238.46	7,746,666.91	0.00	0.00	0.00	0.00	57,343.00	1,086,213.01	81,016,015.54
RESTRICTED BY ORDINANCE/RESOLUTION	27,224,350.00	0.00	5,475,964.75	35,549.78	38,056.96	0.00	10,951,929.50	5,000,000.00	5,722,849.01
INVESTED IN PROPERTY PLANT AND EQUIPMENT	197,071,247.42	197,071,247.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NET ASSETS	314,201,835.88	204,817,914.33	5,475,964.75	35,549.78	38,056.96	0.00	11,009,272.50	6,086,213.01	86,738,864.55
TOTAL LIABILITIES & NET ASSETS	570,842,967.60	393,930,143.20	12,469,714.48	2,705,523.74	3,321,390.29	0.00	11,009,272.50	6,086,213.01	141,320,710.38
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a - ESTABLISHED AT 2% OF ORIGINAL CONSTRUCTION COSTS AS OF JULY 31, 2003; INCREASED ANNUALLY BY THE ENGINEERING NEWS RECORD CONSTRUCTION INDEX

ASSETS	TOTAL GENERAL ACCOUNT	WATER FUND SUBACCOUNT	SALES TAXES SUBACCOUNT	GO BOND DEBT SERVICE SUBACCOUNT
CASH	0.00	0.00	0.00	0.00
INVESTMENTS	128,341,229.66	55,973,201.77	61,244,574.08	11,123,453.81
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - CURRENT	7,201,000.00	0.00	7,201,000.00	0.00
ACCOUNTS RECEIVABLE-OTHER	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	756,780.72	280,729.16	462,125.78	13,925.78
INVENTORIES & PREPAIDS	0.00	0.00	0.00	0.00
FIXED ASSETS	0.00	0.00	0.00	0.00
CONSTRUCTION IN PROGRESS	0.00	0.00	0.00	0.00
LESS: ACCUMULATED DEPRECIATION	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	5,021,700.00	0.00	5,021,700.00	0.00
TOTAL ASSETS	141,320,710.38	56,253,930.93	73,929,399.86	11,137,379.59
LIABILITIES & EQUITY				
ACCOUNTS PAYABLE	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00
GRANTS PAYABLE CURRENT	15,000,000.00	0.00	15,000,000.00	0.00
BONDS PAYABLE CURRENT	9,260,000.00	0.00	0.00	9,260,000.00
ACCRUED INTEREST	321,845.83	0.00	0.00	321,845.83
ACCRUED LIABILITIES	0.00	0.00	0.00	0.00
CONTRACT RETENTION	0.00	0.00	0.00	0.00
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00	0.00
DEFERRED REVENUE	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	0.00	0.00	0.00	0.00
GRANTS PAYABLE LONG TERM	30,000,000.00	0.00	30,000,000.00	0.00
TOTAL LIABILITIES	54,581,845.83	0.00	45,000,000.00	9,581,845.83
NET ASSETS				
UNRESTRICTED FUNDS (R-14-04)				
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES	10,556,443.99	10,556,443.99	0.00	0.00
RESERVED FOR WATER RATE STABILIZATION	38,074,795.81	38,074,795.81	0.00	0.00
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	19,842,583.74	5,017,499.13	14,825,084.61	0.00
TOTAL UNRESTRICTED OPERATING NET ASSETS	68,473,823.54	53,648,738.93	14,825,084.61	0.00
UNRESTRICTED NON-OPERATING NET ASSETS				
WATER QUALITY LOANS RESERVE (R-32-02)	9,937,000.00	0.00	9,937,000.00	0.00
IMRF PRIOR SERVICE PENSION COST RESERVE (R-18-04)	2,605,192.00	2,605,192.00	0.00	0.00
TOTAL UNRESTRICTED NON-OPERATING NET ASSETS	12,542,192.00	2,605,192.00	9,937,000.00	0.00
TOTAL UNRESTRICTED NET ASSETS	81,016,015.54	56,253,930.93	24,762,084.61	0.00
RESTRICTED BY ORDINANCE/RESOLUTION	5,722,849.01	0.00	4,167,315.25	1,555,533.76
INVESTED IN PROPERTY PLANT AND EQUIPMENT	0.00	0.00	0.00	0.00
TOTAL NET ASSETS	86,738,864.55	56,253,930.93	28,929,399.86	1,555,533.76
TOTAL LIABILITIES & NET ASSETS	141,320,710.38	56,253,930.93	73,929,399.86	11,137,379.59

DU PAGE WATER COMMISSION
WATER FUND
GENERAL LEDGER
STATEMENT OF REVENUES & EXPENDITURES
September 30, 2004

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REVENUE	CURRENT MONTH	Y-T-D ACTUAL	Y-T-D BUDGET	Y-T-D BUDGET VARIANCE FAVORABLE (UNFAVORABLE)	% OF Y-T-D BUDGET
OPERATIONS & MAINTENANCE REVENUES	4,302,882.87	20,692,227.27	22,406,052.34	(1,713,825.07)	92.4%
FIXED COST REVENUES	595,330.75	2,976,653.75	2,976,653.75	0.00	100.0%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	58,999.36	296,152.49	338,261.02	(42,108.53)	87.6%
EMERGENCY WATER SERVICE	0.00	3,161.92	16,669.78	(13,507.86)	19.0%
SALES TAXES	2,856,284.93	13,525,962.54	13,203,252.66	322,709.88	102.4%
INVESTMENT INCOME	47,616.05	877,715.57	1,509,041.10	(631,325.53)	58.2%
OTHER INCOME	503.47	3,142.07	2,640.82	501.25	119.0%
TOTAL REVENUE	7,861,617.43	38,375,015.61	40,452,571.47	(2,077,555.86)	94.9%
EXPENSES					
PERSONAL SERVICES	233,718.29	1,071,716.69	1,257,287.77	185,571.08	85.2%
PROFESSIONAL SERVICES	3,912.11	99,191.02	209,987.25	110,796.23	47.2%
CONTRACTUAL SERVICES	144,061.70	334,662.10	400,228.78	65,566.68	83.6%
INSURANCE	0.00	543,801.78	982,587.76	438,785.98	55.3%
ADMINISTRATIVE COSTS	12,215.30	55,033.97	72,304.45	17,270.48	76.1%
WATER SUPPLY COSTS	4,323,957.26	21,319,674.04	23,422,956.11	2,103,282.07	91.0%
BOND INTEREST EXPENSE	775,230.25	3,886,595.86	3,859,466.25	(27,129.61)	100.7%
LAND AND RIGHT OF WAY	0.00	0.00	2,093.80	2,093.80	0.0%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	532,603.17	2,714,713.10	2,921,349.30	206,636.20	92.9%
TOTAL OPERATING EXPENSES	6,025,698.08	30,025,388.56	33,128,261.47	3,102,872.91	90.6%
NET OPERATING INCOME	1,835,919.35	8,349,627.05	7,324,310.00	1,025,317.05	114.0%
CONSTRUCTION EXPENDITURES	2,643,295.53	8,372,619.42	8,113,191.78	(259,427.64)	103.2%
TRANSFERS TO OTHER GOVERNMENTS	0.00	0.00	0.00	0.00	N/A
NET FUND TRANSACTIONS	(807,376.18)	(22,992.37)	(788,881.78)	765,889.41	2.9%
BEGINNING NET ASSETS		305,852,208.83			
ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED		8,372,619.42			
ENDING NET ASSETS		314,201,835.88			

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 09/30/04	BID PRICE 09/30/04
Water Fund Depository Accounts (WF-1210)											
Illinois Funds-Money Market	1.607%	09/30/04	10/01/04	1.607%	1.607%	\$ 51,607.18	\$ 51,607.18	\$ -	\$ 51,607.18	\$ -	100.000
Illinois Funds-Prime Fund	1.737%	09/30/04	10/01/04	1.737%	1.737%	2,045,288.94	2,045,288.94	-	2,045,288.94	-	100.000
				1.734%	1.734%	\$ 2,096,896.12	\$ 2,096,896.12	\$ -	\$ 2,096,896.12	\$ -	
Water Fund Oper. & Maint. Acct. (WF-1211)											
Illinois Funds-Money Market	1.607%	09/30/04	10/01/04	1.607%	1.607%	\$ 4,170,464.22	\$ 4,170,464.22	\$ -	\$ 4,170,464.22	\$ -	100.000
Illinois Funds-Prime Fund	1.737%	09/30/04	10/01/04	1.737%	1.737%	8,290,709.64	8,290,709.64	-	8,290,709.64	-	100.000
				1.693%	1.693%	\$ 12,461,173.86	\$ 12,461,173.86	\$ -	\$ 12,461,173.86	\$ -	
Revenue Bond Interest Account (WF-1212)											
One Group Government Money Market	0.323%	09/30/04	10/01/04	0.323%	0.323%	\$ 956.54	\$ 956.54	\$ -	\$ 956.54	\$ 0.54	100.000
U. S. Treas. Notes (JP Morgan)	2.125%	05/17/04	10/31/04	0.766%	1.350%	530,000.00	530,165.63	(3,043.35)	533,208.98	4,692.71	100.031
U. S. Treas. Notes (JP Morgan)	2.125%	06/21/04	10/31/04	0.891%	1.350%	564,000.00	564,176.25	(2,291.25)	566,467.50	4,993.75	100.031
U. S. Treas. Notes (JP Morgan)	2.125%	07/09/04	10/31/04	0.701%	1.350%	529,000.00	529,165.31	(2,149.07)	531,314.38	4,683.85	100.031
U. S. Treas. Notes (JP Morgan)	2.125%	08/12/04	10/31/04	0.428%	1.350%	529,000.00	529,165.31	(1,777.11)	530,942.42	4,683.85	100.031
U. S. Treas. Notes (JP Morgan)	2.125%	09/09/04	10/31/04	0.024%	1.350%	528,000.00	528,165.00	(1,402.50)	529,567.50	4,675.00	100.031
				0.566%	1.350%	\$ 2,680,956.54	\$ 2,681,794.04	\$ (10,663.28)	\$ 2,692,457.32	\$ 23,729.70	
Revenue Bond Principal (WF-1213)											
One Group Government Money Market	0.323%	09/30/04	10/01/04	0.323%	0.323%	\$ 266.38	\$ 266.38	\$ -	\$ 266.38	\$ 0.26	100.000
U. S. Treas. Notes (JP Morgan)	1.625%	05/17/04	04/30/05	1.343%	1.980%	655,000.00	653,362.50	(2,405.08)	655,767.58	4,434.90	99.750
U. S. Treas. Notes (JP Morgan)	1.625%	06/21/04	04/30/05	1.736%	1.980%	692,000.00	690,270.00	(1,189.38)	691,459.38	4,685.42	99.750
U. S. Treas. Notes (JP Morgan)	1.625%	07/09/04	04/30/05	1.558%	1.980%	654,000.00	652,365.00	(1,992.66)	654,357.66	4,428.13	99.750
U. S. Treas. Notes (JP Morgan)	1.625%	08/12/04	04/30/05	1.496%	1.980%	653,000.00	651,367.50	(2,244.69)	653,612.19	4,421.35	99.750
U. S. Treas. Notes (JP Morgan)	1.625%	09/09/04	04/30/05	1.556%	1.980%	653,000.00	651,367.50	(1,938.59)	653,306.09	4,421.35	99.750
				1.540%	1.980%	\$ 3,307,266.38	\$ 3,298,998.88	\$ (9,770.40)	\$ 3,308,769.28	\$ 22,391.41	
Revenue Bond Debt Svc. Reserve (WF-1214)											
				N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	
Water Fund Oper. & Maint. Res. (WF-1215)											
Illinois Funds-Money Market	1.607%	09/30/04	10/01/04	1.607%	1.607%	\$ 17,925.47	\$ 17,925.47	\$ -	\$ 17,925.47	\$ -	100.000
Illinois Funds-Prime Fund	1.737%	09/30/04	10/01/04	1.737%	1.737%	10,991,347.03	10,991,347.03	-	10,991,347.03	-	100.000
				1.737%	1.737%	\$ 11,009,272.50	\$ 11,009,272.50	\$ -	\$ 11,009,272.50	\$ -	
Water Fund Depreciation Account (WF-1216)											
Illinois Funds-Money Market	1.607%	09/30/04	10/01/04	1.607%	1.607%	\$ 607,484.90	\$ 607,484.90	\$ -	\$ 607,484.90	\$ -	100.000
Illinois Funds-Prime Fund	1.737%	09/30/04	10/01/04	1.737%	1.737%	5,478,728.11	5,478,728.11	-	5,478,728.11	-	100.000
				1.724%	1.724%	\$ 6,086,213.01	\$ 6,086,213.01	\$ -	\$ 6,086,213.01	\$ -	

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 09/30/04	BID PRICE 09/30/04
Water Fund General Account (WF-1217)											
Illinois Funds-Money Market	1.607%	09/30/04	10/01/04	1.607%	1.607%	\$ 11,301,781.50	\$ 11,301,781.50	\$ -	\$ 11,301,781.50	\$ -	100.000
Illinois Funds-Prime Fund	1.737%	09/30/04	10/01/04	1.737%	1.737%	19,269,546.14	19,269,546.14	-	19,269,546.14	-	100.000
F.H.L.B. (RBC D. Rauscher)	3.625%	06/14/02	10/15/04	3.403%	0.990%	10,000,000.00	10,009,375.00	(38,281.25)	10,047,656.25	166,145.83	100.094
F.H.L.M.C. (RBC D. Rauscher)	5.500%	07/30/04	07/15/06	2.934%	2.040%	10,000,000.00	10,375,000.00	(109,400.00)	10,484,400.00	114,583.33	103.750
				2.279%	1.623%	\$ 50,571,327.64	\$ 50,955,702.64	\$ (147,681.25)	\$ 51,103,383.89	\$ 280,729.16	
Water Fund General Account (WF-1218)											
Illinois Funds-Money Market	1.607%	09/30/04	10/01/04	1.607%	1.607%	\$ -	\$ -	\$ -	\$ -	\$ -	100.000
Illinois Funds-Prime Fund	1.737%	09/30/04	10/01/04	1.737%	1.737%	5,017,499.13	5,017,499.13	-	5,017,499.13	-	100.000
				24.883%	18.221%	\$ 5,017,499.13	\$ 5,017,499.13	\$ -	\$ 5,017,499.13	\$ -	
Sales Tax Funds (WF-1230)											
Illinois Funds-Money Market	1.607%	09/30/04	10/01/04	1.607%	1.607%	\$ 9,522,381.00	\$ 9,522,381.00	\$ -	\$ 9,522,381.00	\$ -	100.000
Illinois Funds-Prime Fund	1.737%	09/30/04	10/01/04	1.737%	1.737%	5,137,818.08	5,137,818.08	-	5,137,818.08	-	100.000
F.H.L.B. (RBC D. Rauscher)	3.625%	09/12/02	10/15/04	2.400%	0.990%	10,000,000.00	10,009,375.00	(238,425.00)	10,247,800.00	166,145.83	100.094
Cert. of Deposit (West Suburban Bank)	1.250%	10/15/03	10/15/04	1.250%	1.250%	64,900.00	64,900.00	-	64,900.00	780.13	100.000
Cert. of Deposit (Suburban Bank & Trust)	1.550%	10/16/03	10/16/04	1.550%	1.550%	6,000,000.00	6,000,000.00	-	6,000,000.00	89,178.08	100.000
Cert. of Deposit (Oak Brook Bank)	1.500%	01/15/04	01/15/05	1.500%	1.500%	6,000,000.00	6,000,000.00	-	6,000,000.00	63,863.01	100.000
F.H.L.B. (RBC D. Rauscher)	4.000%	10/17/02	02/15/05	1.910%	1.780%	10,000,000.00	10,075,000.00	(269,500.00)	10,344,500.00	50,000.00	100.750
Cert. of Deposit (Mid America Bank)	1.760%	04/15/04	04/15/05	1.760%	1.760%	6,000,000.00	6,000,000.00	-	6,000,000.00	48,604.93	100.000
Cert. of Deposit (Winfield Community Bank)	2.280%	06/15/04	06/15/05	2.280%	2.280%	2,500,000.00	2,500,000.00	-	2,500,000.00	16,709.59	100.000
Cert. of Deposit (West Suburban Bank)	2.144%	07/15/04	07/15/05	2.144%	2.144%	5,935,100.00	5,935,100.00	-	5,935,100.00	26,844.21	100.000
				1.875%	1.624%	\$ 61,160,199.08	\$ 61,244,574.08	\$ (507,925.00)	\$ 61,752,499.08	\$ 462,125.78	
2001 G. O. Bonds Debt Service (WF-1243)											
ABN AMRO Government Money Market	1.394%	09/30/04	10/01/04	1.394%	1.394%	\$ 24,303.81	\$ 24,303.81	\$ -	\$ 24,303.81	\$ 25.78	100.000
U. S. Treas. Notes (LaSalle Bank)	1.500%	03/01/04	02/28/05	1.105%	1.880%	11,120,000.00	11,099,150.00	(64,287.50)	11,163,437.50	13,900.00	99.813
				1.106%	1.879%	\$ 11,144,303.81	\$ 11,123,453.81	\$ (64,287.50)	\$ 11,187,741.31	\$ 13,925.78	
TOTAL ALL FUNDS				2.585%	2.163%	\$165,535,108.07	\$165,975,578.07	\$ (740,327.43)	\$166,715,905.50	\$ 802,901.83	
September 30, 2004	90 DAY US TREASURY YIELD			1.560%							



DuPage Water Commission

MEMORANDUM

TO: Robert L. Martin

FROM: Cheryl Pattelli *CP*

DATE: October 7, 2004

SUBJECT: Insurance Renewal


I requested that our insurance broker send me the insurance renewal proposal no later than Wednesday, October 6th. Unfortunately, he was unable to get all of the quotes until today and will not be able to deliver the complete renewal packet until Monday. The complete renewal packet will have to be sent to the Board on Tuesday, October 12th.



DuPage Water Commission

MEMORANDUM

TO: Robert L. Martin

FROM: Cheryl Pattelli 

DATE: October 7, 2004

SUBJECT: Fixed Asset Consultant Services

The Commission recently received a finding in our annual audit indicating that the Commission's capital asset records lack sufficient detail. According to the finding, "without such records, it is difficult to accurately account for deletions, replacements, depreciation and physical existence of capital assets."

I agree with this finding and feel that is my responsibility to maintain the capital asset records in compliance with GAAP. Because the assets are currently reported in cost pools that are very difficult to understand and track, I need to recreate the records back to the Commission's inception.

Much of my time over the next six months will be devoted to implementing the financial system and I want to make sure that the capital asset issue gets resolved prior to next year's audit. Therefore, I am requesting that a consultant, Mike Nielson, be hired to help coordinate and facilitate the process. I utilized Mr. Nielson's services at Kane County when implementing the infrastructure portion of GASB #34. His services were extremely beneficial and saved the County a tremendous amount of time, aggravation and money. Mr. Nielson and I will develop a methodology for capitalization that will ensure that we have just the right amount of detail to satisfy the auditors and ease future capital asset reporting.

Attached is the proposal, along with client references, from Mr. Nielson. His services will be billed on an hourly basis not to exceed \$9,000.

Government Fixed Asset Services, Inc.

10701 South Washtenaw Avenue
Chicago, Illinois 60655-1728
773 298 0289
Fax 773 298 0292
nielsen@fixed assetservices.com

October 6, 2004

Ms. Cheryl R. Pattelli, CPA
Financial Administrator
DuPage Water Commission
600 East Butterfield Road
Elmhurst, Illinois 60126-4642

Dear Cheryl:

We thank you for your time and consideration during our recent meeting regarding the capital assets of the DuPage Water Commission. Many governments share your concerns about the importance of accounting for and reporting on capital assets and the management of this significant resource.

We are pleased to propose capital asset reporting review, assessment, and facilitation services with this letter.

Our objective is to assist in sorting out the issues as they relate to capital asset reporting. Our approach is meant to provide direction, coordination, and facilitation leading to more effective capital asset accounting and financial reporting.

As stated in the 2004 DuPage Water Commission Financial Audit and Compliance Examination:

...the Commission does not have detailed capital asset records.

...the Commission maintains records of the historical cost of capital assets by pools (similar assets constructed or purchased at once). ...the cost pools

are depreciated over the estimated lives of the pool, versus individual asset life.

...we recommend that the Commission conduct a physical inventory of its capital assets, research the historical cost, acquisition date, and accumulated depreciation, then maintain the information, in detail, on an ongoing basis

Our services will provide for the following:

- A review of past and present capital asset reporting and a discussion of future and intended reporting
- A review of the Commission's existing capital asset report and, specifically, the land and permanent easement, building and other structures, water main, pumping equipment, office furniture and equipment, vehicle, and construction-in-progress accounts
- Assisting the creation of a capital asset policy to potentially address various levels of capitalization thresholds i.e., different amounts for building and other structure improvements, water main improvements, pumping equipment, and office furniture and equipment
- A review of existing capital versus expense policies and procedures relating to additions and retirements of capital assets
- A review of the accounting and reporting for repairs, renovations, and improvements related to building and other structures and water mains
- Through a mutual assessment of existing capital asset information (both historical and current), seek to determine what information regarding capital assets exists, what information is incomplete or lacking in detail, and address what needs to be done to create an appropriate data base for financial reporting as it relates to capital assets
- Mutually discuss the capital asset issues put forth in the 2004 Financial Audit and Compliance Examination and discuss intended plans and implementation related to capital assets (both retroactive and prospective) with the Commission's current independent auditors
- Facilitation and coordination of the Commission's creation of an appropriately detailed capital asset report

Our deliverable for the review and assessment phase of our work will comprise a brief letter report discussing our activities, observations, and recommendations.

Following review and assessment, we plan to facilitate the Commission's implementation of a capital asset inventory, aging (establishing date of acquisition or construction), costing, and depreciating. This implementation will be in accordance with the current independent auditor's comments and recommendations.

In creating the final database we will consider the current capital asset accounts i.e., land and permanent easements, buildings and other structures, water mains, pumping equipment, furniture and equipment, vehicles, and construction-in-progress. Further, we will review and consider asset data on a project-by-project basis. And finally, we will consider a level of detail as discussed in GASB Statement No. 34 regarding organization of general infrastructure information by network, subsystem, and/or functional classification. This particularly relates to Commission capital assets including water mains and pumping equipment.

As mentioned in our recent meeting, the Commission is in the process of purchasing a comprehensive accounting system that includes a capital asset module. In the Commission's creation of a capital asset database, then, it will transfer the new data to this module for prospective reporting.

Following our coordination and facilitation of this implementation we will review the database to be established. At the conclusion of this work we will provide a brief letter report summarizing our activities. Please review the limiting conditions included with this letter.

It is our mutual understanding that the Commission will most effectively implement these accounting and reporting requirements through organization and utilization of internal resources, information, and staff. Important in this series of tasks is the third-party perspective we bring to the overall implementation effort.

Again, the understanding is that we will be assisting the Commission in its creation of final data elements and reports. Our intention is to provide considerations and direction for this project. The benefits of this approach may also include an increased capacity for prospective accounting and reporting in future years.

In preparation for our work we will need:

- Copies of existing capital asset records
- Copies of existing policies and procedures related to capital assets
- Capital Improvement Program information
- Other information you deem relevant

Our fee for both phases of this engagement will be billed at an hourly rate of \$205, plus expenses, including local commuting. Our fee will not exceed \$9,000.

Government Fixed Asset Services, Inc.

We thank you, Cheryl, for the confidence expressed with your request for this letter. You may be assured that we consider this work to be significant and important. This project will be given our careful attention.

Very truly yours,

Government Fixed Asset Services, Inc.

Michael M. Nielsen
Director

Engagement Authorization

Name

Title

Date

Limiting Conditions – *Government Fixed Asset Services, Inc.*

Our services do not constitute an appraisal, opinion, or attestation. Our services do seek to provide assistance to you in your reporting of capital assets and general infrastructure for financial reporting purposes.

This service includes a role as a facilitator in the process of establishing and/or maintaining necessary information. The purpose of the service is to assist your government's implementation of applicable capital asset and general infrastructure requirements for financial reporting purposes.

We are not responsible for any non-performance on the part of your government as this implementation will be your ultimate responsibility. This work and the inherent management decisions made and information prepared is subject to the concurrence and approval of your independent auditors.

GASB Statement No. 34 capital asset and general infrastructure implementation is subject to the approval/concurrence of your government's independent auditors.

No opinion regarding technical matters including, but not limited to, accounting, appraisal, insurance, engineering, or regulatory issues is offered with this service. Clients are advised to seek the advice, if need be, of competent specialized professionals with regard to these matters.

The actual report of your capital assets and general infrastructure for financial reporting purposes will be prepared by you and staff within your government. Our assistance is that of direction, facilitation, and enhanced communication.

Information provided by you is presumed reliable, reasonably accurate, and complete. We will not undertake an audit or other verification of the information and will not attest to its accuracy or completeness. We assume no responsibility for errors and omissions.

When our work is complete, our work papers and files developed during the course of this service will be retained for a period of three years. Regarding the inventory, aging, costing, lifing, and other steps conducted by you and staff at your government, the resulting work papers will be retained by you.

Michael M. Nielsen
Government Fixed Asset Services, Inc.
Chicago, Illinois
(773) 298 0289
nielsen@fixedassetsservices.com

Michael M. Nielsen is Director, Government Fixed Asset Services, Inc., Chicago, Illinois. This firm was established in 1999 to serve state and local governments exclusively. Nielsen's areas of activity include GASB Statement No. 34 assessment and planning studies and implementation assistance, capital asset policy and procedure reviews, and general consulting related to property accounting for financial reporting purposes in government.

Representative Accomplishments

In addition to business development, advisory, and implementation activities, Nielsen has focused efforts on issues and developments relating to property management and accounting for capital assets for financial reporting purposes. Past and present areas of involvement include:

Past interface with the Governmental Accounting Standards Board regarding fixed asset accounting and infrastructure reporting issues

Instructor of the Government Finance Officers Association Capital Asset Accounting and Reporting Seminar (conducted two to three times per year) 1987 to present

Past advisor to the Government Finance Officers Association Standing Committee on Accounting, Auditing and Financial Reporting (1996 – 2002)

Professional presentations include the National Government Finance Officers Association Annual Conference and state finance officer organizations of the following:

New England	Ohio	New Mexico
Virginia	Indiana	Wyoming
North Carolina	Michigan	Colorado
South Carolina	Illinois	Washington
Alabama	Wisconsin	Montana
Mississippi	Minnesota	Connecticut
Louisiana	Iowa	Kansas
Kentucky	Arizona	Alaska

Background

Nielsen has spent approximately 20 years with the appraisal and accounting consulting professions with a commitment to governments and, especially, municipalities and counties. He established Government Fixed Asset Services, Inc. in 1999. Nielsen has conducted numerous fixed asset accounting seminars and presentations across the United States.

Nielsen received a BA degree from DePaul University of Chicago and an advanced degree from Loyola University of Chicago.

nielsen-bio pres

Selected Client References

Government Fixed Asset Services, Inc.

Village of Lombard, Illinois

Mr. Leonard J. Flood
Director of Finance
Village of Lombard
Village Hall
255 East Wilson Avenue
Lombard, IL 60148
(630) 620 5700

DuPage County, Illinois

Mr. George K. Kouba
Director of Finance
DuPage County
DuPage County Center
421 North County Farm Road
Wheaton, IL 60187
(630) 682 7593

Village of Oak Park, Illinois

Mr. Gregory J. Peters
Finance Director
Village of Oak Park
1 Village Hall Plaza
Oak Park, IL 60302
(708) 358 5462

City of Valparaiso, Indiana

Ms. Sharon Emerson-Swihart
Clerk Treasurer
City of Valparaiso
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166 Lincolnway
Valparaiso, IN 46383
(219) 462 1161

Forest Preserve District of DuPage County

Ms. Carole Hofmann
Director of Finance
Forest Preserve District of DuPage County
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(630) 933 7200

Porter County, Indiana

Ms. Sandra K. Vuko.
County Auditor
Porter County
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155 Indiana Avenue
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(219) 465 3445

Village of Glenview, Illinois

Mr. Daniel P. Wiersma
Finance Director
Village of Glenview
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Glenview, IL 60025
(847) 724 1700 ext. 206

Montgomery County, Ohio

Ms. Amy S. Wiedeman
Financial Services Manager
Sanitary Engineering and Public Works Departments
Montgomery County
County Administration Building
451 West Third Street
Dayton, OH 45422-1326
(937) 225 4565

Village of Rantoul, Illinois

Mr. Scot Brandon
Deputy Comptroller
Village of Rantoul
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(217) 893 1661 ext. 228

Kane County, Illinois

Ms. Susan Snow
Acting Finance Director
Kane County
Kane County Finance Department
Kane County Government Center
719 Batavia Avenue
Geneva, IL 60134
(630) 208 5113

Will County, Illinois

Mr. Stephen Weber
Auditor
Will County
County Administration Center
302 North Chicago Avenue
Joliet, IL 60432
(815) 740 4607

City of Tuscaloosa, Alabama

Mr. Mike Wright
Finance Director
City of Tuscaloosa
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Tuscaloosa, AL 35403-2098
(205) 349 0113

City of Evanston, Illinois

Mr. William A Stafford
Finance Director
City of Evanston
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(847) 866 2934

City of Dayton, Ohio

Mr. Forrest Kenneth Beche, CPA
Manager Accounting and Treasury
City of Dayton
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Dayton, OH 45402
(937) 333 3577

Indiana Department of Transportation

Mr. Tony Hedge
Controller
Division Chief, Division of Accounting and Control
100 N. Senate Avenue
Room N725
Indianapolis, IN 46204-2217
(317) 232 5358

Metropolitan Water Reclamation District of Greater Chicago

Mr. Joseph W. Rose
Accounting Manager
MWRDGC
100 East Erie Street
Chicago, IL 60611
(312) 751 6526

Village of Bloomingdale, Illinois

Mr. Gary L. Szott, CPA
Finance Director/Treasurer
Village of Bloomingdale
Village Hall
201 South Bloomingdale Road
Bloomingdale, IL 60108
(630) 893 7000 ext. 5631

**The University of North Carolina at Chapel Hill
Institute of Government**

Mr. Gregory S. Allison, CPA
Lecturer – Public Finance and Government
UNCCH
CB# 3330 Knapp Building
Chapel Hill, NC 27599-3300
(919) 966 4376

City of Rye, New York

Mr. Michael A. Genito
City Controller
City of Rye
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Rye, NY 10580
(914) 967 7302

Village of Orland Park, Illinois

Ms. Sarah Schueler
Accountant
Village of Orland Park
Village Hall
14700 Ravinia Avenue
Orland Park, IL 60462
(708) 403 6196

Village of Lisle, Illinois

Ms. Kimberly A. Schiller
Finance Director
Village of Lisle
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City of Hammond

Mr. Tony Bonaventura
Controller
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Village of Carol Stream

Mr. Stan W. Helgersen
Finance Director
Village of Carol Stream
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Village of Rolling Meadows

Mr. Mark F. Nannini
Finance Director
Village of Rolling Meadows
Village Hall
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Rolling Meadows, IL 60008
(630) 394 8500 ext. 3009

Additional References

Chicago Public Schools, Chicago, Illinois

Village of Oak Lawn, Illinois

Village of Skokie, Illinois

Matanuska-Susitna Borough, Palmer, Alaska

Village of Streamwood, Illinois

Village of Park Forest, Illinois

State of Indiana, Indiana Department of Transportation, Indianapolis, Indiana

City of Muscatine, Iowa

City of North Chicago, Illinois

City of Lake Forest, Illinois

Village of Sauk Village, Illinois

City of Elgin, Illinois

Sanitary District of Hammond, Indiana

City of Park Ridge, Illinois

City of Gary, Indiana

City of Warrenville, Illinois

City of Aurora, Illinois

Town of Tolland, Connecticut

Village of Glenview, Illinois

City of Country Club Hills, Illinois

Yuma County, Yuma Arizona

Village of Deerfield, Illinois

City of Oakbrook Terrace, Illinois

City of Champaign, Illinois

Village of Schaumburg, Illinois

Village of New Lenox, Illinois

Village of Downers Grove, Illinois

St. Charles Township Highway Commission

City of Oakbrook Terrace, Illinois

Village of Morton Grove, Illinois

Village of Barrington, Illinois

City of Elmhurst, Illinois

Village of Addison, Illinois

Village of Arlington Heights, Illinois

Village of Matteson, Illinois

Porter County, Valparaiso, Indiana

Village of Oswego, Illinois

Town of Chesterton, Indiana

Elgin Township Road District, Illinois

Hampshire Township Road Commission, Illinois

Batavia Township Road Commission, Illinois

Blackbury Township Road Commission, Illinois

City of Batavia, Illinois

Village of Mokena, Illinois

City of Lafayette, Indiana

Hendricks County, Danville, Indiana

Allen County, Fort Wayne, Indiana

Tippecanoe County, Lafayette, Indiana

Monroe County, Bloomington, Indiana

Aurora Township and Road Commission, Aurora, Illinois

Village of Carpentersville, Illinois

Village of Riverside, Illinois

Village of Island Lake, Illinois

Henry County, Indiana

City of Richmond, Indiana

Cincinnati Public Schools, Cincinnati, Ohio

City of Ottawa, Illinois

City of Mendota, Illinois

Other

Indiana Local Technical Assistance Program – School of Engineering, Purdue University

Township Highway Commissioners of Illinois Association

Connecticut Government Finance Officers Association

Illinois/Wisconsin Government Finance Officers Association Joint Conference

Illinois Government Finance Officers Association

Illinois CPA Society

Government Finance Officers Association (National)

Arizona Government Finance Officers Association

Alabama Government Finance Officers Association

Chicago Metro Chapter Illinois Government Finance Officer Association

South Metro Chapter Illinois Government Finance Officers Association

Downstate Chapter Illinois Government Finance Officers Association

Northwest Municipal Managers Conference (Chicago)

Alaska Government Finance Officers Association
Indiana State Board of Accounts
South Suburban Mayors and Managers Association (Chicago)
Will County League of Governments (Illinois)
American Society of Civil Engineers (Illinois)
American Water Works Association (Illinois Section)
American Public Works Association (Chicago Chapter)
Illinois Association of Public Procurement Officers



DuPage Water Commission

MEMORANDUM

TO: Robert L. Martin

FROM: Cheryl Pattelli *CP*

DATE: September 30, 2004

SUBJECT: Finance System Proposal

Because of the inadequacies of the current Excel accounting system explained in my previous memo dated August 6, 2004¹, the implementation of a financial software package became my top priority at the Commission. Over the past several months I have contacted 20 financial software vendors and have seen 14 demonstrations of financial systems. I recommend INCODE because it excels in the following areas, which will be explained below.

- Stability and Experience
- Application Functionality
- Training and Support
- Cost Effective Solution

The proposed contract with INCODE, including software, hardware, training and implementation, is not expected to exceed \$58,284². This includes accounting, budgeting, purchasing, fixed assets, inventory and payroll. It also includes utility billing, which will interface with our SCADA system to prepare monthly billings. A billing process that manually took almost a day to complete can now be finished within an hour. This is one of the countless efficiencies that INCODE will bring to the Commission.

Outsourcing payroll was also investigated during the process. Because of the affordability of INCODE's payroll module, I have determined that it is cheaper to keep payroll in-house³.

INCODE – Stability and Experience

INCODE's corporate office is located in Lubbock, Texas, which is home to the majority of its 115 employees. In addition, INCODE maintains satellite sales offices nationwide, including a local office in Homewood, Illinois.

INCODE was founded in 1981 and has experienced a consistent growth rate of approximately 25% per year over the past 10 years. Their customer base is comprised

¹ See attachment A, Financial System memo dated August 6, 2004.

² See attachment B, INCODE proposal. Cost will be less if all estimated training is not needed.

³ See attachment C, In-House Payroll Processing vs. Outsourcing Analysis.

of more than 1,100 installations in municipalities, counties, and utility districts in 32 states. Their client population ranges from 2,000 to 250,000.

INCODE was acquired by Tyler Technologies (TYL) in February 1998. Tyler Technologies is publicly traded, debt free and financially secure and serves over 6,000 city and county government offices across the country. Tyler Technologies employs over 1,200 employees and the acquisition of INCODE has allowed for valuable sharing of design and programming resources across companies.

INCODE has a strong reputation with its customer base. A complete user reference list was provided and several local and state-wide reference checks were performed. In addition, an on-site visit was made to the City of Riverside, Illinois. All references contacted indicated that INCODE is a solid company with superior support services. All references would strongly recommend implementing INCODE as the Commission's financial system.

INCODE – Application Functionality

Several application features were evaluated during the selection process. The following are some of INCODE's features I found most important in my recommendation.

- **User-friendly.** The intuitiveness of the software makes it easy to use and easy to train, minimizing training hours and improving efficiencies. All references that were contacted mentioned INCODE's user friendly software as one of its greatest strengths. All levels of the Commission's organization will be able to easily utilize the software in daily activities.
- **Provides electronic inquiry and real-time access** to budget, financial status, and database information which is vital for better management decision-making and financial reporting. Electronic inquiry and real-time access also significantly reduce the creation of paper reports, and all associated costs of paper handling, storing, retrieving and sharing of information.
- **Integrated system.** All modules feed into the General Ledger with drill-down to detail level of transactions in every module. Seamless communication between modules results in reduced data entry and human error.
- **Security.** INCODE provides security restricted access down to the field-level. Different processes such as purchase order approval and cash disbursements have authorization procedures that are set up to adhere to the Commission's individualized policies.
- **GASB #34 compliant.** INCODE has the ability to classify accounts and produce required financial reports necessary for the annual audit. A recent finding in the audit relates to the Commission's lack of detailed capital asset records. All fixed assets can be recorded, in detail, and depreciated, if necessary, in the Fixed Asset module.
- **Budgeting.** INCODE's Budget Preparation module will dramatically reduce the time and hassle of the current budget process. The module can accommodate several budget levels within one year and multi-year budgeting. The Project Accounting module will allow the Commission to budget for and keep track of expenses associated with multi-year projects (e.g., major construction projects).

- **Encumbrance Accounting/Purchasing.** INCODE will provide the necessary centralized or de-centralized purchasing system that leads to better budgetary control and a paperless purchasing process. An encumbrance system considers commitments made but not yet expensed, determines uncommitted budget balance and allows for proactive, rather than reactive, management of the budget.
- **Technology is cost-efficient to use and maintain with little or no custom code.** INCODE runs directly on the Commission's existing Microsoft Windows 2000 server and does not use any computing power of individual client workstations. INCODE is centrally managed at the server-level and all updates, patches, etc. are easy to apply, taking only minutes rather than hours or days. INCODE's software has been designed to accommodate unique municipal requirements, reducing the costs and anxiety associated with custom code.
- **Scalable.** INCODE supports cities with populations as high as 250,000 and provides an array of modules that can easily accommodate future needs of the Commission.

INCODE – Training and Support

INCODE provides customized, on-site training for each of its modules. A training syllabus for each module is given to customers prior to on-site visits. The syllabus clearly defines prerequisites, topics and objectives of the visit and ensures that time and money is not wasted when the trainer is on-site. If it is determined that an on-site trainer is not needed for the entire training, classroom and web training are also available.

INCODE's annual maintenance agreement provides for support and annual upgrades. All of the references checked expressed an extremely high level of satisfaction with INCODE's customer support. Over 90% of support calls are addressed and resolved on the customer's first phone call. If a problem doesn't need to be resolved immediately, an integrated email support or web support system is available. All ongoing enhancements are based on requests from customers and/or state and federal requirements.

INCODE – Cost Effective Solution

As explained above, several demos were given of financial systems with varying prices. Most complete, integrated systems fell in two price categories: \$45K-75K or \$120K-\$160K. INCODE was the most impressive system in the less expensive category. There were better systems in the \$120K-\$160K range; however, given the nature of the Commission's operations, the benefits of the additional features provided did not outweigh the added cost of the more expensive systems.

In summary, INCODE will allow the DuPage Water Commission to have in place a system of accounting and financial reporting that provides the *types of information* managers and commissioners need to make sound financial decision, *when they need it*. If approved by the Board on October 14th, I expect the system to be implemented no later than May 1, 2005.



DuPage Water Commission

MEMORANDUM

TO: Robert Martin, General Manager

FROM: Cheryl Pattelli, Financial Administrator

DATE: August 6, 2004

SUBJECT: Financial System

As you know, the Commission currently uses Excel spreadsheets to function as its accounting system. During the fiscal year 2003-04 audit, the auditors considered the Commission's lack of commercial accounting software to be a reportable condition. According to the auditors, a reportable condition involves "matters ...relating to significant deficiencies in the design or operation of internal control that ...could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements."

I agree with the auditor's statement regarding our current accounting system. The Excel system uses a series of complex links that are very time consuming and difficult to work with. There is no easy way to quickly obtain information needed for everyday decision making and financial analysis. There is great potential to modify formulas, either purposely or unknowingly, within the spreadsheets. Any changes in formulas or links could easily go undetected, creating inaccurate information and unreliable financial reports. Given the inadequacies of Excel, I would like to proceed with the process of choosing and implementing a new financial software package for the Commission.

I want to make sure that you and the Board agree with my plan, which is described below, for choosing a financial system. Due to the nature of financial system software, I am requesting that the Board waive the bidding process for this project. In most instances there is only one vendor for a particular financial software system and price cannot be the only component considered when choosing the right system for the Commission.

During the past month, I have contacted our auditors, the Government Finance Officer's Association (GFOA), all of our customers, some of my former contacts and other water commissions regarding financial system software. The GFOA provided me with a list of software vendors used by many governments throughout the country. I conducted in-depth phone interviews with all of our customers regarding their current financial systems. I have also received information and/or set up meetings with over 15 vendors that have been recommended. It is important to me

to choose a vendor and financial system that has successfully worked with other organizations in the area.

Because the Commission's accounting is straightforward with a relatively low number of monthly transactions, price is another important factor in my decision. I am not considering systems in excess of \$100,000; therefore, many of the vendors I contacted have been eliminated from my search. Higher cost systems tend to have much more functionality than what the Commission needs.

I plan on evaluating and scoring each of the vendors on their qualifications and application features. System demonstrations will be vital in assessing the application features of each system. Important vendor qualification questions include:

- How long has the vendor been in business?
- Is the vendor specialized in the public sector?
- Is the vendor current with financial system technology?
- Are the applications Window based?
- How many prior installations has the vendor completed?
- What governmental agencies in the area use the vendor?

Applications features that will be evaluated include:

- General Ledger
- Budget Preparation
- Accounts Payable
- Accounts Receivable
- Purchasing
- Fixed Assets
- Project Accounting
- Report Writing
- Payroll and Human Resources
- Implementation
- Training and ongoing support

After each vendor is evaluated, I will perform thorough reference checks on the top three vendors. Each of the final vendors will be asked to submit a final price proposal and a decision will be made based on all factors involved.

Because payroll is a major component of any financial system, I also will be looking into outsourcing payroll during this process. If outsourcing is cheaper than in-house processing, which I believe it will be because of the simplicity of our payroll, I will evaluate outsourcing companies using much of the same qualification criteria explained above.

Once my decision has been made, I would like to bring my proposal, including my payroll proposal, to the Board for approval. If the Board wishes, I will prepare a presentation explaining the benefits and features of the new system. If approved, I plan on beginning implementation immediately.

Section A - Investment Summary

Prepared for:		Contract ID # :	2004-0397
Du Page Water Commission			
Contact Person:	Cheryl R. Pattelli	Issue Date:	10/6/04
Address:	800 E. Butterfield Road Elmhurst, IL 60126-4642	Salesman:	M. Burge
Phone:	630 834-0100		
Fax:	630 834-0120		
Email:	pattelli@dpwc.org	Tax Exempt:	Yes / No

	Fees	Maintenance
Total Applications Software		
<i>License Fees</i>	30,500	6,100
Total 3rd Party Product Software	1,784	250
Total Professional Services		
<i>On-Site Assistance</i>	19,000	
<i>Red Carpet Services</i>	2,000	
Estimated Travel		
<i>Estimated On-Site Assistance Travel Expense</i>	5,000	
Total Investment Summary	58,284	6,350

NOTE: Financial Training is quoted at Software Specialist Rate
Utility Training Quoted at Senior Software Specialist Rate

IN-HOUSE PAYROLL PROCESSING VS. OUTSOURCING ANALYSIS

	<i>INCODE</i>		<i>ADP</i>		<i>AmeriPay</i>	
	One-time	Annual Costs	One-time	Annual Costs	One-time	Annual Costs
Software	\$3,000		\$0		\$0	
Initial Training/Implementation	3,600		300		300	
Bi-Weekly Processing Fee (1)		0		2,898		3,062
Bi-Weekly Staff Costs (2)		2,648		2,648		2,648
Annual Software Maintenance		600		0		0
W-2 Processing Fee (1)		0		125		134
W-2 Staff Costs (3)		51		0		0
TOTAL COSTS	\$6,600	\$3,299	\$300	\$5,670	\$300	\$5,843

INCODE's initial, one-time added costs vs ADP (\$6,300)

INCODE annual cost savings vs ADP \$2,372

Payback period of INCODE 2.7 years

NPV savings of INCODE over 10 years (4) \$13,930

(1) Based on current number of employees. This fee will increase as more employees are added.

(2) Based on salary plus benefits of Accountant and Financial Administrator. Assumes 4 hrs/payroll for Accountant and 1 hr/payroll for Financial Administrator for both in-house payroll and outsourcing. While outsourcing saves on cutting and stuffing checks, similar time is saved with in-house payroll because no journal entries need to be manually entered in the system. All journal entries are done automatically with INCODE's integrated payroll and accounting systems.

(3) Based on salary plus benefits of 2 hr/year for Accountant.

(4) Assumes INCODE will be kept for at least 10 years. Also assumes an interest rate of 3%.



DuPage Water Commission

MEMORANDUM

TO: Chairman Vondra and Commissioners

FROM: Robert L. Martin, P.E.
General Manager

DATE: October 7, 2004

SUBJECT: Special Finance Committee Meeting
October 7, 2004

At the Special Finance Committee meeting held today, Commissioner Poole distributed the attached documents. Within the 15 year Projection Summary of Revenues, Expenditures and Fund Balances, the DuPage County Sales Tax Grant of \$75 million was shown as an expenditure in FY 03-04. Because the summary is a cash flow analysis, it has been determined that the \$75 million should be shown as \$15 million per year for five years, to accurately reflect the actual cash flow.



DuPage Water Commission

DU PAGE WATER COMMISSION - 16 YEAR PROJECTION SUMMARY OF REVENUES, EXPENDITURES AND FUND BALANCES MAY 1, 2002 TO APRIL 30, 2020

ACCOUNT TITLE	ALL FUNDS FY 02-03 ACTUAL	ALL FUNDS FY 03-04 ACTUAL	ASSUMPTION OR % CHGE FY 05-09 ONLY	ALL FUNDS FY 04-05 PROJECTION	ALL FUNDS FY 05-06 FORECAST	ALL FUNDS FY 06-07 FORECAST	ALL FUNDS FY 07-08 FORECAST	ALL FUNDS FY 08-09 FORECAST	ALL FUNDS FY 09-10 FORECAST	ALL FUNDS FY 10-11 FORECAST	ALL FUNDS FY 11-12 FORECAST	ALL FUNDS FY 12-13 FORECAST	ALL FUNDS FY 13-14 FORECAST	ALL FUNDS FY 14-15 FORECAST	ALL FUNDS FY 15-16 FORECAST	ALL FUNDS FY 16-17 FORECAST	ALL FUNDS FY 17-18 FORECAST	ALL FUNDS FY 18-19 FORECAST	ALL FUNDS FY 19-20 FORECAST
REVENUES																			
O & M PAYMENTS	42,819,534	42,485,698	CALCULATED	45,597,799	47,496,509	48,231,400	48,632,815	49,030,289	49,422,953	49,807,248	50,185,781	50,915,294	51,296,456	51,877,456	52,066,420	59,697,820	60,145,907	60,594,546	61,043,949
SALES TAXES USED FOR O & M COSTS	0	0	CALCULATED	0	0	0	0	0	14,882,275	17,681,278	20,189,988	22,426,933	25,144,956	27,815,729	9,545,622	26,095,206	28,932,368	31,941,073	35,129,457
FIXED COST PAYMENTS (% PAID BY SALES TAX)	10,164,768	8,916,329	50.0%	7,143,989	7,144,489	7,145,094	7,145,344	7,144,719	7,145,219	7,146,219	7,144,594	7,144,844	7,144,163	7,144,969	7,143,844	0	0	0	0
SUBSEQUENT CUSTOMER DIFFERENTIAL/EMERGENCY SUPPLY	994,590	783,326	1.0%	791,159	799,071	807,062	815,133	823,284	831,517	839,832	848,230	856,712	865,279	873,932	882,671	891,498	900,413	909,417	918,511
SALES TAXES USED FOR CONSTRUCTION AND BOND PAYMENT	30,704,457	31,620,982	2.0%	32,253,402	32,898,470	33,556,439	34,227,568	34,912,119	20,728,086	18,641,290	16,859,031	15,363,066	13,400,843	11,500,986	30,557,427	14,809,904	12,790,844	10,616,603	8,279,373
INTEREST INCOME	5,808,624	2,321,233	EXTRAPOLATED	2,349,518	2,381,445	2,191,793	2,054,875	2,015,461	2,071,094	2,053,968	1,888,882	1,762,820	1,710,550	1,764,954	1,789,017	2,240,257	2,449,512	2,627,101	2,770,442
OTHER INCOME	569,493	102,058	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	91,061,456	86,229,626		88,135,847	90,719,964	91,931,788	92,875,735	93,925,872	95,081,144	96,169,835	97,116,506	98,469,669	99,562,247	100,778,026	101,985,001	103,734,685	105,219,044	106,688,740	108,141,732
OPERATING EXPENDITURES																			
WATER PURCHASES (3% ANNUAL RATE INCREASES)	39,037,395	39,013,675	CALCULATED	41,615,189	44,644,089	46,361,315	48,134,322	49,996,139	51,911,958	53,878,329	55,933,970	58,050,318	60,228,543	62,505,678	64,856,578	67,317,998	69,844,505	72,477,205	75,218,097
20% CREDIT THRU OCTOBER 2004	(7,807,479)	(7,802,735)	CALCULATED	(4,611,512)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 YEAR CAPITAL PLAN MAJOR REPAIRS	2,041,455	4,810,523	CALCULATED	2,572,000	3,126,000	0	0	0	1,162,392	1,185,840	1,209,353	1,233,540	1,258,211	1,283,375	1,309,043	1,335,224	1,361,928	1,389,167	1,416,950
OTHER OPERATING EXPENSES (EXCL BOND INTEREST/DEPRC)	9,045,146	10,036,387	5.0%	10,738,677	11,275,611	11,839,392	12,431,362	13,052,930	13,705,577	14,390,856	15,110,399	15,865,919	16,659,215	17,492,176	18,366,785	19,285,124	20,249,380	21,261,849	22,324,941
REVENUE BOND PRINCIPAL AND INTEREST COSTS	17,832,908	20,727,699	CALCULATED	14,287,938	14,288,937	14,290,188	14,290,687	14,289,438	14,290,437	14,292,436	14,289,187	14,289,688	14,288,325	14,289,937	14,287,688	0	0	0	0
G.O. BOND PRINCIPAL AND INTEREST COSTS	13,122,650	13,112,650	CALCULATED	13,122,150	13,124,150	13,117,900	13,117,650	13,116,900	13,121,275	13,119,413	0	0	0	0	0	0	0	0	0
CAPITAL EQUIPMENT	95,583	84,608	5.0%	88,838	93,280	97,944	102,841	107,983	113,382	119,051	125,004	131,254	137,817	144,708	151,943	159,540	167,517	175,893	184,688
TOTAL OPERATING EXPENDITURES AND COMMITMENTS	73,367,658	79,982,807	CALCULATED	77,813,280	86,552,047	85,706,739	88,076,862	90,563,390	94,305,021	96,985,727	86,667,913	89,570,719	92,572,111	95,715,874	98,972,037	88,097,886	91,623,330	95,304,114	99,144,676
5 YEAR CAPITAL PLAN NEW CONSTRUCTION	5,448,800	3,432,005	CALCULATED	10,505,000	17,901,000	16,126,000	8,224,000	476,000	2,714,832	2,769,129	2,824,512	2,881,002	2,938,622	2,997,394	3,057,342	3,118,489	3,180,859	3,244,476	3,309,366
5 YEAR CONSTRUCTION PLAN RSRVR/STND (DELAY)-CATCH-UP	0	0	CALCULATED	0	0	0	0	0	0	8,671,000	17,644,000	10,791,000	1,745,000	1,780,000	0	0	0	0	0
OTHER MINOR RELATED OUTLAYS	333,799	0	4.0%	250,000	260,000	270,400	281,216	292,465	304,164	316,331	328,984	342,143	355,829	370,062	384,864	400,259	416,269	432,920	450,237
DU PAGE COUNTY SALES TAX GRANT	0	75,000,000	PA93-0226	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PRIOR SERVICE PENSION COSTS	3,805,524	(1,200,332)	BOARD POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER QUALITY LOANS	10,000,000	0	BOARD POLICY	0	0	0	0	0	0	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
TOTAL CASH OUTLAYS AND COMMITMENTS	92,955,781	157,214,480		88,568,280	164,713,047	102,103,139	96,582,078	91,331,855	97,324,017	108,242,187	106,965,409	103,084,864	97,111,562	100,363,330	101,914,243	91,116,634	94,720,458	98,481,510	102,404,279
NET TRANSACTIONS	(1,894,325)	(70,984,854)		(432,433)	(13,993,083)	(10,171,351)	(3,706,343)	2,594,017	(2,242,873)	(12,072,352)	(9,848,903)	(4,615,195)	2,450,685	414,696	70,758	12,618,051	10,498,586	8,207,230	5,737,453
UNRESTRICTED NET ASSETS - BEGINNING	127,243,034	122,617,476	CALCULATED	70,205,835	69,773,402	55,780,319	45,608,968	41,902,625	44,496,642	42,253,769	30,181,417	20,332,514	15,717,319	18,168,004	18,582,700	47,243,529	59,861,580	70,360,166	78,567,396
RELEASE OF REV BOND DSR (SURETY BOND)	0	17,837,213		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONVERTED (TO) - FROM RESTRICTED OR CAPITAL NET ASSETS	(2,731,233)	736,000		0	0	0	0	0	0	0	0	0	0	0	28,590,071	0	0	0	0
UNRESTRICTED OPERATING NET ASSETS - ENDING	122,617,476	70,205,835		69,773,402	55,780,319	45,608,968	41,902,625	44,496,642	42,253,769	30,181,417	20,332,514	15,717,319	18,168,004	18,582,700	47,243,529	59,861,580	70,360,166	78,567,396	84,304,849
HELD FOR EMERGENCY REPAIRS-TARGET (1)	28,100,000	11,700,000	3.0%	12,000,000	12,400,000	12,800,000	13,200,000	13,600,000	14,000,000	14,400,000	14,800,000	15,200,000	15,700,000	16,200,000	16,700,000	17,200,000	17,700,000	18,200,000	18,700,000
O&M RATE STABILIZATION RESERVE	45,005,162	44,223,355		41,375,781	31,627,589	23,339,866	12,999,121	548,030	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION RESERVE	49,512,314	14,282,480		16,397,621	11,752,730	9,469,102	15,703,504	30,350,612	28,253,769	15,781,417	5,532,514	517,319	2,468,004	2,382,700	30,543,529	42,661,580	52,660,166	60,367,396	65,604,849
UNRESTRICTED NET ASSETS - ENDING	122,617,476	70,205,835		69,773,402	55,780,319	45,608,968	41,902,625	44,496,642	42,253,769	30,181,417	20,332,514	15,717,319	18,168,004	18,582,700	47,243,529	59,861,580	70,360,166	78,567,396	84,304,849
O & M RATE	1.34	1.38		1.43	1.43	1.44	1.44	1.44	1.44	1.44	1.44	1.45	1.45	1.45	1.45	1.65	1.65	1.65	1.65
FIXED COST RATE	0.32	0.29		0.22	0.22	0.21	0.21	0.21	0.21	0.21	0.21	0.20	0.20	0.20	0.20	0.00	0.00	0.00	0.00
TOTAL RATE	1.66	1.67		1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65

NOTE (1) - TO MAX OF 20,000,000

REVISED: SEPTEMBER 4, 2004

REVISED: SEPTEMBER 4, 2004

**DU PAGE WATER COMMISSION – 15 YEAR PROJECTION
EXPLANATION OF REVENUES**

ACCOUNT TITLE	DESCRIPTION	EXPLANATION OF FUTURE YEAR'S CALCULATION
O & M Payments	Operating and maintenance (O & M) portion of the water rate. The FY04-05 average combined Charter Customer O & M rate is \$1.43 per 1,000 gallons.	Calculated based on estimated water sales to customers. The estimated water sales are multiplied by the O & M rate to determine the O & M Payment revenue. Estimated sales are 94% of the Illinois Department of Natural Resource (IDNR) Lake Michigan Water Allocations given through 2020. 94% represents the adjusted historical percentage of allocation that is used by customers.
Sales Tax Used for O & M Costs	Amount of sales tax needed to support ongoing O & M costs of the Commission. Sales tax is used here to avoid rate hikes and reduces the amount of sales tax available for construction and bond payments (see Sales Tax Used for Construction and Bond Payments below).	"Plug" figure based on need and used to keep total rate at \$1.65 per 1,000 gallons. This amount is used only after the O & M Rate Stabilization Reserve is exhausted (see O & M Rate Stabilization Reserve below).
Fixed Cost Payments (% Paid by Sales Tax)	Fixed cost portion of the water rate used to fund the revenue bond principal and interest payments. Sales tax is currently being used to fund 50% of this requirement, dropping the average fixed cost rate to \$0.22 per 1,000 gallons.	Calculated as 50% of the actual revenue bond principal and interest payments. Once amount is determined, fixed cost portion of the \$1.65 rate is calculated. The fixed cost rate declines over time because more water is being purchased (larger denominator).
Subsequent Customer Differential / Emergency Supply	Items charged to new customers including the cost of new customer facilities built by the Commission and the missed fixed cost recapture from 1/1/89 to date of first service to the new customer. Billing of the 15% capital risk charge was suspended in 1/04 and is not included in future year amounts. Subsequent customer rates are currently under review by the Commission because of changes enacted in PA93-0226.	Increased by 1% each year; base year is FY03-04 actual amount.
Sales Tax Used for Construction and Bond Payments	Sales tax collected by the Commission to be used for construction and bond payments. This amount will be reduced if sales tax is needed to support O & M costs. (See Sales Tax Used for O & M Costs above).	Increased by 2% each year; base year is FY03-04 actual amount.
Interest Income	Income generated from the Commission's cash and investments.	Extrapolated based on prior year fund balance, prior year interest income and current year activity.
Other Income	Reimbursements of new customer connection construction costs, revenue generated from an easement lease with a private company and any other miscellaneous amounts collected by the Commission.	Since this represents miscellaneous, minor items, no amount is budgeted in the future.

**DU PAGE WATER COMMISSION – 15 YEAR PROJECTION
EXPLANATION OF OPERATING EXPENDITURES AND COMMITMENTS**

ACCOUNT TITLE	DESCRIPTION	EXPLANATION OF FUTURE YEAR'S CALCULATION
Water Purchases	Represents only the water purchased from the City of Chicago. All other costs associated with water purchases and running the Lexington Pump Station are included in Other Operating Expense below.	Calculated based on estimated water purchases from the City of Chicago multiplied by Chicago's water rate. Estimated water purchases are determined by dividing estimated customer water sales (see O & M Payments above) by 97.4%. Of the water purchased from the City of Chicago, 97.4% (historical average) is actually sold to customers. The remaining 2.6% is water used by the Commission for its operations or unaccounted water. It is assumed that the rate charged by the City of Chicago will increase by 3% each year.
20% Credit Thru October 2004	The Commission originally financed and constructed the Lexington Pump Station and interconnection tunnel for the City of Chicago. The City of Chicago agreed to pay the Commission back through a 20% reduction in water costs paid by the Commission.	It is anticipated that the loan will be paid off by the end of 2004; therefore, no amount is budgeted in the future.
5 Year Capital Plan Major Repairs	All major repairs to the Commission's infrastructure.	The first five years of expenditures (FY04-05 through FY08-09) is based on the "Summary of Estimated Repair Costs" spreadsheet. This spreadsheet is part of the 5-year capital plan proposed to the Board. The remaining years represent a 2% increase over the FY09-10 amount. FY09-10 signifies the average of the previous five years' expenditures.
Other Operating Expenses (Excluding Bond Interest / Depreciation)	All operating expenses not including water purchases, bond payments and minor capital equipment purchases. Examples include personnel, professional, insurance, administrative, operations, electricity and maintenance costs.	Increased by 5% each year; base year is FY04-05 projection and includes new personnel added in FY04-05.
Revenue Bond Principal and Interest Costs	Total cash outlay for revenue bond principal and interest (P&I) payments.	Budgeted based on actual P&I payments on the Series 2003 bonds.
G.O. Bond Principal and Interest Costs	Total cash outlay for G.O. bond principal and interest payments.	Budgeted based on actual P&I payments on the Series 2001 bonds.
Capital Equipment	Miscellaneous, minor capital equipment purchases such as vehicles.	Increased by 5% each year; base year is FY03-04 actual amount.
5 Year Capital Plan New Construction	All major new capital projects of the Commission.	The first five years of expenditures (FY04-05 through FY08-09) is based on the "Summary of Estimated New Construction Costs" spreadsheet. This spreadsheet is part of the 5-year capital plan proposed to the Board. The remaining years represent a 2% increase over FY09-10. FY09-10 signifies 25% of the average of the previous five years' estimated expenditures. It is anticipated that some capital projects will be needed; however, probably significantly less than in previous years (FY04-05 through FY08-09).
5 Year Construction Plan Reservoir / Standpipe Delay	Represents capital projects in the 5-year capital plans that, because of funding constraints, need to be delayed to later years. The Reservoir and Standpipe projects will be delayed in the current 5-year capital plan.	Based on capital project estimates shown on the "Summary of Estimated Construction Costs" spreadsheet. The Reservoir and Standpipe projects are deferred in order to avoid negative balances in the O & M Rate Stabilization and Construction Reserves and avoid reduction of the Held for Emergency Repairs Reserve.
Other Minor Related Outlays	Represents other minor capital outlays that generally occur each year.	Increased by 4% each year; based on FY04-05 projection since nothing was spent in FY03-04.
DuPage County Sales Tax Grant	PA 93-0226 requires a \$75 million transfer of Commission Funds to DuPage County over a five-year period.	Per the annual audit, the entire \$75 million was booked in FY03-04. Therefore, no amount is budgeted in future years.
Prior Service Pension Costs	Represents unfunded, prior service pension liability of the Commission based on actuarial calculations performed by the Illinois Municipal Retirement Fund (IMRF). Part of this unfunded amount was paid down in FY03-04.	The entire estimated unfunded liability was booked in FY02-03 when the Commission joined IMRF. Therefore, no amount is budgeted in future years.
Water Quality Loans	Represents amount committed to provide loans to customer municipalities to solve water quality issues in unincorporated parts of DuPage County. Interest on these low-interest loans starts when the loan is made; however, principal payments don't begin until FY10-11.	The entire \$10 million was committed and booked in FY02-03. The amounts budgeted in later years represent principal payoff of these loans back to the Commission.

**DU PAGE WATER COMMISSION
EXPLANATION OF UNRESTRICTED OPERATING NET ASSETS AND RESERVES**

ACCOUNT TITLE	DESCRIPTION	EXPLANATION OF FUTURE YEAR'S CALCULATION
Unrestricted Net Assets – Beginning	Beginning net assets for the year. Same as prior year's ending net assets.	Same as prior year's ending net assets.
Release of Revenue Bond Debt Service Reserve	The Commission purchased a surety bond in lieu of holding cash in its revenue bond debt service reserve. This released approximately \$17.8 million in funds, most of which were transferred to the Construction Reserve. Approximately \$3 million of the \$17.8 million was used to lower the principal amount of the revenue bonds during the 2003 refinancing.	This was a one-time event; therefore, no amount is budgeted in the future.
Converted (To) – From Restricted or Capital Net Assets	This represents the cumulative effect of several immaterial items that are converted between unrestricted net assets and restricted or capital net assets. Examples include changes in the required revenue bond reserves, buying capital assets from unrestricted funds and amortizing bond premiums/discounts.	This amount can fluctuate each year between negative and positive numbers. Given that the amount is immaterial to the analysis, no amount is budgeted in the future.
Held for Emergency Repairs – Target Reserve	This reserve is generated by water rates. In 7/03, the Commission reduced this reserve from 5% to 2% of the original construction costs of the Commission adjusted annually by the Engineering News Record (ENR) construction index. This reserve was established to handle system emergencies and is reviewed annually by the Board.	Increased by 3% each year and rounded to the nearest hundred thousand; base year is FY03-04 actual.
O & M Rate Stabilization Reserve	This reserve is generated by water rates not required for emergency repairs (Held for Emergency Repairs – Target Reserve above). The reserve was established for water rate stabilization (i.e., keeping the rate at \$1.65 per 1000 gallons until 4/40/08 per PA 93-0226).	Calculated as follows: = Unrestricted Net Assets – Ending (-) Held for Emergency Repairs – Target Reserve (-) Construction Reserve The Rate Stabilization Reserve is expected to be depleted sometime in FY09-10. All rate stabilization will need to be funded through sales tax at that time.
Construction Reserve	This reserve is generated by sales tax revenue and is used for the acquisition of capital assets and new additions or retirement of debt on existing facilities, including full GO bond funding and partial revenue bond funding.	Calculated as follows: = Last year's Construction Reserve balance (+) Sales Tax Used for Construction and Bond Payments (+) Interest Income on Sales Tax Used for Construction and Bond Payments (-) 50% (see above) of Revenue Bond P&I Costs (-) 100% of GO Bond P&I Costs (-) 5 Year Capital Plan New Construction (-) 5 Year Construction Plan Reservoir/Standpipe Delay (-) Other Minor Related Outlays (-) DuPage County Sales Tax Grant (-) Water Quality Loans



DuPage Water Commission

DuPage Water Commission Schedule for Remaining Payments for Revenue and General Obligation Bonds

FY		Revenue Bonds Principle & Interests Cost	General Obligation Bonds Principle & Interests Cost	Combined Remaining Debt P&I
1	04-05	\$14,287,938	\$13,122,150	\$27,410,088
2	05-06	\$14,288,937	\$13,124,150	\$27,413,087
3	06-07	\$14,290,188	\$13,117,900	\$27,408,088
4	07-08	\$14,290,687	\$13,117,650	\$27,408,337
5	08-09	\$14,289,438	\$13,116,900	\$27,406,338
6	09-10	\$14,290,437	\$13,121,275	\$27,411,712
7	10-11	\$14,292,238	\$13,119,412	\$27,411,650
8	11-12	\$14,289,187	-	\$14,289,187
9	12-13	\$14,289,688	-	\$14,289,688
10	13-14	\$14,288,325	-	\$14,288,325
11	14-15	\$14,289,937	-	\$14,289,937
12	15-16	\$14,287,689	-	\$14,287,689
13	16-17	-	-	\$0
14	17-18	-	-	\$0
15	18-19	-	-	\$0
16	19-20	-	-	\$0
TOTAL		\$171,474,689	\$91,839,437	\$263,314,126

DuPage Water Commission Sales Tax (0.25%) Revenue Estimate and Use for Bond Payments, Construction and O & M Costs Revised Sept. 4, 2004

FY		Sales Tax Estimate	G.O. Bonds P & I Fixed Cost Payments 100% Sales Tax	Revenue Bonds P & I Fixed Cost Payments 50% Sales Tax	Remainder Available for Construction Projects or O & M Costs
1	04-05	\$32,253,402	\$13,122,150	\$7,143,969	\$11,987,283
2	05-06	\$32,898,470	\$13,124,150	\$7,144,459	\$12,629,861
3	06-07	\$33,556,439	\$13,117,900	\$7,145,099	\$13,293,440
4	07-08	\$34,227,568	\$13,117,650	\$7,145,344	\$13,964,574
5	08-09	\$34,912,119	\$13,116,900	\$7,144,719	\$14,650,500
6	09-10	\$35,610,361	\$13,121,275	\$7,145,219	\$15,343,867
7	10-11	\$36,326,568	\$13,119,412	\$7,146,219	\$16,060,937
8	11-12	\$37,049,019	\$0	\$7,144,594	\$29,904,425
9	12-13	\$37,789,999	\$0	\$7,144,844	\$30,645,155
10	13-14	\$38,545,799	\$0	\$7,144,153	\$31,401,646
11	14-15	\$39,316,715	\$0	\$7,144,969	\$32,171,746
12	15-16	\$40,103,049	\$0	\$7,143,844	\$32,959,205
13	16-17	\$40,905,110	\$0	\$0	\$40,905,110
14	17-18	\$41,723,212	\$0	\$0	\$41,723,212
15	18-19	\$42,557,676	\$0	\$0	\$42,557,676
16	19-20	\$43,408,830	\$0	\$0	\$43,408,830
TOTAL		\$601,184,336	\$91,839,437	\$85,737,432	\$423,607,467

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DuPage Water Commission

DuPage Water Commission Estimated Annual Major Revenues From Rates, Sales Tax & Interest Revised Sept. 4, 2004

FY		Customer O & M Payments	Customer Fixed Cost Payments 50%	Sales Tax at 0.25%	Interest Income	Total Major Revenues
1	04-05	\$45,597,799	\$7,143,969	\$32,253,402	\$2,349,518	\$87,344,688
2	05-06	\$47,496,509	\$7,144,459	\$32,898,470	\$2,381,445	\$89,920,883
3	06-07	\$48,231,400	\$7,145,099	\$33,556,439	\$2,191,793	\$91,124,731
4	07-08	\$48,632,815	\$7,145,344	\$34,227,568	\$2,054,875	\$92,060,602
5	08-09	\$49,030,289	\$7,144,719	\$34,912,119	\$2,015,461	\$93,102,588
6	09-10	\$49,422,953	\$7,145,219	\$35,610,361	\$2,071,094	\$94,249,627
7	10-11	\$49,807,248	\$7,146,219	\$36,326,568	\$2,053,968	\$95,334,003
8	11-12	\$50,185,781	\$7,144,594	\$37,049,019	\$1,888,882	\$96,268,276
9	12-13	\$50,915,294	\$7,144,844	\$37,789,999	\$1,762,820	\$97,612,957
10	13-14	\$51,296,456	\$7,144,153	\$38,545,799	\$1,710,550	\$98,696,958
11	14-15	\$52,066,420	\$7,144,969	\$39,316,715	\$1,764,954	\$100,293,058
12	15-16	\$52,066,420	\$7,143,844	\$40,103,049	\$1,789,017	\$101,102,330
13	16-17	\$59,697,820	\$0	\$40,905,110	\$2,240,257	\$102,843,187
14	17-18	\$60,145,907	\$0	\$41,723,212	\$2,449,512	\$104,318,631
15	18-19	\$60,594,546	\$0	\$42,557,676	\$2,627,101	\$105,779,323
16	19-20	\$61,043,949	\$0	\$43,408,830	\$2,770,442	\$107,223,221
Total		\$836,231,606	\$85,737,432	\$601,184,336	\$34,121,689	\$1,557,275,063

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DuPage Water Commission Major Expenditures for Wholesale Water Purchases Operating Expenses and Debt Services Sept. 4, 2004

FY		Wholesale Water Purchases from City of Chicago	Operating Expenses	Debt Service on Bonds Outstanding	Total Major Expenditures
1	04-05	\$41,615,189	\$10,738,677	\$27,410,088	\$79,763,954
2	05-06	\$44,644,069	\$11,275,611	\$27,413,087	\$83,332,767
3	06-07	\$46,361,315	\$11,839,392	\$27,408,088	\$85,608,795
4	07-08	\$48,134,322	\$12,431,362	\$27,408,337	\$87,974,021
5	08-09	\$49,996,139	\$13,052,930	\$27,406,338	\$90,455,407
6	09-10	\$51,911,958	\$13,705,577	\$27,411,712	\$93,029,247
7	10-11	\$53,878,329	\$14,390,856	\$27,411,650	\$95,680,835
8	11-12	\$55,933,970	\$15,110,399	\$14,289,187	\$85,333,556
9	12-13	\$58,050,318	\$15,865,919	\$14,289,688	\$88,205,925
10	13-14	\$60,228,543	\$16,659,215	\$14,288,325	\$91,176,083
11	14-15	\$62,505,678	\$17,492,176	\$14,289,937	\$94,287,791
12	15-16	\$64,856,578	\$18,366,785	\$14,287,689	\$97,511,052
13	16-17	\$67,317,998	\$19,285,124	\$0	\$86,603,122
14	17-18	\$69,844,505	\$20,249,380	\$0	\$90,093,885
15	18-19	\$72,477,205	\$21,261,849	\$0	\$93,739,054
16	19-20	\$75,218,097	\$22,324,941	\$0	\$97,543,038
Total		\$922,974,213	\$254,050,193	\$263,314,126	\$1,440,338,532

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DuPage Water Commission

DuPage Water Commission

Wholesale Water Purchases from City of Chicago

Amounts, Rates and Costs

	FY	Lake Michigan Water Allocation X 1000 Gallons	Purchases @ 94% Allocation Usage & 97% Accountability for billing (X 1000)	Average Chicago Rate 3% Annual Increases Per 1000 Gallons	Amount of Water Purchases from City of Chicago
1	04-05	34,917,379	33,805,347	\$1.271	\$42,966,596
2	05-06	35,334,406	34,209,094	\$1.309	\$44,779,704
3	06-07	35,631,945	34,497,156	\$1.348	\$46,502,165
4	07-08	35,928,498	34,784,265	\$1.388	\$48,280,560
5	08-09	36,222,140	35,068,556	\$1.430	\$50,148,035
6	09-10	36,512,228	35,349,405	\$1.473	\$52,059,674
7	10-11	36,796,135	35,624,270	\$1.517	\$54,042,018
8	11-12	37,075,784	35,895,013	\$1.563	\$56,103,905
9	12-13	37,355,315	36,165,641	\$1.610	\$58,226,682
10	13-14	37,634,964	36,436,384	\$1.658	\$60,411,525
11	14-15	37,914,495	36,707,013	\$1.708	\$62,695,578
12	15-16	38,199,858	36,983,298	\$1.759	\$65,053,621
13	16-17	38,489,890	37,254,084	\$1.812	\$67,522,520
14	17-18	38,778,793	37,543,785	\$1.866	\$70,056,703
15	18-19	39,068,050	37,823,830	\$1.922	\$72,697,401
16	19-20	39,357,801	38,104,353	\$1.980	\$75,445,819
	Total	\$595,217,681	\$576,251,494	\$25.614	\$926,992,506

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SUMMARY OF ESTIMATED NEW CONSTRUCTION COSTS

DESCRIPTION (BASED ON FY 04-05 COSTS)	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	TOTAL
DISTRIBUTION SYSTEM IMPROVEMENTS						
Contract TW-3; St. Charles Road - Engineering (1)						0
Contract TW-3; St. Charles Road - Construction (1)						0
Contract TIB-1; Route 83 - Engineering	1,000,000	500,000				1,500,000
Contract TIB-1; Route 83 - Construction (2)	8,000,000	7,000,000				15,000,000
DU PAGE PUMP STATION IMPROVEMENTS						
30 Million Gallon Reservoir; Storage Building & T&O Building - Engineering (3)	375,000					375,000
30 Million Gallon Reservoir; Storage Building & T&O Building - Construction (2,3)						0
Generator Facility - Engineering	1,000,000	500,000	500,000			2,000,000
Generator Facility - Construction		7,250,000	7,250,000			14,500,000
Pump #10-Engineering					40,000	40,000
Pump #10-Installation					400,000	400,000
LEXINGTON PUMP STATION IMPROVEMENTS						
Generator Facility - Engineering		1,000,000	500,000	500,000		2,000,000
Generator Facility - Construction			7,250,000	7,250,000		14,500,000
STANDPIPE IMPROVEMENTS						
Install Pumps at Standpipes-Tank Site #2,3,4 Engineering (4)						0
Install Pumps at Standpipes-Tank Site #2,3,4 Construction (2,4)						0
Pipe Storage at Tanksite #4 Engineering	30,000	100,000				130,000
Pipe Storage at Tanksite #4 Construction	100,000	1,200,000				1,300,000
	10,505,000	17,550,000	15,500,000	7,750,000	440,000	51,745,000
INFLATION FACTOR 2% PER YEAR	100.0%	102.0%	104.0%	106.1%	108.2%	102.9%
	10,505,000	17,901,000	16,126,000	8,224,000	476,000	53,232,000

Note (1) - Suspended.

Note (2) - Includes legal, property acquisition (if any) and soil testing services.

Note (3) - Deferred until FY 10-11. Completed FY 12-13. Estimated costs are as follows:

FY 10-11 \$ 7,700,000
FY 11-12 \$15,250,000
FY 12-13 \$ 7,750,000

Note (4) - Deferred until FY 11-12. Completed FY 14-15. Estimated costs are as follows:

FY 11-12 \$ 110,000
FY 12-13 \$ 1,460,000
FY 13-14 \$ 1,460,000
FY 14-15 \$ 1,460,000

REVISED: SEPTEMBER 4, 2004

SUMMARY OF ESTIMATED MAJOR REPAIR COSTS

BASED ON FY 02-03 COSTS	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	Total
DISTRIBUTION SYSTEM IMPROVEMENTS						
Contract BOV-1; Rehab 320 Blowoff Valves-Engineering Reviews	40,000					40,000
Contract BOV-1; Rehab 320 Blowoff Valves-Engineering Tech Observ.	DWC In House					0
Contract BOV-1; Rehab 320 Blowoff Valves-Construction	1,983,000					1,983,000
Contract BOV-2; Rehab Blowoff Valve 90" TM-Engineering Design	240,000					240,000
Contract BOV-2; Rehab Blowoff Valve 90" TM-Engineering Tech Observ.		DWC In House				0
Contract BOV-2; Rehab Blowoff Valve 90" TM-Construction		3,000,000				3,000,000
Pipe Loop Construction	158,700					158,700
Pipe Loop Study	50,000	65,160				115,160
Darian Drainage	100,000					100,000
						0
PUMP STATION IMPROVEMENTS						0
None						0
STANDPIPE IMPROVEMENTS						0
None						0
	2,571,700	3,065,160	0	0	0	5,636,860
INFLATION FACTOR 2% PER YEAR	100.0%	102.0%	104.0%	106.1%	108.2%	101.1%
	2,572,000	3,126,000	0	0	0	5,698,000