



DuPage Water Commission

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

AGENDA

FINANCE COMMITTEE

**THURSDAY, AUGUST 18, 2011
6:00 P.M.**

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

COMMITTEE MEMBERS

P. Suess, Chair

C. Janc

J. Pruyn

D. Russo

- I. Roll Call
- II. Approval of Minutes for Regular Committee Meeting of June 23, 2011 and July 21, 2011
- III. Approval of Reconciliations
- IV. Treasurer's Report – August 2011
- V. Financial Statements – August 2011
- VI. Electric Power Supply Agreement
- VII. Quarterly Budget Review
- VIII. 2011 Annual Audit Report
- IX. Discussion items
 - a. Baker Tilly Update
- X. Accounts Payable
- XI. Other
- XII. Adjournment

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All visitors must present a valid driver's license or other government-issued photo identification, sign in at the reception area and wear a visitor badge while at the DuPage Pumping Station.

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, JUNE 23, 2011
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:05 P.M.

Committee members in attendance: P. Suess, C. Janc J. Pruyn and D. Russo.

Committee members absent: J. Zay (*ex officio*)

Also in attendance: J. Spatz, T. McGhee, J. Nesbitt, N. Narducci, V. Hellenbrand, and N. Cavaliere.

Minutes

The committee accepted the minutes for Regular Committee Meetings of March 17, 2011, April 21, 2011, and May 19, 2011.

Approval of Reconciliations

Mr. Cavaliere stated that Baker Tilly reviewed the reconciliations. Treasurer Narducci was given the reconciliations to review and sign while the meeting continued.

Ordinance No. O-13-11

Commissioner Janc was concerned with the following statement in the Request for Board Action: 'Although the Staff Attorney disputed the Commission's authority to make such a grant, others have assumed that authority is implicit in the general contracting authority granted to units of local government.' He inquired what 'others' was referring to. General Manager Spatz stated that 'others' was referring to other municipalities or units of government.

The committee members asked what Staff Attorney Crowley meant by the following statement: '...the lease provides that the Commission is granting a purchase money security interest in the copiers to KMBS.' At this point, the Commissioners requested Staff Attorney Crowley to attend the meeting to address this statement.

Chairman Suess asked why staff did not bid this contract. General Manager Spatz stated that staff looked at the three biggest copier companies and Konica Minolta came in lower than joint purchasing. He added that while getting quotes the two other companies both had started with an associate and by the time the quotes came, there was someone else that was working on staff's quotes. He stated that the associate at Konica Minolta has been at the company for fourteen years. He added that if staff was

not specific enough with the bidding requirements then a new machine may not be provided.

Commissioner Russo asked if toner was included with the contract. General Manager Spatz replied in the affirmative and added that scanning is free as well as other measures to make sure paper is not wasted. He added that as staff scan cards will be required anytime copies/scans/certain print jobs need to be made. He also added the printers are set to default black and white. He continued by stating that black and white has additional savings versus color and this should reduce the amount of copies.

At this time Staff Attorney Crowley entered the meeting. She stated the following with respect to the copier contract: the Commission is not granting security interest, that Konica Minolta is taking the risk, and that by signing the contract the security interest is not enforceable. She added that they were given the case log and it was disclosed. At this time Staff Attorney Crowley left the meeting.

Chairman Suess asked if the committee was in agreement with the ordinance. They all responded aye.

Treasurer's Report – May 2011

Mr. Cavaliere provided the Committee with a synopsis of the May Treasurers reports (A, B, and C). There was a brief discussion in regard to the format of future Treasurers Reports. Mr. Cavaliere stated that staff and Baker Tilly are meeting with Incode developers in July for training and customization.

There was also a brief discussion of cash flow analysis, interest rates, electronic banking, and the public funds investment act.

Financial Statements – May 2011

Mr. Cavaliere provided the Committee with a synopsis of the May Financial Statements.

Discussion items

- a. West Suburban Bank Debt Repayment \$8,000,000 June 21, 2011

The \$8,000,000 payment was made to West Suburban Bank on June 21, 2011.

- b. Baker Tilly Update

Some items that were discussed regarding the Baker Tilly update were:

- Automating accounting processes.
- Interfacing the Commission's work order system, Infor, with Incode.
- Baker Tilly's documentation of the Commission's accounting procedures relating to the Jenner and Block report.
- Baker Tilly's process for electronically reviewed documents
- Receipt of the auditors' final report.
- Statute relating to recent amendments to the Water Commission Act regarding internal control procedures is not clearly defined. Baker Tilly will review issues identified by the external auditor once their report is issued and provide recommendations to address any findings..

- Secretary of State Local Records Act for destroying documents and the Commission’s document retention policy.
- The Baker Tilly update worksheet is a living document and items can be added.

c. Budget Appropriation Ordinance Hearing July 21, 2011

General Manager Spatz stated that the settlement with 75th and Washington payment will need to be added to the budget. He added that if it is settled before July, it will have to be taken out of the contingencies. Manager of Water Operations McGhee added that there can be changes to the budget up to the July 21, 2011 approval.

Accounts Payable

Mr. Cavaliere stated that the check register was present at the meeting if anyone wanted to review it.

| | |
|------------------------------|------------------------|
| May 11, 2011 – June 14, 2011 | \$ 4,605,059.28 |
| <u>Estimated</u> | <u>\$ 1,059,100.00</u> |
| Total | \$ 5,664,159.28 |

OTHER

At this time, Treasure Narducci stated that the Reconciliations were all approved. He added that he would like to look at a number of items to better understand the Commission’s accounting processes. He stated that the Commission has straighter mains then where he previously worked as well as different reporting measures.

Chairman Suess asked Treasurer Narducci to put together a list of projects for the Committee.

Manager of Water Operations McGhee stated the audit report from Sikich LLC should be ready for the Committee’s review by the July meeting. He added that staff has started on the RFP for an auditing service engagement for FY2012, FY2013 and FY2014. He stated that Sikich LLC will be invited to respond to this RFP as their work has been completely satisfactory and the Commission has no formal policy to rotate audit firms.

Chairman Suess asked if there was an update on Downers Grove’s repayment. Manager of Water Operations McGhee stated that it will be addressed at the meeting.

ADJOURNMENT

The meeting was adjourned at 6:57 P.M.

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, JULY 21, 2011
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:45 P.M.

Committee members in attendance: J. Pruyne, D. Russo, and J. Zay (*ex officio*)

Committee members absent: P. Suess and C. Janc

Also in attendance: J. Spatz, T. McGhee, J. Nesbitt, N. Narducci, and N. Cavaliere.

Minutes

The Regular Committee Meetings of June 23, 2011 were not approved since not enough committee members were present.

Chairman Zay asked why the present committee members could not vote on these minutes. Manager of Operations McGhee replied that in the Commission By-Laws state that the Chairman cannot vote on committee matters. Chairman Zay stated that this needs to be changed. Manager of Operations McGhee stated that the By-Laws are in the process of being reviewed and amended.

Approval of Reconciliations

Treasurer Narducci noted that the reconciliations were approved.

Ordinance No. O-14-11

General Manager Spatz reviewed the Request for Board Action for Ordinance No. O-14-11 for which appropriations were being amended.

The committee members were all in agreement with the ordinance.

Resolution No. R-32-11

General Manager Spatz stated that the Village of Downers Grove has paid the Commission \$3.8M for extending Lake Michigan water service to new residential retail customers in a DuPage County service area affected by contaminated well water. He added that the Village still owes the Commission \$566,000 by July 30, 2011. He further stated that if the Village does not pay the agreed upon amount by July 30, 2011, the Commission would revert back to the original agreement of \$4.788M.

Chairman Zay stated that it is in the best interest of the Commission to settle with the Village as the Commission could use the additional monies to pay down its loan with West Suburban Bank.

General Manager Spatz stated that the three month Libor term with Northern Trust Bank was ending and recommended that the Commission elect another three month Libor term. He added that the current three month Libor rate would be somewhere between .25%-.27% and added that the Commission should pay down the \$5M of principal due to Northern Trust and hold the \$4.363M received from Downers Grove settlement for future principal payments.

The committee members were all in agreement with the resolution.

Treasurer's Report – June 2011

Mr. Cavaliere provided the Committee with a synopsis of the June Treasurer's report. Commissioner Russo suggested adding 'Principal Payment' to the Northern Trust line item so all others reading the report would have a clear understanding of the item.

Manager of Operations McGhee stated that it is important that the Commissioners are comfortable with the reports and if there is something that they would like to see on a report to inform Mr. Cavaliere.

Financial Statements – June 2011

Mr. Cavaliere provided the Committee with a synopsis of the June Financial Statements.

There was a brief discussion on how the billing/budget is represented.

Accounts Payable

Manager of Operations McGhee informed the committee members that a revised Accounts Payable was at the Commissioner's seats in the board room.

| | |
|-------------------------|------------------------|
| June 15 - July 13, 2011 | \$ 4,841,490.02 |
| <u>Estimated</u> | <u>\$ 6,137,959.44</u> |
| Total | \$ 10,979,449.46 |

There was discussion on the codes of the last page of the Accounts Payable and Mr. Cavaliere stated that he would look into its source and how it is generated.

Other

At this time, Treasurer Narducci reviewed his Project List. After Treasurer Narducci discussed examining bulk purchasing of heat and gas, General Manager Spatz stated that staff was to meet with their consultant the following week to discuss prices and possibly establish a two year contract instead of one year in the interest of saving money.

Chairman Zay stated that the Commission could ratify this at the next meeting if staff was able to get locked in at a lower price.

The last item on Treasurer Narducci's Project List was to review bidding on audit services. There was some discussion on retaining the Commission's current audit firm, Sikich LLC.

Adjournment

The meeting was adjourned at 7:30 P.M.

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DuPage Water Commission

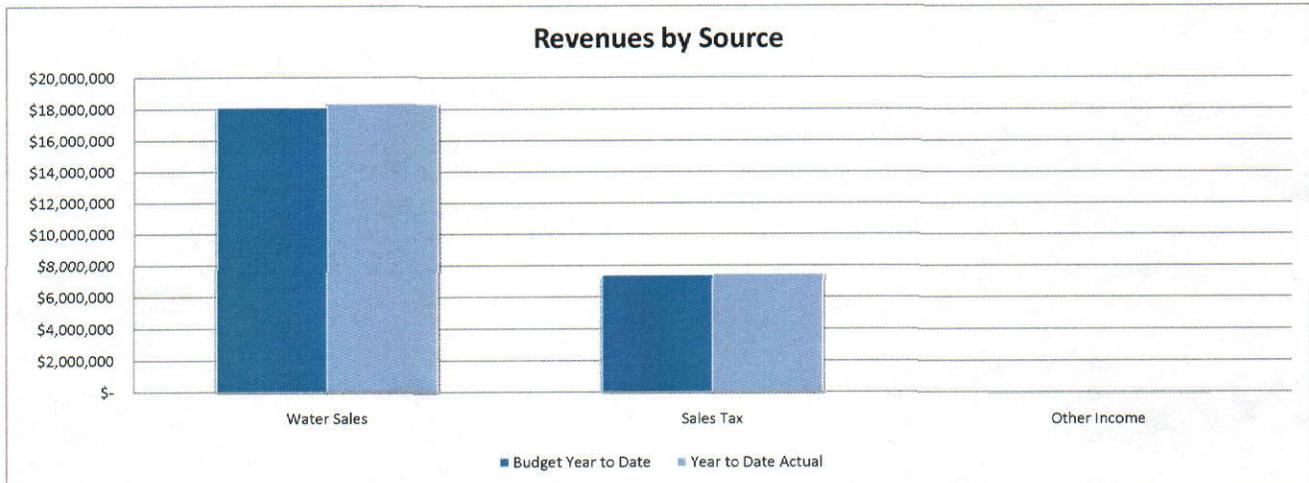
MEMORANDUM

TO: John Spatz, General Manager
FROM: Baker Tilly, Consultant
DATE: August 18, 2011
SUBJECT: Financial Report – July 31, 2011

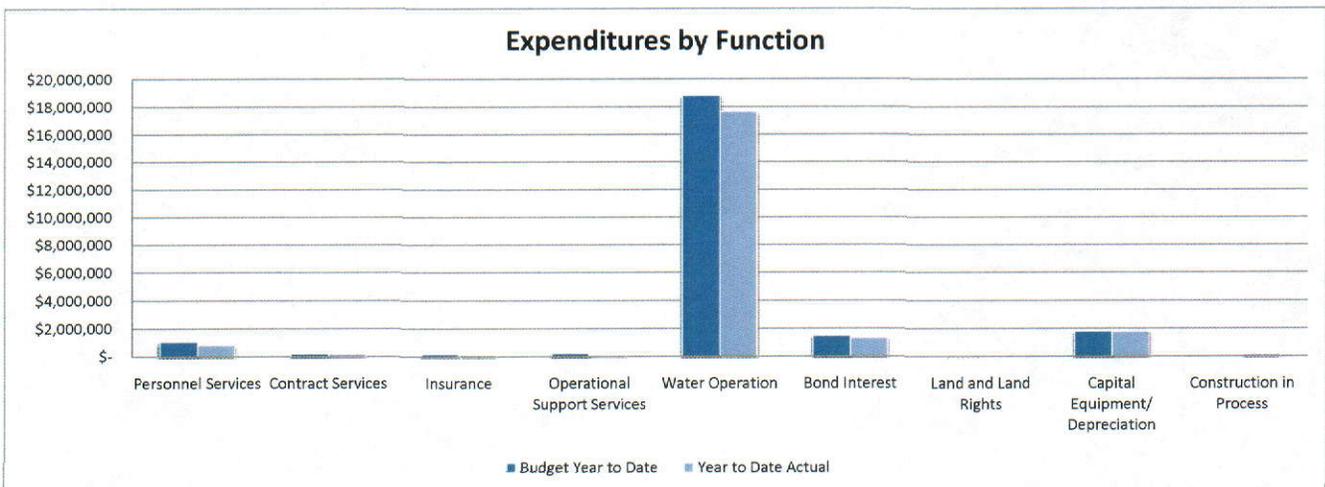
- The outstanding balance on the Northern Trust Debt Certificate was reduced by \$5.0 million in July and has an outstanding balance of \$35.0 million.
- A collection of \$4.36 million was received as agreed upon for repayment of a water quality loan.
- Water sales to Commission customers for July were 233.7 million gallons (7.9%) greater than July 2010 and 743.6 million gallons greater than June 2011. Water billings to customers was \$6.551 million and water purchases from the City of Chicago was \$6.569 million.
- July sales tax collections (April) were \$123,199 (4.8%) more than the same period last fiscal year. Cumulatively, sales tax is \$421,181 greater compared to prior year
- Water billing receivables at the July month end (\$9.6 million) were consistent with the previous month.
- The Commission is three months through the fiscal year. At the end of July \$25.9 million of the \$97.1 million revenue budget has been realized, this accounts for 26.6% of the revenue budget, \$22.2 million of the \$87.1 million expenditure budget has been realized, this accounts for 25.5% of the expenditure budget. Based upon seasonality of monthly expenditures, total year-to-date expenditures are 1.9% below budgeted amounts. The Commission's year to date balances for revenues and expenditures are in line with the budgeted amounts.
- In July, a review of various revenues and expenses was performed and budgeted amounts were adjusted for seasonality based on a monthly trend for the last three fiscal years. Water service, sales tax revenues, water billing from Chicago, electricity and pumping operations were the key accounts adjusted. Year to date revenues are 101.1% percent of budget and expenses are 92.9% of budget. Remaining accounts will be reviewed for timing within the next month.
- The Operations and Maintenance, Operations and Maintenance Reserve, and Depreciation Accounts are fully funded as of July 31, 2011.
- The General Account and the Sales Tax Subaccount have balances of \$13.5 million and \$8.3 million, respectively.

cc: Chairman and Commissioners

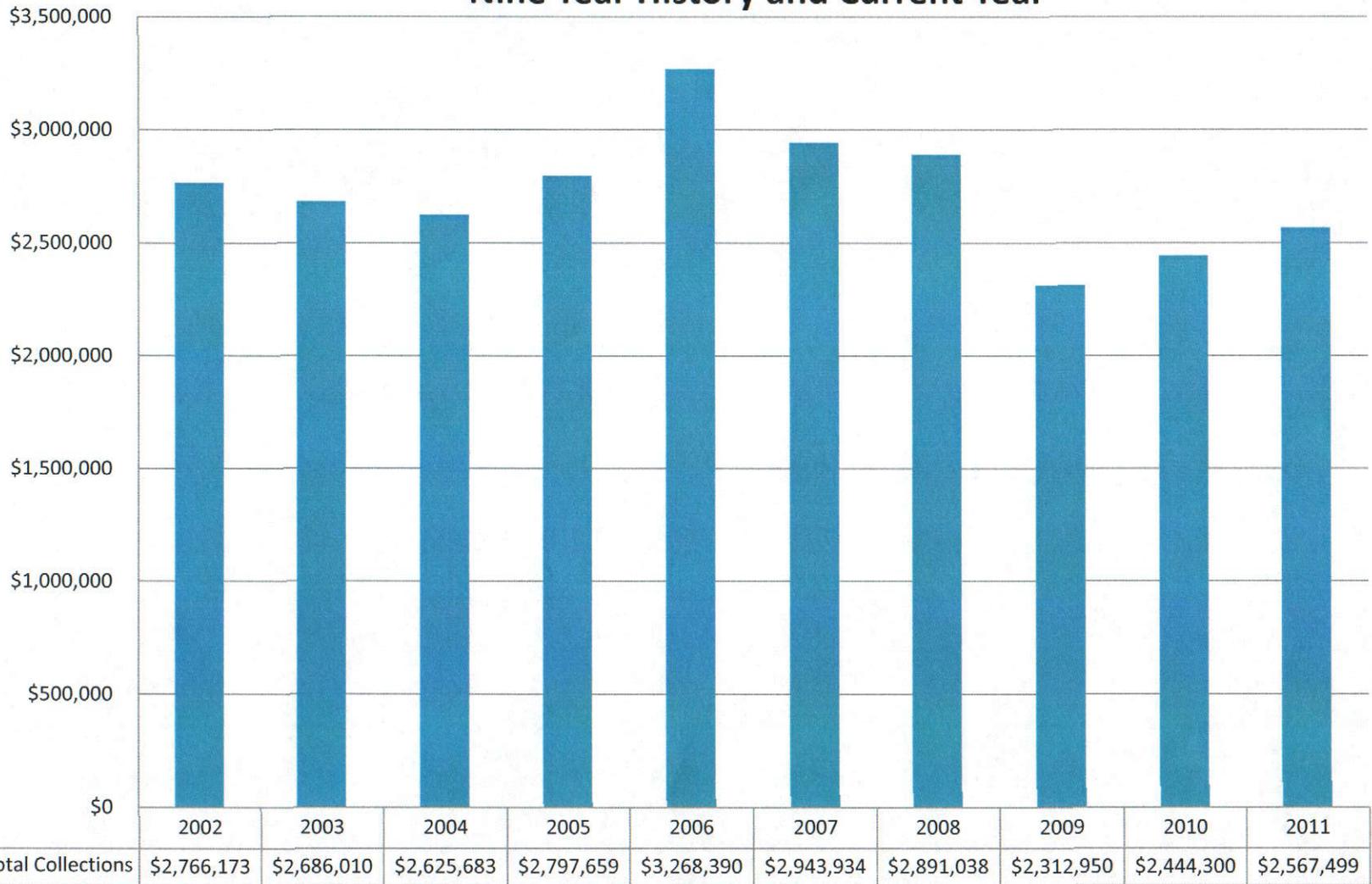
| | (A) Current Year Budget | (B) Current Year To-Date | (C) = (B) - (A) Budget Remaining | (D) = (C) + (A) Percent of Budget Realized | (E) = (B) + (A) Percent of Budget Realized |
|---|-------------------------------|--------------------------------|--|---|---|
| Revenue Summary | | | | | |
| Water Sales | \$ 18,121,391 | \$ 18,380,112 | \$ 258,721 | 1.4% | 101.4% |
| Sales Tax | 7,403,042 | 7,484,817 | 81,775 | 1.1% | 101.1% |
| Other Income | 63,465 | 13,128 | (50,337) | -79.3% | 20.7% |
| -Total, Revenues - All Funds | 25,587,898 | 25,878,057 | 290,159 | 1.1% | 101.1% |



| | Current Year Budget | Current Year To-Date | Budget Remaining | Percent of Budget Remaining | Percent of Budget Utilized |
|---|------------------------|-------------------------|---------------------|-----------------------------------|----------------------------------|
| Expenditure Summary | | | | | |
| Personnel Services | \$ 1,079,129 | \$ 848,229 | \$ 230,900 | 21.4% | 78.6% |
| Contract Services | 222,550 | 185,320 | 37,230 | 16.7% | 83.3% |
| Insurance | 185,011 | 140,237 | 44,774 | 24.2% | 75.8% |
| Operational Support Services | 249,936 | 70,444 | 179,492 | 71.8% | 28.2% |
| Water Operation | 18,820,773 | 17,669,532 | 1,151,241 | 6.1% | 93.9% |
| Interest Expense | 1,493,279 | 1,317,930 | 175,349 | 11.7% | 88.3% |
| Land and Land Rights | 7,938 | - | 7,938 | 100.0% | 0.0% |
| Capital Equipment/Depreciation | 1,814,601 | 1,786,455 | 28,146 | 1.6% | 98.4% |
| Construction in Process | - | 167,909 | (167,909) | | |
| -Total, Expenditures - All Funds | 23,873,217 | 22,186,056 | 1,687,161 | 7.1% | 92.9% |



DuPage Water Commission - Sales Tax Collections - Month of July - Nine Year History and Current Year



DuPage Water Commission

Summary of Specific Account Requirement Compliance and Summary of Net Assets
July 31, 2011

| Revenue Bond Ordinance/Commission Policy Account Requirements | Account Net Assets Balance | Specific Account Requirement | Status |
|---|-------------------------------|---------------------------------|--------------|
| Operations and Maintenance Account | \$ 6,182,616.25 | \$ 6,182,616.25 | Fully Funded |
| Revenue Bond Interest Account | \$ 73.71 | Positive Balance | Compliant |
| Revenue Bond Principal Account | \$ 436.70 | Positive Balance | Compliant |
| Bond Reserve Account | \$ - | Insured | Compliant |
| Operations and Maintenance Reserve Account | \$ 12,365,893.49 | \$ 12,365,232.50 | Fully Funded |
| Depreciation Account | \$ 5,350,102.58 | \$ 5,350,000.00 | Fully Funded |
| General Account | \$ 13,541,784.29 | \$ 13,000,000.00 | Fully Funded |

Other Accounts - No Requirement

| | |
|----------------------|-----------------|
| Sales Tax Subaccount | \$ 4,860,766.46 |
|----------------------|-----------------|

Total Net Assets - All Commission Accounts

| | |
|---------------------------------|--------------------------|
| Unrestricted | \$ (6,473,819.91) |
| Restricted | \$ 27,319,232.74 |
| Invested in Capital Assets, net | \$ 305,861,967.06 |
| Total | \$ 326,707,379.89 |

BALANCE SHEET

AS OF: JULY 31ST, 2011

01 -WATER FUND

| | 2010-2011 | 2011-2012 |
|--------------------------------------|-----------------------|-----------------------|
| ASSETS | BALANCE | BALANCE |
| <u>CURRENT</u> | | |
| CASH | 303,833.08 | 548,794.50 |
| INVESTMENTS | 74,443,026.18 | 56,668,208.03 |
| ACCOUNTS RECEIVABLE | | |
| WATER SALES | 8,918,740.32 | 9,638,744.40 |
| INTEREST RECEIVABLE | 72,094.60 | 8,857.50 |
| SALES TAX RECEIVABLE | 7,063,636.00 | 7,346,181.00 |
| OTHER RECEIVABLE | 9,222,878.36 | 3,377,077.29 |
| INVENTORY | 167,080.00 | 167,080.00 |
| PREPAIDS | 285,242.24 | 225,507.17 |
| UNAMORTIZED ISSUANCE COST | 226,798.31 | 152,003.39 |
| TOTAL CURRENT ASSETS | <u>100,703,329.09</u> | <u>78,132,453.28</u> |
| <u>NONCURRENT ASSETS</u> | | |
| FIXED ASSETS | 469,495,238.76 | 470,196,065.16 |
| LESS: ACCUMULATED DEPRECIATION | (114,772,893.98) | (121,670,966.95) |
| CONSTRUCTION WORK IN PROGRESS | 27,565,502.21 | 29,471,583.76 |
| LONG TERM RECEIVABLES | 5,637,191.54 | 637,568.54 |
| TOTAL NONCURRENT ASSETS | <u>387,925,038.53</u> | <u>378,634,250.51</u> |
| TOTAL ASSETS | 488,628,367.62 | 456,766,703.79 |
| | ===== | ===== |
| <u>LIABILITIES</u> | | |
| ===== | | |
| <u>CURRENT LIABILITIES</u> | | |
| ACCOUNTS PAYABLE | 8,701,023.05 | 7,025,474.44 |
| ACCOUNTS PAYABLE CAPITAL | 240,892.80 | 1,503,340.54 |
| ACCRUED PAYROLL LIABILITIES | 390,662.30 | 274,652.97 |
| NOTES PAYABLE | 70,000,000.00 | 57,000,000.00 |
| NOTES PAYABLE DISCOUNT | (89,957.03) | (94,999.99) |
| BONDS PAYABLE | 23,030,000.00 | 11,090,000.00 |
| ACCRUED INTEREST | 1,454,359.86 | 1,022,929.88 |
| CONTRACT RETENTION | 3,670,422.44 | 1,905,659.38 |
| DEFERRED REVENUE | 1,909,342.84 | 1,769,224.63 |
| TOTAL CURRENT LIABILITIES | <u>109,306,746.26</u> | <u>81,496,281.85</u> |
| <u>NONCURRENT LIABILITIES</u> | | |
| CAPITAL LEASE PAYABLE | 0.00 | 35,967.35 |
| REVENUE BONDS | 61,465,000.00 | 50,375,000.00 |
| UNAMORTIZED PREMIUM | (2,459,060.50) | (1,894,691.30) |
| GENERAL OBLIGATION BONDS | (42,778.13) | 0.00 |
| OTHER POST EMPLOYMENT BENEFITS LIAB. | 44,637.00 | 46,766.00 |
| TOTAL NONCURRENT LIABILITIES | <u>59,007,798.37</u> | <u>48,563,042.05</u> |
| TOTAL LIABILITIES | 168,314,544.63 | 130,059,323.90 |
| | ===== | ===== |

BALANCE SHEET

AS OF: JULY 31ST, 2011

01 -WATER FUND

| | 2010-2011 | 2011-2012 |
|---------------------------|-----------------------|-----------------------|
| ASSETS | BALANCE | BALANCE |
| BEGINNING EQUITY/RESERVES | <u>321,957,531.32</u> | <u>323,015,378.24</u> |
| TOTAL REVENUE | 23,671,532.39 | 25,878,057.13 |
| TOTAL EXPENSES | <u>25,315,240.72</u> | <u>22,186,055.48</u> |
| NET CHANGE | (1,643,708.33) | <u>3,692,001.65</u> |
| TOTAL EQUITY/RESERVES | <u>320,313,822.99</u> | <u>326,707,379.89</u> |
| NET ASSETS | 488,628,367.62 | 456,766,703.79 |
| | ===== | ===== |

DU PAGE WATER COMMISSION
 REVENUE & EXPENSE REPORT (UNAUDITED)
 AS OF: JULY 31ST, 2011

01 - WATER FUND
 FINANCIAL SUMMARY

% OF YEAR COMPLETED: 25.00

| | Y-T-D BUDGET | CURRENT PERIOD | PRIOR YEAR PO ADJUST. | Y-T-D ACTUAL | Y-T-D ENCUMBRANCE | BUDGET BALANCE | % OF BUDGET |
|-----------------------------------|-----------------|-------------------|--------------------------|-----------------|----------------------|-------------------|----------------|
| <u>REVENUE SUMMARY</u> | | | | | | | |
| WATER SERVICE | 18,121,391 | 7,223,090.44 | 0.00 | 18,380,112.45 | 0.00 (| 258,721.03) | 101.43 |
| TAXES | 7,403,042 | 2,567,498.93 | 0.00 | 7,484,816.71 | 0.00 (| 81,774.91) | 101.10 |
| OTHER INCOME | 63,465 | 1,305.31 | 0.00 | 13,127.97 | 0.00 | 50,337.50 | 20.69 |
| TOTAL REVENUES | 25,587,899 | 9,791,894.68 | 0.00 | 25,878,057.13 | 0.00 (| 290,158.44) | 101.13 |
| <u>EXPENDITURE SUMMARY</u> | | | | | | | |
| <u>OPERATIONS</u> | | | | | | | |
| PERSONNEL SERVICES | 1,079,129 | 262,755.84 | 0.00 | 848,229.16 | 0.00 | 230,900.00 | 78.60 |
| CONTRACT SERVICES | 222,550 | 43,409.80 | 0.00 | 185,319.57 | 0.00 | 37,230.37 | 83.27 |
| INSURANCE | 185,011 | 45,794.08 | 0.00 | 140,237.07 | 0.00 | 44,773.96 | 75.80 |
| OPERATIONAL SUPPORT SRVS | 249,936 | 19,061.61 | 0.00 | 70,444.28 | 0.00 | 179,491.91 | 28.18 |
| WATER OPERATION | 18,820,773 | 7,010,315.81 | 0.00 | 17,669,531.51 | 0.00 | 1,151,241.23 | 93.88 |
| BOND INTEREST | 1,493,279 | 388,733.70 | 0.00 | 1,317,930.39 | 0.00 | 175,348.30 | 88.26 |
| LAND & LAND RIGHTS | 7,938 | 0.00 | 0.00 | 0.00 | 0.00 | 7,937.53 | 0.00 |
| CAPITAL EQUIP/DEPREC | 1,814,601 | 573,229.00 | 0.00 | 1,786,454.81 | 0.00 | 28,146.38 | 98.45 |
| CONSTRUCTION IN PROGRESS | 0 | 167,408.69 | 0.00 | 167,908.69 | 0.00 (| 167,908.69) | 0.00 |
| TOTAL OPERATIONS | 23,873,216 | 8,510,708.53 | 0.00 | 22,186,055.48 | 0.00 | 1,687,160.99 | 92.93 |
| TOTAL EXPENDITURES | 23,873,216 | 8,510,708.53 | 0.00 | 22,186,055.48 | 0.00 | 1,687,160.99 | 92.93 |
| REVENUE OVER/(UNDER) EXPENDITURES | 1,714,682 | 1,281,186.15 | 0.00 | 3,692,001.65 | 0.00 (| 1,977,319.43) | 215.32 |

DU PAGE WATER COMMISSION
 REVENUE & EXPENSE REPORT (UNAUDITED)
 AS OF: JULY 31ST, 2011

01 -WATER FUND

% OF YEAR COMPLETED: 25.00

| REVENUES | Y-T-D BUDGET | CURRENT PERIOD | PRIOR YEAR PO ADJUST. | Y-T-D ACTUAL | Y-T-D ENCUMBRANCE | BUDGET BALANCE | % OF BUDGET |
|--------------------------------------|-------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|----------------|
| WATER SERVICE | | | | | | | |
| 01-5111 O&M PAYMENTS- GOVERNMENTAL | 15,645,597 | 6,398,819.04 | 0.00 | 15,974,752.44 | 0.00 | (329,155.18) | 102.10 |
| 01-5112 O&M PAYMENTS- PRIVATE | 456,984 | 152,404.32 | 0.00 | 388,868.88 | 0.00 | 68,115.43 | 85.09 |
| 01-5121 FIXED COST PAYMENTS- GOVT | 1,740,657 | 580,219.03 | 0.00 | 1,740,657.09 | 0.00 | (0.09) | 100.00 |
| 01-5122 FIXED COST PAYMENTS-PRIVATE | 45,492 | 15,163.83 | 0.00 | 45,491.49 | 0.00 | 0.51 | 100.00 |
| 01-5131 SUBSEQUENT CUSTOMER - GO | 85,200 | 28,431.60 | 0.00 | 85,156.24 | 0.00 | 43.76 | 99.95 |
| 01-5132 SUBSEQUENT CUSTOMER - PRIVAT | 144,000 | 47,999.26 | 0.00 | 143,751.11 | 0.00 | 248.89 | 99.83 |
| 01-5141 EMERGENCY WATER SERVICE- GOV | 3,461 | 53.36 | 0.00 | 1,435.20 | 0.00 | 2,025.65 | 41.47 |
| TOTAL WATER SERVICE | 18,121,391 | 7,223,090.44 | 0.00 | 18,380,112.45 | 0.00 | (258,721.03) | 101.43 |
| TAXES | | | | | | | |
| 01-5300.SALES TAXES - WATER REVENUE | 5,754,519 | 2,567,498.93 | 0.00 | 7,484,816.71 | 0.00 | (1,730,297.75) | 130.07 |
| 01-5300.WATER FUND - GENERAL | 1,648,523 | 0.00 | 0.00 | 0.00 | 0.00 | 1,648,522.84 | 0.00 |
| TOTAL TAXES | 7,403,042 | 2,567,498.93 | 0.00 | 7,484,816.71 | 0.00 | (81,774.91) | 101.10 |
| OTHER INCOME | | | | | | | |
| 01-5810 NET INC(DEC) IN FV OF INVEST | 63,465 | 1,305.31 | 0.00 | 5,317.97 | 0.00 | 58,147.50 | 8.38 |
| 01-5900 OTHER INCOME | 0 | 0.00 | 0.00 | 7,810.00 | 0.00 | (7,810.00) | 0.00 |
| TOTAL OTHER INCOME | 63,465 | 1,305.31 | 0.00 | 13,127.97 | 0.00 | 50,337.50 | 20.69 |
| ** TOTAL REVENUES ** | 25,587,899 | 9,791,894.68 | 0.00 | 25,878,057.13 | 0.00 | (290,158.44) | 101.13 |

DU PAGE WATER COMMISSION
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF:JULY 31ST, 2011

01 -WATER FUND
OPERATIONS

% OF YEAR COMPLETED: 25.00

| DEPARTMENTAL EXPENDITURES | Y-T-D BUDGET | CURRENT PERIOD | PRIOR YEAR PO ADJUST. | Y-T-D ACTUAL | Y-T-D ENCUMBRANCE | BUDGET BALANCE | % OF BUDGET |
|--|-----------------|-------------------|--------------------------|-----------------|----------------------|-------------------|----------------|
| <u>REBATE/ALW BAD DEBT STLM</u> | | | | | | | |
| <u>PERSONNEL SERVICES</u> | | | | | | | |
| 01-60-6111 ADMIN SALARIES | 323,612 | 79,465.31 | 0.00 | 251,960.83 | 0.00 | 71,650.95 | 77.86 |
| 01-60-6112 OPERATIONS SALARIES | 371,474 | 110,719.58 | 0.00 | 340,266.31 | 0.00 | 31,207.19 | 91.60 |
| 01-60-6116 ADMIN OVERTIME | 1,850 | 674.40 | 0.00 | 969.90 | 0.00 | 880.07 | 52.43 |
| 01-60-6117 OPERATIONS OVERTIME | 52,250 | 15,384.80 | 0.00 | 36,309.22 | 0.00 | 15,940.75 | 69.49 |
| 01-60-6121 PENSION | 84,142 | 13,065.34 | 0.00 | 60,202.11 | 0.00 | 23,939.92 | 71.55 |
| 01-60-6122 MEDICAL/LIFE BENEFITS | 126,500 | 33,172.73 | 0.00 | 108,740.87 | 0.00 | 17,759.10 | 85.96 |
| 01-60-6123 FEDERAL PAYROLL TAXES | 58,517 | 7,387.44 | 0.00 | 38,507.68 | 0.00 | 20,009.29 | 65.81 |
| 01-60-6128 STATE UNEMPLOYMENT | 2,600 | 1,193.72 | 0.00 | 1,193.72 | 0.00 | 1,406.25 | 45.91 |
| 01-60-6131 TRAVEL | 14,300 | 1,369.52 | 0.00 | 4,485.82 | 0.00 | 9,814.18 | 31.37 |
| 01-60-6132 TRAINING | 23,750 | 50.00 | 0.00 | 245.00 | 0.00 | 23,505.00 | 1.03 |
| 01-60-6133.01 CONFERENCES | 13,310 | 0.00 | 0.00 | 4,824.70 | 0.00 | 8,485.30 | 36.25 |
| 01-60-6191 OTHER PERSONNEL COSTS | 6,825 | 273.00 | 0.00 | 523.00 | 0.00 | 6,302.00 | 7.66 |
| TOTAL PERSONNEL SERVICES | 1,079,129 | 262,755.84 | 0.00 | 848,229.16 | 0.00 | 230,900.00 | 78.60 |
| <u>CONTRACT SERVICES</u> | | | | | | | |
| 01-60-6210 WATER CONSERVATION PROGRAM | 6,250 | 0.00 | 0.00 | 8,028.22 | 0.00 | 1,778.19 | 128.45 |
| 01-60-6233 TRUST SERVICES & BANK CHARGE | 6,275 | 522.05 | 0.00 | 2,917.32 | 0.00 | 3,357.65 | 46.49 |
| 01-60-6251 LEGAL SERVICES- GENERAL | 12,500 | 0.00 | 0.00 | 0.00 | 0.00 | 12,499.97 | 0.00 |
| 01-60-6252 BOND COUNSEL | 5,250 | 0.00 | 0.00 | 0.00 | 0.00 | 5,250.00 | 0.00 |
| 01-60-6253 LEGAL SERVICES- SPECIAL | 12,500 | 601.81 | 0.00 | 4,246.43 | 0.00 | 8,253.54 | 33.97 |
| 01-60-6258 LEGAL NOTICES | 1,250 | 0.00 | 0.00 | 1,672.00 | 0.00 | 422.03 | 133.76 |
| 01-60-6260 AUDIT SERVICES | 27,300 | 19,600.00 | 0.00 | 39,300.00 | 0.00 | 12,000.00 | 143.96 |
| 01-60-6280 CONSULTING SERVICES | 31,875 | 0.00 | 0.00 | 13,500.51 | 0.00 | 18,374.49 | 42.35 |
| 01-60-6290 CONTRACTUAL SERVICES | 119,350 | 22,685.94 | 0.00 | 115,655.09 | 0.00 | 3,694.94 | 96.90 |
| TOTAL CONTRACT SERVICES | 222,550 | 43,409.80 | 0.00 | 185,319.57 | 0.00 | 37,230.37 | 83.27 |
| <u>INSURANCE</u> | | | | | | | |
| 01-60-6411 GENERAL LIABILITY INSURANCE | 13,186 | 8,490.67 | 0.00 | 25,148.99 | 0.00 | 11,962.96 | 190.72 |
| 01-60-6412 PUBLIC OFFICIAL LIABILITY | 26,750 | 1,171.50 | 0.00 | 4,794.33 | 0.00 | 21,955.64 | 17.92 |
| 01-60-6413 TEMPORARY BONDS | 75 | 0.00 | 0.00 | 0.00 | 0.00 | 75.00 | 0.00 |
| 01-60-6415 WORKER'S COMPENSATION | 22,500 | 6,798.00 | 0.00 | 20,394.00 | 0.00 | 2,106.00 | 90.64 |
| 01-60-6416 EXCESS LIABILITY COVERAGE | 14,500 | 2,617.16 | 0.00 | 7,851.50 | 0.00 | 6,648.53 | 54.15 |
| 01-60-6421 PROPERTY INSURANCE | 91,750 | 26,479.50 | 0.00 | 79,438.50 | 0.00 | 12,311.53 | 86.58 |
| 01-60-6422 AUTOMOBILE INSURANCE | 3,750 | 237.25 | 0.00 | 2,609.75 | 0.00 | 1,140.25 | 69.59 |
| 01-60-6491 SELF INSURANCE PROPERTY | 12,500 | 0.00 | 0.00 | 0.00 | 0.00 | 12,499.97 | 0.00 |
| TOTAL INSURANCE | 185,011 | 45,794.08 | 0.00 | 140,237.07 | 0.00 | 44,773.96 | 75.80 |
| <u>OPERATIONAL SUPPORT SRVS</u> | | | | | | | |
| 01-60-6512 GENERATOR DIESEL FUEL | 50,000 | 0.00 | 0.00 | 702.36 | 0.00 | 49,297.61 | 1.40 |
| 01-60-6513 NATURAL GAS | 10,500 | 370.33 | 0.00 | 3,155.52 | 0.00 | 7,344.48 | 30.05 |
| 01-60-6514.01 TELEPHONE | 7,135 | 1,153.39 | 0.00 | 4,806.64 | 0.00 | 2,328.39 | 67.37 |
| 01-60-6514.02 CELL PHONE & CORR. TELEMETRY | 8,995 | 3,766.24 | 0.00 | 5,846.80 | 0.00 | 3,148.23 | 65.00 |
| 01-60-6514.03 RADIOS | 2,100 | 0.00 | 0.00 | 0.00 | 0.00 | 2,100.00 | 0.00 |
| 01-60-6514.04 REPAIRS & EQUIPMENT | 3,800 | 0.00 | 0.00 | 0.00 | 0.00 | 3,799.97 | 0.00 |
| 01-60-6521 OFFICE SUPPLIES | 5,650 | 124.22 | 0.00 | 4,802.17 | 0.00 | 847.86 | 84.99 |

DU PAGE WATER COMMISSION
 REVENUE & EXPENSE REPORT (UNAUDITED)
 AS OF: JULY 31ST, 2011

01 -WATER FUND
 OPERATIONS

% OF YEAR COMPLETED: 25.00

| DEPARTMENTAL EXPENDITURES | Y-T-D BUDGET | CURRENT PERIOD | PRIOR YEAR PO ADJUST. | Y-T-D ACTUAL | Y-T-D ENCUMBRANCE | BUDGET BALANCE | % OF BUDGET |
|---|--------------|----------------|-----------------------|---------------|-------------------|----------------|-------------|
| 01-60-6522 BOOKS & PUBLICATIONS | 2,568 | 445.23 | 0.00 | 1,515.32 | 0.00 | 1,052.96 | 59.00 |
| 01-60-6531 PRINTING- GENERAL | 3,012 | 0.00 | 0.00 | 796.25 | 0.00 | 2,216.22 | 26.43 |
| 01-60-6532 POSTAGE & DELIVERY | 4,200 | 964.42 | 0.00 | 1,918.98 | 0.00 | 2,281.02 | 45.69 |
| 01-60-6540 PROFESSIONAL DUES | 3,689 | 0.00 | 0.00 | 3,695.33 | 0.00 (| 6.55) | 100.18 |
| 01-60-6550 REPAIRS & MAINT- OFFICE EQUI | 4,488 | 566.50 | 0.00 | 2,104.46 | 0.00 | 2,383.54 | 46.89 |
| 01-60-6560 REPAIRS & MAINT- BLDGS & GRN | 101,075 | 10,219.52 | 0.00 | 36,061.34 | 0.00 | 65,013.63 | 35.68 |
| 01-60-6580 COMPUTER SOFTWARE | 18,800 | 0.00 | 0.00 | 0.00 | 0.00 | 18,799.97 | 0.00 |
| 01-60-6590 COMPUTER/SOFTWARE MAINTENANCE | 20,199 | 418.43 | 0.00 | 668.43 | 0.00 | 19,530.29 | 3.31 |
| 01-60-6591 OTHER ADMINISTRATIVE EXPENSE | 3,725 | 1,033.33 | 0.00 | 4,370.68 | 0.00 (| 645.71) | 117.33 |
| TOTAL OPERATIONAL SUPPORT SRVS | 249,936 | 19,061.61 | 0.00 | 70,444.28 | 0.00 | 179,491.91 | 28.18 |
| WATER OPERATION | | | | | | | |
| 01-60-6611.01 WATER BILLING | 16,537,762 | 6,568,665.00 | 0.00 | 16,416,045.00 | 0.00 | 121,717.05 | 99.26 |
| 01-60-6611.02 ELECTRICITY | 432,432 | 90,000.00 | 0.00 | 237,009.76 | 0.00 | 195,422.24 | 54.81 |
| 01-60-6611.03 OPERATIONS & MAINTENANCE | 63,000 | 26,889.16 | 0.00 | 71,007.31 | 0.00 (| 8,007.31) | 112.71 |
| 01-60-6612.01 PUMP STATION | 926,640 | 294,840.08 | 0.00 | 794,252.30 | 0.00 | 132,387.70 | 85.71 |
| 01-60-6612.02 METER STATION, ROV, TANK SITE | 31,250 | 6,265.63 | 0.00 | 13,640.66 | 0.00 | 17,609.31 | 43.65 |
| 01-60-6613 WATER CHEMICALS | 6,300 | 2,777.89 | 0.00 | 2,777.89 | 0.00 | 3,522.11 | 44.09 |
| 01-60-6614 WATER TESTING | 2,750 | 0.00 | 0.00 | 2,112.53 | 0.00 | 637.44 | 76.82 |
| 01-60-6621 PUMPING SERVICES | 68,825 | 573.00 | 0.00 | 17,247.06 | 0.00 | 51,577.91 | 25.06 |
| 01-60-6623 METER TESTING & REPAIRS | 15,650 | 0.00 | 0.00 | 0.00 | 0.00 | 15,649.97 | 0.00 |
| 01-60-6624 SCADA / INSTRUMENTATION | 14,550 | 3,105.15 | 0.00 | 5,046.23 | 0.00 | 9,503.77 | 34.68 |
| 01-60-6625 EQUIPMENT RENTAL | 3,225 | 0.00 | 0.00 | 228.00 | 0.00 | 2,997.00 | 7.07 |
| 01-60-6626 UNIFORMS | 8,500 | 135.99 | 0.00 | 1,057.62 | 0.00 | 7,442.41 | 12.44 |
| 01-60-6627 SAFETY | 18,933 | 680.34 | 0.00 | 5,961.11 | 0.00 | 12,971.42 | 31.49 |
| 01-60-6631 PIPELINE REPAIRS | 187,500 (| 980.17) | 0.00 | 44,404.28 | 0.00 | 143,095.72 | 23.68 |
| 01-60-6632 COR TESTING & MITIGATION | 339,500 | 7,995.42 | 0.00 | 33,543.46 | 0.00 | 305,956.51 | 9.88 |
| 01-60-6633 REMOTE FACILITIES MAINTENANCE | 114,156 | 3,489.32 | 0.00 | 6,557.70 | 0.00 | 107,598.58 | 5.74 |
| 01-60-6634 PLAN REVIEW- PIPELINE CONFLI | 18,588 | 470.87 | 0.00 | 1,833.08 | 0.00 | 16,754.45 | 9.86 |
| 01-60-6637 PIPELINE SUPPLIES | 5,625 | 35.94 | 0.00 | 89.34 | 0.00 | 5,535.66 | 1.59 |
| 01-60-6641 REPAIRS & MAINT- VEHICLES | 8,375 | 2,901.19 | 0.00 | 5,357.23 | 0.00 | 3,017.74 | 63.97 |
| 01-60-6642 FUEL- VEHICLES | 16,800 | 2,471.00 | 0.00 | 11,360.95 | 0.00 | 5,439.05 | 67.62 |
| 01-60-6643 LICENSES- VEHICLES | 413 | 0.00 | 0.00 | 0.00 | 0.00 | 412.50 | 0.00 |
| TOTAL WATER OPERATION | 18,820,773 | 7,010,315.81 | 0.00 | 17,669,531.51 | 0.00 | 1,151,241.23 | 93.88 |
| BOND INTEREST | | | | | | | |
| 01-60-6722 BOND INTEREST- REV BONDS | 979,066 | 327,860.39 | 0.00 | 980,571.02 | 0.00 (| 1,504.80) | 100.15 |
| 01-60-6723 NOTE INTEREST - DEBT CERT. | 514,212 | 60,873.31 | 0.00 | 337,359.37 | 0.00 | 176,853.10 | 65.61 |
| TOTAL BOND INTEREST | 1,493,279 | 388,733.70 | 0.00 | 1,317,930.39 | 0.00 | 175,348.30 | 88.26 |
| LAND & LAND RIGHTS | | | | | | | |
| 01-60-6810 LEASES | 5,250 | 0.00 | 0.00 | 0.00 | 0.00 | 5,250.00 | 0.00 |
| 01-60-6820 PERMITS & FEES | 2,688 | 0.00 | 0.00 | 0.00 | 0.00 | 2,687.53 | 0.00 |
| TOTAL LAND & LAND RIGHTS | 7,938 | 0.00 | 0.00 | 0.00 | 0.00 | 7,937.53 | 0.00 |

DU PAGE WATER COMMISSION
 REVENUE & EXPENSE REPORT (UNAUDITED)
 AS OF: JULY 31ST, 2011

01 - WATER FUND
 OPERATIONS

% OF YEAR COMPLETED: 25.00

| DEPARTMENTAL EXPENDITURES | Y-T-D BUDGET | CURRENT PERIOD | PRIOR YEAR PO ADJUST. | Y-T-D ACTUAL | Y-T-D ENCUMBRANCE | BUDGET BALANCE | % OF BUDGET |
|--|-----------------|-------------------|--------------------------|-----------------|----------------------|-------------------|----------------|
| <u>CAPITAL EQUIP/DEPREC</u> | | | | | | | |
| 01-60-6851 COMPUTERS | 21,400 | 0.00 | 0.00 | 8,018.81 | 0.00 | 13,381.19 | 37.47 |
| 01-60-6852 OFFICE FURNITURE & EQUIPMT | 33,575 | 0.00 | 0.00 | 0.00 | 0.00 | 33,575.00 | 0.00 |
| 01-60-6858 CAPITALIZED EQUIP PURCHASES (| 54,975) | 0.00 | 0.00 | 0.00 | 0.00 | 54,975.00) | 0.00 |
| 01-60-6860 VEHICLES | 99,000 | 0.00 | 0.00 | 58,749.00 | 0.00 | 40,251.00 | 59.34 |
| 01-60-6868 CAPITALIZED VEHICLE PURCHASES (| 24,750) | 0.00 | 0.00 | 0.00 | 0.00 | 24,750.00) | 0.00 |
| 01-60-6920 DEPRECIATION- TRANS MAINS | 1,136,993 | 378,997.00 | 0.00 | 1,136,991.00 | 0.00 | 1.50 | 100.00 |
| 01-60-6930 DEPRECIATION- BUILDINGS | 518,756 | 173,565.00 | 0.00 | 520,695.00 | 0.00 | 1,939.50) | 100.37 |
| 01-60-6940 DEPRECIATION-PUMPING EQUIPMENT | 42,621 | 14,816.00 | 0.00 | 44,448.00 | 0.00 | 1,827.00) | 104.29 |
| 01-60-6952 DEPRECIATION- OFFICE FURN & | 14,355 | 2,392.00 | 0.00 | 7,176.00 | 0.00 | 7,179.47 | 49.99 |
| 01-60-6956 DEPRECIATION- OFFICE EQUIP | 6,291 | 0.00 | 0.00 | 0.00 | 0.00 | 6,291.00 | 0.00 |
| 01-60-6960 DEPRECIATION- VEHICLES | 21,336 | 3,459.00 | 0.00 | 10,377.00 | 0.00 | 10,958.72 | 48.64 |
| TOTAL CAPITAL EQUIP/DEPREC | 1,814,601 | 573,229.00 | 0.00 | 1,786,454.81 | 0.00 | 28,146.38 | 98.45 |
| <u>CONSTRUCTION IN PROGRESS</u> | | | | | | | |
| 01-60-7111.01 DPC GEH MS-CONSTR (MS18/9A) | 71,750 | 0.00 | 0.00 | 0.00 | 0.00 | 71,749.97 | 0.00 |
| 01-60-7111.02 DPC GEH MS-ENG (MS18-9A) | 8,500 | 0.00 | 0.00 | 0.00 | 0.00 | 8,500.03 | 0.00 |
| 01-60-7113.02 WINFIELD MS27B ENG | 2,500 | 0.00 | 0.00 | 0.00 | 0.00 | 2,500.03 | 0.00 |
| 01-60-7213.03 EMERGENCY GEN OTHER SERV | 0 | 0.00 | 0.00 | 500.00 | 0.00 | 500.00) | 0.00 |
| 01-60-7510 TRANSMISSION MAINS- CONSTRU | 0 | 167,408.69 | 0.00 | 167,408.69 | 0.00 | 167,408.69) | 0.00 |
| 01-60-7980 CAPITALIZED FIXED ASSETS (| 82,750) | 0.00 | 0.00 | 0.00 | 0.00 | 82,750.03) | 0.00 |
| TOTAL CONSTRUCTION IN PROGRESS | 0 | 167,408.69 | 0.00 | 167,908.69 | 0.00 | 167,908.69) | 0.00 |
| <u>CHGO CONSTR GRANT</u> | | | | | | | |
| 01-60-8202.02 P V - ENGINEERING | 0 | 0.00 | 0.00 | 1,862.97 | 0.00 | 1,862.97) | 0.00 |
| 01-60-8202.04 P V - BILLED | 0 | 0.00 | 0.00 | 1,862.97) | 0.00 | 1,862.97 | 0.00 |
| <u>CONTINGENCY</u> | | | | | | | |
| <u>BOND PRINCIPAL</u> | | | | | | | |
| TOTAL OPERATIONS | 23,873,216 | 8,510,708.53 | 0.00 | 22,186,055.48 | 0.00 | 1,687,160.99 | 92.93 |
| TOTAL EXPENDITURES | 23,873,216 | 8,510,708.53 | 0.00 | 22,186,055.48 | 0.00 | 1,687,160.99 | 92.93 |

*** END OF REPORT ***

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2011

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INTRODUCTORY SECTION

**DU PAGE WATER COMMISSION
ELMHURST, ILLINOIS**

PRINCIPAL OFFICIALS

April 30, 2011

| | |
|-------------------------|------------------------|
| General Manager | Mr. John F. Spatz, Jr. |
| Financial Administrator | Vacant |
| Staff Attorney | Ms. Maureen Crowley |
| Manager of Operations | Mr. Terrance McGhee |

Commission administrative offices are located at:

600 East Butterfield Road
Elmhurst, IL 60126

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
DuPage Water Commission
Elmhurst, Illinois

We have audited the basic financial statements of the DuPage Water Commission, as of and for the year ended April 30, 2011, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the DuPage Water Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the DuPage Water Commission, as of April 30, 2011, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information listed as supplemental data in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the DuPage Water Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section listed in the table of contents was not audited by us, and accordingly, we do not express an opinion thereon.

Aurora, Illinois
July 29, 2011

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

**DuPage Water Commission
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the DuPage Water Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ending April 30, 2011.

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of the following components: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows and Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Commission's net assets changed during the most recent fiscal year. Both the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets include all the assets and liabilities of the Commission. The statements are presented using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies.

The Statement of Cash Flows provides information on the Commission's gross sources and uses of cash during the fiscal year.

The Notes to the Financial Statements generally provide more detailed information about the Commission's assets, liabilities, net assets and operations, as well as summarize the Commission's significant accounting policies.

FINANCIAL OPERATIONS SUMMARY

With revenues and contributions of \$91.2 million and expenses totaling \$90.1 million, the Commission's net assets increased by \$1.1 million in fiscal year 2011 to \$323.0 million. Restricted net assets and net assets invested in property, plant and equipment were \$34.1 million and \$297.1 million, respectively.

FINANCIAL ANALYSIS

Changes in Net Assets. The table on page 2 presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Net capital assets represent the total of assets capitalized less accumulated depreciation. The decrease in capital assets of \$3.1 million is due to investment in new construction of \$3.8 million, offset by depreciation expense of \$6.9 million.

The Commission is constructing emergency generation at the Lexington Pump Station. The City of Chicago has agreed to pay a portion back to the Commission through a 10 percent credit in water costs paid by the Commission. Net assets invested in capital assets, net of related debt increased \$11.8 million from the prior year. This is due to the \$3.1 million decrease in capital assets mentioned above coupled with a net decrease of \$14.9 million in debt used to finance capital assets.

Restricted net assets increased by \$7.5 million from the prior year. For more information see Note 8, in the notes to the financial statements.

(See independent auditor's report.)

Preliminary and Tentative
For Discussion Purposes Or

| | 2011 | 2010 | INCREASE (DECREASE) | % CHANGE |
|---|-----------------------|-----------------------|------------------------|-------------|
| Assets | | | | |
| Current: | | | | |
| Unrestricted cash and investments | \$ 26,837,754 | \$ 14,716,163 | \$ 12,121,591 | 82.4% |
| Restricted cash and investments | 43,167,288 | 39,331,143 | 3,836,145 | 9.8% |
| Receivables | 14,851,840 | 11,554,268 | 3,297,572 | 28.5% |
| Other Assets | 5,530,589 | 10,298,759 | (4,768,170) | -46.3% |
| Non-current: | | | | |
| Other Assets | 266,137 | 226,798 | 39,339 | 17.3% |
| Long term loan receivable | 5,000,569 | 5,637,192 | (636,623) | -11.3% |
| Land and construction in progress | 41,200,486 | 38,126,603 | 3,073,883 | 8.1% |
| Capital assets, net of depreciation | 338,473,794 | 344,641,100 | (6,167,306) | -1.8% |
| Total assets | 475,328,457 | 464,532,026 | 10,796,431 | 2.3% |
| Liabilities | | | | |
| Current: | | | | |
| Payables and accrued liabilities | 7,714,603 | 15,655,813 | (7,941,210) | -50.7% |
| Customer deposits | 648,884 | 697,162 | (48,278) | -6.9% |
| Notes payable | 70,000,000 | 30,000,000 | 40,000,000 | 133.3% |
| Bonds payable | 10,565,000 | 22,460,026 | (11,895,026) | -53.0% |
| Accrued interest | 2,130,242 | 2,358,877 | (228,635) | -9.7% |
| Unearned revenue | 139,874 | 138,637 | 1,237 | 0.9% |
| Non-current: | | | | |
| Unearned revenue | 1,664,791 | 1,805,902 | (141,111) | -7.8% |
| Other liabilities | 46,766 | 44,637 | 2,129 | 4.8% |
| Bonds payable | 59,402,918 | 69,413,439 | (10,010,521) | -14.4% |
| Total liabilities | 152,313,078 | 142,574,493 | 9,738,585 | 6.8% |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 297,141,079 | 285,357,700 | 11,783,379 | 4.1% |
| Restricted | 34,115,788 | 26,597,792 | 7,517,996 | 28.3% |
| Unrestricted | (8,241,488) | 10,002,041 | (18,243,529) | -182.4% |
| NET ASSETS | \$ 323,015,379 | \$ 321,957,533 | \$ 1,057,846 | 0.3% |

(See independent auditor's report.)

A comparative summary of the changes in net assets is presented below.

Revenues and Expenses. The table which follows presents a comparative summary of revenues and expenses. The most significant source of revenues for the Commission continues to be from water sales. Water sales for fiscal year 2011 were 28.11 billion gallons versus 27.96 billion gallons last fiscal year. There were no major new customers. The average charter customer water rate increased from \$1.48 per thousand gallons to \$1.84 per thousand gallons for fiscal year 2011. Due to the rate increase, water revenue increased by \$10.3 million or 20.9%.

The Commission's sales tax revenues increased by \$1.7 million or 6.0 % as the local economy began recovering. Sales taxes were used to make all general obligation bond payments in fiscal year 2011. In addition, \$7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2011 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2011.

Statement 31 of the Governmental Accounting Standards Board requires investments be reported at fair market value. Investment income decreased \$0.1 million from the prior year due to a further decline in investment yield rates.

Water distribution costs remain the highest expense in the Commission's operations. Water distribution costs increased \$6.1 million mainly due to the City of Chicago increasing their water rate charged to their customers.

(See independent auditor's report.)

COMPARATIVE SUMMARY OF REVENUES AND EXPENSES
For Fiscal Years Ending April 30

| | 2011 | 2010 | INCREASE (DECREASE) | % CHANGE |
|---|-----------------------|-----------------------|------------------------|--------------|
| REVENUES | | | | |
| Operating: | | | | |
| Water sales - all categories | \$ 59,785,622 | \$ 49,455,186 | \$ 10,330,436 | 20.9% |
| Other | 16,453 | 65,682 | (49,229) | -75.0% |
| Non-operating: | | | | |
| Sales tax | 30,780,825 | 29,046,664 | 1,734,161 | 6.0% |
| Investment income | 253,179 | 360,738 | (107,559) | -29.8% |
| Total Revenue | 90,836,079 | 78,928,270 | 11,907,809 | 15.1% |
| EXPENSES | | | | |
| Operating: | | | | |
| Water supply costs | 63,717,280 | 57,594,500 | 6,122,780 | 10.6% |
| Depreciation | 6,878,751 | 6,880,364 | (1,613) | 0.0% |
| Personnel services | 3,373,895 | 3,880,010 | (506,115) | -13.0% |
| All other expenses | 1,784,792 | 2,908,826 | (1,124,034) | -38.6% |
| Non-operating: | | | | |
| Bond interest | 6,755,941 | 6,054,573 | 701,368 | 11.6% |
| Intergovernmental Expense - City of Chicago | 7,199,344 | 9,482,833 | (2,283,489) | -24.1% |
| Loss from loan to charter customer | 425,000 | - | 425,000 | N/A |
| Total Expense | 90,135,003 | 86,801,106 | 3,333,897 | 3.8% |
| Income before non-operating items | 701,076 | (7,872,836) | 8,573,912 | N/A |
| Contributions | 356,770 | 487,959 | (131,189) | -26.9% |
| Changes in net assets | \$ 1,057,846 | \$ (7,384,877) | \$ 8,442,723 | N/A |
| Net assets, May 1 | 321,957,533 | 329,342,410 | | |
| Net assets, April 30 | \$ 323,015,379 | \$ 321,957,533 | | |

(See independent auditor's report.)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Commission's capital assets before depreciation totaled \$499.6 million in fiscal year 2011.

**COMPARATIVE SUMMARY OF CHANGES IN CAPITAL ASSETS
For Fiscal Years Ending April 30**

| | 2011 | 2010 | INCREASE (DECREASE) | % CHANGE |
|----------------------------------|-----------------------|-----------------------|------------------------|--------------|
| Land and permanent easements | \$ 11,728,902 | \$ 11,728,902 | \$ - | 0.0% |
| Construction in progress | 29,471,584 | 26,397,701 | \$ 3,073,883 | 11.6% |
| Water mains | 290,434,945 | 294,982,914 | (4,547,969) | -1.5% |
| Buildings and other structures | 45,929,867 | 47,392,143 | (1,462,276) | -3.1% |
| Pumping equipment | 1,917,595 | 2,095,384 | (177,789) | -8.5% |
| Office furniture and equipment | 35,669 | 64,374 | (28,705) | -44.6% |
| Vehicles and other equipment | 155,718 | 106,285 | 49,433 | 46.5% |
| Total capital assets, net | \$ 379,674,280 | \$ 382,767,703 | \$ (3,093,423) | -0.8% |

Detailed information about the Commission's capital assets is presented in the Notes to the Financial Statements.

Debt Administration. Account requirements under the revenue bond ordinance were met each month of the fiscal year.

At fiscal year-end the Operations and Maintenance Reserve Account and the Depreciation Account were overfunded by \$222,107 and \$1,756,680 respectively. The general Account balance was \$14.3 million, which included a \$13.0 million reserve established as Commission policy in July, 2010 for Emergency Repairs and Other Contingencies.

The final principal and interest payments for the general obligation bonds were made on September 1, 2010 and March 1, 2011. All general obligation bond principal and interest payments were 100% funded through the Commission's sales tax proceeds. Property taxes for these bond payments have been abated annually since 1986.

The required revenue bond principal and interest payments were made on time from funds set aside during fiscal year 2011. On April 30, 2011, remaining revenue bond principal outstanding was \$72.0 million.

On December 21, 2009, the Commission issued a \$30 million certificate of debt to fund ongoing construction projects and purchase water from the City of Chicago. Another \$40 million certificate of debt was issued in May, 2010 for the same purposes. Both of these one-year debt obligations were extended for periods of five years from their initial due date during fiscal year 2011.

(See independent auditor's report.)

**COMPARATIVE SUMMARY OF CHANGES IN OUTSTANDING BONDED AND CERTIFICATE OF DEBT
For Fiscal Years Ending April 30**

| | 2011 | 2010 | INCREASE (DECREASE) | % CHANGE |
|--------------------------------------|-----------------------|-----------------------|------------------------|--------------|
| Certificate of debt | \$ 70,000,000 | \$ 30,000,000 | \$ 40,000,000 | n/a |
| General obligation bonds | - | 12,465,000 | (12,465,000) | -100.0% |
| Water revenue bonds | 72,030,000 | 82,090,000 | (10,060,000) | -12.3% |
| Total outstanding bonded debt | \$ 142,030,000 | \$ 124,555,000 | \$ 17,475,000 | 14.0% |

Detailed information about the Commission's debt is presented in the Notes to the Financial Statements.

INVESTMENT PORTFOLIO

The Commission's investment portfolio totaled \$69.9 million. At the end of the fiscal year, the portfolio was earning 0.21%. The benchmark yield adopted by the Commission was 0.41%.

Commission funds were invested as follows at April 30, 2011: United States treasury obligations (16 %), the Illinois Funds investment pool (82%) and money market funds (2 %).

OTHER FINANCIAL INFORMATION

The Commission joined with the County of DuPage and the municipalities within the county to solve a water quality issue involving unincorporated areas not presently receiving a Lake Michigan water supply. As a wholesale distributor of Lake Michigan water, the Commission is not able to directly address this issue. However, the Commission agreed to make long-term, low-interest loans available to customer municipalities, retailers of Lake Michigan water, to extend their systems to serve county areas having water quality issues. The full extent of this contamination is unknown at this time. However, the Commission has committed to provide loans totaling not more than \$10 million toward mitigating the problem.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the DuPage Water Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to John Spatz, General Manager, DuPage Water Commission, 600 E. Butterfield Road, Elmhurst, IL 60126-4642, (630) 834-0100. E-mail requests should be sent to spatz@dpwc.org.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

STATEMENT OF NET ASSETS

April 30, 2011

| | |
|--------------------------------------|---------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 26,837,754 |
| Restricted cash and cash equivalents | 32,187,288 |
| Restricted investments | 10,980,000 |
| Receivables | |
| Water sales | 7,238,021 |
| Accrued interest | 267,638 |
| Sales tax | 7,346,181 |
| Due from other governments | 5,037,644 |
| Inventory | 167,080 |
| Prepaid expenses and deposits | 325,865 |
| | <hr/> |
| Total current assets | 90,387,471 |
| NONCURRENT ASSETS | |
| Unamortized bond issuance costs | 151,137 |
| Unamortized note issuance costs | 115,000 |
| | <hr/> |
| Long-term loans receivable | 5,000,569 |
| | <hr/> |
| Capital assets | |
| Not being depreciated | 41,200,486 |
| Being depreciated | 458,425,074 |
| Less accumulated depreciation | (119,951,280) |
| | <hr/> |
| Net capital assets | 379,674,280 |
| | <hr/> |
| Total noncurrent assets | 384,940,986 |
| | <hr/> |
| Total assets | 475,328,457 |

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

STATEMENT OF NET ASSETS (Continued)

April 30, 2011

| | |
|---|-----------------------|
| CURRENT LIABILITIES | |
| Unearned revenue | \$ 139,874 |
| Contract retentions | 1,256,775 |
| Customer deposits | 648,884 |
| Accounts payable | 3,906,159 |
| Accrued liabilities | 2,364,196 |
| Compensated absences | 187,473 |
| Revenue refunding bonds payable | 10,565,000 |
| Accrued interest payable | <u>2,130,242</u> |
| Total current liabilities | <u>21,198,603</u> |
| LONG-TERM LIABILITIES | |
| Other postemployment benefits obligation | 46,766 |
| Unearned revenue | 1,664,791 |
| Revenue refunding bonds payable, net | 59,402,918 |
| Notes payable | <u>70,000,000</u> |
| Total long-term liabilities | <u>131,114,475</u> |
| Total liabilities | <u>152,313,078</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 297,141,079 |
| Restricted by bond ordinances | 34,115,788 |
| Unrestricted | <u>(8,241,488)</u> |
| TOTAL NET ASSETS | <u>\$ 323,015,379</u> |

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Year Ended April 30, 2011

OPERATING REVENUES

| | |
|----------------------------------|-------------------|
| Water sales | |
| Operations and maintenance costs | \$ 51,717,706 |
| Fixed costs | 7,146,217 |
| Customer differential | 921,699 |
| Other income | <u>16,453</u> |
| Total operating revenues | <u>59,802,075</u> |

OPERATING EXPENSES

| | |
|---------------------------------------|-------------------|
| Water supply costs | 63,717,280 |
| Personal services | 3,373,895 |
| Insurance | 571,685 |
| Professional and contractual services | 642,075 |
| Administrative costs | <u>571,032</u> |
| Total operating expenses | <u>68,875,967</u> |

OPERATING INCOME (LOSS) BEFORE DEPRECIATION (9,073,892)

DEPRECIATION 6,878,751

OPERATING INCOME (LOSS) (15,952,643)

NONOPERATING REVENUES (EXPENSES)

| | |
|--|-------------------|
| Sales tax | 30,780,825 |
| Investment income | 253,179 |
| Intergovernmental expense | (7,199,344) |
| Interest and other charges | (6,755,941) |
| Loss from loan to charter customer | <u>(425,000)</u> |
| Total nonoperating revenues (expenses) | <u>16,653,719</u> |

NET INCOME BEFORE CONTRIBUTIONS 701,076

Contributions 356,770

CHANGE IN NET ASSETS 1,057,846

NET ASSETS, MAY 1 321,957,533

NET ASSETS, APRIL 30 \$ 323,015,379

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2011

| | |
|--|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 61,524,413 |
| Cash payments to suppliers | (71,585,734) |
| Cash payments to employees | (3,382,457) |
| Other cash receipts | <u>16,453</u> |
| Net cash from operating activities | <u>(13,427,325)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Cash received from sales taxes | 30,498,280 |
| Cash payments for intergovernmental expenses | <u>(7,199,344)</u> |
| Net cash from noncapital financing activities | <u>23,298,936</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Interest paid on revenue bonds | (4,600,785) |
| Interest paid on general obligation bonds | (728,557) |
| Interest paid on notes payable | (1,656,111) |
| Proceeds from notes issued | 40,000,000 |
| Principal paid on revenue bonds | (10,060,000) |
| Principal paid on general obligation bonds | (12,465,000) |
| Construction and purchases of capital assets | <u>(5,201,283)</u> |
| Net cash from capital and related financing activities | <u>5,288,264</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 5,249 |
| Proceeds from sale of investments | 14,141,106 |
| Purchase of investments | <u>(11,228,809)</u> |
| Net cash from investing activities | <u>2,917,546</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | <u>18,077,421</u> |
| CASH AND CASH EQUIVALENTS, MAY 1 | <u>40,947,621</u> |
| CASH AND CASH EQUIVALENTS, APRIL 30 | <u><u>\$ 59,025,042</u></u> |
| CASH AND CASH EQUIVALENTS - STATEMENT OF NET ASSETS | |
| Cash and cash equivalents | \$ 26,837,754 |
| Restricted cash and cash equivalents | <u>32,187,288</u> |
| TOTAL CASH AND CASH EQUIVALENTS - STATEMENT OF NET ASSETS | <u><u>\$ 59,025,042</u></u> |

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2011

| | |
|---|------------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating income (loss) | \$ (15,952,643) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities | |
| Depreciation | 6,878,751 |
| Changes in assets and liabilities | |
| Decrease in water sales receivable | (2,767,097) |
| Increase in prepaid expenses and deposits | 74,130 |
| Increase in due from other governments | 4,694,040 |
| Decrease in deferred revenue | (139,874) |
| Decrease in accounts payable | (5,614,561) |
| Decrease in accrued liabilities and compensated absences | (553,922) |
| Increase in other postemployment benefits obligation | 2,129 |
| Decrease in customer deposits | (48,278) |
| NET CASH FROM OPERATING ACTIVITIES | <u>\$ (13,427,325)</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Contributions | <u>\$ 356,770</u> |

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DuPage Water Commission (the Commission) is a county water commission, body politic and corporate, political subdivision and unit of local government, in DuPage County, Illinois, existing and operating under the Water Commission Act of 1985 (70 ILCS 3720), effective July 30, 1985, as amended (the 1985 Commission Act). The Commission declared the official start of operations on May 1, 1992.

The Board of Commissioners consists of 13 members. Seven of the Board members are appointed by the DuPage County Board Chairman with the advice and consent of the County Board. One of these appointees is designated as Chairman of the Commission and must be approved by the Board of Commissioners. The other six Board members are appointed by vote of the mayors of municipalities within the DuPage County districts.

The purpose and objectives of the Commission are:

- a. To provide water to municipalities and other customers within DuPage County.
- b. To plan, construct, acquire, develop, operate, maintain, and/or contract for facilities for receiving, storing, and transmitting water from Lake Michigan for the principal use and mutual benefit of the municipalities and other customers.
- c. To provide adequate supplies of such water on an economical and efficient basis for the municipalities and other customers.
- d. To provide a forum for discussion, study development, and implementation of recommendations of mutual interest regarding water distribution and supply facilities within DuPage County.

The primary authority to designate management, influence operations, formulate budgets, and set water rates rests with the Board of Commissioners. Significant matters that require Board action include setting water rates, borrowing funds, amending the Chicago Water Supply Contract or Commission by-laws, and employing the general manager, treasurer, financial administrator, and professional contractors. These significant matters must carry a majority vote of all commissioners, which majority must contain at least one-third of the DuPage County appointed Board members and 40% of the municipality appointed Board members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

a. Reporting Entity

The Commission is considered to be a primary government pursuant to GASB Statement No. 14 since it is legally separate and fiscally independent. These financial statements include all functions, programs, and activities under the control of the Board of Commissioners.

b. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Nonoperating revenues/expenses are incidental to the operation of the fund.

c. Fund Accounting

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the Commission 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; or (b) where the Commission has decided that periodic determination of revenues earned, expenses incurred, and net income or loss is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission's proprietary funds consider all certificates of deposit with a maturity of one year or less and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

e. Investments

Investments with a maturity of one year or less when purchased are stated at cost or amortized cost. Investments and negotiable certificates of deposits with a maturity date greater than one year from the date of purchase are recorded at fair value.

f. Accounts Receivable

Customer receivables are recorded as receivables and revenues at their original invoice amount. Management has determined no allowance for uncollectible accounts necessary as of April 30, 2011. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 40 days.

g. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report, if any, are recorded as prepaid expenses.

h. Inventory

Inventories are accounted for at cost, using the first-in/first-out (FIFO) method.

i. Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments represent those assets which are required to be held separately from other Commission investments as mandated by the revenue bond indentures and as self-imposed by ordinance or resolution by the Board of Commissioners.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Capital Assets - Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. If actual cost cannot be determined, estimated historical cost is used; donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation of property, plant, and equipment has been provided for over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

| | |
|--------------------------------|--------------|
| Water mains | 80 years |
| Buildings and other structures | 40 years |
| Pumping equipment | 30 years |
| Office furniture and equipment | 3 - 10 years |
| Vehicles and other equipment | 5 - 25 years |

Maintenance and repairs are charged to expense in the year incurred. Expenses that extend the useful life or increase productivity of property, plant, and equipment are capitalized.

k. Bond Issuance Costs, Bond Discounts, Bond Premiums, and Losses on Refundings

Bond issuance costs, bond discounts, bond premiums, and losses on refundings are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts and losses on refundings are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges; bond premiums are presented as an addition to the face amount of bonds payable.

l. Unamortized Losses on Refundings

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the Commission amortizes losses on the bond refundings over the shorter of the term of the refunding bonds or the term of the refunded bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Compensated Absences

Employees earn vacation based on their anniversary date with the Commission. Earned vacation may be accumulated and is payable to the employee upon termination of employment and, therefore, is accrued through April 30. Accumulated sick leave is not reimbursable upon termination of employment and, therefore, is not accrued.

n. Unearned Revenue

Payments from member communities due in subsequent years and received in the current year are reported as unearned revenue.

o. Net Assets

Restricted net assets represent amounts required to be segregated by bond ordinance provisions. None of the net assets are restricted as a result of enabling legislation adopted by the Commission. Invested in capital assets, net of related debt represents the net book value of capital assets less long-term debt principal outstanding issued to construct or acquire capital assets.

p. Accounting 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.

q. GASB Pronouncement

The Commission has elected, under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

2. DEPOSITS AND INVESTMENTS

The Commission's investment policy limits investments of the Commission's funds to the following: (a) direct or fully guaranteed obligations of the U.S. Government; (b) fully guaranteed obligations of certain U.S. federally chartered agencies; (c) interest-bearing demand or time deposits in banks and savings and loan associations; (d) short-term obligations of U.S. corporations with assets exceeding \$500,000,000 and with a rating of AAA1, 2, or 3; (e) money market mutual funds whose portfolio consists solely of U.S. Government obligations; (f) the Illinois Funds Investment Pool of the State of Illinois; and (g) repurchase agreements. The Revenue Bond Ordinance restricts funds held in the Interest and Principal accounts of the Water Fund to only investments in (a), as described above. The Revenue Bond Ordinance also restricts funds held in the Debt Service Reserve Account in the Water Fund to only investments in (a) and (b), as described above.

It is the policy of the Commission to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Commission and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety, liquidity, and rate of return.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. The Commission's investment policy allows for the pledging of collateral for all bank balances in excess of federal depository insurance, with collateral held by a third-party under a trust agreement or safekeeping agreement.

b. Investments

The following table presents the investments and maturities of the Commission's debt securities as of April 30, 2011:

| Investment Type | Investment Maturities in Years | | | | |
|---------------------|--------------------------------|----------------------|-------------|-------------|-----------------|
| | Fair Value | Less than 1 | 1-5 | 6-10 | Greater than 10 |
| U.S. Treasury notes | \$ 10,980,000 | \$ 10,980,000 | \$ - | \$ - | \$ - |
| Money market funds | 1,181,165 | 1,181,165 | - | - | - |
| Illinois Funds | 57,697,541 | 57,697,541 | - | - | - |
| TOTAL | \$ 69,858,706 | \$ 69,858,706 | \$ - | \$ - | \$ - |

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Commission limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market. The investment policy does not address the length of maturities of investments, except for commercial paper.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Commission limits its exposure to credit risk by primarily investing in U.S. Government obligations and external investment pools. The money market fund is not rated.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Commission will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Commission's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by an independent third-party custodian in the Commission's name and evidenced by safekeeping receipts. Money market funds are not subject to custodial credit risk.

Concentration of credit risk is the risk of loss due to a high percentage of the Commission's investments being invested in one type of investment. The Commission's investment policy places no limit on the amount the Commission may invest in any one issuer, except for certificates of deposit. More than 5% of the Commission's investments are in U.S. Treasury Notes.

3. LOANS RECEIVABLE

On April 25, 2002, the Commission approved a motion for a proposed agreement to make long-term, low-interest loans available to Charter Customer municipalities for the purpose of providing financing under certain circumstances to future customers who presently live in areas of DuPage County not presently served by the Commission. Three intergovernmental agreements with Charter Customers were made during 2003-2007. Two of the loans are to be repaid in 13 installments, commencing in 2011 and continuing through 2023. The third loan is to be repaid in 13 installments, commencing in 2014 and continuing through 2026. Interest at a rate of 2% per annum shall be paid annually until the principal balance of the loan has been paid in full. During the fiscal year, one Charter customer repaid the loan balance outstanding. As of April 30, 2011, loans totaling \$5,000,569 are due from the customers.

3. LOANS RECEIVABLE (Continued)

On July 26, 2011, the Commission executed a settlement agreement with a Charter customer that allowed for the Commission to receive accelerated payments of \$4,363,000 of the \$4,788,000 loan by the end of July 2011 in exchange for releasing the chartered customer of the remaining balance. Therefore, the following schedule of loans receivable reflects the payments due as a result of the agreement.

Payments due from Charter Customers are as follows:

| Fiscal Year Ending April 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2012 | \$ 4,363,000 | \$ 12,751 | \$ 4,375,751 |
| 2013 | - | 12,751 | 12,751 |
| 2014 | 49,044 | 12,751 | 61,795 |
| 2015 | 49,044 | 11,771 | 60,815 |
| 2016 | 49,044 | 10,790 | 59,834 |
| 2017 - 2021 | 245,219 | 39,235 | 284,454 |
| 2022 - 2026 | 245,218 | 14,713 | 259,931 |
| TOTAL | \$ 5,000,569 | \$ 114,762 | \$ 5,115,331 |

4. CAPITAL ASSETS

| | Balances May 1 | Additions | Retirements | Balances April 30 |
|--|-------------------|-----------|-------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land and permanent easements | \$ 11,728,902 | \$ - | \$ - | \$ 11,728,902 |
| Construction in progress | 26,397,701 | 3,694,385 | 620,502 | 29,471,584 |
| Total capital assets not being depreciated | 38,126,603 | 3,694,385 | 620,502 | 41,200,486 |
| Capital assets being depreciated | | | | |
| Water mains | 363,967,660 | - | - | 363,967,660 |
| Buildings and other structures | 82,724,986 | 620,502 | - | 83,345,488 |
| Pumping equipment | 5,580,563 | - | - | 5,580,563 |
| Office furniture and equipment | 4,950,267 | - | - | 4,950,267 |
| Vehicles and other equipment | 542,860 | 90,943 | 52,707 | 581,096 |
| Total capital assets being depreciated | 457,766,336 | 711,445 | 52,707 | 458,425,074 |

4. CAPITAL ASSETS (Continued)

| | Balances May 1 | Additions | Retirements | Balances April 30 |
|--|--------------------|--------------------|----------------|----------------------|
| Less accumulated depreciation | | | | |
| Water mains | \$ 68,984,746 | \$ 4,547,969 | \$ - | \$ 73,532,715 |
| Buildings and other structures | 35,332,843 | 2,082,778 | - | 37,415,621 |
| Pumping equipment | 3,485,179 | 177,789 | - | 3,662,968 |
| Office furniture and equipment | 4,885,893 | 28,705 | - | 4,914,598 |
| Vehicles and other equipment | 436,575 | 41,510 | 52,707 | 425,378 |
| Total accumulated depreciation | 113,125,236 | 6,878,751 | 52,707 | 119,951,280 |
| Total capital assets being depreciated, net | 344,641,100 | (6,167,306) | - | 338,473,794 |
| CAPITAL ASSETS, NET | \$ 382,767,703 | \$ (2,472,921) | \$ 620,502 | \$ 379,674,280 |

5. WATER CONTRACT WITH THE CITY OF CHICAGO

The Commission has entered into a 40-year contract (from March 19, 1984) with the City of Chicago, Illinois (the Chicago Contract), under which the City of Chicago (the City) has agreed to supply all of the Commission's water requirements, up to 1.7 times the year's annual average day amount, with water of such quality as will meet or exceed applicable standards of the state and federal governments. The Chicago Contract provides that the cost of water to the Commission is furnished by the City through meters.

The Commission is obligated to purchase a minimum amount of water; such minimum is 50% of the aggregate Illinois Department of Natural Resources allocations. In fiscal 2011, the Commission purchased 28.6 billion gallons of water from the City, which equaled 82.2% of the aggregate Illinois Department of Natural Resources allocations.

The Commission is constructing improvements regarding electrical generation facilities and a solar photovoltaic system at the Lexington pumping station. The City will reimburse the Commission a maximum of (a) 50% of the cost of designing and constructing the two replacement variable frequency drives, (b) \$4,000,000 plus 100% of the cost of designing and constructing the solar photovoltaic system over and above the sum of \$8,000,000, and (c) \$8,500,000 which amount represents the average generation cost per average daily pumping capacity at the pumping stations where the City has already constructed backup generation. The City's total obligation for items (a), (b), and (c) cannot exceed \$15,000,000. The City will reimburse the Commission monthly for such costs through a 10% credit against the Commission's water purchases from the City. Upon completion, the facilities will be conveyed to the City.

6. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to and illnesses of the Commission's employees. These risks, along with medical claims for employees and retirees, are provided for through insurance purchased from private insurance companies.

There have been no reductions in the Commission's insurance coverage for any of its programs since the prior fiscal year. Settlements have not exceeded insurance coverage during the current year or prior three fiscal years.

7. LONG-TERM DEBT

a. A schedule of changes in long-term obligations payable is as follows:

| | Balances May 1 | Issuances | Retirements | Balances April 30 | Due Within One Year |
|--|-------------------|---------------|---------------|----------------------|---------------------------|
| Other postemployment benefits obligation | \$ 44,637 | \$ 2,129 | \$ - | \$ 46,766 | \$ - |
| Notes payable | 30,000,000 | 40,000,000 | - | 70,000,000 | - |
| General obligation refunding bonds | 12,465,000 | - | 12,465,000 | - | - |
| Unamortized premium | 79,739 | - | 79,739 | - | - |
| Unamortized loss on refunding | (144,713) | - | (144,713) | - | - |
| Total general obligation bonds | 12,400,026 | - | 12,400,026 | - | - |
| Revenue refunding bonds | 82,090,000 | - | 10,060,000 | 72,030,000 | 10,565,000 |
| Unamortized premium | 1,781,270 | - | 544,226 | 1,237,044 | - |
| Unamortized loss on refunding | (4,397,831) | - | (1,098,705) | (3,299,126) | - |
| Total revenue bonds | 79,473,439 | - | 9,505,521 | 69,967,918 | 10,565,000 |
| TOTAL | \$ 121,918,102 | \$ 40,002,129 | \$ 21,905,547 | \$ 140,014,684 | \$ 10,565,000 |

b. Notes Payable

On December 21, 2009, the Commission issued \$30,000,000 Debt Certificates, Series 2009 to provide for the acquisition of water and for improvements and extensions to the existing facilities of the Commission. Principal is due in one installment on December 21, 2015; with a variable rate of interest that is determined and reset annually (2.5% as of April 30, 2011), and also by allowing optional redemption and prepayments, in whole and in part, on any semiannual interest payment date. As of April 30, 2011, \$30,000,000 principal was outstanding.

7. LONG-TERM DEBT (Continued)

b. Notes Payable (Continued)

On May 17, 2010, the Commission issued \$40,000,000 Debt Certificates, Series 2010 to provide for the acquisition of water and for improvements and extensions to the existing facilities of the Commission. Principal is due in annual installments such that principal outstanding may not exceed the following:

| | | |
|-------------|----|------------|
| May 1, 2012 | \$ | 35,000,000 |
| May 1, 2013 | | 30,000,000 |
| May 1, 2014 | | 25,000,000 |
| May 1, 2015 | | 20,000,000 |

The remaining principal balance must be paid in full by May 1, 2016. Interest is due on November 1, 2011 and at maturity with a variable rate of interest that is determined and reset annually (4.0% as of April 30, 2011). As of April 30, 2011, \$40,000,000 principal was outstanding.

c. Revenue Bonds

In August 2003, the Commission issued \$135,995,000 Revenue Refunding Bonds, Series 2003. Principal is due in annual installments of \$7,880,000 to \$13,575,000, interest at 3.00% to 5.25% through maturity on May 1, 2016. The Series 2003 revenue bonds have an average interest rate of 3.98% and were issued to refund \$145,655,000 of outstanding Revenue Bond, Series 1993 with an average interest rate of 5.3%. As a result, the Series 1993 bonds were retired and the liability for the debt has been removed from the Commission's books.

As of April 30, 2011, \$72,030,000 principal remained outstanding on the Series 2003 bonds. In addition, the bonds are subject to certain terms and conditions contained in the Master Revenue Bond Ordinance (the Ordinance), which was created when the Commission initially issued Revenue Bonds, Series 1987. Substantially all revenue generated from the Commission's operations are pledged to retire these bonds.

7. LONG-TERM DEBT (Continued)

c. Revenue Bonds (Continued)

Payments due on the revenue bonds through maturity are as follows:

| Fiscal Year Ending April 30 | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2012 | \$ 10,565,000 | \$ 3,463,313 | \$ 14,028,313 |
| 2013 | 11,090,000 | 2,921,937 | 14,011,937 |
| 2014 | 11,645,000 | 2,339,006 | 13,984,006 |
| 2015 | 12,255,000 | 1,711,631 | 13,966,631 |
| 2016 | 12,900,000 | 1,051,312 | 13,951,312 |
| 2017 | 13,575,000 | 356,344 | 13,931,344 |
| TOTAL | \$ 72,030,000 | \$ 11,843,543 | \$ 83,873,543 |

d. Revenue Bond Ordinance

On January 15, 1987, the Commission adopted the Ordinance authorizing the issuance of Water Revenue Bonds, Series 1987, for the purpose of financing a portion of the construction of the water supply system.

The Ordinance required the establishment of funds designated as Water Fund Revenue Bond Construction Fund, Special Redemption Fund, and Rebate Fund (the Arbitrate Rebate Fund) and various accounts within the Water Enterprise Fund designated as Operation and Maintenance Account, Interest Account, Principal Account, Debt Service Reserve Account, Operation and Maintenance Reserve Account, Depreciation Account, and General Account.

Revenues held or collected from owners and operation of the system are deposited in the Water Fund. Monies deposited in the Water Fund are required to be transferred to the extent available within the following accounts of the Water Fund in the indicated order:

Operation and Maintenance Account - an amount sufficient to pay operation and maintenance costs for the current month and up to and including the next monthly accounting.

Interest Account - monthly one-twelfth of the then current interest requirement until there has been accumulated the then current interest requirement less interest due and paid at stated maturity during the fiscal year.

Principal Account - monthly one-twelfth of the then current principal requirement until there has been accumulated on or before the next stated maturity or mandatory redemption date an amount sufficient to pay the principal due.

7. LONG-TERM DEBT (Continued)

d. Revenue Bond Ordinance (Continued)

Debt Service Reserve Account - an amount equal to the maximum annual debt service requirement less the amount of any applicable surety bond coverage.

Operation and Maintenance Reserve Account - an amount equal to one-sixth of an amount equal to two months of the budgeted annual operation and maintenance costs until such reserve equals two months of the annual operation and maintenance costs.

Depreciation Account - monthly amounts of at least \$175,000. Any amounts in excess of the required minimum balance of \$5,000,000 may be transferred to the General Account of the Water Fund by resolution of the Board of Commissioners.

General Account - all revenues remaining in the Water Fund after all required transfers are made to the respective accounts will be transferred to this account.

The Ordinance requires that the Interest Account, the Principal Account, and the Debt Service Reserve Account be held by the Trustee. All other accounts are held by the Commission.

The Ordinance provides for the creation of the Special Redemption Fund to be held by the Trustee to account for issuance proceeds and condemnation awards to the extent not used to repair or replace the system and any other Commission-designated transfer. These monies may be used for debt service purposes. This fund was not active in fiscal 2011.

The Ordinance created the Arbitrage Rebate Fund to be held by the Trustee to maintain the tax-exempt status of the interest paid on the bonds. Beginning in fiscal 1988, an account was established and funds were transferred to segregate funds deemed necessary to maintain the tax-exempt status of the revenue bonds. Investment earnings of the Interest Account, Principal Account, and Debt Service Reserve Account is used for the purpose of funding amounts set aside in the Arbitrage Rebate Fund.

During fiscal 2011, the Depreciation Account balance for May 2010 was underfunded and did not meet the Ordinance's requirements.

In accordance with the Commission's revenue bond ordinance, the Commission maintains accounts for the Revenue Bond Construction Fund, the Special Redemption Fund, and the Arbitrage Rebate Fund, but these funds are presently inactive.

7. LONG-TERM DEBT (Continued)

d. Revenue Bond Ordinance (Continued)

Restricted assets related to the bond ordinances at April 30, 2011 are as follows:

| | |
|---|-----------------------------|
| Operation and maintenance account | \$ 11,662,104 |
| Operation and maintenance reserve account | 12,587,339 |
| Interest account | 1,826,776 |
| Principal account | 10,334,390 |
| Depreciation account | <u>6,756,680</u> |
| TOTAL RESTRICTED ASSETS | <u>\$ 43,167,288</u> |

8. RESTRICTED NET ASSETS

The Commission has the following restricted net assets:

| | |
|---|-----------------------------|
| Restricted net assets: | |
| Restricted assets (Note 7) | <u>\$ 43,167,288</u> |
| Add restricted investment earnings | |
| Revenue refunding bonds | |
| Principal account | 36,977 |
| Interest account | <u>230,661</u> |
| Total restricted investment earnings | 267,638 |
| Less current liabilities payable from restricted assets | |
| Revenue refunding bonds | |
| Operations and maintenance account | |
| Accounts payable | 3,906,159 |
| Accrued liabilities | 1,382,916 |
| Compensated absences | 187,473 |
| Interest account | |
| Accrued interest payable | <u>1,863,719</u> |
| Total current liabilities payable from restricted assets | 7,340,267 |
| Less excess in interest account | 34 |
| Less excess in principal account | 50 |
| Less excess in operations and maintenance reserve account | 222,107 |
| Less excess in depreciation account | <u>1,756,680</u> |
| TOTAL RESTRICTED NET ASSETS | <u>\$ 34,115,788</u> |

9. CONTINGENCIES

Contingent Liabilities

The Commission has certain other contingent liabilities resulting from litigation, claims, and commitments incident to the ordinary course of business. It is expected that final resolution of such contingencies will not materially affect the financial position or changes in financial position of the Commission.

10. MAJOR CUSTOMER

During fiscal year 2011, approximately 5.6 billion gallons, or 19.93% of water sales revenue in the Water Fund was realized from the City of Naperville, the Commission's largest customer.

11. DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund

The Commission's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

11. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Commission is required to contribute at an actuarially determined rate. The employer rate for fiscal year 2011 was 10.68% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of April 30, 2011 was 29 years.

For April 30, 2011, the Commission's annual pension cost of \$271,059 was equal to the Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 10.00% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor.

Employer annual pension costs (APC), actual contributions, and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

| | Fiscal Year | Illinois Municipal Retirement |
|-------------------------------|----------------|-------------------------------------|
| Annual pension cost (APC) | 2009 | \$ 240,646 |
| | 2010 | 265,581 |
| | 2011 | 271,059 |
| Actual contributions | 2009 | \$ 240,646 |
| | 2010 | 265,581 |
| | 2011 | 271,059 |
| Percentage of APC contributed | 2009 | 100.00% |
| | 2010 | 100.00% |
| | 2011 | 100.00% |
| NPO | 2009 | \$ - |
| | 2010 | - |
| | 2011 | - |

11. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Funded Status and Funding Progress

The funded status and funding progress of the plan as of December 31, 2010 was as follows:

| | | |
|---|----|-----------|
| Actuarial accrued liability (AAL) | \$ | 5,795,662 |
| Actuarial value of plan assets | | 4,142,473 |
| Unfunded actuarial accrued liability (UAAL) | | 1,653,189 |
| Funded ratio (actuarial value of plan assets/AAL) | | 71.48% |
| Covered payroll (active plan members) | \$ | 2,537,383 |
| UAAL as a percentage of covered payroll | | 65.15% |

The schedule of funding progress, presented in the required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

12. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Commission provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (the Plan). The benefits, benefit levels, employee contributions, and employer contributions are governed by the Commission and can be amended by the Commission. Certain benefits are controlled by state laws and can only be changed by the Illinois Legislature. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report.

b. Benefits Provided

The Commission provides pre and post-Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee's retirement). To be eligible for benefits, the employee must qualify for retirement under one of the Commission's retirement plans. The retirees pay the blended premium. Upon a retiree becoming eligible for Medicare, the amount payable under the Commission's health plan will be reduced by the amount payable under Medicare for those expenses that are covered under both.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2010, membership consisted of:

| | |
|--|---------------|
| Retirees and beneficiaries currently receiving benefits | 1 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active vested plan members | 18 |
| Active nonvested plan members | <u>17</u> |
| TOTAL | <u>36</u> |
| Participating employers | <u>1</u> |

d. Funding Policy

The Commission is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the Plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|--|------------------------|
| April 30, 2009 | \$ 9,442 | 67.47% | \$ 41,510 |
| April 30, 2010 | 9,497 | 67.07% | 44,636 |
| April 30, 2011 | 8,499 | 74.95% | 46,766 |

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation as of April 30, 2011 was calculated as follows:

| | |
|--|-------------------------|
| Annual required contribution | \$ 7,755 |
| Interest on net OPEB obligation | 2,232 |
| Adjustment to annual required contribution | <u>(1,488)</u> |
| Annual OPEB cost | 8,499 |
| Contributions made | <u>6,370</u> |
| Increase in net OPEB obligation | 2,129 |
| Net OPEB obligation, beginning of year | <u>44,637</u> |
| NET OPEB OBLIGATION, END OF YEAR | <u>\$ 46,766</u> |

Funded Status and Funding Progress: The funded status of the Plan as of April 30, 2010 (most recent valuation) was as follows:

| | |
|---|--------------|
| Actuarial accrued liability (AAL) | \$ 78,076 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | 78,076 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 2,820,206 |
| UAAL as a percentage of covered payroll | 2.77% |

Actuarial valuations of an ongoing plan 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 the healthcare cost trend. 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 financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

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

In the April 30, 2010 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included as investment rate of return of 5.0% and an initial healthcare cost trend rate of 8.0% with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 5.0% wage inflation assumption. The actuarial value of assets was not determined as the Commission has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2011 was 30 years.

13. CUSTOMER PREPAYMENTS

Payments from non-Charter Customers for customer differential revenues are reported as unearned revenues. These unearned revenues will be amortized on a straight-line basis through April 30, 2024. Customer differentials represent payments for connecting to the Commission's system as well as fixed costs charged to subsequent customers to cover costs which would have been paid by subsequent customers if they had been Charter Customers.

14. SALES TAX

Beginning June 1, 2016, the sales tax imposed may no longer be imposed or collected, unless a continuation of the tax is approved by the voters at a referendum.

REQUIRED SUPPLEMENTARY INFORMATION

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2011

| Actuarial Valuation December 31 | (1) Actuarial Value of Assets | (2) Actuarial Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded (Overfunded) AAL (OAAL) (2) - (1) | (5) Covered Payroll | UAAL (OAAL) as a Percentage of Covered Payroll (4) / (5) |
|---------------------------------------|--|---|-------------------------------------|---|---------------------------|--|
| 2005 | \$ 2,010,845 | \$ 3,497,300 | 57.50% | \$ 1,486,455 | \$ 2,075,517 | 71.62% |
| 2006 | 3,949,591 | 4,271,581 | 92.46% | 321,990 | 2,253,534 | 14.29% |
| 2007 | 4,742,810 | 5,068,990 | 93.57% | 326,180 | 2,441,680 | 13.36% |
| 2008 | 4,653,290 | 5,774,686 | 80.58% | 1,121,396 | 2,602,576 | 43.09% |
| 2009 | 5,026,706 | 6,359,912 | 79.04% | 1,333,206 | 2,760,942 | 48.29% |
| 2010 | 4,142,473 | 5,795,662 | 71.48% | 1,653,189 | 2,537,383 | 65.15% |

See independent auditor's report.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2011

| Fiscal Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|-------------|------------------------|------------------------------------|------------------------|
| 2006 | \$ 336,441 | \$ 336,441 | 100.00% |
| 2007 | 275,607 | 275,607 | 100.00% |
| 2008 | 295,199 | 295,199 | 100.00% |
| 2009 | 240,646 | 240,646 | 100.00% |
| 2010 | 265,581 | 265,581 | 100.00% |
| 2011 | 271,059 | 271,059 | 100.00% |

See independent auditor's report.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2011

| Actuarial Valuation Date April 30 | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|--|--|--|-------------------------------------|---|---------------------------|--|
| 2006 | \$ - | \$ 98,996 | 0.00% | \$ 98,996 | \$ 2,187,544 | 4.53% |
| 2007 | * | * | * | * | * | * |
| 2008 | - | 67,267 | 0.00% | 67,267 | 2,477,690 | 2.71% |
| 2009 | * | * | * | * | * | * |
| 2010 | - | 78,076 | 0.00% | 78,076 | 2,820,206 | 2.77% |
| 2011 | * | * | * | * | * | * |

*The Commission's policy is to obtain an actuarial valuation once every two years.
Therefore, no actuarial valuation was done as of April 30, 2007, April 30, 2009, and April 30, 2011.

See independent auditor's report.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2011

| Fiscal Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|-------------|------------------------|------------------------------------|------------------------|
| 2006 | \$ 1,200 | \$ 12,601 | 9.52% |
| 2007 | - | N/A | 0.00% |
| 2008 | - | 13,231 | 0.00% |
| 2009 | 6,370 | 8,760 | 72.72% |
| 2010 | 6,370 | 8,760 | 72.72% |
| 2011 | 6,370 | 7,755 | 82.14% |

N/A - Not available

See independent auditor's report.

SUPPLEMENTAL DATA

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

Preliminary and Tentative
For Discussion Purposes Or

SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Year Ended April 30, 2011

| | Budget | Actual | Variance |
|---|-----------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | |
| Water sales | | | |
| Operations and maintenance costs | \$ 54,442,280 | \$ 51,717,706 | \$ (2,724,574) |
| Fixed costs | 7,146,219 | 7,146,217 | (2) |
| Customer differential | 926,283 | 921,699 | (4,584) |
| Other income | 566,200 | 16,453 | (549,747) |
| | <u>63,080,982</u> | <u>59,802,075</u> | <u>(3,278,907)</u> |
| OPERATING EXPENSES | | | |
| Water supply costs | 68,090,428 | 63,717,280 | (4,373,148) |
| Personal services | 5,166,102 | 3,373,895 | (1,792,207) |
| Insurance | 730,767 | 571,685 | (159,082) |
| Professional and contractual services | 607,050 | 642,075 | 35,025 |
| Administrative costs | 818,663 | 571,032 | (247,631) |
| | <u>75,413,010</u> | <u>68,875,967</u> | <u>(6,537,043)</u> |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION | (12,332,028) | (9,073,892) | 3,258,136 |
| DEPRECIATION | <u>7,659,756</u> | <u>6,878,751</u> | <u>(781,005)</u> |
| OPERATING INCOME (LOSS) | <u>(19,991,784)</u> | <u>(15,952,643)</u> | <u>(4,039,141)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Sales tax | 28,842,000 | 30,780,825 | 1,938,825 |
| Investment income | 240,332 | 253,179 | 12,847 |
| Intergovernmental expense | (5,104,385) | (7,199,344) | (2,094,959) |
| Interest and other charges | (6,046,937) | (6,755,941) | (709,004) |
| Loss from loan to charter customer | - | (425,000) | (425,000) |
| | <u>17,931,010</u> | <u>16,653,719</u> | <u>(1,277,291)</u> |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS | <u>\$ (2,060,774)</u> | 701,076 | <u>\$ 2,761,850</u> |
| Contributions | | <u>356,770</u> | |
| CHANGE IN NET ASSETS | | 1,057,846 | |
| NET ASSETS, MAY 1 | | <u>321,957,533</u> | |
| NET ASSETS, APRIL 30 | | <u>\$ 323,015,379</u> | |

See independent auditor's report.