



# DuPage Water Commission

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

## AGENDA

**FINANCE COMMITTEE  
THURSDAY, NOVEMBER 13, 2003  
6:00 P.M.**

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

## COMMITTEE MEMBERS

A. Poole, Chair  
E. Chaplin  
J. Janicik  
B. Krajewski

- I. Roll Call
- II. Approval of Minutes of October 8, 2003
- III. Treasurer's Report – October, 2003
- IV. Financial Statements – October, 2003
- V. Accounts Payable
- VI. Audit Management Letter for April 30, 2003
- VII. Cash and Investment Review - May 1 through August 31, 2003
- VIII. Letter from Auditor General dated September 2, 2003
- IX. Insurance Renewals
- X. Executive Session: to Discuss Personnel
- XI. Financial Review
  - A. Net Asset (Fund Balance) Analysis
  - B. Investment Portfolio Review
  - C. Subsequent Customer Pricing Review
  - D. Self Insurance Study

Board\Agendas\FC 2003-11.doc

All visitors must present a valid drivers 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 DU PAGE WATER COMMISSION  
HELD ON OCTOBER 8, 2003**

The meeting was called to order at 10:00 a.m. at the offices of the DuPage Water Commission, 600 E. Butterfield Rd., Elmhurst, Illinois 60126. Committee members in attendance: A. Poole, Committee Chairman, B. Krajewski, E. Chaplin and J. Janicik. Also in attendance: R. Skiba, J. Evans (McGladrey & Pullen), W. Lichter and L. Flood (Lombard), M. Bourke (Oakbrook Terrace), J. Perry (Woodridge) and N. Narducci (Winfield).

**MINUTES OF MEETINGS – SEPTEMBER 11, 2003**

Motion by Commissioner Chaplin, seconded by Commissioner Krajewski, to approve the minutes of the September 11, 2003 Finance Committee meeting. This motion carried unanimously.

**TREASURER'S REPORT – SEPTEMBER, 2003**

Commissioner Chaplin presented the September, 2003 Treasurer's Report for Committee review. After a brief discussion, there was a Committee consensus to recommend acceptance of the report by the full Commission at its meeting of September 11, 2003.

**FINANCIAL STATEMENTS - AUGUST, 2003**

The Committee reviewed the September, 2003 financial statements. After a brief discussion, the Committee accepted the financial statements for September, 2003.

**ACCOUNTS PAYABLE**

The Committee reviewed the accounts payable in the amount of \$4,152,946.09. There were no revisions to the list. The Committee had no questions and will recommend approval of the accounts payable at the October 8, 2003 Commission meeting.

**AUDIT FOR APRIL 30, 2003**

As required by auditing standards, J. Evans reviewed a letter covering significant matters related to the conduct of the audit. The letter outlined the responsibilities of both the auditors and the Commission. It noted that there were no major problems in conducting the audit.

Then J. Evans reviewed the management letter with the Committee. Staff had prepared a response to the management letter, which was reviewed by the Committee. The Committee directed the management letter be placed on the November Committee agenda for further review and discussion.

The final draft of the audit report for April 30, 2003 was presented to the Committee. J. Evans noted it received an unqualified opinion that it was fairly presented in accordance with generally accepted accounting principles. The committee will recommend, at the Commission's October 8<sup>th</sup> meeting, acceptance of the report and direct the auditors and staff print and distribute it to those in need of this information.

#### **SUBSEQUENT CUSTOMER PRICING**

In response to a September request by the Commission, the General Manager prepared a memo regarding the possible effect of PA93-0226 on existing subsequent customers. The Finance Committee reviewed this memo. The Committee will discuss the matter further at the October 8<sup>th</sup> Commission meeting.

#### **ADJOURNMENT**

With no further business to come before the Committee, the meeting was adjourned at 10:35 a.m.



# DuPage Water Commission

## MEMORANDUM

TO: General Manager

FROM: Financial Administrator

DATE: November 6, 2003

SUBJECT: Financial Report – October 31, 2003

### **OVERALL FINANCIAL CONDITION**

The Commission's overall net assets decreased by \$72.0 million in the first six months of fiscal year 2003-04. Total assets decreased \$23.6 million. Liabilities increased by approximately \$48.4 million. Total revenues were 7.7% less than budget and total operating expenses were 5.4% over budget.

On July 22, 2003, the Illinois Governor sign into law Public Act (PA) 93-0226. This act amends the Water Commission Act of 1985 and provides a one-time \$75 million grant to DuPage County payable over a five-year period. On August 21<sup>st</sup>, the first such disbursement was made to the County.

On September 30, 2003, the Commission delivered \$135,810,000 of refunding revenue bonds. This enabled the Commission to retire \$145,655,000 of revenue bonds issued in 1993. The present value saving to the Commission of this transaction was nearly \$6.9 million.

All requirements of the revenue bond ordinance have been met as of October 31, 2003. The general obligation bond principal and interest payments are fully funded through March 1, 2004. These payments continue to be funded through the Commission's sales tax proceeds. Property taxes for the bond payments have been abated annually since 1986. In addition, \$8.9 million of sales tax funds have been used to reduce the customers' fixed cost payments for fiscal year 2003-04 by 50%. Though at a higher level than last fiscal year, this is a continuation of a practice started in fiscal year 1997-98.

## **REVENUE ANALYSIS**

Water operations and maintenance revenues were 6.5% less than budget and \$535,000 less than the same period last year. Cool, wet weather slowed water sales during the summer. Water sales from May through October were 17.1 billion gallons versus 18.0 billion for the same period last fiscal year. The \$0.04 reduction in the Fixed Cost rate due to the increased sales tax funding of the annual water revenue bond requirement reduced this line item by \$624,000 compared to the same period last fiscal year.

The national economic slow down has affected the Commission's sales tax receipts. After finishing fiscal year 2002-03 8.9% below budget, sales tax collections in the first six months of the fiscal year, were \$106,700 (0.67%) less than the same period in fiscal year 2002-03. This revenue source is presently 2.4% below budget.

Investment income was budgeted at a 3% rate of return. On October 31st, Commission investments were earning approximately 1.83%. Market conditions and lower balances available for investment contributed to a \$2.4 million decrease in this source of income compared to May 1 through October 31, 2002.

Other income relates mainly to a federal grant to complete a vulnerability assessment of the Commission's facilities. The total grant is \$115,000. Last fiscal year's revenues came from construction reimbursements for additional and emergency metering facilities. Construction on those projects was completed by April 30, 2003.

## **EXPENSE ANALYSIS**

On May 1, 2003, the Commission changed its pension plan to the Illinois Municipal Retirement Fund. To aid employee conversion to the new plan, the Commission picked up, based on tenure, 60% to 100% of employee required contributions to establish service to the beginning of employment. This \$1.4 million expense was not budgeted. There was, however, a reserve of unrestricted net assets set aside at April 30, 2003, for this purpose.

Overall direct water supply costs were 5.9% under budget, although \$285,000 more than the first six months of last fiscal year. Water purchases from the City of Chicago from May through October were down 4.7% versus the same period last year. This was offset by a 4% rate increase resulting in a 0.4% decline in this expense.

Bond interest costs are 43.0% over budget. The \$2.9 million call premium cost on the retired 1993 revenue bonds is the major factor in this variance. Insurance costs are substantially more than the prior fiscal year, but on budget for the current fiscal year.

### **CONSTRUCTION PROJECTS**

For control purposes, the Commission budgets a line item for construction costs during the fiscal year. For financial reporting purposes these cost are capitalized on an interim basis until fiscal year end. The only open construction project is the West Transmission Main (TW-2). All new projects are in the design phase. Construction on a connection between the Northwest and Southwest Transmission Mains (TIB-1) should begin later in the fiscal year. Project TIB-1 will increase flow in the system in the event of a break on the Northwest or Southwest Transmission Mains. These mains are the primary conduits for water leaving the DuPage Pumping Station.

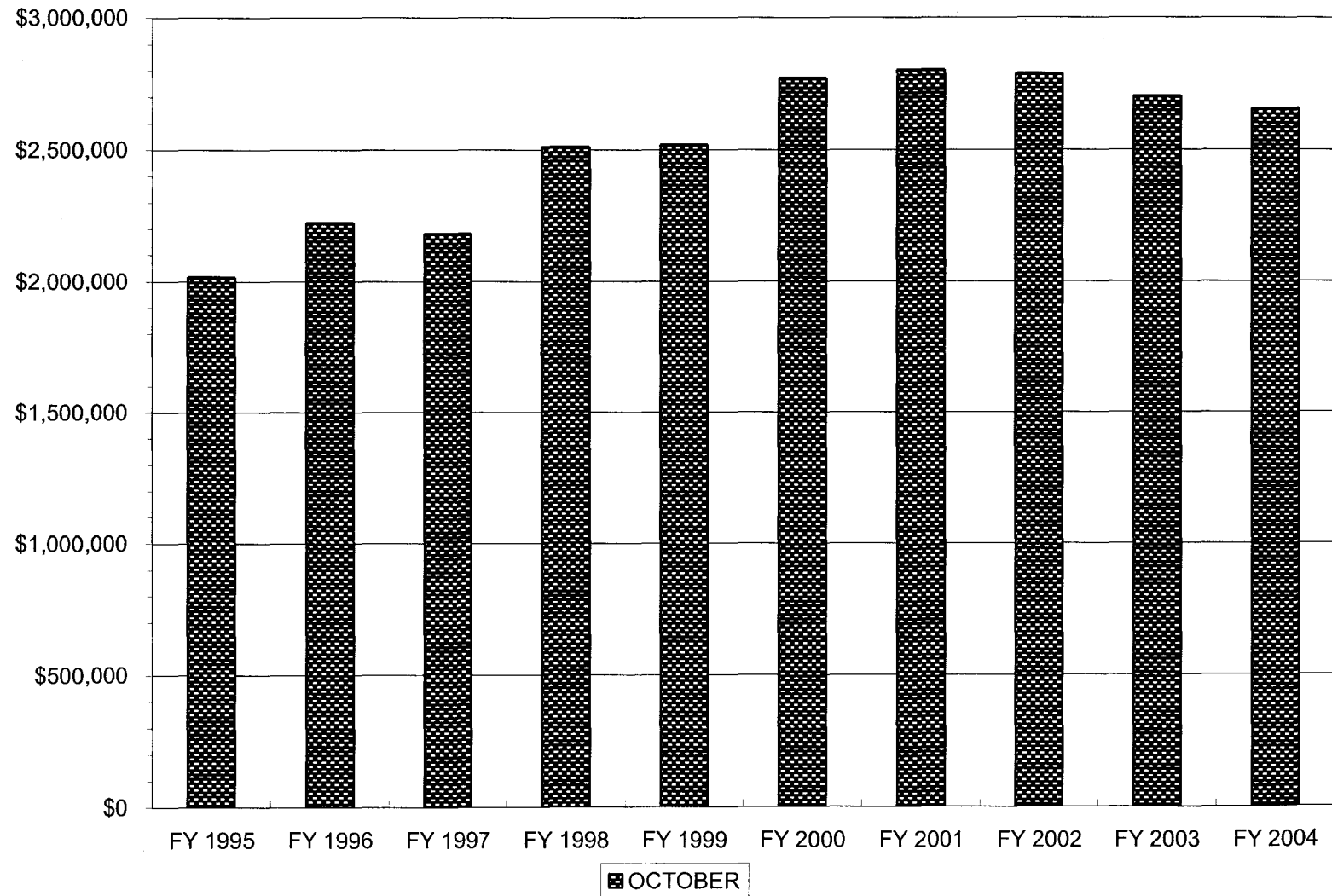
### **INVESTMENT PORTFOLIO**

The Commission's investment portfolio totals \$184.1 million. It is earning 1.11% based on market yield and 1.83% based on original purchase price. The benchmark yield adopted by the Commission was 0.92% at October 31, 2003.

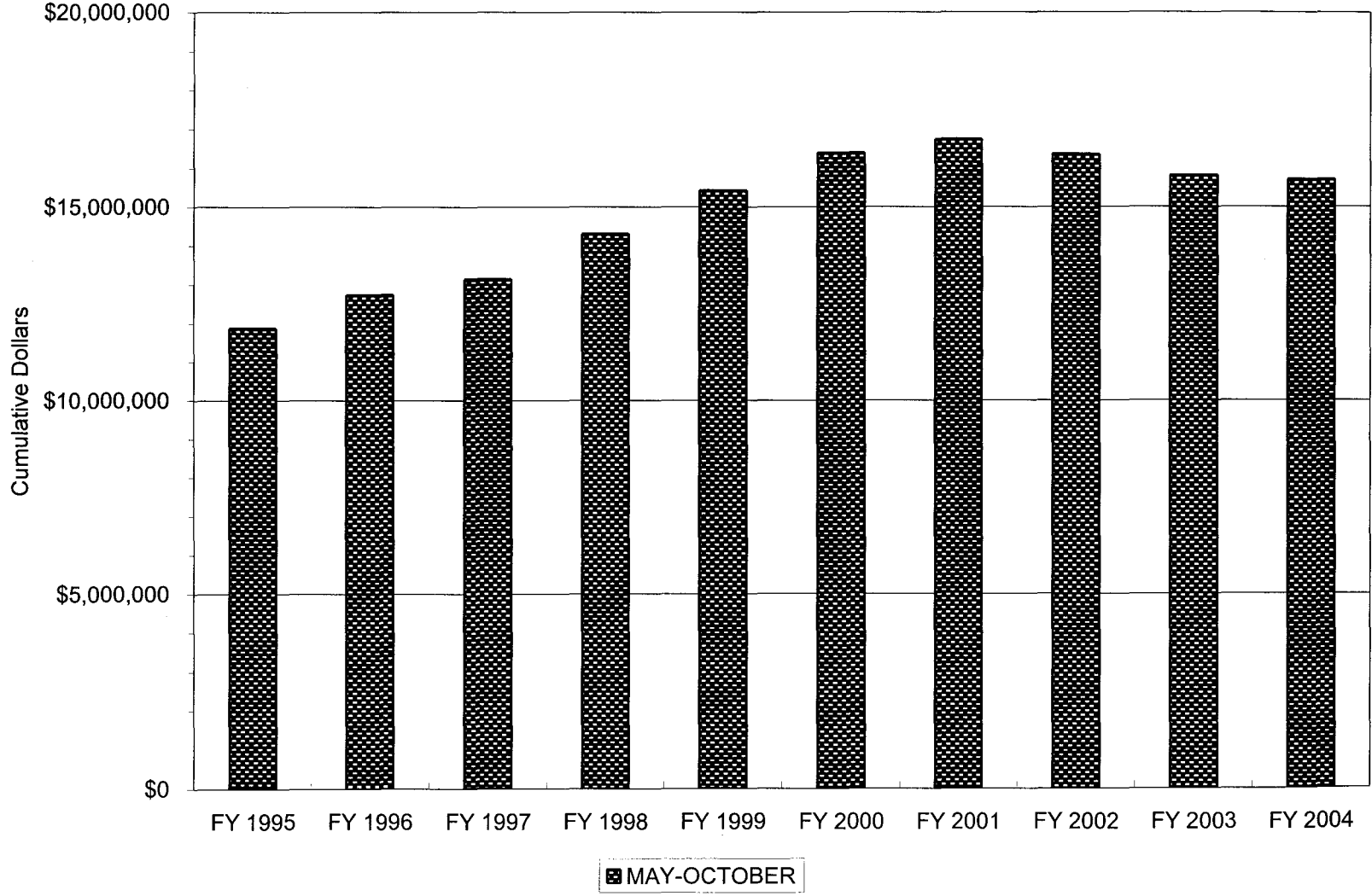
Commission funds are invested as follows: United States Treasury obligations (24.9%), United States Agency obligations (35.3%), the Illinois Funds Money Market Fund (11.8%), the Illinois Funds Prime Funds (14.4%), and certificates of deposit (13.5%). Government money market funds run by the Commission's bond trustees holds \$104,100 or 0.1% of the total portfolio.

ACCOUNTING\CORRESPONDENCE\RS FIN RPT 2003.10.DOC

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



**DuPage Water Commission  
Sales Tax Collections - Year to Date**





DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
BALANCE SHEET - CURRENT FISCAL YEAR CHANGES  
October 31, 2003

PAGE 6

	October 31, 2003 TOTAL WATER FUND (ALL ACCOUNTS)	April 30, 2003 TOTAL WATER FUND (ALL ACCOUNTS)	CURRENT FISCAL YEAR INCREASE (DECREASE)
<b>ASSETS</b>			
CASH	1,001,614.00	194,907.97	806,706.03
INVESTMENTS	184,146,781.06	203,225,846.45	(19,079,065.39)
DUE FROM OTHER FUNDS	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	5,320,912.72	6,067,706.55	(746,793.83)
RECEIVABLE FROM OTHER GOVERNMENTS - CURRENT	7,170,000.00	7,170,000.00	0.00
ACCOUNTS RECEIVABLE-OTHER	253,089.93	373,045.87	(119,955.94)
INTEREST RECEIVABLE	1,099,016.57	1,351,792.66	(252,776.09)
INVENTORIES & PREPAIDS	626,241.31	646,487.03	(20,245.72)
FIXED ASSETS	428,902,703.80	426,075,061.14	2,827,642.66
CONSTRUCTION IN PROGRESS	19,740,890.52	19,740,890.52	0.00
LESS: ACCUMULATED DEPRECIATION	(69,368,907.37)	(66,175,011.48)	(3,193,895.89)
DEFERRED WATER SUPPLY CONTRACT COST	8,093,577.91	12,414,247.47	(4,320,669.56)
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	500,000.00	0.00	500,000.00
<b>TOTAL ASSETS</b>	<b>587,485,920.45</b>	<b>611,084,974.18</b>	<b>(23,599,053.73)</b>
<b>LIABILITIES &amp; EQUITY</b>			
ACCOUNTS PAYABLE	5,884,605.29	3,335,693.80	2,548,911.49
ACCRUED PAYROLL & TAXES	244,610.80	244,642.46	(31.66)
DUE TO OTHER FUNDS	0.00	0.00	0.00
GRANTS PAYABLE CURRENT	15,000,000.00	0.00	15,000,000.00
BONDS PAYABLE CURRENT	19,165,000.00	18,415,000.00	750,000.00
ACCRUED INTEREST	1,295,659.24	4,831,062.08	(3,535,402.84)
ACCRUED LIABILITIES	355,944.74	377,648.80	(21,704.06)
CONTRACT RETENTION	1,070,636.94	1,170,140.78	(99,503.84)
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00
DEFERRED REVENUE	2,959,527.04	3,030,408.40	(70,881.36)
LONG TERM BONDS PAYABLE	199,723,349.81	210,902,696.99	(11,179,347.18)
GRANTS PAYABLE LONG TERM	45,000,000.00	0.00	45,000,000.00
<b>TOTAL LIABILITIES</b>	<b>290,699,333.86</b>	<b>242,307,293.31</b>	<b>48,392,040.55</b>
<b>NET ASSETS</b>			
UNRESTRICTED FUNDS			
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	11,200,000.00	28,100,000.00	(16,900,000.00)
RESERVED FOR WATER RATE STABILIZATION	44,974,390.91	45,005,162.05	(30,771.14)
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	4,517,671.14	49,512,314.14	(44,994,643.00)
<b>TOTAL UNRESTRICTED OPERATING NET ASSETS</b>	<b>60,692,062.05</b>	<b>122,617,476.19</b>	<b>(61,925,414.14)</b>
UNRESTRICTED NON-OPERATING NET ASSETS			
WATER QUALITY LOANS RESERVE	10,000,000.00	10,000,000.00	0.00
IMRF PRIOR SERVICE PENSION COST RESERVE	2,405,524.00	3,805,524.00	(1,400,000.00)
<b>TOTAL UNRESTRICTED NON-OPERATING NET ASSETS</b>	<b>12,405,524.00</b>	<b>13,805,524.00</b>	<b>(1,400,000.00)</b>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>73,097,586.05</b>	<b>136,423,000.19</b>	<b>(63,325,414.14)</b>
RESTRICTED BY ORDINANCE/RESOLUTION	41,221,585.49	51,202,190.02	(9,980,604.53)
INVESTED IN PROPERTY PLANT AND EQUIPMENT	182,467,415.05	181,152,490.66	1,314,924.39
<b>TOTAL NET ASSETS</b>	<b>296,786,586.59</b>	<b>368,777,680.87</b>	<b>(71,991,094.28)</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>587,485,920.45</b>	<b>611,084,974.18</b>	<b>(23,599,053.73)</b>

a - ESTABLISHED AT 5% OF ORIGINAL CONSTRUCTION COSTS AS OF MAY 1, 1992; AMENDED TO 2% OF ORIGINAL CONSTRUCTION COSTS AS OF JULY 31, 2003; INCREASED ANNUALLY BY THE ENGINEERING NEWS RECORD CONSTRUCTION INDEX

ASSETS	TOTAL WATER FUND (ALL ACCOUNTS)	WATER FUND DEPOSITORY ACCOUNTS	OPER & MAINT ACCOUNT	REVENUE BOND INTEREST ACCOUNT	REVENUE BOND PRINCIPAL ACCOUNT	REVENUE BOND DEBT SERVICE RESERVE ACCOUNT	OPER & MAINT RESERVE ACCOUNT	DEPRECIATION ACCOUNT	GENERAL ACCOUNT
CASH	1,001,614.00	975,984.82	24,883.69	0.00	0.00	745.49	0.00	0.00	0.00
INVESTMENTS	184,146,781.06	1,983,542.22	12,783,491.25	602,307.28	5,250,076.67	14,304,805.84	10,469,040.33	6,265,209.02	132,488,308.45
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	5,320,912.72	5,320,912.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - CURRENT	7,170,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,170,000.00
ACCOUNTS RECEIVABLE-OTHER	253,089.93	253,089.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	1,099,016.57	0.00	0.00	0.50	0.12	0.00	97,395.83	0.00	1,001,620.12
INVENTORIES & PREPAIDS	626,241.31	626,241.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	428,902,703.80	428,902,703.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONSTRUCTION IN PROGRESS	19,740,890.52	19,740,890.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LESS: ACCUMULATED DEPRECIATION	(69,368,907.37)	(69,368,907.37)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	8,093,577.91	8,093,577.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	500,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500,000.00
<b>TOTAL ASSETS</b>	<b>587,485,920.45</b>	<b>396,528,035.86</b>	<b>12,808,374.94</b>	<b>602,307.78</b>	<b>5,250,076.79</b>	<b>14,305,551.33</b>	<b>10,566,436.16</b>	<b>6,265,209.02</b>	<b>141,159,928.57</b>
<b>LIABILITIES &amp; EQUITY</b>									
ACCOUNTS PAYABLE	5,884,605.29	0.00	5,884,605.29	0.00	0.00	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	244,610.80	0.00	244,610.80	0.00	0.00	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRANTS PAYABLE CURRENT	15,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,000,000.00
BONDS PAYABLE CURRENT	19,165,000.00	5,177,500.00	0.00	0.00	5,177,500.00	0.00	0.00	0.00	8,810,000.00
ACCRUED INTEREST	1,295,659.24	0.00	0.00	578,550.91	0.00	0.00	0.00	0.00	717,108.33
ACCRUED LIABILITIES	355,944.74	0.00	355,944.74	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT RETENTION	1,070,636.94	0.00	1,070,636.94	0.00	0.00	0.00	0.00	0.00	0.00
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED REVENUE	2,959,527.04	2,959,527.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	199,723,349.81	199,723,349.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRANTS PAYABLE LONG TERM	45,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45,000,000.00
<b>TOTAL LIABILITIES</b>	<b>290,699,333.86</b>	<b>207,860,376.85</b>	<b>7,555,797.77</b>	<b>578,550.91</b>	<b>5,177,500.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>69,527,108.33</b>
<b>NET ASSETS</b>									
UNRESTRICTED FUNDS									
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	11,200,000.00	0.00	0.00	0.00	0.00	12,712.55	61,281.82	1,265,209.02	9,860,796.61
RESERVED FOR WATER RATE STABILIZATION	44,974,390.91	6,200,243.96	0.00	0.00	0.00	0.00	0.00	0.00	38,774,146.95
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	4,517,671.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,517,671.14
<b>TOTAL UNRESTRICTED OPERATING NET ASSETS</b>	<b>60,692,062.05</b>	<b>6,200,243.96</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,712.55</b>	<b>61,281.82</b>	<b>1,265,209.02</b>	<b>53,152,614.70</b>
UNRESTRICTED NON-OPERATING NET ASSETS									
WATER QUALITY LOANS RESERVE	10,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00
IMRF PRIOR SERVICE PENSION COST RESERVE	2,405,524.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,405,524.00
<b>TOTAL UNRESTRICTED NON-OPERATING NET ASSETS</b>	<b>12,405,524.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,405,524.00</b>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>73,097,586.05</b>	<b>6,200,243.96</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,712.55</b>	<b>61,281.82</b>	<b>1,265,209.02</b>	<b>65,558,138.70</b>
RESTRICTED BY ORDINANCE/RESOLUTION	41,221,585.49	0.00	5,252,577.17	23,756.87	72,576.79	14,292,838.78	10,505,154.34	5,000,000.00	6,074,681.54
INVESTED IN PROPERTY PLANT AND EQUIPMENT	182,467,415.05	182,467,415.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>296,786,586.59</b>	<b>188,667,659.01</b>	<b>5,252,577.17</b>	<b>23,756.87</b>	<b>72,576.79</b>	<b>14,305,551.33</b>	<b>10,566,436.16</b>	<b>6,265,209.02</b>	<b>71,632,820.24</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>587,485,920.45</b>	<b>396,528,035.86</b>	<b>12,808,374.94</b>	<b>602,307.78</b>	<b>5,250,076.79</b>	<b>14,305,551.33</b>	<b>10,566,436.16</b>	<b>6,265,209.02</b>	<b>141,159,928.57</b>

a - ESTABLISHED AT 2% OF ORIGINAL CONSTRUCTION COSTS AS OF JULY 31, 2003; INCREASED ANNUALLY BY THE ENGINEERING NEWS RECORD CONSTRUCTION INDEX

ASSETS	TOTAL GENERAL ACCOUNT	WATER FUND SUBACCOUNT	SALES TAXES SUBACCOUNT	GO BOND DEBT SERVICE SUBACCOUNT
CASH	0.00	0.00	0.00	0.00
INVESTMENTS	132,488,308.45	50,614,946.72	70,784,805.73	11,088,556.00
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - CURRENT	7,170,000.00	0.00	7,170,000.00	0.00
ACCOUNTS RECEIVABLE-OTHER	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	1,001,620.12	425,520.84	521,029.91	55,069.37
INVENTORIES & PREPAIDS	0.00	0.00	0.00	0.00
FIXED ASSETS	0.00	0.00	0.00	0.00
CONSTRUCTION IN PROGRESS	0.00	0.00	0.00	0.00
LESS: ACCUMULATED DEPRECIATION	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	500,000.00	0.00	500,000.00	0.00
<b>TOTAL ASSETS</b>	<b>141,159,928.57</b>	<b>51,040,467.56</b>	<b>78,975,835.64</b>	<b>11,143,625.37</b>
<b>LIABILITIES &amp; EQUITY</b>				
ACCOUNTS PAYABLE	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00
GRANTS PAYABLE CURRENT	15,000,000.00	0.00	15,000,000.00	0.00
BONDS PAYABLE CURRENT	8,810,000.00	0.00	0.00	8,810,000.00
ACCRUED INTEREST	717,108.33	0.00	0.00	717,108.33
ACCRUED LIABILITIES	0.00	0.00	0.00	0.00
CONTRACT RETENTION	0.00	0.00	0.00	0.00
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00	0.00
DEFERRED REVENUE	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	0.00	0.00	0.00	0.00
GRANTS PAYABLE LONG TERM	45,000,000.00	0.00	45,000,000.00	0.00
<b>TOTAL LIABILITIES</b>	<b>69,527,108.33</b>	<b>0.00</b>	<b>60,000,000.00</b>	<b>9,527,108.33</b>
<b>NET ASSETS</b>				
UNRESTRICTED FUNDS (R-27-03)				
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES	9,860,796.61	9,860,796.61	0.00	0.00
RESERVED FOR WATER RATE STABILIZATION	38,774,146.95	38,774,146.95	0.00	0.00
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	4,517,671.14	0.00	4,517,671.14	0.00
<b>TOTAL UNRESTRICTED OPERATING NET ASSETS</b>	<b>53,152,614.70</b>	<b>48,634,943.56</b>	<b>4,517,671.14</b>	<b>0.00</b>
UNRESTRICTED NON-OPERATING NET ASSETS				
WATER QUALITY LOANS RESERVE (R-32-02)	10,000,000.00	0.00	10,000,000.00	0.00
IMRF PRIOR SERVICE PENSION COST RESERVE (R-16-03)	2,405,524.00	2,405,524.00	0.00	0.00
<b>TOTAL UNRESTRICTED NON-OPERATING NET ASSETS</b>	<b>12,405,524.00</b>	<b>2,405,524.00</b>	<b>10,000,000.00</b>	<b>0.00</b>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>65,558,138.70</b>	<b>51,040,467.56</b>	<b>14,517,671.14</b>	<b>0.00</b>
RESTRICTED BY ORDINANCE/RESOLUTION	6,074,681.54	0.00	4,458,164.50	1,616,517.04
INVESTED IN PROPERTY PLANT AND EQUIPMENT	0.00	0.00	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>71,632,820.24</b>	<b>51,040,467.56</b>	<b>18,975,835.64</b>	<b>1,616,517.04</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>141,159,928.57</b>	<b>51,040,467.56</b>	<b>78,975,835.64</b>	<b>11,143,625.37</b>

DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
STATEMENT OF REVENUES & EXPENDITURES  
October 31, 2003

PAGE 9

REVENUE	CURRENT MONTH ACTUAL	Y-T-D ACTUAL	Y-T-D BUDGET	Y-T-D BUDGET VARIANCE FAVORABLE (UNFAVORABLE)	% OF Y-T-D BUDGET
OPERATIONS & MAINTENANCE REVENUES	3,359,418.55	23,618,460.25	25,267,688.35	(1,649,228.10)	93.5%
FIXED COST REVENUES	743,027.42	4,458,164.52	4,458,164.50	0.02	100.0%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	80,664.44	499,970.18	568,679.94	(68,709.76)	87.9%
EMERGENCY WATER SERVICE	6,885.72	11,408.96	16,144.71	(4,735.75)	70.7%
SALES TAXES	2,654,818.73	15,699,302.61	16,081,107.49	(381,804.88)	97.6%
INVESTMENT INCOME	207,276.70	1,299,979.66	3,056,612.02	(1,756,632.36)	42.5%
OTHER INCOME	7,635.60	60,593.66	28,303.83	32,289.83	214.1%
<b>TOTAL REVENUE</b>	<b>7,059,727.16</b>	<b>45,647,879.84</b>	<b>49,476,700.84</b>	<b>(3,828,821.00)</b>	<b>92.3%</b>
<b>EXPENSES</b>					
PERSONAL SERVICES	274,550.64	2,803,664.60	1,305,804.77	(1,497,859.83)	214.7%
PROFESSIONAL SERVICES	6,916.82	146,399.36	197,226.88	50,827.52	74.2%
CONTRACTUAL SERVICES	1,500.00	377,923.56	444,431.15	66,507.59	85.0%
INSURANCE	299,481.41	899,672.32	899,628.24	(44.08)	100.0%
ADMINISTRATIVE COSTS	11,098.74	51,940.11	73,961.97	22,021.86	70.2%
WATER SUPPLY COSTS	4,047,667.30	26,175,863.33	27,822,807.69	1,646,944.36	94.1%
BOND INTEREST EXPENSE	814,853.92	8,986,384.95	6,285,308.00	(2,701,076.95)	143.0%
LAND AND RIGHT OF WAY	0.00	2,995.00	3,013.87	18.87	99.4%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	532,316.02	3,194,130.89	3,408,674.91	214,544.02	93.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>5,988,384.85</b>	<b>42,638,974.12</b>	<b>40,440,857.48</b>	<b>(2,198,116.64)</b>	<b>105.4%</b>
<b>NET OPERATING INCOME</b>	<b>1,071,342.31</b>	<b>3,008,905.72</b>	<b>9,035,843.36</b>	<b>(6,026,937.64)</b>	<b>33.3%</b>
CONSTRUCTION EXPENDITURES	1,931,769.22	2,827,642.66	4,646,251.35	1,818,608.69	60.9%
TRANSFERS TO OTHER GOVERNMENTS	0.00	75,000,000.00	0.00	(75,000,000.00)	N/A
<b>NET FUND TRANSACTIONS</b>	<b>(860,426.91)</b>	<b>(74,818,736.94)</b>	<b>4,389,592.01</b>	<b>(79,208,328.95)</b>	<b>-1704.5%</b>
<b>BEGINNING NET ASSETS</b>					
		368,777,680.87			
<b>ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED</b>		<b>2,827,642.66</b>			
<b>ENDING NET ASSETS</b>		<b>296,786,586.59</b>			

DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
BALANCE SHEET - COMPARISON TO PRIOR FISCAL YEAR  
October 31, 2003

PAGE 10

	October 31, 2003 TOTAL WATER FUND (ALL ACCOUNTS)	October 31, 2002 TOTAL WATER FUND (ALL ACCOUNTS)	INCREASE (DECREASE) VS. PRIOR FISCAL YEAR
<b>ASSETS</b>			
CASH	1,001,614.00	406,171.57	595,442.43
INVESTMENTS	184,146,781.06	197,888,428.93	(13,741,647.87)
DUE FROM OTHER FUNDS	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	5,320,912.72	6,770,640.30	(1,449,727.58)
RECEIVABLE FROM OTHER GOVERNMENTS - CURRENT	7,170,000.00	7,920,000.00	(750,000.00)
ACCOUNTS RECEIVABLE-OTHER	253,089.93	927,201.62	(674,111.69)
INTEREST RECEIVABLE	1,099,016.57	1,450,292.31	(351,275.74)
INVENTORIES & PREPAIDS	626,241.31	193,733.48	432,507.83
FIXED ASSETS	428,902,703.80	425,025,303.71	3,877,400.09
CONSTRUCTION IN PROGRESS	19,740,890.52	19,655,993.80	84,896.72
LESS: ACCUMULATED DEPRECIATION	(69,368,907.37)	(62,932,408.71)	(6,436,498.66)
DEFERRED WATER SUPPLY CONTRACT COST	8,093,577.91	15,864,971.69	(7,771,393.78)
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	500,000.00	0.00	500,000.00
<b>TOTAL ASSETS</b>	<b>587,485,920.45</b>	<b>613,170,328.70</b>	<b>(25,684,408.25)</b>
<b>LIABILITIES &amp; EQUITY</b>			
ACCOUNTS PAYABLE	5,884,605.29	4,740,953.99	1,143,651.30
ACCRUED PAYROLL & TAXES	244,610.80	195,581.70	49,029.10
DUE TO OTHER FUNDS	0.00	0.00	0.00
GRANTS PAYABLE CURRENT	15,000,000.00	0.00	15,000,000.00
BONDS PAYABLE CURRENT	19,165,000.00	18,005,000.00	1,160,000.00
ACCRUED INTEREST	1,295,659.24	4,901,062.08	(3,605,402.84)
ACCRUED LIABILITIES	355,944.74	440,748.21	(84,803.47)
CONTRACT RETENTION	1,070,636.94	2,233,223.60	(1,162,586.66)
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00
DEFERRED REVENUE	2,959,527.04	3,121,725.01	(162,197.97)
LONG TERM BONDS PAYABLE	199,723,349.81	219,471,216.81	(19,747,867.00)
GRANTS PAYABLE LONG TERM	45,000,000.00	0.00	45,000,000.00
<b>TOTAL LIABILITIES</b>	<b>290,699,333.86</b>	<b>253,109,511.40</b>	<b>37,589,822.46</b>
<b>NET ASSETS</b>			
UNRESTRICTED FUNDS			
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	11,200,000.00	27,300,000.00	(16,100,000.00)
RESERVED FOR WATER RATE STABILIZATION	44,974,390.91	49,877,390.56	(4,902,999.65)
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	4,517,671.14	66,589,516.77	(62,071,845.63)
<b>TOTAL UNRESTRICTED OPERATING NET ASSETS</b>	<b>60,692,062.05</b>	<b>143,766,907.33</b>	<b>(83,074,845.28)</b>
UNRESTRICTED NON-OPERATING NET ASSETS			
WATER QUALITY LOANS RESERVE	10,000,000.00	0.00	10,000,000.00
IMRF PRIOR SERVICE PENSION COST RESERVE	2,405,524.00	0.00	2,405,524.00
<b>TOTAL UNRESTRICTED NON-OPERATING NET ASSETS</b>	<b>12,405,524.00</b>	<b>0.00</b>	<b>12,405,524.00</b>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>73,097,586.05</b>	<b>143,766,907.33</b>	<b>(70,669,321.28)</b>
RESTRICTED BY ORDINANCE/RESOLUTION	41,221,585.49	42,953,766.29	(1,732,180.80)
INVESTED IN PROPERTY PLANT AND EQUIPMENT	182,467,415.05	173,340,143.68	9,127,271.37
<b>TOTAL NET ASSETS</b>	<b>296,786,586.59</b>	<b>360,060,817.30</b>	<b>(63,274,230.71)</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>587,485,920.45</b>	<b>613,170,328.70</b>	<b>(25,684,408.25)</b>

a - ESTABLISHED AT 5% OF ORIGINAL CONSTRUCTION COSTS AS OF MAY 1, 1992; AMENDED TO 2% OF ORIGINAL CONSTRUCTION COSTS AS OF JULY 31, 2003; INCREASED ANNUALLY BY THE ENGINEERING NEWS RECORD CONSTRUCTION INDEX

DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
COMPARATIVE STATEMENT OF REVENUES & EXPENDITURES  
October 31, 2003

PAGE 11

REVENUE	October 31, 2003 Y-T-D CURRENT FISCAL YEAR	October 31, 2002 Y-T-D PRIOR FISCAL YEAR	INCREASE (DECREASE)	% INCREASE (% DECREASE)
OPERATIONS & MAINTENANCE REVENUES	23,618,460.25	24,153,157.76	(534,697.51)	-2.2%
FIXED COST REVENUES	4,458,164.52	5,082,378.92	(624,214.40)	-12.3%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	499,970.18	507,175.60	(7,205.42)	-1.4%
EMERGENCY WATER SERVICE	11,408.96	6,343.20	5,065.76	79.9%
SALES TAXES	15,699,302.61	15,805,977.06	(106,674.45)	-0.7%
INVESTMENT INCOME	1,299,979.66	3,716,108.09	(2,416,128.43)	-65.0%
OTHER INCOME	60,593.66	659,573.81	(598,980.15)	-90.8%
TOTAL REVENUE	45,647,879.84	49,930,714.44	(4,282,834.60)	-8.6%
EXPENSES				
PERSONAL SERVICES	2,803,664.60	1,133,861.24	1,669,803.36	147.3%
PROFESSIONAL SERVICES	146,399.36	165,700.76	(19,301.40)	-11.6%
CONTRACTUAL SERVICES	377,923.56	144,813.63	233,109.93	161.0%
INSURANCE	899,672.32	315,487.52	584,184.80	185.2%
ADMINISTRATIVE COSTS	51,940.11	48,441.44	3,498.67	7.2%
WATER SUPPLY COSTS	26,175,863.33	25,890,718.98	285,144.35	1.1%
BOND INTEREST EXPENSE	8,986,384.95	6,700,873.47	2,285,511.48	34.1%
LAND AND RIGHT OF WAY	2,995.00	3,495.00	(500.00)	-14.3%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	3,194,130.89	3,174,676.41	19,454.48	0.6%
TOTAL OPERATING EXPENSES	42,638,974.12	37,578,068.45	5,060,905.67	13.5%
NET OPERATING INCOME	3,008,905.72	12,352,645.99	(9,343,740.27)	-75.6%
CONSTRUCTION EXPENDITURES	2,827,642.66	4,708,497.06	(1,880,854.40)	-39.9%
TRANSFERS TO OTHER GOVERNMENTS	75,000,000.00	0.00	75,000,000.00	N/A
NET FUND TRANSACTIONS	(74,818,736.94)	7,644,148.93	(82,462,885.87)	-1078.8%
BEGINNING NET ASSETS	368,777,680.87	347,708,171.31		
ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED	2,827,642.66	4,708,497.06		
ENDING NET ASSETS	296,786,586.59	360,060,817.30		

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 10/31/03	BID PRICE 10/31/03
<b>Water Fund Depository Accounts (WF-1210)</b>											
Illinois Funds-Money Market	0.907%	10/31/03	11/01/03	0.907%	0.907%	\$ 336,179.10	\$ 336,179.10	\$ -	\$ 336,179.10	\$ -	100.000
Illinois Funds-Prime Fund	0.976%	10/31/03	11/01/03	0.976%	0.976%	1,647,363.12	1,647,363.12	-	1,647,363.12	-	100.000
				0.964%	0.964%	\$ 1,983,542.22	\$ 1,983,542.22	\$ -	\$ 1,983,542.22	\$ -	
<b>Water Fund Oper. &amp; Maint. Acct. (WF-1211)</b>											
Illinois Funds-Money Market	0.907%	10/31/03	11/01/03	0.907%	0.907%	\$ 7,744,986.79	\$ 7,744,986.79	\$ -	\$ 7,744,986.79	\$ -	100.000
Illinois Funds-Prime Fund	0.976%	10/31/03	11/01/03	0.976%	0.976%	5,038,504.46	5,038,504.46	-	5,038,504.46	-	100.000
				0.934%	0.934%	\$ 12,783,491.25	\$ 12,783,491.25	\$ -	\$ 12,783,491.25	\$ -	
<b>Revenue Bond Interest Account (WF-1212)</b>											
One Group Government Money Market	0.297%	10/31/03	11/01/03	0.297%	0.297%	\$ 10,726.03	\$ 10,726.03	\$ -	\$ 10,726.03	\$ 0.50	100.000
U. S. Treas. Notes (Bank One Trust Company)	3.375%	10/07/03	04/30/04	1.013%	0.980%	585,000.00	591,581.25	(1,188.28)	592,769.53	-	101.125
				1.000%	0.968%	\$ 595,726.03	\$ 602,307.28	\$ (1,188.28)	\$ 603,495.56	\$ 0.50	
<b>Revenue Bond Principal (WF-1213)</b>											
One Group Government Money Market	0.297%	10/31/03	11/01/03	0.297%	0.297%	\$ 86,634.17	\$ 86,634.17	\$ -	\$ 86,634.17	\$ 0.12	100.000
U. S. Treas. Notes (Bank One Trust Company)	3.375%	05/09/03	04/30/04	1.178%	0.980%	884,000.00	893,945.00	(8,805.47)	902,750.47	-	101.125
U. S. Treas. Notes (Bank One Trust Company)	3.375%	06/03/03	04/30/04	1.090%	0.980%	821,000.00	830,236.25	(7,632.73)	837,868.98	-	101.125
U. S. Treas. Notes (Bank One Trust Company)	3.375%	07/08/03	04/30/04	1.012%	0.980%	820,000.00	829,225.00	(6,406.25)	835,631.25	-	101.125
U. S. Treas. Notes (Bank One Trust Company)	3.375%	08/14/03	04/30/04	1.108%	0.980%	819,000.00	828,213.75	(3,839.06)	832,052.81	-	101.125
U. S. Treas. Notes (Bank One Trust Company)	3.375%	09/11/03	04/30/04	1.064%	0.980%	916,000.00	926,305.00	(3,077.19)	929,382.19	-	101.125
U. S. Treas. Notes (Bank One Trust Company)	3.375%	10/07/03	04/30/04	1.013%	0.980%	846,000.00	855,517.50	(1,718.44)	857,235.94	-	101.125
				1.065%	0.969%	\$ 5,192,634.17	\$ 5,250,076.67	\$ (31,479.14)	\$ 5,281,555.81	\$ 0.12	
<b>Revenue Bond Debt Svc. Reserve (WF-1214)</b>											
F.H.L.B. (Bank One Trust Company)	0.000%	09/25/03	12/15/03	1.006%	1.084%	14,324,000.00	14,304,805.84	12,712.55	14,292,093.29	-	99.866
				1.006%	1.084%	\$ 14,324,000.00	\$ 14,304,805.84	\$ 12,712.55	\$ 14,292,093.29	\$ -	
<b>Water Fund Oper. &amp; Maint. Res. (WF-1215)</b>											
Illinois Funds-Money Market	0.907%	10/31/03	11/01/03	0.907%	0.907%	\$ 1,229,565.69	\$ 1,229,565.69	\$ -	\$ 1,229,565.69	\$ -	100.000
Illinois Funds-Prime Fund	0.976%	10/31/03	11/01/03	0.976%	0.976%	189,787.14	189,787.14	-	189,787.14	-	100.000
U. S. Treas. Notes (Bank One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	0.410%	5,000,000.00	5,004,687.50	(114,257.81)	5,118,945.31	97,395.83	100.094
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	0.980%	4,000,000.00	4,045,000.00	15,000.00	4,030,000.00	-	101.125
				2.685%	0.699%	\$ 10,419,352.83	\$ 10,469,040.33	\$ (99,257.81)	\$ 10,568,298.14	\$ 97,395.83	
<b>Water Fund Depreciation Account (WF-1216)</b>											
Illinois Funds-Money Market	0.907%	10/31/03	11/01/03	0.907%	0.907%	\$ 1,462,347.67	\$ 1,462,347.67	\$ -	\$ 1,462,347.67	\$ -	100.000
Illinois Funds-Prime Fund	0.976%	10/31/03	11/01/03	0.976%	0.976%	757,861.35	757,861.35	-	757,861.35	-	100.000
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	0.980%	4,000,000.00	4,045,000.00	15,000.00	4,030,000.00	-	101.125
				2.239%	0.962%	\$ 6,220,209.02	\$ 6,265,209.02	\$ 15,000.00	\$ 6,250,209.02	\$ -	

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 10/31/03	BID PRICE 10/31/03
Water Fund General Account (WF-1217)											
Illinois Funds-Money Market	0.907%	10/31/03	11/01/03	0.907%	0.907%	\$ 5,931,200.16	\$ 5,931,200.16	\$ -	\$ 5,931,200.16	\$ -	100.000
Illinois Funds-Prime Fund	0.976%	10/31/03	11/01/03	0.976%	0.976%	14,062,871.56	14,062,871.56	-	14,062,871.56	-	100.000
F.H.L.B. (D L J)	3.750%	11/13/02	02/13/04	1.569%	1.083%	10,000,000.00	10,074,000.00	(196,367.60)	10,270,367.60	78,125.00	100.740
U. S. Treas. Notes (Dain Rauscher)	7.250%	01/31/02	05/15/04	3.204%	1.050%	10,000,000.00	10,325,000.00	(559,300.00)	10,884,300.00	332,291.67	103.250
F.H.L.B. (RBC D. Rauscher)	3.625%	06/14/02	10/15/04	3.403%	1.200%	10,000,000.00	10,221,875.00	174,218.75	10,047,656.25	15,104.17	102.219
				2.031%	1.050%	\$ 49,994,071.72	\$ 50,614,946.72	\$ (581,448.85)	\$ 51,196,395.57	\$ 425,520.84	
Sales Tax Funds (WF-1230)											
Illinois Funds-Money Market	0.907%	10/31/03	11/01/03	0.907%	0.907%	\$ 5,079,467.43	\$ 5,079,467.43	\$ -	\$ 5,079,467.43	\$ -	100.000
Illinois Funds-Prime Fund	0.976%	10/31/03	11/01/03	0.976%	0.976%	5,003,175.80	5,003,175.80	-	5,003,175.80	-	100.000
Cert. of Deposit (Suburban Bank & Trust)	1.550%	10/16/03	10/15/04	1.550%	1.550%	6,000,000.00	6,000,000.00	-	6,000,000.00	3,821.92	100.000
Cert. of Deposit (Oak Brook Bank)	1.700%	01/15/03	01/15/04	1.700%	1.700%	6,000,000.00	6,000,000.00	-	6,000,000.00	80,761.64	100.000
U. S. Treas. Notes (Bank One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	0.410%	5,000,000.00	5,004,687.50	(114,257.82)	5,118,945.32	97,395.83	100.094
Cert. of Deposit (Mid America Bank)	1.600%	04/15/03	04/15/04	1.600%	1.600%	6,000,000.00	6,000,000.00	-	6,000,000.00	52,339.73	100.000
F.H.L.B. (ABN AMRO)	3.375%	06/21/02	05/14/04	3.002%	1.229%	10,000,000.00	10,113,100.00	44,350.00	10,068,750.00	154,687.50	101.131
Cert. of Deposit (Winfield Community Bank)	2.000%	06/17/03	06/15/04	2.000%	2.000%	1,000,000.00	1,000,000.00	-	1,000,000.00	7,452.05	100.000
Cert. of Deposit (West Suburban Bank)	1.500%	07/16/03	07/15/04	1.500%	1.500%	5,935,100.00	5,935,100.00	-	5,935,100.00	26,098.18	100.000
F.H.L.B. (RBC D. Rauscher)	3.625%	09/12/02	10/15/04	2.400%	1.200%	10,000,000.00	10,221,875.00	(25,925.00)	10,247,800.00	15,104.17	102.219
Cert. of Deposit (West Suburban Bank)	1.250%	10/15/03	10/15/04	1.250%	1.250%	64,900.00	64,900.00	-	64,900.00	35.56	100.000
F.H.L.B. (RBC D. Rauscher)	4.000%	10/17/02	02/15/05	2.462%	1.610%	10,000,000.00	10,362,500.00	18,000.00	10,344,500.00	83,333.33	103.625
				2.046%	1.314%	\$ 70,082,643.23	\$ 70,784,805.73	\$ (77,832.82)	\$ 70,862,638.55	\$ 521,029.91	
2001 G. O. Bonds Debt Service (WF-1243)											
ABN AMRO Government Money Market	0.773%	10/31/03	11/01/03	0.773%	0.773%	\$ 6,724.75	\$ 6,724.75	\$ -	\$ 6,724.75	\$ 4.37	100.000
U. S. Treas. Notes (LaSalle Bank)	3.000%	02/28/03	02/29/04	1.219%	0.920%	10,388,000.00	10,452,925.00	(118,082.34)	10,571,007.34	51,940.00	100.625
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/05/03	02/29/04	1.052%	0.920%	287,000.00	288,793.75	(3,677.19)	292,470.94	1,435.00	100.625
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/07/03	02/29/04	1.073%	0.920%	338,000.00	340,112.50	(4,225.00)	344,337.50	1,690.00	100.625
				1.210%	0.920%	\$ 11,019,724.75	\$ 11,088,556.00	\$ (125,984.53)	\$ 11,214,540.53	\$ 55,069.37	
TOTAL ALL FUNDS				1.833%	1.112%	\$ 182,615,395.22	\$ 184,146,781.06	\$ (889,478.88)	\$ 185,036,259.94	\$ 1,099,016.57	
October 31, 2003	90 DAY US TREASURY YIELD			0.920%							



## DU PAGE WATER COMMISSION - ACCOUNTS PAYABLE 03-OCT-03 TO 06-NOV-03

VENDOR VOLUME  
ACCOUNTS PAYABLE SPREADSHEET  
11/13/03

VENDOR	DESCRIPTION	VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT %
Chicago, City of: Supt. of Wtr. Coll.	Water Supply: 10/01/03-10/31/03	2,476,407.89	2,476,407.89	42.454%
West Shore Pipe Line Company	Relocation Work for TIB-1	869,375.00	3,345,782.89	57.359%
Gallagher, AJ Risk Mgmt Svcs PR	Property Insurance	640,130.20	3,985,913.09	68.333%
Rossi Contractors, Inc.	Cont. BOV-1: Partial Invoice No. 15	570,352.43	4,556,265.52	78.111%
Ambac Assurance Corporation	Debt Service Reserve Surety Bond: 2003 Revenue Bond	228,685.42	4,784,950.94	82.031%
Alvord, Burdick & Howson	Engineering Services	189,798.40	4,974,749.34	85.285%
Chicago, City of: Dept. of Water	Electric Service: 08/01/03-09/29/03	186,440.42	5,161,189.76	88.481%
Constellation NewEnergy, Inc.	DPPS Electric Service: 09/23/03-10/22/03	116,057.16	5,277,246.92	90.471%
Katten Muchin Zavis Rosenman	Legal Services as Bond Counsel - 2003 Revenue Bond	112,500.00	5,389,746.92	92.400%
Cathodic Protection Management, Inc.	Corrosion Survey: Partial Invoice No. 2	103,718.17	5,493,465.09	94.178%
Downers Grove, Village of	Water Quality Loan - Draw # 3	100,000.00	5,593,465.09	95.892%
Moody's Investors Service	Bond Rating: 2003 Water Revenue Refunding Bonds	54,398.00	5,647,863.09	96.825%
Banc One Capital Markets, Inc.	Financial Advisory Services - 2003 Revenue Bonds	47,500.00	5,695,363.09	97.639%
Holland & Knight	Legal Services: September 2003	24,109.46	5,719,472.55	98.052%
Rossi Contractors, Inc.	Insurance & Bonds for Contract QR-6/02	19,500.00	5,738,972.55	98.387%
Consolidated Concrete Restoration, Inc.	Foundation Waterproofing at Meter Stations 10C, 15A, 20A	11,700.00	5,750,672.55	98.587%
Exelon Service, Inc.	DPPS Security System Upgrade	9,000.00	5,759,672.55	98.741%
CTE Engineers, Inc.	Eng. Serv. - Emergency Operations Plan: 08/23/03-10/03/03	7,060.60	5,766,733.15	98.862%
Commonwealth Edison	Meter Sta. Serv. 17B: 09/04/03-10/03/03	6,311.05	5,773,044.20	98.971%

## DU PAGE WATER COMMISSION - ACCOUNTS PAYABLE 03-OCT-03 TO 06-NOV-03

VENDOR VOLUME  
ACCOUNTS PAYABLE SPREADSHEET  
11/13/03

VENDOR	DESCRIPTION	VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT %
McGladrey & Pullen, LLP	Audit - FY '03 - Final Pymt, Cash & Invest. Review - Aug '03	6,200.00	5,779,244.20	99.077%
National Relay Labs	Calibrate Electromechanical Protective Relays	4,800.00	5,784,044.20	99.159%
J.U.L.I.E.	Utility Locates: September 2003	4,437.00	5,788,481.20	99.235%
Acres Group, Inc.	Landscape Mgmt Serv: November 2003	4,373.80	5,792,855.00	99.310%
Avalon Petroleum Company	Gasoline	3,050.00	5,795,905.00	99.363%
United States Postal Service	Replenish Postage Meter	3,000.00	5,798,905.00	99.414%
Datastream Systems, Inc.	1 Year Service Agreement: 12/14/03-12/13/04	2,989.00	5,801,894.00	99.465%
Basic Chemical Solutions, LLC	Sodium Hypochlorite	2,520.00	5,804,414.00	99.508%
Door Systems Inc.	Pedestrian Door for Tank Site	2,275.00	5,806,689.00	99.547%
SBC	Backup Telemetry, DPPS, Tank Site #1 Service	1,942.01	5,808,631.01	99.581%
Total Facility Maintenance, Inc.	DPPS Cleaning Services: November 2003	1,925.83	5,810,556.84	99.614%
Cardmember Services (First USA Bank)	I-PASS, Office Supplies, Admin Exp., Valve Test - TW-2	1,598.72	5,812,155.56	99.641%
Seeco Consultants, Inc.	Material Testing - BOV-1: 09/16/03-10/15/03	1,112.00	5,813,267.56	99.660%
SPI Energy Group	Eval. of On-Site Generation Proposals: 08/29/03-09/30/03	973.75	5,814,241.31	99.677%
AKT-1 Industries, Inc.	Maintenance Supplies	933.20	5,815,174.51	99.693%
National City Bank	Safekeeping Fees: 09/01/03-09/30/03	866.90	5,816,041.41	99.708%
Sears Commercial Credit	Maintenance Supplies	844.36	5,816,885.77	99.722%
Lewellyn Technology, Inc.	Training: C. Bostick	795.00	5,817,680.77	99.736%
McMaster-Carr Supply Co.	Steel Mobile Cabinet Workbench, Step Ladder, Maint. Sup.	751.84	5,818,432.61	99.749%

VENDOR VOLUME  
 ACCOUNTS PAYABLE SPREADSHEET  
 11/13/03

VENDOR	DESCRIPTION	VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT %
MK Battery	Batteries for Emergency Lights	748.80	5,819,181.41	99.762%
Sir Speedy	Duplication of Tank Site #1 Pump Station O & M Manuals	743.75	5,819,925.16	99.774%
PMA Financial Network, Inc.	PMA Local Bank Analysis Report	625.00	5,820,550.16	99.785%
Quill	Office Supplies	598.93	5,821,149.09	99.795%
Grainger	Maintenance Supplies	543.94	5,821,693.03	99.805%
North Shore Uniform	Employee Uniforms	541.82	5,822,234.85	99.814%
Elmhurst Plaza Standard Inc.	Vehicle Maintenance	528.25	5,822,763.10	99.823%
Illinois E.P.A.	I.E.P.A. Permit for TIB-1 Construction Project	500.00	5,823,263.10	99.832%
Invensys Metering Systems	Training - J. Salz	500.00	5,823,763.10	99.840%
AT&T	Long Dist. Serv. DPPS: 09/25/03-10/25/03	498.59	5,824,261.69	99.849%
Program Professional Service, Inc.	Window Washing DPPS: October 2003	467.00	5,824,728.69	99.857%
Mid-Town Petroleum, Inc.	Maintenance Supplies, Drum Deposit	465.00	5,825,193.69	99.865%
HSQ Technology	SCADA Support Service: 10/01/03-10/31/03	450.00	5,825,643.69	99.872%
Naperville, City of	Meter Sta. Service: 09/15/03-10/15/03	447.86	5,826,091.55	99.880%
JM Process Systems, Inc.	Equipment Repair	428.85	5,826,520.40	99.887%
AT&T Wireless Service - Chicago	Cellular Phone Serv.: 08/27/03-10/26/03	418.53	5,826,938.93	99.895%
Orr Safety Corporation	Repairs to Gas Detector	355.00	5,827,293.93	99.901%
Hach Company	SCADA/Instrumentation	351.30	5,827,645.23	99.907%
Aries Charter Transportation, Inc.	21 Passenger Mini Bus Rental - Jardine Treatment Plant	327.00	5,827,972.23	99.912%

DU PAGE WATER COMMISSION - ACCOUNTS PAYABLE 03-OCT-03 TO 06-NOV-03

VENDOR VOLUME  
ACCOUNTS PAYABLE SPREADSHEET  
11/13/03

VENDOR	DESCRIPTION	VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT %
SBC Paging	Pager Service: 10/01/03-11/30/03	313.05	5,828,285.28	99.918%
Verizon Wireless	Cellular Phone Serv.: 10/12/03-11/11/03	294.72	5,828,580.00	99.923%
Specialty Mat Service	Floor Mat Service: October 2003	291.80	5,828,871.80	99.928%
Neuco Inc.	Pump Parts	268.40	5,829,140.20	99.932%
Mel's Ace Hardware	Maint. Sup., Veh. Maint., Locating Supplies, Pipeline Repairs	249.03	5,829,389.23	99.937%
CLC Lubricants Co.	Maintenance Supplies, Drum Deposit	242.25	5,829,631.48	99.941%
Nextel Communications	Cellular Phone Serv.: 09/09/03-10/08/03	233.09	5,829,864.57	99.945%
Wildman, Harrold, Allen & Dixon LLP	In-House Counsel Employment Considerations	230.00	5,830,094.57	99.949%
ThyssenKrupp Elevator Company	Elevator Maintenance: 11/01/03-11/30/03	218.42	5,830,312.99	99.952%
Illinois Paper Company	Office Supplies	211.93	5,830,524.92	99.956%
Lab Safety Supply, Inc.	Maintenance Supplies	172.20	5,830,697.12	99.959%
Alternative Business Suppliers Incorporated	Copier Maintenance	168.68	5,830,865.80	99.962%
Royal Office Products	Office Supplies	160.65	5,831,026.45	99.965%
Network Technologies Group, LLC	Corrosion Telemetry: 09/01/03-10/12/03	158.57	5,831,185.02	99.967%
Waste Management North	Refuse Disposal	149.82	5,831,334.84	99.970%
Tree Town Repro Service	Tank Site #1 Drawings, Mylar Plan Reprod., Photocopying	149.70	5,831,484.54	99.973%
Federal Express Corp.	Messenger Service	149.05	5,831,633.59	99.975%
Choice Coffee Co.	Coffee	147.45	5,831,781.04	99.978%
Central Parts Warehouse	Vehicle Maintenance	145.77	5,831,926.81	99.980%

VENDOR VOLUME  
 ACCOUNTS PAYABLE SPREADSHEET  
 11/13/03

VENDOR	DESCRIPTION	VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT	CUMULATIVE VENDOR AMOUNT %
Reliable Office Supplies	Office Supplies	139.56	5,832,066.37	99.982%
Aerex Pest Control	Exterminator - DPPS, Serv. Bldg, Pump & Motor Rm: Oct. '03	138.00	5,832,204.37	99.985%
United Radio Communications	Portable Radio Repairs	128.03	5,832,332.40	99.987%
Cintas First Aid & Safety	First Aid Supplies	118.70	5,832,451.10	99.989%
Sooper Lube	Vehicle Maintenance	108.80	5,832,559.90	99.991%
USABlueBook	Pumping Operations	106.75	5,832,666.65	99.993%
NICOR	DPPS Service: 09/12/03-10/14/03	104.60	5,832,771.25	99.995%
Excalibur Refreshment Concepts, Inc.	Coffee	103.05	5,832,874.30	99.996%
Home Depot	Maintenance Supplies	102.33	5,832,976.63	99.998%
Chicago Engraving & Design Studios, Inc.	Commissioner Plaque	65.00	5,833,041.63	99.999%
Chicago Suburban Express Inc.	Freight on Meter Station Maintenance Supplies	32.50	5,833,074.13	100.000%
Menards - Hillside	Maintenance Supplies	13.32	5,833,087.45	100.000%
Total Accounts Payable		5,833,087.45		

# McGladrey & Pullen

Certified Public Accountants

To the Honorable Chairman and  
Members of the Board of Commissioners  
DuPage Water Commission

In planning and performing our audit of the basic financial statements of the DuPage Water Commission as of April 30, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control. However, we noted a matter involving internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level, the risk that errors or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the reportable condition described above is not believed to be a material weakness.

Following is a description of the reportable condition noted during the audit.

## **Accounting Software**

Although the Commission utilizes computers to process financial transactions, the Commission is not using a commercial accounting software package. Instead, the Commission has created a series of electronic spreadsheets that functions as its accounting system. The Commission's day-to-day activity is manually entered as journal entries into linked electronic spreadsheets. The linked electronic spreadsheets are capable of producing reports such as a trial balance, general ledger and financial statements. The Commission's system of linked electronic spreadsheets appears to be working effectively and is capable of producing information in a timely manner.

This type of system has certain advantages. It is economical to operate and is flexible. Management has the ability to manipulate the data to meet whatever reporting needs they have. However, there are also risks associated with such a system. Because of the complexities associated with the linked spreadsheets, adjustments or changes to the links could be difficult to make. The biggest risk is the potential to modify formulas within the spreadsheets. In the current system, a change to a formula could be easily made and go undetected.

In order to minimize the risks associated with the system of linked electronic spreadsheets, the Commission should acquire a commercial accounting software package. The commercial package can be designed to produce all of the necessary financial information as well as process payments. The commercial package has the added advantage of having built-in controls so that formulas cannot be easily changed.

## Accounting Software (Continued)

We recommend the Commission acquire a commercial accounting software package for all of its accounting transactions.

## Other Matters

In addition to the reportable condition noted above, we have the following additional comment for your consideration.

## Fixed Assets Reporting

The Commission currently does not have detailed fixed asset records. Value for fixed assets have been established in previous years by accumulating cost records of various assets constructed and purchased. Those costs pools are being depreciated over the estimated useful lives of the various cost pools. Using this methodology the Commission is able to allocate costs through depreciation over the estimated useful lives of the equipment and assets.

There are several issues associated with not having detailed fixed asset records. For example, without individual fixed asset records it is very difficult to account for deletions and replacements. When a deletion occurs accurate records are not available in order to determine the amount of costs and accumulated depreciation that will need to be removed from the accounting records. In addition, without specific identification of costs and accumulated depreciation by asset, the Commission could be misstating future earnings because of deletions.

Many other governmental entities have addressed this issue through the acquisition of fixed asset software and conducting an appraisal of fixed assets. The appraisal is necessary to allocate costs to various fixed assets and the software package is necessary to continue to account for these costs in the future. An appraisal may not be necessary if adequate information is available in the records of the Commission. That is a determination that will need to be made once a decision is made to implement the fixed asset accounting.

We recommend that the Commission update its fixed asset records so that a comprehensive detailed inventory listing cost and accumulated depreciation by asset is constructed.

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We appreciate the courtesy shown and assistance given to us by the Commission's staff during our audit. We have already discussed our comment and suggestion with various personnel of the Commission. We would be pleased to discuss them with you at your convenience and to review the procedures necessary to bring about desirable changes.

This report is intended solely for the information and use of the Members of the Board of Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
October 10, 2003



# DuPage Water Commission

## MEMORANDUM

TO: General Manager

FROM: Financial Administrator

DATE: September 19, 2003

SUBJECT: Audit Management Letter

McGladery & Pullen have issued a management letter in conjunction with the audit for April 30, 2003. In that letter, they raised two points about the Commission's financial system that they consider to be reportable conditions.

First, they would like the Commission to use a standard package from a software vendor than a spread sheet database to maintain financial records. Their reason is that the database can be more easily manipulated than a commercial "off the shelf" package.

For the past fifteen years, the Commission has been using the current database system without any problems. The Commission's financial records have passed every audit since 1988. By having the flexibility of the spreadsheet database, the Commission has saved the cost of software maintenance and upgrade charges because "off the shelf" programs do not remain static.

An example of this is the Commission's payroll system. It is an "off the shelf" system for which the Commission paid \$1,500 so far this fiscal year for maintenance and committed another \$1,200 to change the operating system for the payroll program. If this operating system is not up graded, the payroll system will not produce W-2 and other payroll reports for December 31, 2004.

On the other hand, the spreadsheet database use by the Commission since Janaury, 1988, has migrated from the basic Lotus 1-2-3 format into the Excel program format with the only maintenance charge being for a consultant to rewrite the commands that make the database system run. Once converted from a DOS software operating system into a Windows operating environment, the database has been processing the Commission's financial transactions without any further programming by an outside consultant.



To: General Manager  
From: Financial Administrator  
September 19, 2003  
Audit Management Letter  
Page 2

The auditors also recommend that the Commission have a more detailed record of fixed assets. Their concern is that if a pipeline, for example, is abandon, the Commission would have difficulty in identifying the cost of such pipeline to recognize the loss on disposal and properly reduce Commission fixed assets. The auditors note that for other forms of equipment (furniture, vehicles and other operating equipment) the Commission does have detailed records.

The Commission's records for infrastructure assets have been kept on an annual class basis, for example pipe installed by fiscal year without identifying the particular segment of pipeline. In the remote case of an abandonment of a pipeline or a building, cost figures could be adequately recovered from construction documents to provide an auditable financial adjustment to the Commission's infrastructure.

To maintain such a record of each pipeline, how many feet and various segments of it, in order to identify the cost per segment, requires a package software program rather than the worksheet database presently used. This, again, would subject the Commission to all the maintenance upgrade cost that accompanied those systems.

# McGladrey & Pullen

Certified Public Accountants

## Independent Accountant's Report On Applying Agreed-Up On Procedures

To the Honorable Chairman and  
Members of the Board of Commissioners  
of the DuPage Water Commission

We have performed the procedures enumerated below, which were agreed to by management and the Board of Commissioners of the DuPage Water Commission (the Commission), solely to assist you in evaluating the Commission's compliance with its cash and investment policies and practices during the period from May 1, 2003 to August 31, 2003. Management is responsible for the Commission's compliance with those policies and practices and for its cash and investment records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the DuPage Water Commission. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. For bank accounts at August 31, 2003, we:
  - a. Obtained copies of the bank reconciliations prepared by the Commission.
  - b. Confirmed the bank balances and compared the balances on the confirmation received from the bank to the amounts shown on the bank reconciliations and found them to be in agreement.
  - c. Compared book balances shown on the reconciliations to the amounts recorded in the general ledger and found them to be in agreement.
  - d. Reviewed supporting documentation for all reconciling items over \$5,000, and noted no undocumented reconciling items.
2. From a list provided by the Commission's staff of all transfers made during the period from May 1, 2003 to August 31, 2003, we selected all transfers over \$500,000 and judgmentally selected 5 transfers less than \$500,000 and:
  - a. Compared the amount of each of the transfers to bank documents and found them to be in agreement.
  - b. Noted that each transfer was made to an account authorized by the Commission, as set forth in the Commission's Investment Policy (amended by Resolution No. R-27-90) and that each transfer was made to an account in the Commission's name.
  - c. Noted that each transfer was properly recorded in the Commission's general ledger.

These procedures covered 96% of the dollar amount of all such transfers made during the period from May 1, 2003 to August 31, 2003 based on total transfers as shown on the list provided by the Commission's staff.

3. For Commission investments held at August 31, 2003, we:
  - a. Confirmed that each investment is held in the Commission's name by an authorized trust agent, or in a money market fund held by a bond trustee, or at the Commission's office.
  - b. Noted that the type of investment agreed with the description of an authorized investment as set forth in the Commission's Investment Policy (amended by Resolutions No. R-14-00 and R-60-00) and Illinois State statutes (30 ILCS 235/2).
4. From a list provided by the Commission's staff of investment purchases over \$500,000 made during the period May 1, 2003 to August 31, 2003, we:
  - a. Compared the purchase price on the list to the amount of cash disbursed per bank or investment broker documents and found them to be in agreement.
  - b. Noted that the type of investment agreed with the description of an authorized investment as set forth in the Commission's Investment Policy and Illinois State statutes (30 ILCS 235/2).

These procedures covered 100% of the dollar amount of investments purchased during the period from May 1, 2003 to August 31, 2003, based on total investment purchases as shown on a listing provided by the Commission's staff.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. We also were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on cash and investments. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DuPage Water Commission and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
September 26, 2003

## SPRINGFIELD OFFICE:

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

September 2, 2003

Michael P. Vondra, Chairman  
Board of Commissioners  
DuPage Water Commission  
600 East Butterfield Road  
Elmhurst, IL 60126

Dear Chairman Vondra:

This letter is to explain our understanding of the arrangements for the services the Illinois Office of the Auditor General is required to perform which are related to the DuPage Water Commission for the year ending April 30, 2004 pursuant to Public Act 93-259 and the Intergovernmental Cooperation Act (3 ILCS 220/1 *et seq.*). We ask that you either confirm or amend that understanding.

My office will contract with a CPA firm, acting as special assistant auditors, who will perform an audit of the DuPage Water Commission's basic financial statements as of and for the year ending April 30, 2004. My office understands that these financial statements will be prepared in accordance with accounting principles set by the Governmental Accounting Standards Board (GASB). The objective of this financial audit is the expression of an opinion on your financial statements. It is our understanding that an audit conducted in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133 is not required.

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

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management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our report.

We understand the fund maintained by the DuPage Water Commission and that is to be included as part of our audit is the water fund (enterprise fund).

An audit also includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify reportable conditions. We will, however, communicate any reportable conditions that come to our attention during the course of the audit. In accordance with Government Auditing Standards, we will also issue a report on our consideration of the DuPage Water Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report will be an integral part of an audit performed in accordance with Government Auditing Standards and should be read with the auditors' report on the financial statements.

If circumstances arise relating to the condition of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets or noncompliance which, in the professional judgment of my auditors, prevent the completion of the audit, my office retains the unilateral right to take any appropriate course of action permitted under the Illinois State Auditing Act and professional standards.

As you know, management is responsible for (1) the preparation of the DuPage Water Commission's financial statements, (2) establishing and maintaining effective internal control over financial reporting and safeguarding assets, (3) properly recording transactions in the records, (4) identifying and ensuring that the DuPage Water Commission complies with the laws and regulations applicable to its activities, (5) making all financial records and related information available to my auditors, and (6) for adjusting the financial statements to correct material misstatements. At the conclusion of the audit, my auditors will request certain written representations from management about the financial statements and matters related thereto. They will also require that you affirm to them that the effects of any uncorrected misstatements aggregated by the auditors during the current engagement and pertaining to the latest period presented are immaterial both individually and in the aggregate to the financial statements taken as a whole.

The DuPage Water Commission acknowledges that the Illinois Office of the Auditor General will use special assistant auditors who will be competitively procured and operating under contract with my office to facilitate the delivery of these services. The DuPage Water Commission authorizes my auditors to access the DuPage Water Commission files, financial information and other confidential information as determined appropriate.

The working papers for this engagement are the property of the Illinois Office of the Auditor General. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs and the U.S.

General Accounting Office shall have access to the audit working papers upon their request; and that we shall maintain the working papers for a period of at least five years after the date of the release of the audit report, or for a longer period if appropriate. During the course of the audit work papers are confidential. After the release of the audit report, both the report itself and its working papers are public information. Any information obtained during the course of the audit which is confidential by law or regulation needs to be identified to the auditors so appropriate measures can be taken to maintain its confidentiality as set forth in Illinois State Auditing Act (Act) and rules and regulations established pursuant to the Act. Access to requested workpapers will be provided under the supervision of the Illinois Office of the Auditor General.

During the course of the audit engagement, auditors may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect the auditors to maintain copies of such records in their possession.

We will be contacting you shortly to determine the appropriate personnel in your office to discuss and coordinate the assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report. We understand that the accounting records will be ready for audit in June 2004.

The DuPage Water Commission grants its permission to review the predecessor's workpapers and files and will so authorize the predecessor auditor in writing. The Illinois Office of the Auditor General will arrange the date, location, and conditions for reviewing the predecessor's workpapers.

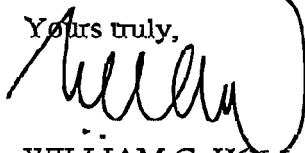
The fees and expenses for conducting the work will be based on the time required by the individuals assigned to the engagement, plus direct expenses. The Office of the Auditor General will competitively procure the services of a CPA firm acting as special assistant auditors to perform the audit under the supervision of an Audit Manager employed by my office. After we have entered into a contract to perform the audit, my office will provide you with an estimate of the audit costs. Upon completion of the audit and the release of the audit report, my office will bill the Dupage Water Commission for the cost of the audit as provided for in Public Act 93-259.

The report on the financial statements is not to be included in an official statement or other document involved with the sale of debt instruments without the auditors' prior consent. Additionally, if you intend to publish or otherwise reproduce the financial statements and/or make reference to my office, special assistant auditors, or our audit, you agree to provide us with printer's proofs or master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Any fees for additional services that may be required as a result of the above will be established by the auditors with you at the time such services are determined to be necessary.

If this letter defines the arrangements, as you understand them, please sign and date the enclosed copy and return it to us. Once we receive your signed acknowledgement, we will call you to arrange a meeting with appropriate staff to begin gathering background information.

We look forward to working with you.

Yours truly,



WILLIAM G. HOLLAND  
Auditor General

enclosure (P.A. 93-259)

cc: James J. Holzward, General Manager  
Richard H. Skiba, Jr., Financial Administrator

Confirmed on behalf of the DUPAGE WATER COMMISSION:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, \_\_\_\_\_

**Public Act 93-0259**

HB0948 Enrolled

LRB093 05761 RCE 05854 b

AN ACT concerning audits.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. If and only if House Bill 3402 of the 93rd General Assembly becomes law as it passed the Senate, the Illinois State Auditing Act is amended by changing Section 3-1 as follows:

(30 ILCS 5/3-1) (from Ch. 15, par. 303-1)

Sec. 3-1. Jurisdiction of Auditor General. The Auditor General has jurisdiction over all State agencies to make post audits and investigations authorized by or under this Act or the Constitution.

The Auditor General has jurisdiction over local government agencies and private agencies only:

(a) to make such post audits authorized by or under this Act as are necessary and incidental to a post audit of a State agency or of a program administered by a State agency involving public funds of the State, but this jurisdiction does not include any authority to review local governmental agencies in the obligation, receipt, expenditure or use of public funds of the State that are granted without limitation or condition imposed by law, other than the general limitation that such funds be used for public purposes;

(b) to make investigations authorized by or under this Act or the Constitution; and

(c) to make audits of the records of local government agencies to verify actual costs of state-mandated programs when directed to do so by the Legislative Audit Commission at the request of the State Board of Appeals under the State Mandates Act.

In addition to the foregoing, the Auditor General may conduct an audit of the Metropolitan Pier and Exposition Authority, the Regional Transportation Authority, the Suburban Bus Division, the Commuter Rail Division and the Chicago Transit Authority and any other subsidized carrier when authorized by the Legislative Audit Commission. Such audit may be a financial, management or program audit, or any combination thereof.

The audit shall determine whether they are operating in accordance with all applicable laws and regulations. Subject to the limitations of this Act, the Legislative Audit Commission may by resolution specify additional determinations to be included in the scope of the audit.

In addition to the foregoing, the Auditor General must also conduct a financial audit of the Illinois Sports Facilities Authority's expenditures of public funds in connection with the reconstruction, renovation, remodeling, extension, or improvement of all or substantially all of any existing "facility", as that term is defined in the Illinois Sports Facilities Authority Act.

The Auditor General may also conduct an audit, when



authorized by the Legislative Audit Commission, of any hospital which receives 10% or more of its gross revenues from payments from the State of Illinois, Department of Public Aid, Medical Assistance Program.

The Auditor General is authorized to conduct financial and compliance audits of the Illinois Distance Learning Foundation and the Illinois Conservation Foundation.

As soon as practical after the effective date of this amendatory Act of 1995, the Auditor General shall conduct a compliance and management audit of the City of Chicago and any other entity with regard to the operation of Chicago O'Hare International Airport, Chicago Midway Airport and Merrill C. Meigs Field. The audit shall include, but not be limited to, an examination of revenues, expenses, and transfers of funds; purchasing and contracting policies and practices; staffing levels; and hiring practices and procedures. When completed, the audit required by this paragraph shall be distributed in accordance with Section 3-14.

The Auditor General shall conduct a financial and compliance and program audit of distributions from the Municipal Economic Development Fund during the immediately preceding calendar year pursuant to Section 8-403.1 of the Public Utilities Act at no cost to the city, village, or incorporated town that received the distributions.

The Auditor General must conduct an audit of the Health Facilities Planning Board pursuant to Section 19.5 of the Illinois Health Facilities Planning Act.

The Auditor General of the State of Illinois shall annually conduct or cause to be conducted a financial and compliance audit of the books and records of any county water commission organized pursuant to the Water Commission Act of 1985 and shall file a copy of the report of that audit with the Governor and the Legislative Audit Commission. The filed audit shall be open to the public for inspection. The cost of the audit shall be charged to the county water commission in accordance with Section 6z-27 of the State Finance Act. The county water commission shall make available to the Auditor General its books and records and any other documentation, whether in the possession of its trustees or other parties, necessary to conduct the audit required. These audit requirements apply only through July 1, 2007.

~~The Auditor General must conduct an annual audit of the water fund of a county water commission organized pursuant to the Water Commission Act of 1985.~~

(Source: P.A. 90-813, eff. 1-29-99; 91-782, eff. 6-9-00; 91-935, eff. 6-1-01; 93HB3402enr.)

Section 99. Effective date. This Act takes effect upon becoming law.

**Effective Date: 07/22/03**

#### Floor Actions

Date	Action
7/22/2003	Public Act .....



# **DuPage Water Commission**

## **MEMORANDUM**

TO: Chairman & Commissioners

FROM: General Manager

DATE: November 7, 2003

SUBJECT: PA93-0226 Analysis

Virchow Krause has been employed to analyze PA93-0226 and the terminology contained therein as it relates to the Commission's rate setting processes. They are now working on the first phase, which is the definition of term in the act. A preliminary report will be delivered to the Commission on Monday, November 10<sup>th</sup>. Staff will distribute this document to the Commissioners by messenger once it has been received.



Arthur J. Gallagher & Co.

# **DuPage Water Commission**

## **2003-2004 Property Insurance Proposal**

**Date Presented: October, 2003**

*Presented by:*

**Arthur J. Gallagher Risk Management Services, Inc.,  
National Public Entity Division**

**The Gallagher Centre  
Two Pierce Place  
Itasca, IL 60143  
(630) 773-3800  
[www.ajg.com](http://www.ajg.com)**



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**TABLE OF CONTENTS**

<b>Section</b>	<b>Page #</b>
Executive Summary .....	1
Arthur J. Gallagher & Co. Service Team.....	2
Client Commitment .....	4
Marketing Activity.....	5
Important Disclosures .....	8
Program Services .....	9
Risk Management Services .....	10
Insurance Summary.....	13
Above Ground Property – Option I.....	13
Comparison .....	19
Cost Summary .....	20
Client Authorization to Bind Coverage .....	21

**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**EXECUTIVE SUMMARY**

The property insurance market remains in a state of flux again this year. One of your insurers, Royal Indemnity, saw their A.M. Best Rating lowered and the company subsequently sold their business to RSUI, part of Allegheny Insurance Companies. RSUI is offering terms this year.

Allianz Insurance, your lead insurer, offered renewal terms but they excluded coverage for Business Interruption and Contingent Business Interruption. We are therefore proposing moving coverage to Travelers Insurance. They will offer the Business Interruption coverage however the Contingent BI coverage will have only a \$5,000,000 limit this year instead of \$8,000,000.

Travelers does have a higher deductible - \$250,000 instead of your current \$25,000 for most perils. They can offer a \$50,000 deductible but the additional premium is about \$25,000.

We have been successful in increasing your Flood and Earthquake limits from \$25,000,000 to \$60,000,000 this year.

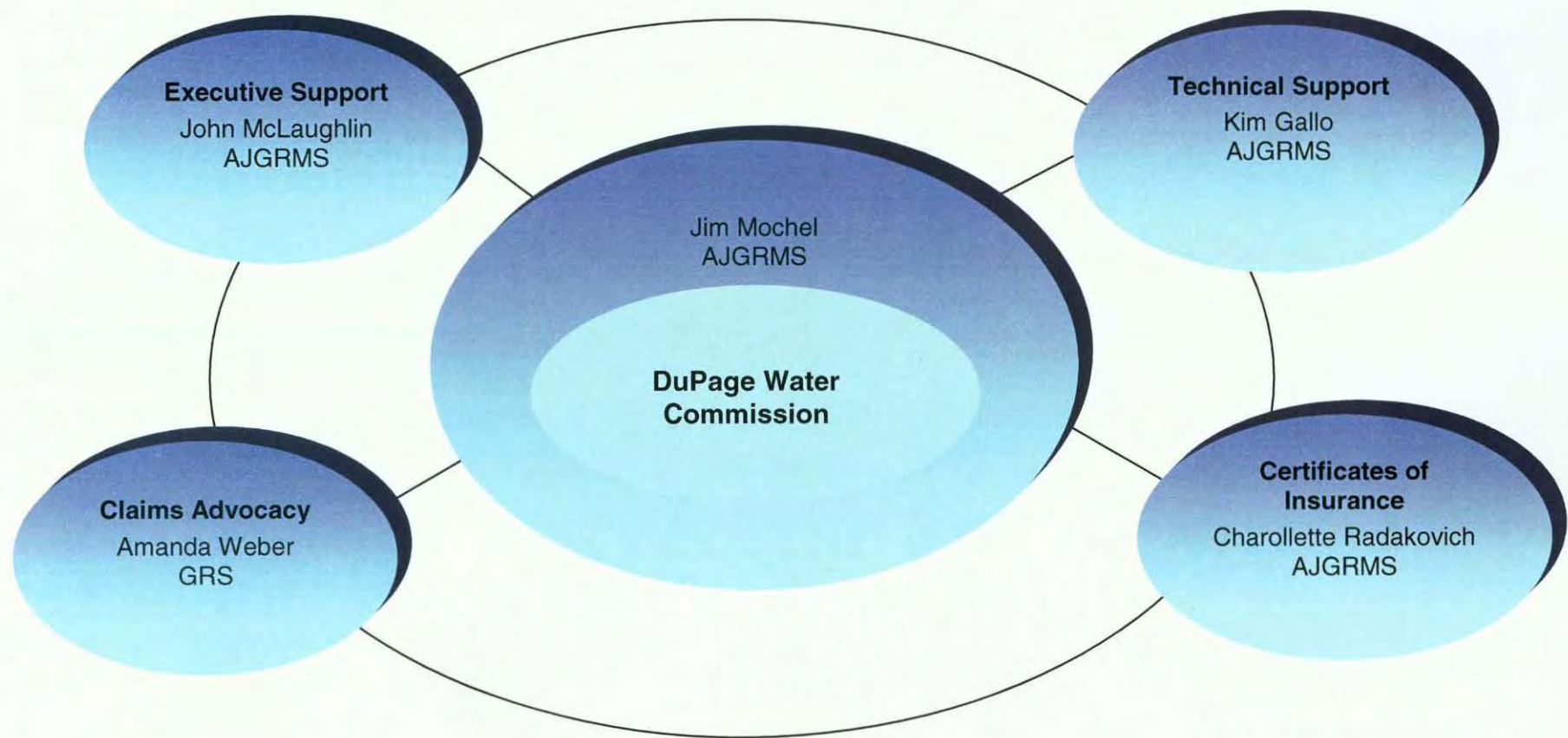
We marketed your coverage to a number of insurers this year. Our proposal includes a summary of those efforts.



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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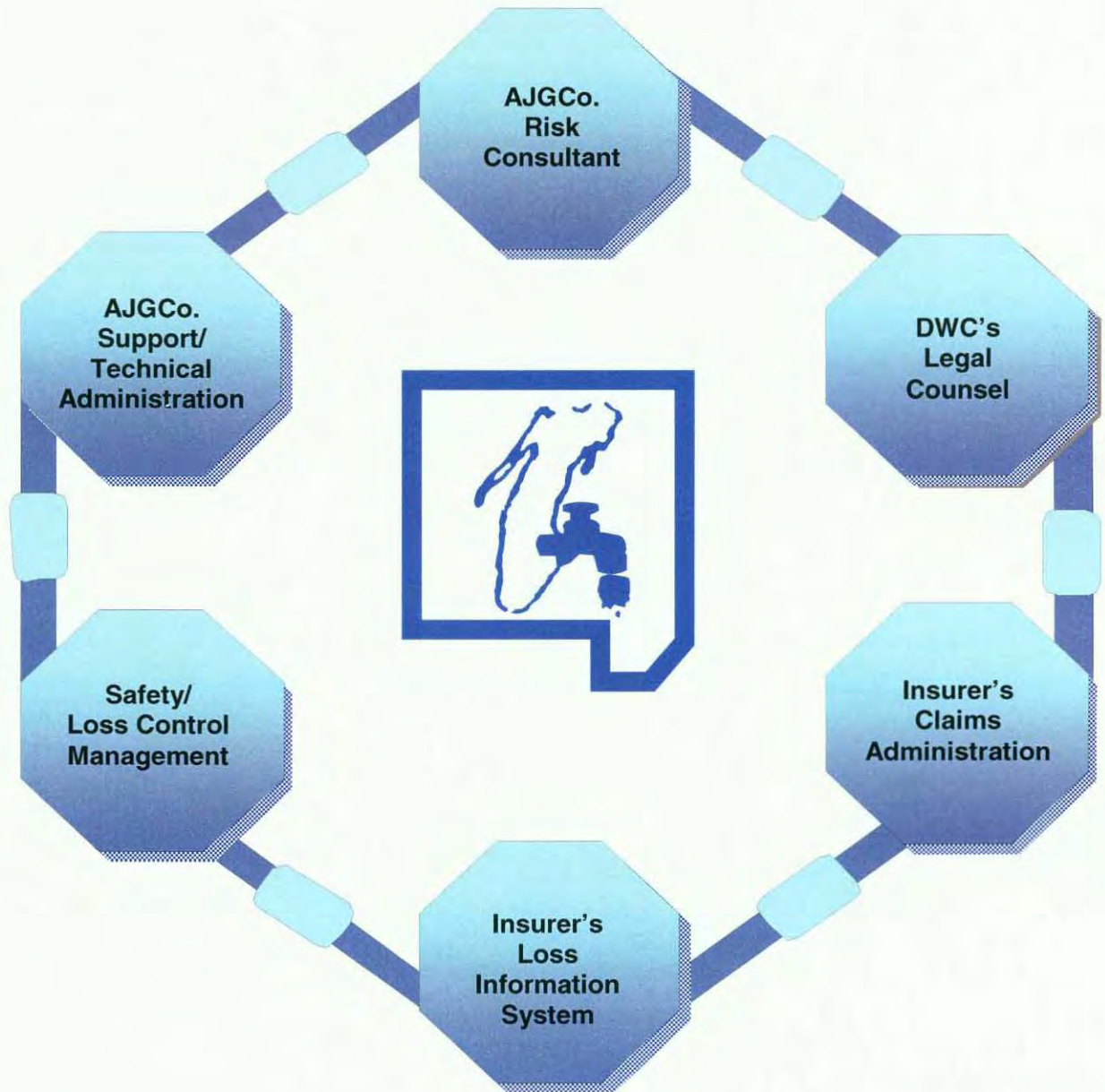
**ARTHUR J. GALLAGHER & CO. SERVICE TEAM**



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**INTEGRATED APPROACH**





**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**CLIENT COMMITMENT**

Managing our client's risks is our highest commitment.

We try to anticipate our client's needs in advance.

We seek to understand the client's business, not just our own.

We always recommend that which is in the client's best interest, even if it diminishes our revenues.

We lead our clients to ever more effective risk management techniques.

We seek long-term relationships, not quick profits.

Getting the order is only the beginning of our commitment, not the end.

We never promise what we cannot produce.

Honesty and integrity are paramount. If we make a mistake, we admit it, and we make it right.

Every client, large or small, has full access to all of our expertise and capability.



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**MARKETING ACTIVITY**

<b>Carrier</b>	<b>Response</b>
CNA	Declined due to Terrorism Exposure
Affiliated	Declined due to Exposure
Travelers	Quoted
Ace/Westchester	Still Working
Commonwealth	Declined due to Exposure
IRI/Westport	Declined due to Exposure
Hartford	Declined due to Exposure
RSUI Indemnity	Quoted Underground Piping and Excess Property
Axis Specialty	Quoted Underground Piping
Lexington (AIG)	Quoted Property, Excluding Underground – Pricing too High
Allianz	Quoted Property, Excluding Underground



# DUPAGE WATER COMMISSION

## 2003-2004 Risk Management Proposal

### PROPOSED CARRIER RATINGS AND ADMITTED STATUS

Proposed Carriers		A.M. Best's Rating 2002	Admitted/Nonadmitted
1.	RSUI Indemnity	A X	Admitted
2.	Travelers Indemnity	A++ XV	Admitted
3.	Axis Specialty	A XIII	Nonadmitted
4.	Allianz Insurance Co.	A++ XV	Admitted
5.	Lexington Insurance Co.	A++ XV	Nonadmitted

If the above indicates coverage is placed with a Nonadmitted Carrier, the carrier is doing business in the state as a surplus lines or nonadmitted carrier. As such, this carrier is not subject to the same regulations which apply to an admitted carrier nor do they participate in any insurance guarantee fund applicable in that state.

### Guide to Best Ratings Rating Levels and Categories

Level	Category	Level	Category	Level	Category
A++, A+	Superior	B, B-	Fair	D	Poor
A, A-	Excellent	C++, C+	Marginal	E	Under Regulatory Supervision
B++, B+	Very Good	C, C-	Weak	F	In Liquidation
				S	Rating Suspended

### Financial Size Categories (In \$000 of Reported Policyholders' Surplus Plus Conditional Reserve Funds)

FSC I	Up to	1,000	FSC IX	250,000 to	500,000
FSC II	1,000 to	2,000	FSC X	500,000 to	750,000
FSC III	2,000 to	5,000	FSC XI	750,000 to	1,000,000
FSC IV	5,000 to	10,000	FSC XII	1,000,000 to	1,250,000
FSC V	10,000 to	25,000	FSC XIII	1,250,000 to	1,500,000
FSC VI	25,000 to	50,000	FSC XIV	1,500,000 to	2,000,000
FSC VII	50,000 to	100,000	FSC XV	2,000,000 or more	
FSC VIII	100,000 to	250,000			

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.

Copies of the Best's Insurance Reports on the insurance companies are available upon your request.

## **DUPAGE WATER COMMISSION**

### **2003-2004 Risk Management Proposal**

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Arthur J. Gallagher & Co. uses A.M. Best & Co.'s rating services to evaluate the financial condition of insurers whose policies we propose to deliver. The rating of the carrier and the year of publication of that rating are indicated. Arthur J. Gallagher & Co. makes no representations and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier which may change.



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**IMPORTANT DISCLOSURES**

The proposal is an outline of the coverages proposed by the insurers, based on the information provided by your company. It does not include all the terms, coverages, exclusions, limitations, or conditions of the actual contract language. The policies themselves must be read for those details. Policy forms for your reference will be made available upon request.

In addition to the fees and/or commissions retained by Arthur J. Gallagher & Co., it is understood and agreed that other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers, and similar parties, some of which may be owned in whole or in part by Arthur J. Gallagher & Co.'s corporate parent, may earn and retain usual and customary commissions and/or fees in the course of providing insurance products. Any such fees and/or commissions will be the responsibility of client and not Arthur J. Gallagher & Co.

The information contained in this proposal is based on the historical loss experience and exposures provided to Arthur J. Gallagher & Co. This proposal is not an actuarial study. Should you wish to have this proposal reviewed by an independent actuary, we will be pleased to provide you with a listing of actuaries for your use.

Gallagher from time to time enters into arrangements with certain insurance carriers or those carriers' reinsurers providing for compensation, in addition to commissions, to be paid by such carriers or reinsurers to Gallagher or its affiliates based on, among other things, the volume of premium and/or underwriting profitability of the insurance coverages written through Gallagher by such carriers or reinsurers. In addition, Gallagher and its affiliates provide management and other services to, and receive compensation for those services from, certain reinsurers that reinsure insurance coverages written through Gallagher by other insurance carriers. The insurance coverages you purchase through Gallagher might be issued by an insurance carrier or reinsured by a reinsurer that has such a relationship with Gallagher or its affiliates.

**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**PROGRAM SERVICES**

- **Risk Management Services**
- **Brokerage and Administrative Services**
- **Services to the Account**
- **Specialized Coverages and Services**



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**RISK MANAGEMENT SERVICES**

- Utilizing our understanding of public agency needs
- Properly developing programs through market comparison
- Adapting programs to our client's needs, not adapting client's needs to programs
- A leader in product development:
  - Gallagher Package Program
  - Premier Public Entity Package Program
  - Commercial Package Program
  - Bermuda Captive Program
- A leader in services offered:
  - Information management
  - Claims management
  - Risk control
  - Actuarial services
  - Property appraising
- A client-driven approach

## **DUPAGE WATER COMMISSION 2003-2004 Risk Management Proposal**

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### **BROKERAGE SERVICES**

Arthur J. Gallagher & Co. receives from DuPage Water Commission annual compensation for providing risk management and related services.

The services that AJGCo. provides to DuPage Water Commission include, but are not limited to:

- Provide pricing and coverage options, and provide input into various decision scenarios.
- Review all policies and endorsements on the DuPage Water Commission's behalf prior to delivery of contracts.
- Analyze insurance market trends and report to the DuPage Water Commission in advance of any trends that will affect pricing and coverage available.
- Serve as liaison between DuPage Water Commission and the insurers.
- Coordinate claims questions from the DuPage Water Commission with the insurance company claims office.
- Provide assistance in the Loss Prevention Program at the direction of the financial administrator.
- Clarify coverage questions from the DuPage Water Commission.
- Issue Certificate of Insurance forms on behalf of the DuPage Water Commission.
- Coordinate the renewal process each year – develop and compile data into a comprehensive review and prepare formal proposal outlining all terms and options.
- Complete a formal Market Study soliciting and negotiating quotations with various carriers.
- Prepare a formal proposal for the DuPage Water Commission outlining the renewal terms and options.
- Field all questions during the year from the DuPage Water Commission.

The services previously detailed are not meant to be an all-inclusive of services provided by Arthur J. Gallagher & Co. We are, in summary, the "insurance person" for the DuPage Water Commission.



## **DUPAGE WATER COMMISSION**

### **2003-2004 Risk Management Proposal**

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### **SPECIALIZED RESOURCES AND SERVICES**

In addition to our previously mentioned risk management services, Arthur J. Gallagher & Co. has direct access to numerous sources for specialized resources and services. They include:

- Actuarial Services
- Appraisal Services – Gallagher Bassett Services, Inc.
- Substance Abuse Program Design and Support
- Disaster Recovery Planning Expertise
- Fraud Investigation Unit – Gallagher Bassett Services, Inc.
- Employee Hiring Practices, including:
  - Preplacement physicals
  - Background screening
  - MVR checks
  - Criminal record checks
  - Prior insurance claims screening
- Security Consulting
- Computer Integrity Audits
- Ergonomic Evaluations and Seminars
- Preferred Provider Organization (PPO) Programs/Employee Benefit Programs
- Estate Planning and Executive Benefit Programs





**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**INSURANCE SUMMARY**  
**Above Ground Property**

<b>Locations:</b>	Per submitted schedule																																								
<b>Policy Form:</b>	Travelers Domestic Property form																																								
<b>Perils:</b>	All Risk including Flood and Earthquake except as sublimited below (subject to policy terms and conditions)																																								
<b>Coverage:</b>	Real and Personal Property and Business Interruption																																								
<b>Policy Limit:</b>	\$100,000,000																																								
<b>Sublimits of Liability:</b>	<table><tr><td>\$10,000,000</td><td>Earthquake (Occurrence/Annual Aggregate)</td></tr><tr><td>Excluded</td><td>Zone 1 Earthquake Locations (none known) <sup>(1)</sup></td></tr><tr><td>\$10,000,000</td><td>Flood (Occurrence/Annual Aggregate)</td></tr><tr><td></td><td>excludes locations with 100-year flood plain <sup>(1)</sup></td></tr><tr><td>\$5,000,000</td><td>Business Personal Property</td></tr><tr><td>\$250,000</td><td>Property of Others</td></tr><tr><td>\$24,000,000</td><td>Business Interruption (Gross Earnings)</td></tr><tr><td>\$5,000,000</td><td>Contingent Business Interruption</td></tr><tr><td></td><td>(Gross Earnings) Named Locations <sup>(2)</sup></td></tr><tr><td>\$2,500,000</td><td>Contingent BI – Boiler and Machinery</td></tr><tr><td>\$177,000</td><td>Contractors' Equipment</td></tr><tr><td>\$5,000,000</td><td>Extra Expense</td></tr><tr><td>\$50,000</td><td>Research and Development Expenses</td></tr><tr><td>\$10,000</td><td>Rental Values</td></tr><tr><td>\$100,000</td><td>Pollution Cleanup and Removal – Annual Aggregate</td></tr><tr><td>\$2,000,000</td><td>Debris Removal – as defined in the policy, not to exceed:</td></tr><tr><td>\$1,000,000</td><td>Ordinance or Law, . Demolition Cost, and Increased Cost of Construction</td></tr><tr><td>\$10,000</td><td>Fire Brigade Charges and Extinguishing Expenses</td></tr><tr><td>\$10,000</td><td>Professional Fees</td></tr><tr><td>\$50,000</td><td>Expediting Expenses</td></tr></table>	\$10,000,000	Earthquake (Occurrence/Annual Aggregate)	Excluded	Zone 1 Earthquake Locations (none known) <sup>(1)</sup>	\$10,000,000	Flood (Occurrence/Annual Aggregate)		excludes locations with 100-year flood plain <sup>(1)</sup>	\$5,000,000	Business Personal Property	\$250,000	Property of Others	\$24,000,000	Business Interruption (Gross Earnings)	\$5,000,000	Contingent Business Interruption		(Gross Earnings) Named Locations <sup>(2)</sup>	\$2,500,000	Contingent BI – Boiler and Machinery	\$177,000	Contractors' Equipment	\$5,000,000	Extra Expense	\$50,000	Research and Development Expenses	\$10,000	Rental Values	\$100,000	Pollution Cleanup and Removal – Annual Aggregate	\$2,000,000	Debris Removal – as defined in the policy, not to exceed:	\$1,000,000	Ordinance or Law, . Demolition Cost, and Increased Cost of Construction	\$10,000	Fire Brigade Charges and Extinguishing Expenses	\$10,000	Professional Fees	\$50,000	Expediting Expenses
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<sup>(1)</sup> Expiring was \$25,000,000.

<sup>(2)</sup> Expiring was \$8,000,000.



## DUPAGE WATER COMMISSION

### 2003-2004 Risk Management Proposal

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\$5,000	Contract Penalties
\$5,000	Deferred Payments
\$2,000,000	Newly Acquired Property until reported to the company – 60-day reporting requirement applies – all coverages combined
\$500,000	Property in Course of Construction – all coverages combined
\$5,000,000	Service Interruption (24-hour <b>qualifying period</b> applies)
\$5,500,000	EDP <sup>(1)</sup> Cost of Research to Replace or Restore Lost Information
\$2,500	Expense to Extract Computer Virus
\$10,000	Unauthorized Computer Access
\$500,000	Valuable Papers and Records
\$5,000,000	Accounts Receivable
Denial of Access by Civil Authority/Ingress – Egress	
\$500,000	Denial of Access by Civil Authority, up to 30 days, not to exceed
\$500,000	Ingress – Egress, up to 30 days, not to exceed
\$1,000	Trees, Shrubs, Plants, and Land Improvements
\$1,000,000	Unintentional Errors and Omissions
\$100,000	Unnamed Locations – all coverage combined
\$5,000	Arson Reward
\$1,000,000	Transit per conveyance
\$100,000,000	Boiler & Machinery
\$100,000	Expediting Expenses
\$100,000	Ammonia Contamination
\$100,000	Hazardous Substances
\$100,000	Water Damage
\$250,000	Spoilage/Breakdown
\$250,000	Consequential Damage
\$5,000,000	Water in Process

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<sup>(1)</sup> EDP Equipment includes SCADA System, Software and Media, and Extra Expense per schedule.

## DUPAGE WATER COMMISSION

### 2003-2004 Risk Management Proposal

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<b>Deductibles:</b>	\$250,000 All perils except
	\$500,000 Flood per occurrence and per location
	\$1,000,000 Earthquake
	1x average Time Element
	daily value
<b>Exclusions:</b>	<ul style="list-style-type: none"><li>• Contingent BI Unnamed Locations</li><li>• Leasehold Interest</li><li>• Radioactive Contamination</li><li>• Fine Arts</li><li>• Transit – per occurrence</li><li>• Off-premises Service Interruption (24-hour <b>qualifying period</b> applies)</li><li>• Contaminants or Pollutants</li><li>• Terrorism</li><li>• Computer Virus</li><li>• Underground Equipment including all piping, mains, and tunnels</li></ul>
<b>Cancellation:</b>	60-day Notice of Cancellation applies, except 10 days for nonpayment
<b>Valuation:</b>	<ul style="list-style-type: none"><li>• Repair or Replacement basis of as otherwise outlined in the policy form</li><li>• Time Element based on Actual loss Sustained</li></ul>
<b>Other:</b>	<ul style="list-style-type: none"><li>• If Boiler &amp; Machinery coverages are provided, jurisdictional inspections are included</li><li>• Timely compliance with loss control recommendations is expected</li></ul>
<b>Premium:</b>	\$259,465



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**INSURANCE SUMMARY**  
**Above Ground Property –Excess**

<b>Locations:</b>	Per submitted schedule				
<b>Policy Form:</b>	RSUI Excess Physical Damage coverage form				
<b>Perils:</b>	All Risk <b>including</b> Flood and Earthquake				
<b>Property Covered:</b>	Building, Business Income, Contractors' Equipment, Contents, EDP, and Extra Expense				
<b>Policy Limit:</b>	<table><tr><td>\$131,966,000</td><td>Per occurrence in excess of \$100,000,000 per occurrence</td></tr><tr><td>\$50,000,000</td><td>Per occurrence and aggregate in excess of \$10,000,000 aggregate for Flood and Earthquake<sup>(1)</sup></td></tr></table>	\$131,966,000	Per occurrence in excess of \$100,000,000 per occurrence	\$50,000,000	Per occurrence and aggregate in excess of \$10,000,000 aggregate for Flood and Earthquake <sup>(1)</sup>
\$131,966,000	Per occurrence in excess of \$100,000,000 per occurrence				
\$50,000,000	Per occurrence and aggregate in excess of \$10,000,000 aggregate for Flood and Earthquake <sup>(1)</sup>				
<b>Valuation:</b>	Replacement Cost, BI Actual Loss				
<b>Remarks:</b>	Excluding Underground Property, Contingent BI limited to \$8,000,000 in primary				
<b>Exclusions:</b>	<ul style="list-style-type: none"><li>• Electric Property and Virus (RSUI 4605 0502)</li><li>• Exclusion of Terrorism</li><li>• Exclusion of Limited Additional Coverage for Fungus – IM and Manuscript</li><li>• Earthquake</li><li>• Flood</li></ul>				
<b>Premium:</b>	\$96,000				
<b>Option:</b>	Terrorism Risk Insurance Act (TRIA) Coverage \$1,000 Additional Premium				

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<sup>(1)</sup> Expiring policy excluded Flood and Earthquake.

**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**INSURANCE SUMMARY**  
**Underground Property**

<b>Locations:</b>	Per submitted schedule
<b>Policy Form:</b>	RSUI Indemnity
<b>Perils:</b>	All Risk including Flood and Earthquake
<b>Property Covered:</b>	Underground property consisting of feeder mains, transmission mains, and transmission tunnel
<b>Policy Limit:</b>	\$20,000,000 Per occurrence and annual aggregates on Flood and Earthquake
<b>Deductible:</b>	\$1,000,000 Per occurrence
<b>Valuation:</b>	Replacement Cost
<b>TIV:</b>	\$449,175,000
<b>Exclusions:</b>	<ul style="list-style-type: none"><li>• Electronic Property and Virus (RSUI 4605 0502)</li><li>• Exclusion of Terrorism, other than TRIA</li><li>• Exclusion of Limited Additional Coverage for Fungus – IM and Manuscript</li></ul>
<b>Minimum Earned:</b>	
<b>Premium:</b>	\$151,537



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**INSURANCE SUMMARY**  
**Underground Property - Excess**

<b>Locations:</b>	Per submitted schedule
<b>Policy Form:</b>	Axis Specialty Policy Form
<b>Perils:</b>	All Risk including of direct physical loss or damage including flood and earthquake excluding locations in the 100-year and 500-year flood zones as determined by FEMA.
<b>Property Covered:</b>	Underground Pipes only
<b>Policy Limit:</b>	\$20,000,000 Excess \$21,000,000
<b>Valuation:</b>	Replacement Cost
<b>Coinsurance:</b>	NIL
<b>Exclusions and Limitations:</b>	<ul style="list-style-type: none"><li>• Fungus</li><li>• Terrorism (except TRIA)</li><li>• Cyber</li><li>• Pollution</li><li>• Occurrence Limit of Liability</li></ul>
<b>Premium:</b>	<ul style="list-style-type: none"><li>• \$63,270 + tax Minimum Earned 35%</li></ul>

**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**COMPARISON**

<b>Above Ground Property</b>	<b>Expiring</b>	<b>Renewal</b>
Limit - excl. flood & quake	\$220,250,672	\$231,966,000
Limit Flood & Quake	\$25,000,000	\$60,000,000
Deductible, excl. flood & quake	\$25,000	\$50,000
Deductible - Flood	\$250,000	\$500,000
Deductible - Quake	\$250,000	\$1,000,000
<b>Below Ground Property</b>	<b>Expiring</b>	<b>Renewal</b>
Limit	\$40,000,000	\$40,000,000
Deductible	\$1,000,000	\$1,000,000



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**COST SUMMARY**  
**Premium Summary**

<b>Coverage</b>	<b>2002-2003 Expiring Premium</b>	<b>2003-2004 Renewal Premium</b>
Above Ground Property	\$275,751	\$259,465
Above Ground Property Excess	25,000	96,000
Below Ground Property	131,235	151,537
Below Ground Property Excess	62,580	65,927
<b>TOTAL</b>	<b>\$494,566</b>	<b>\$572,929</b>

Gallagher and certain of its insurance carrier markets from time to time enter into arrangements providing for additional compensation to be paid to Gallagher by such carrier generally with respect to the volume of premium or insurance coverages written through Gallagher with such carrier.



**DUPAGE WATER COMMISSION**  
**2003-2004 Risk Management Proposal**

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**CLIENT AUTHORIZATION TO BIND COVERAGE**

After careful consideration of your proposal dated \_\_\_\_\_, we accept your insurance program subject to the following exceptions/changes:

Exceptions

It is understood this proposal provides only a summary of the details; the policies will contain the actual coverages.

We confirm the values, schedules, and other data contained in the proposal are from our records and acknowledge it is our responsibility to see that they are maintained accurately.

Please provide us with a binder(s) and invoice(s) for the coverages agreed upon at your earliest convenience.

\_\_\_\_\_  
Agent Signature

\_\_\_\_\_  
Client Signature

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Dated