



# DuPage Water Commission

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

**NOTICE IS HEREBY GIVEN THAT THE RESCHEDULED OCTOBER 2003 FINANCE COMMITTEE MEETING OF THE DU PAGE WATER COMMISSION WILL BE HELD AT 10:00 A.M. ON WEDNESDAY, OCTOBER 8, 2003, AT ITS OFFICES LISTED BELOW. THE AGENDA FOR THE RESCHEDULED OCTOBER 2003 REGULAR COMMITTEE MEETING IS AS FOLLOWS:**

## AGENDA

**FINANCE COMMITTEE  
WEDNESDAY, OCTOBER 8, 2003  
10:00 A.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 September 11, 2003
- III. Treasurer's Report – September, 2003
- IV. Financial Statements – September, 2003
- V. Accounts Payable
- VI. Audit for April 30, 2003
- VII. Financial Review
  - A. Net Asset (Fund Balance) Analysis
  - B. Investment Portfolio Review
  - C. Subsequent Customer Pricing Review
  - D. Self Insurance Study

Board\Agendas\FC 2003-10.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 SEPTEMBER 11, 2003**

The meeting was called to order at 7:00 p.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.

**MINUTES OF MEETINGS – AUGUST 14, 2003**

Motion by Commissioner Janicik, seconded by Commissioner Chaplin, to approve the minutes of the August 14, 2003 Finance Committee meeting. This motion carried unanimously.

**TREASURER'S REPORT – AUGUST, 2003**

Commissioner Chaplin presented the August, 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 August 14, 2003. As requested by the Committee, staff will add a column to the report detailing each investment type's percentage of the total investment portfolio.

**FINANCIAL STATEMENTS - AUGUST, 2003**

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

**INVESTMENT PORTFOLIO REVIEW**

Staff reviewed the portfolio structure. The Committee asked for a written summary from staff of the process and strategies used in investing Commission funds.

**ACCOUNTS PAYABLE**

The Committee reviewed the accounts payable in the amount of \$3,947,386.49. There were no revisions to the list. The Committee had no questions and will recommend approval of the accounts payable at the August 14, 2003 Commission meeting.

**AUDIT FOR APRIL 30, 2003 - STATUS**

The Committee reviewed staff's memo on the status of the April 30, 2003 audit. It is now expected that the audit will be ready for acceptance at the Commission's meeting scheduled for October 8, 2003.

**LIABILITY INSURANCE**

Staff reported that the broker had secured the addition of \$15 million of umbrella liability coverage for the Commission. The carrier is Lexington Insurance Company, an A++ XV Best's rated company. The cost of this coverage for one year is \$106,300. Staff bound this coverage on September 8<sup>th</sup>. The Committee will recommend ratification of this staff action at the August 14, 2003 Commission meeting.

### **BOND REFUNDING**

The Committee reviewed a memo from the General Manager outlining the results of the revenue bond refunding. All 1993 revenue bonds will be retired on September 30<sup>th</sup>. A present value saving of \$6.9 million was achieved by this transaction. The Committee would like input from the Commission's financial advisor on the substitution of a surety bond for the cash debt service reserve.

### **TIB-1 & TW-3/FIVE YEAR CAPITAL PLAN**

Commissioner Poole expressed concern that the TIB-1 project bids were 50% higher than the amount expected in the approved five-year capital plan document. He had asked staff to prepare a proforma of the five-year plan showing this extra cost as well as accelerating the TW-3 project, which has been discussed by the Commission.

Staff reviewed the proforma five-year plan. It was demonstrated the both the additional cost of TIB-1 and the acceleration of TW-3 could be accommodated in the next five years.

### **ADJOURNMENT**

With no further business to come before the Committee, the meeting was adjourned at 7:35 p.m.



# DuPage Water Commission

## MEMORANDUM

TO: General Manager

FROM: Financial Administrator

DATE: October 3, 2003

SUBJECT: Financial Report – September 30, 2003

### **OVERALL FINANCIAL CONDITION**

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.

Total revenues were 8.5% less than budget and total operating expenses were 6.7% over budget. A slight drop in investment value caused a \$1,000 underfunding in the Debt Service Reserve. This deficiency will be eliminated in October in accordance with the Revenue Bond Ordinance procedures. All other requirements of the revenue bond ordinance were met as of September 30, 2003.

### **REVENUE ANALYSIS**

Water operations and maintenance revenues were 6.4% less than budget. This year's cool, wet weather slowed water sales. The national economic slow down has affected the Commission's sales tax receipts. Sales tax collections in the first five months of the fiscal year were \$59,800 (0.46%) less than the same period of fiscal year 2002-03. This revenue source is presently 5.2% below budget. Market fluctuations have caused a decrease in investment market values resulting in investment income that is substantially below budget.

### **EXPENSE ANALYSIS**

Bond interest costs are 56.0% over budget. The \$2.9 million call premium cost on the retired 1993 revenue bonds is the major factor in this variance.

Overall direct water supply costs were 6.9% under budget corresponding to the less than budgeted water sales mentioned above. Insurance costs are under budget because only one self-insured claim for \$1,000 has been incurred.

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.

### **CONSTRUCTION PROJECTS**

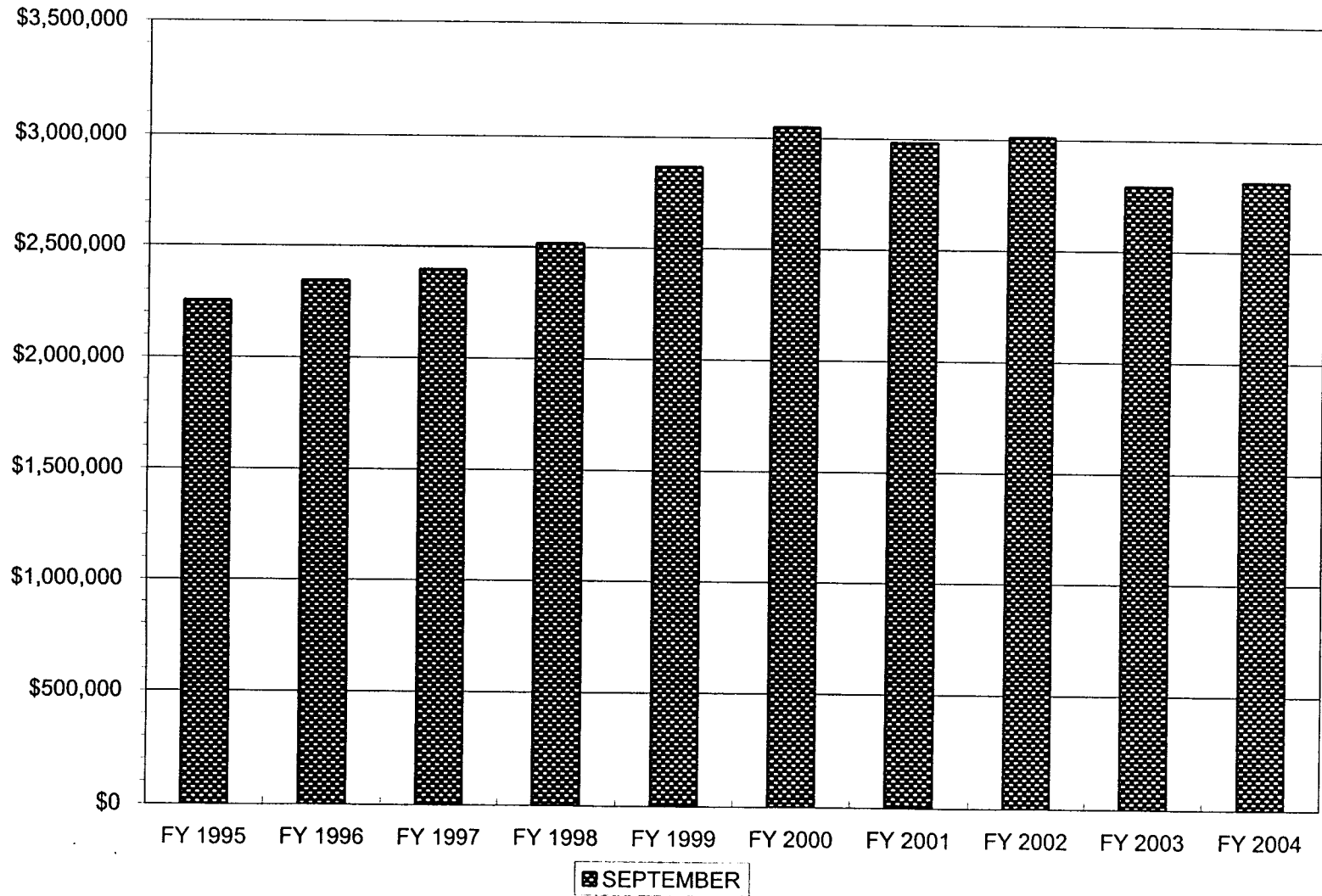
The only open construction project is the West Transmission Main (TW-2). A contract to construct an interconnection between the Northwest and Southwest Transmission Mains (TIB-1) was awarded in September. Project TIB-1 will increase flow in the system in the event of a break on the Northwest or Southwest Transmission Mains. These mains are the primary conduits for water leaving the DuPage Pumping Station. Construction outlays are under budget because this interconnection project has not yet started.

### **INVESTMENT PORTFOLIO**

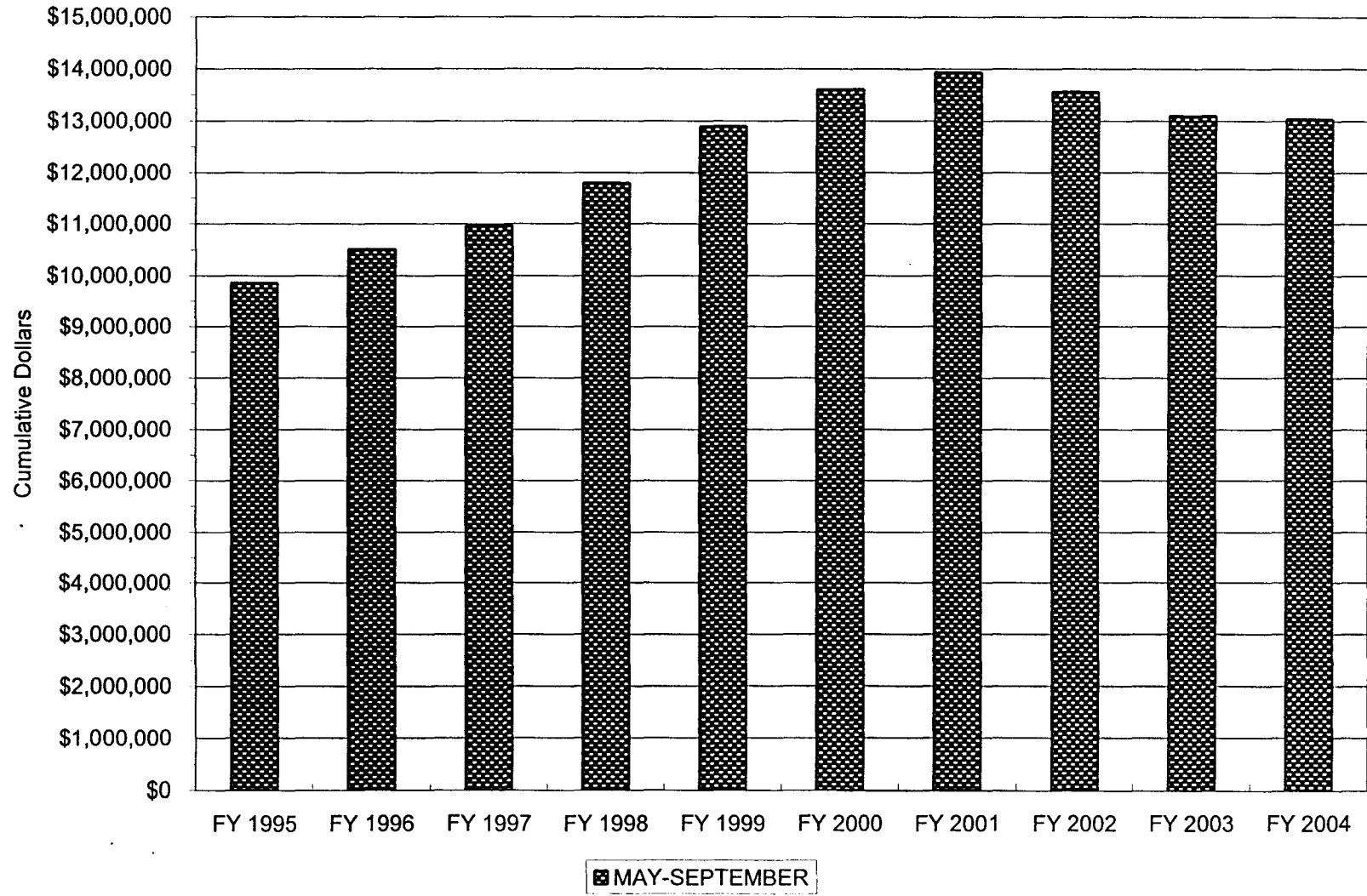
The Commission's investment portfolio totals \$180.8 million. It is earning 1.14% based on market yield and 1.85% based on original purchase price. The benchmark yield adopted by the Commission was 0.90% at September 30, 2003.

Commission funds are invested as follows: United States Treasury obligations (24.6%), United States Agency obligations (36.0%), the Illinois Funds Money Market Fund (16.4%), the Illinois Funds Prime Funds (9.2%), and certificates of deposit (13.8%). Government money market funds run by the Commission's bond trustees holds \$49,000.

# 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  
September 30, 2003

PAGE 5

	September 30, 2003 TOTAL WATER FUND (ALL ACCOUNTS)	April 30, 2003 TOTAL WATER FUND (ALL ACCOUNTS)	CURRENT FISCAL YEAR INCREASE (DECREASE)
<b>ASSETS</b>			
CASH	15,344.58	194,907.97	(179,563.39)
INVESTMENTS	180,784,147.73	203,225,846.45	(22,441,698.72)
DUE FROM OTHER FUNDS	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	7,377,585.43	6,067,706.55	1,309,878.88
RECEIVABLE FROM OTHER GOVERNMENTS - CURRENT	7,170,000.00	7,170,000.00	0.00
ACCOUNTS RECEIVABLE-OTHER	246,324.54	373,045.87	(126,721.33)
INTEREST RECEIVABLE	1,443,838.12	1,351,792.66	92,045.46
INVENTORIES & PREPAIDS	285,547.52	646,487.03	(360,939.51)
FIXED ASSETS	426,970,934.58	426,075,061.14	895,873.44
CONSTRUCTION IN PROGRESS	19,740,890.52	19,740,890.52	0.00
LESS: ACCUMULATED DEPRECIATION	(68,836,591.35)	(66,175,011.48)	(2,661,579.87)
DEFERRED WATER SUPPLY CONTRACT COST	8,712,679.88	12,414,247.47	(3,701,567.59)
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	250,000.00	0.00	250,000.00
<b>TOTAL ASSETS</b>	<b>584,160,701.55</b>	<b>611,084,974.18</b>	<b>(26,924,272.63)</b>
<b>LIABILITIES &amp; EQUITY</b>			
ACCOUNTS PAYABLE	4,024,624.37	3,335,693.80	688,930.57
ACCRUED PAYROLL & TAXES	291,134.35	244,642.46	46,491.89
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	377,217.10	4,831,062.08	(4,453,844.98)
ACCRUED LIABILITIES	567,694.26	377,648.80	190,045.46
CONTRACT RETENTION	992,194.72	1,170,140.78	(177,946.06)
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00
DEFERRED REVENUE	2,971,969.01	3,030,408.40	(58,439.39)
LONG TERM BONDS PAYABLE	200,055,823.46	210,902,696.99	(10,847,073.53)
GRANTS PAYABLE LONG TERM	45,000,000.00	0.00	45,000,000.00
<b>TOTAL LIABILITIES</b>	<b>288,445,457.27</b>	<b>242,307,293.31</b>	<b>46,138,163.96</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	45,880,303.47	45,005,162.05	875,141.42
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	3,431,365.22	49,512,314.14	(46,080,948.92)
<b>TOTAL UNRESTRICTED OPERATING NET ASSETS</b>	<b>60,511,668.69</b>	<b>122,617,476.19</b>	<b>(62,105,807.50)</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>72,917,192.69</b>	<b>136,423,000.19</b>	<b>(63,505,807.50)</b>
RESTRICTED BY ORDINANCE/RESOLUTION	42,306,178.09	51,202,190.02	(8,896,011.93)
INVESTED IN PROPERTY PLANT AND EQUIPMENT	180,491,873.50	181,152,490.66	(660,617.16)
<b>TOTAL NET ASSETS</b>	<b>295,715,244.28</b>	<b>368,777,680.87</b>	<b>(73,062,436.59)</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>584,160,701.55</b>	<b>611,084,974.18</b>	<b>(26,924,272.63)</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	15,344.58	1,000.00	13,599.09	0.00	0.00	745.49	0.00	0.00	0.00
INVESTMENTS	180,784,147.73	2,970,969.01	11,114,625.78	42,150.39	4,317,364.23	14,291,054.80	10,423,250.13	6,029,861.95	131,594,871.44
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	7,377,585.43	7,377,585.43	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	246,324.54	246,324.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	1,443,838.12	0.00	0.00	57.54	59,906.26	0.00	135,937.50	56,250.00	1,191,686.82
INVENTORIES & PREPAIDS	285,547.52	285,547.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	426,970,934.58	426,970,934.58	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	(68,836,591.35)	(68,836,591.35)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	8,712,679.88	8,712,679.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	250,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	250,000.00
<b>TOTAL ASSETS</b>	<b>584,160,701.55</b>	<b>397,469,340.13</b>	<b>11,128,224.87</b>	<b>42,207.93</b>	<b>4,377,270.49</b>	<b>14,291,800.29</b>	<b>10,559,187.63</b>	<b>6,086,111.95</b>	<b>140,206,558.26</b>
<b>LIABILITIES &amp; EQUITY</b>									
ACCOUNTS PAYABLE	4,024,624.37	0.00	4,024,624.37	0.00	0.00	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	291,134.35	0.00	291,134.35	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	6,040,416.67	0.00	0.00	4,314,583.33	0.00	0.00	0.00	8,810,000.00
ACCRUED INTEREST	377,217.10	0.00	0.00	18,662.93	0.00	0.00	0.00	0.00	358,554.17
ACCRUED LIABILITIES	567,694.26	0.00	567,694.26	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT RETENTION	992,194.72	0.00	992,194.72	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	2,971,969.01	2,971,969.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	200,055,623.46	200,055,623.46	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>288,445,457.27</b>	<b>209,068,009.14</b>	<b>5,875,647.70</b>	<b>18,662.93</b>	<b>4,314,583.33</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>69,168,554.17</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	(1,038.49)	54,033.29	1,086,111.95	10,060,893.25
RESERVED FOR WATER RATE STABILIZATION	45,880,303.47	7,909,457.49	0.00	0.00	0.00	0.00	0.00	0.00	37,970,845.98
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	3,431,365.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,431,365.22
<b>TOTAL UNRESTRICTED OPERATING NET ASSETS</b>	<b>60,511,668.69</b>	<b>7,909,457.49</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(1,038.49)</b>	<b>54,033.29</b>	<b>1,086,111.95</b>	<b>51,463,104.45</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>72,917,192.69</b>	<b>7,909,457.49</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(1,038.49)</b>	<b>54,033.29</b>	<b>1,086,111.95</b>	<b>63,868,628.45</b>
RESTRICTED BY ORDINANCE/RESOLUTION	42,306,178.09	0.00	5,252,577.17	23,545.00	62,687.16	14,292,838.78	10,505,154.34	5,000,000.00	7,169,375.64
INVESTED IN PROPERTY PLANT AND EQUIPMENT	180,491,873.50	180,491,873.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>295,715,244.28</b>	<b>188,401,330.99</b>	<b>5,252,577.17</b>	<b>23,545.00</b>	<b>62,687.16</b>	<b>14,291,800.29</b>	<b>10,559,187.63</b>	<b>6,086,111.95</b>	<b>71,038,004.09</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>584,160,701.55</b>	<b>397,469,340.13</b>	<b>11,128,224.87</b>	<b>42,207.93</b>	<b>4,377,270.49</b>	<b>14,291,800.29</b>	<b>10,559,187.63</b>	<b>6,086,111.95</b>	<b>140,206,558.26</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	131,594,871.44	49,952,367.40	70,533,302.83	11,109,201.21
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	1,191,686.82	484,895.83	679,254.31	27,536.68
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	250,000.00	0.00	250,000.00	0.00
TOTAL ASSETS	140,206,558.26	50,437,263.23	78,632,557.14	11,136,737.89
	=====	=====	=====	=====
LIABILITIES & EQUITY				
ACCOUNTS PAYABLE	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00
GRANTS PAYABLE CURRENT	15,000,000.00	0.00	15,000,000.00	0.00
BONDS PAYABLE CURRENT	8,810,000.00	0.00	0.00	8,810,000.00
ACCRUED INTEREST	358,554.17	0.00	0.00	358,554.17
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
TOTAL LIABILITIES	69,168,554.17	0.00	60,000,000.00	9,168,554.17
	=====	=====	=====	=====
NET ASSETS				
UNRESTRICTED FUNDS (R-27-03)				
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES	10,060,893.25	10,060,893.25	0.00	0.00
RESERVED FOR WATER RATE STABILIZATION	37,970,845.98	37,970,845.98	0.00	0.00
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	3,431,365.22	0.00	3,431,365.22	0.00
TOTAL UNRESTRICTED OPERATING NET ASSETS	51,463,104.45	48,031,739.23	3,431,365.22	0.00
	=====	=====	=====	=====
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
TOTAL UNRESTRICTED NON-OPERATING NET ASSETS	12,405,524.00	2,405,524.00	10,000,000.00	0.00
	=====	=====	=====	=====
TOTAL UNRESTRICTED NET ASSETS	63,868,628.45	50,437,263.23	13,431,365.22	0.00
	=====	=====	=====	=====
RESTRICTED BY ORDINANCE/RESOLUTION	7,169,375.64	0.00	5,201,191.92	1,968,183.72
INVESTED IN PROPERTY PLANT AND EQUIPMENT	0.00	0.00	0.00	0.00
TOTAL NET ASSETS	71,038,004.09	50,437,263.23	18,632,557.14	1,968,183.72
	=====	=====	=====	=====
TOTAL LIABILITIES & NET ASSETS	140,206,558.26	50,437,263.23	78,632,557.14	11,136,737.89
	=====	=====	=====	=====

DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
STATEMENT OF REVENUES & EXPENDITURES  
September 30, 2003

PAGE 8

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	3,830,740.62	20,259,041.70	21,648,364.34	(1,389,322.64)	93.6%
FIXED COST REVENUES	743,027.42	3,715,137.10	3,715,137.08	0.02	100.0%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	81,916.21	419,305.74	487,222.67	(67,916.93)	86.1%
EMERGENCY WATER SERVICE	9.76	4,523.24	13,832.15	(9,308.91)	32.7%
SALES TAXES	2,814,856.88	13,044,483.88	13,754,903.75	(710,419.87)	94.8%
INVESTMENT INCOME	302,829.59	1,092,702.96	2,541,639.34	(1,448,936.38)	43.0%
OTHER INCOME	4,974.75	52,958.06	23,535.25	29,422.81	225.0%
<b>TOTAL REVENUE</b>	<b>7,778,355.23</b>	<b>38,588,152.68</b>	<b>42,184,634.58</b>	<b>(3,596,481.90)</b>	<b>91.5%</b>
<b>EXPENSES</b>					
PERSONAL SERVICES	275,149.56	2,529,113.96	1,085,805.05	(1,443,308.91)	232.9%
PROFESSIONAL SERVICES	64,801.78	139,482.54	163,998.44	24,515.90	85.1%
CONTRACTUAL SERVICES	66,279.61	376,423.56	371,040.58	(5,382.98)	101.5%
INSURANCE	79,954.73	600,190.91	807,762.62	207,571.71	74.3%
ADMINISTRATIVE COSTS	8,051.07	40,841.37	61,500.99	20,659.62	66.4%
WATER SUPPLY COSTS	4,234,695.44	22,128,196.03	23,779,914.29	1,651,718.26	93.1%
BOND INTEREST EXPENSE	3,961,422.40	8,171,531.03	5,237,756.67	(2,933,774.36)	156.0%
LAND AND RIGHT OF WAY	0.00	2,995.00	2,506.10	(488.90)	119.5%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	532,315.97	2,661,814.87	2,834,387.29	172,572.42	93.9%
<b>TOTAL OPERATING EXPENSES</b>	<b>9,222,670.56</b>	<b>36,650,589.27</b>	<b>34,344,672.03</b>	<b>(2,305,917.24)</b>	<b>106.7%</b>
<b>NET OPERATING INCOME</b>	<b>(1,444,315.33)</b>	<b>1,937,563.41</b>	<b>7,839,962.55</b>	<b>(5,902,399.14)</b>	<b>24.7%</b>
CONSTRUCTION EXPENDITURES	89,571.88	895,873.44	3,863,459.02	2,967,585.58	23.2%
TRANSFERS TO OTHER GOVERNMENTS	0.00	75,000,000.00	0.00	(75,000,000.00)	N/A
<b>NET FUND TRANSACTIONS</b>	<b>(1,533,887.21)</b>	<b>(73,958,310.03)</b>	<b>3,976,503.53</b>	<b>(77,934,813.56)</b>	<b>-1859.9%</b>
<b>BEGINNING NET ASSETS</b>		<b>368,777,680.87</b>			
<b>ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED</b>		<b>895,873.44</b>			
<b>ENDING NET ASSETS</b>		<b>295,715,244.28</b>			

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 09/30/03	BID PRICE 09/30/03
<b>Water Fund Depository Accounts (WF-1210)</b>											
Illinois Funds-Money Market	0.854%	09/30/03	10/01/03	0.854%	0.854%	\$ 1,324,902.33	\$ 1,324,902.33	\$ -	\$ 1,324,902.33	\$ -	100.000
Illinois Funds-Prime Fund	0.981%	09/30/03	10/01/03	0.981%	0.981%	1,646,066.68	1,646,066.68	-	1,646,066.68	-	100.000
				0.924%	0.924%	\$ 2,970,969.01	\$ 2,970,969.01	\$ -	\$ 2,970,969.01	\$ -	
<b>Water Fund Oper. &amp; Maint. Acct. (WF-1211)</b>											
Illinois Funds-Money Market	0.854%	09/30/03	10/01/03	0.854%	0.854%	\$ 6,080,086.51	\$ 6,080,086.51	\$ -	\$ 6,080,086.51	\$ -	100.000
Illinois Funds-Prime Fund	0.981%	09/30/03	10/01/03	0.981%	0.981%	5,034,539.27	5,034,539.27	-	5,034,539.27	-	100.000
				0.912%	0.912%	\$ 11,114,625.78	\$ 11,114,625.78	\$ -	\$ 11,114,625.78	\$ -	
<b>Revenue Bond Interest Account (WF-1212)</b>											
One Group Government Money Market	0.306%	09/30/03	10/01/03	0.306%	0.306%	\$ 42,150.39	\$ 42,150.39	\$ -	\$ 42,150.39	\$ 57.54	100.000
				0.306%	0.306%	\$ 42,150.39	\$ 42,150.39	\$ -	\$ 42,150.39	\$ 57.54	
<b>Revenue Bond Principal (WF-1213)</b>											
One Group Government Money Market	0.306%	09/30/03	10/01/03	0.306%	0.306%	\$ 120.48	\$ 120.48	\$ -	\$ 120.48	\$ 0.01	100.000
U. S. Treas. Notes (Bank One Trust Company)	3.375%	05/09/03	04/30/04	1.178%	0.970%	884,000.00	895,878.75	(6,871.72)	902,750.47	12,431.25	101.344
U. S. Treas. Notes (Bank One Trust Company)	3.375%	06/03/03	04/30/04	1.090%	0.970%	821,000.00	832,032.19	(5,836.79)	837,868.98	11,545.31	101.344
U. S. Treas. Notes (Bank One Trust Company)	3.375%	07/08/03	04/30/04	1.012%	0.970%	820,000.00	831,018.75	(4,612.50)	835,631.25	11,531.25	101.344
U. S. Treas. Notes (Bank One Trust Company)	3.375%	08/14/03	04/30/04	1.108%	0.970%	819,000.00	830,005.31	(2,047.50)	832,052.81	11,517.19	101.344
U. S. Treas. Notes (Bank One Trust Company)	3.375%	09/11/03	04/30/04	1.064%	0.970%	916,000.00	928,308.75	(1,073.44)	929,382.19	12,881.25	101.344
				1.091%	0.970%	\$ 4,260,120.48	\$ 4,317,364.23	\$ (20,441.95)	\$ 4,337,806.18	\$ 59,906.26	
<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%	1.140%	14,324,000.00	14,291,054.80	(1,038.49)	14,292,093.29	-	99.770
				1.006%	1.140%	\$ 14,324,000.00	\$ 14,291,054.80	\$ (1,038.49)	\$ 14,292,093.29	\$ -	
<b>Water Fund Oper. &amp; Maint. Res. (WF-1215)</b>											
Illinois Funds-Money Market	0.854%	09/30/03	10/01/03	0.854%	0.854%	\$ 1,161,112.35	\$ 1,161,112.35	\$ -	\$ 1,161,112.35	\$ -	100.000
Illinois Funds-Prime Fund	0.981%	09/30/03	10/01/03	0.981%	0.981%	189,637.78	189,637.78	-	189,637.78	-	100.000
U. S. Treas. Notes (Bank One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	0.780%	5,000,000.00	5,018,750.00	(100,195.31)	5,118,945.31	79,687.50	100.375
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	0.970%	4,000,000.00	4,053,750.00	23,750.00	4,030,000.00	56,250.00	101.344
				2.692%	0.866%	\$ 10,350,750.13	\$ 10,423,250.13	\$ (76,445.31)	\$ 10,499,695.44	\$ 135,937.50	
<b>Water Fund Depreciation Account (WF-1216)</b>											
Illinois Funds-Money Market	0.854%	09/30/03	10/01/03	0.854%	0.854%	\$ 1,218,847.02	\$ 1,218,847.02	\$ -	\$ 1,218,847.02	\$ -	100.000
Illinois Funds-Prime Fund	0.981%	09/30/03	10/01/03	0.981%	0.981%	757,264.93	757,264.93	-	757,264.93	-	100.000
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	0.970%	4,000,000.00	4,053,750.00	23,750.00	4,030,000.00	56,250.00	101.344
				2.284%	0.948%	\$ 5,976,111.95	\$ 6,029,861.95	\$ 23,750.00	\$ 6,006,111.95	\$ 56,250.00	

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 09/30/03	BID PRICE 09/30/03
<b>Water Fund General Account (WF-1217)</b>											
Illinois Funds-Money Market	0.854%	09/30/03	10/01/03	0.854%	0.854%	\$ 10,190,976.41	\$ 10,190,976.41	\$ -	\$ 10,190,976.41	\$ -	100.000
Illinois Funds-Prime Fund	0.981%	09/30/03	10/01/03	0.981%	0.981%	9,052,565.99	9,052,565.99	-	9,052,565.99	-	100.000
F.H.L.B. (D L J)	3.750%	11/13/02	02/13/04	1.569%	1.191%	10,000,000.00	10,093,200.00	(177,167.60)	10,270,367.60	46,875.00	100.932
U. S. Treas. Notes (Dain Rauscher)	7.250%	01/31/02	05/15/04	3.204%	1.010%	10,000,000.00	10,381,250.00	(503,050.00)	10,884,300.00	271,875.00	103.813
F.H.L.B. (RBC D. Rauscher)	3.625%	06/14/02	10/15/04	3.403%	1.270%	10,000,000.00	10,234,375.00	186,718.75	10,047,656.25	166,145.83	102.344
				2.032%	1.063%	\$ 49,243,542.40	\$ 49,952,367.40	\$ (493,498.85)	\$ 50,445,866.25	\$ 484,895.83	
<b>Sales Tax Funds (WF-1230)</b>											
Illinois Funds-Money Market	0.854%	09/30/03	10/01/03	0.854%	0.854%	\$ 9,789,202.83	\$ 9,789,202.83	\$ -	\$ 9,789,202.83	\$ -	100.000
Illinois Funds-Prime Fund	0.981%	09/30/03	10/01/03	0.981%	0.981%	-	-	-	-	-	100.000
Cert. of Deposit (West Suburban Bank)	2.480%	10/15/02	10/15/03	2.480%	2.480%	64,900.00	64,900.00	-	64,900.00	1,543.38	100.000
Cert. of Deposit (Suburban Bank & Trust)	2.000%	10/16/02	10/16/03	2.000%	2.000%	6,000,000.00	6,000,000.00	-	6,000,000.00	114,739.73	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	72,098.63	100.000
U. S. Treas. Notes (Bank One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	0.780%	5,000,000.00	5,018,750.00	(100,195.32)	5,118,945.32	79,687.50	100.375
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	44,186.30	100.000
F.H.L.B. (ABN AMRO)	3.375%	06/21/02	05/14/04	3.002%	1.235%	10,000,000.00	10,131,600.00	62,850.00	10,068,750.00	126,562.50	101.316
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	5,753.42	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	18,537.02	100.000
F.H.L.B. (RBC D. Rauscher)	3.625%	09/12/02	10/15/04	2.400%	1.270%	10,000,000.00	10,234,375.00	(13,425.00)	10,247,800.00	166,145.83	102.344
F.H.L.B. (RBC D. Rauscher)	4.000%	10/17/02	02/15/05	2.462%	1.290%	10,000,000.00	10,359,375.00	14,875.00	10,344,500.00	50,000.00	103.594
				2.078%	1.333%	\$ 69,789,202.83	\$ 70,533,302.83	\$ (35,895.32)	\$ 70,569,198.15	\$ 679,254.31	
<b>2001 G. O. Bonds Debt Service (WF-1243)</b>											
ABN AMRO Government Money Market	0.794%	09/30/03	10/01/03	0.794%	0.794%	\$ 6,720.58	\$ 6,720.58	\$ -	\$ 6,720.58	\$ 4.18	100.000
U. S. Treas. Notes (LaSalle Bank)	3.000%	02/28/03	02/29/04	1.219%	0.960%	10,388,000.00	10,472,402.50	(98,604.84)	10,571,007.34	25,970.00	100.813
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/05/03	02/29/04	1.052%	0.960%	287,000.00	289,331.88	(3,139.06)	292,470.94	717.50	100.813
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/07/03	02/29/04	1.073%	0.960%	338,000.00	340,746.25	(3,591.25)	344,337.50	845.00	100.813
				1.210%	0.960%	\$ 11,019,720.58	\$ 11,109,201.21	\$ (105,335.15)	\$ 11,214,536.36	\$ 27,536.68	
TOTAL ALL FUNDS				1.855%	1.139%	\$ 179,091,193.55	\$ 180,784,147.73	\$ (708,905.07)	\$ 181,493,052.80	\$ 1,443,838.12	
September 30, 2003				90 DAY US TREASURY YIELD	0.900%						

# DRAFT

June 19, 2003

To the Board of Commissioners  
DuPage Water Commission  
600 East Butterfield Road  
Elmhurst, IL

This letter is intended to inform the Board of Commissioners of the DuPage Water Commission about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Commissioners.

In addition to our report on your financial statements, we have provided, under separate cover, a letter dated June 19, 2003, concerning the internal control conditions we noted during our audit of the DuPage Water Commission financial statements for the year ended April 30, 2003.

The following summarizes various matters, which must be communicated to you under auditing standards generally accepted in the United States of America.

### **The Auditor's Responsibility Under Generally Accepted Auditing Standards**

Our audit of the financial statements of the DuPage Water Commission for the year ended April 30, 2003 was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

### **Significant Accounting Policies**

The Board of Commissioners have the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. Following is a description of significant accounting policies or their application which were either initially selected or changed during the year:

- Implementation of Governmental Accounting Standards Board Statement No. 40 which amends GASB Statement No. 3.

### **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. The Board of Commissioners may wish to monitor throughout the year the process used to compute and record these accounting estimates.

# DRAFT

***DRAFT***

**Audit Adjustments**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

**Other Information in Documents Containing Audited Financial Statements**

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Commission.

**Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

**Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

**Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

**Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the DuPage Water Commission.

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

***DRAFT***

**DRAFT**

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.

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

**DRAFT**



## Other Matters

**DRAFT**

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.

\* \* \* \* \*

We appreciate the courtesy shown and assistance given to us by the Commission's staff during our audit. We have already discussed our comments and suggestions 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.

**DRAFT**

Schaumburg, Illinois  
June 19, 2003



# DuPage Water Commission

## MEMORANDUM

*DRAFT*

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.

# *DRAFT*

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 abandoned, 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.

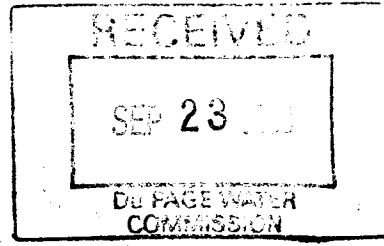
To maintain such a record of each pipeline, how many feet and various segments of it, in order to identify the cost per segment, requires a package software program rather than the worksheet database presently used. This, again, would subject the Commission to all the maintenance upgrade cost that accompanied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

# McGladrey & Pullen

Certified Public Accountants

September 22, 2003

Mr. Richard Skiba  
DuPage Water Commission  
600 East Butterfield Road  
Elmhurst, IL 60126-4642



McGladrey & Pullen, LLP  
20 North Martingale Rd., Ste. 500  
Schaumburg, IL 60173-2420  
O 847.517.7070 F 847.517.7067  
[www.mcgladrey.com](http://www.mcgladrey.com)

Dear Rick:

Enclosed please find a preliminary draft copy of the DuPage Water Commission for the year ended April 30, 2003.

If you have any questions, please do not hesitate to call.

Very truly yours,

McGladrey & Pullen, LLP

  
Joseph J. Evans  
Partner

JJE/bj

Enclosure

# DuPage Water Commission

Basic Financial Statements and  
Management's Discussion and Analysis  
April 30, 2003

RECEIVED  
DU PAGE WATER COMMISSION  
APR 30 2003  
1000 N. WILSON AVE  
DUPAGE, ILL 60118

## DuPage Water Commission

### Table Of Contents

#### Page

Letter of Transmittal	i
Management's Discussion and Analysis	1 - 7
Independent Auditor's Report on Financial Statements	8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	12 - 24
Supplemental Information on Budget Comparison	
Statement of Revenues, Expenses and Changes in Net Assets – Budget and Actual	25
Other Supplemental Information	
Schedule of Insurance	26
Independent Auditor's Report on Debt Covenants Compliance	27

## **DuPage Water Commission**

### **Management's Discussion and Analysis**

---

In June 1999, the Governmental Accounting Standards Board (GASB) adopted Statement 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments." The standard requires that a "Management Discussion and Analysis" be included in annual audited basic financial statements. The Commission implemented GASB Statement 34 for the fiscal year ending April 30, 2002.

#### **FUND STRUCTURE**

The Commission's only fund, the Water Fund, is a proprietary fund type. As such, it records its transactions based on the flow of economic resources. Both the Commission's sales tax, which is not a user fee, and its general obligation bonds are accounted for in the Water Fund.

#### **FINANCIAL OPERATIONS SUMMARY**

With revenues of \$91.1 million and expenses amounting to \$70.0 million, the Commission's net assets increased by \$21.1 million in fiscal year 2002-03 to \$368.8 million. Restricted net assets and net assets invested in property, plant and equipment were \$51.2 million and \$181.2 million respectively. Of the \$136.4 million of unrestricted net assets, \$28.1 million was designated to meet emergencies and \$49.5 million was designated for capital improvements including related debt service. Another \$45.0 million has been set aside to mitigate against the possibility of future water rate increases. Water quality commitments and unfunded pension liabilities of \$10.0 million and \$3.8 million respectively account for the balance of unrestricted net assets.

#### **BUDGETARY ANALYSIS**

Total revenues were 2.1% less than budget. Total operating expenditures were below budget by 3.8%.

Water operations and maintenance revenues were 1.0% less than budget. Wet weather slowed May 2002 water sales. Beginning in June, extremely dry hot conditions helped the Commission set an all-time monthly record for water deliveries in July: 3.8 billion gallons. But, for the fiscal year, total water sales were 31.96 billion gallons against a budget of 32.28 billion gallons.

The Commission's sales tax receipts have been reduced by the national economic slow down. Sales tax collections for the fiscal year were \$3,013,000 (8.9%) less than budget.

Falling interest rates have caused an increase in investment market values. As a result of these market fluctuations, investment income was 28.2% above budget. Statement 31 of the Governmental Accounting Standards Board requires investments be reported at fair market value. A number of these investments were purchased when market yields were higher and were held because the current market did not match those yields. The market value of these investments exceeds their value at maturity by approximately \$2.8 million. Due to the Commission's practice of investing to maturity, this market-based income likely will not be realized.

## DuPage Water Commission

### Management's Discussion and Analysis

---

Overall direct water supply costs were 1.2% over budget. Electric service costs at both the City of Chicago's pumping station and the Commission's pumping station were significantly higher than budgeted.

Bond interest costs were 12.3% less than the budget due to a budgeting error. A \$935,000 premium amortization was budgeted as a discount. This resulted in a \$1.87 million favorable budget variance at fiscal year end.

Insurance costs are significantly less than the current fiscal year budget. The Commission had to increase property insurance deductibles, which caused the Commission to increase its self-insurance budget line item by nearly \$1.0 million for fiscal year 2002-03. No self-insured losses were incurred.

### COMPARISON TO PRIOR FISCAL YEAR

Water sales for fiscal year 2002-03 were 31.96 billion gallons versus 30.99 billion gallons last fiscal year. There were no major new customers. The reduction in the amount of total water sales, despite the increase in gallons delivered, is attributable to a reduction in the average charter customer water rate from \$1.75 per 1,000 gallons to \$1.65 on May 1, 2002.

The national economic slow down has affected the Commission's sales tax receipts. This revenue source was significantly less than fiscal year 2001-02. Despite this decrease, sales tax revenues have been sufficient to fund all system capital improvements as well as providing an alternative funding source for debt service. Sales taxes were used to make all general obligation bonds payments in fiscal year 2002-03. In addition, \$7.7 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2002-03 by 43%. This is a continuation of a practice started in fiscal year 1997-98.

Interest income was slightly lower than fiscal year 2001-02. Yields for fiscal year 2001-02 were 3.5% versus 2.9% in fiscal year 2002-03.

All other revenues are derived mainly from construction reimbursements for additional metering and emergency connection facilities. Most of the work on these projects occurred last fiscal year. No new projects were started in fiscal year 2002-03.

Water distribution costs increased due mainly to higher electric utility costs and a 4% increase in water rates charged by the City of Chicago. Repairs to the DuPage Pumping Station heating system and the blow-off valve repair project added an additional \$1.9 million not incurred in the previous fiscal year.

The decrease in bond interest is due to the reduction of outstanding bond principal. The refinancing of the Commission's general obligation bond in December 2001 also reduced the yield on the Commission's outstanding debt.

In the fiscal year 2002-03 the Commission placed \$5.8 million net of new pipelines and metering facilities in service. This caused a slight increase in depreciation expense.



## DuPage Water Commission

### Management's Discussion and Analysis

As maintenance responsibilities have expanded, two new technical positions were added in fiscal year 2002-03. This along with normal salary adjustments caused the change in personnel from fiscal 2001-02 levels.

Under the all other expenses category, insurance costs were substantially more than the prior fiscal year. Rising property insurance costs are the reason for the change from last fiscal year. In attempting to help solve a water quality issue involving unincorporated areas not served by the Commission, the Commission incurred legal costs higher than the prior fiscal year.

#### DUPAGE WATER COMMISSION REVENUES AND EXPENSES YEAR-TO-YEAR COMPARISON

REVENUES	FY 2002-2003	FY 2001-2002	INCREASE (DECREASE)	% CHANGE
WATER SALES - ALL CATEGORIES	\$ 53,978,882	\$ 55,506,213	\$ (1,527,331)	-2.8%
SALES TAXES	30,704,457	33,062,484	(2,358,027)	-7.1%
INVESTMENT INCOME	5,808,624	6,027,426	(218,802)	-3.6%
ALL OTHER REVENUES	569,493	3,002,774	(2,433,281)	-81.0%
TOTAL REVENUE	91,061,456	97,598,897	(6,537,441)	-6.7%
EXPENSES				
WATER DISTRIBUTION	46,305,822	40,745,833	5,559,989	13.6%
BOND INTEREST	13,347,632	15,407,363	(2,059,731)	-13.4%
DEPRECIATION	6,424,735	6,323,022	101,713	1.6%
PERSONAL SERVICES	2,326,679	2,116,275	210,404	9.9%
ALL OTHER EXPENSES	1,587,078	1,137,472	449,606	39.5%
TOTAL EXPENSES	69,991,946	65,729,965	4,261,981	6.5%
NET REVENUE/ EXPENSE	\$ 21,069,510	\$ 31,868,932	\$(10,799,422)	-33.9%

DuPage Water Commission

Management's Discussion and Analysis

---

DUPAGE WATER COMMISSION  
SUMMARY OF CHANGES IN NET ASSETS

ASSETS	April 30, 2003	April 30, 2002	INCREASE (DECREASE)
CASH & INVESTMENTS	\$203,420,754	\$191,696,574	\$11,724,180
RECEIVABLES	14,962,546	16,533,833	(1,571,287)
OTHER ASSETS	646,487	531,438	115,049
NET PROPERTY PLANT AND EQUIPMENT	379,640,940	380,187,750	(546,810)
DEFERRED WATER SUPPLY CONTRACT COST	12,414,247	20,221,726	(7,807,479)
<b>TOTAL ASSETS</b>	<b>\$611,084,974</b>	<b>\$609,171,321</b>	<b>\$1,913,653</b>
<b>LIABILITIES &amp; EQUITY</b>			
PAYABLES	5,128,126	6,645,547	\$(1,517,421)
ACCRUED INTEREST	4,831,062	5,129,812	(298,750)
DEFERRED REVENUE	3,030,408	3,287,169	(256,761)
BONDS PAYABLE – CURRENT	18,415,000	17,550,000	865,000
BONDS PAYABLE - NON CURRENT, NET	210,902,697	228,850,622	(17,947,925)
<b>TOTAL LIABILITIES</b>	<b>242,307,293</b>	<b>261,463,150</b>	<b>\$(19,155,857)</b>
<b>NET ASSETS</b>	<b>\$368,777,681</b>	<b>\$347,708,171</b>	<b>\$21,069,510</b>

## DuPage Water Commission

### Management's Discussion and Analysis

---

#### CAPITAL ASSET CHANGES

The Commission's capital assets increased by \$5.8 million during fiscal year 2002-03. Of this amount, \$3.8 million was for metering station facilities. Total fixed assets before depreciation stood at \$426.1 million on April 30, 2003. There were \$12.4 million of watermain and delivery facilities under construction at fiscal year end.

#### **DUPAGE WATER COMMISSION CHANGES IN CAPITAL ASSETS YEAR-TO-YEAR COMPARISON**

CAPITAL INVESTMENT	FY 2002-2003	FY 2001-2002	INCREASE (DECREASE)	% CHANGE
LAND AND PERMANENT EASEMENTS	\$ 11,158,482	\$ 11,158,482	\$ -	0.0%
WATER MAINS	322,878,065	321,044,013	1,834,052	0.6%
BUILDINGS AND OTHER STRUCTURES	81,377,256	77,513,863	3,863,393	5.0%
PUMPING EQUIPMENT	5,225,286	5,225,286	-	0.0%
OFFICE FURNITURE AND EQUIPMENT	4,950,579	4,933,416	17,163	0.3%
VEHICLES AND OTHER EQUIPMENT	485,393	441,746	43,647	9.9%
TOTALS	\$ 426,075,061	\$ 420,316,806	\$ 5,758,255	1.4%

#### DEBT ADMINISTRATION

All scheduled bond payments through May 1, 2003 were made on time. Requirements of the revenue bond ordinance have also been met, in full, as of fiscal year end. Principal reductions of \$8.4 million in general obligation debt and \$9.2 million in revenue bond were achieved. On April 30, 2003, remaining general obligation bonded debt was \$84.3 million. Revenue bond principal outstanding was \$155.3 million.

General obligation bond principal and interest payments continue to be 100% funded through the Commission's sales tax proceeds. This allowed for the abatement of \$13.1 million of property taxes for the Commission's general obligation bonds in February 2003. Property taxes for the bond payments have been abated annually since 1986.

## DuPage Water Commission

### Management's Discussion and Analysis

---

#### DUPAGE WATER COMMISSION CHANGES IN OUTSTANDING BONDED DEBT YEAR-TO-YEAR COMPARISON

DEBT INSTRUMENT	FY 2002-2003	FY 2001-2002	INCREASE (DECREASE)	% CHANGE
FULL FAITH AND CREDIT GENERAL OBLIGATION BONDS	\$ 84,275,000	\$ 92,675,000	\$ (8,400,000)	-9.1%
REVENUE BONDS BACKED BY FIXED COST REQUIREMENTS	155,260,000	164,410,000	(9,150,000)	-5.6%
TOTALS	\$239,535,000	\$ 257,085,000	\$ (17,550,000)	-6.8%

#### INVESTMENT PORTFOLIO

The Commission's investment portfolio totaled \$203.5 million. It was earning 1.27% based on market yield and 2.04% based on original purchase price. The benchmark yield adopted by the Commission was 1.00% at April 30, 2003.

Commission funds are invested as follows: United States Treasury obligations (34.4%), United States Agency obligations (30.3%), the Illinois Funds Money Market Fund (8.0%), the Illinois Funds Prime Funds (8.2%), certificates of deposit (12.3%) and government money market funds (6.8%).

#### OTHER FINANCIAL INFORMATION

On July 22, 2003, the Illinois Governor signed into law Public Act (PA) 93-0226. This act amends certain DuPage Water Commission procedures and contracts as well as provides a one-time \$75 million grant from the Commission to DuPage County payable over a five-year period. Changes in the Act relating to the Commissions' contracts with its charter, subsequent and potential customers are currently under review by legal counsel to make sure proper interpretations are made of the new state statute.

This new law freezes the Commission's average charter customer water rate at current levels (\$1.65 per 1,000 gallons) until April 30, 2008. This rate is expected to be sufficient to meet all Commission obligations and complete all currently planned capital projects.

## DuPage Water Commission

### Management's Discussion and Analysis

---

The impact of the one-time \$75 million dollar legislative grant to DuPage County is reflected in the July 2003 financial reports. It has been determined that, under applicable accounting rules, this is both a current and long-term liability of the Commission as of July 22, 2003.

After the enactment of PA 93-0226, both Standard & Poor's and Moody's Investors Services undertook a re-rating of the Commission's 1993 Water Revenue Bonds. After a full review of the Commission's financial plans for this and the next four fiscal years, both agencies confirmed the rating given to the Commission's 1993 revenue bonds prior to the enactment of PA 93-0226. Standard & Poor's rating was confirmed as "AAA" and Moody's confirmed their "Aa1" rating.

On August 27, 2003, the Commission sold \$135,810,000 of refunding revenue bonds at an average interest rate of 3.98%. On September 30, 2003, the Commission delivered these new bonds thereby retiring \$145,655,000 of revenue bonds issued in 1993 at an average yield of 5.64%. The present value saving to the Commission of this transaction was nearly \$6.9 million. The new bonds were also rated "AAA" by Standard & Poor's and "Aa1" by Moody's Investor Services.

The Commission joined with the County of DuPage and the municipalities within the county to solve a water quality issue involving unincorporated areas not presently receiving a Lake Michigan water supply. The Commission became aware of a water contamination issue involving areas of the county not presently receiving Lake Michigan water service. As a wholesale distributor of Lake Michigan water, the Commission is not able to directly address this issue. However, the Commission agreed to make long-term, low-interest loans available to customer municipalities, retailers of Lake Michigan water, to extend their systems to serve county areas having water quality issues.

The full extent of this contamination is unknown at this time. However, the Commission committed to provide loans totaling not more than \$10 million toward mitigating the problem over the next five fiscal years without affecting its current financial condition. While these long-term, low-interest loans may reduce the Commission's investment income, both the Commission's long-term rate stabilization and five-year capital improvement programs will not be adversely affected by this commitment.

## **Independent Auditor's Report**

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

We have audited the accompanying basic financial statements of the DuPage Water Commission (Commission), as listed in the table of contents, as of April 30, 2003, and for the year then ended. These basic financial statements and the schedules referred to below are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements and schedules based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of April 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the Commission adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 40, "Deposit and Investment Risk Disclosures" – an Amendment of GASB No. 3 as of and for the year ended April 30, 2003.

The Management's Discussion and Analysis on pages 1 through 7 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on budget comparison listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information was not audited by us and, accordingly, we do not express an opinion thereon.

Schaumburg, Illinois  
June 19, 2003

DuPage Water Commission

Statement Of Net Assets

April 30, 2003

---

**Assets**

Cash and investments	\$ 120,777,233
Restricted cash and investments	82,643,521
Receivables	
Water sales	6,067,707
Accrued interest	1,351,793
Sales tax	7,170,000
Other	373,046
Inventory	167,080
Prepaid expenses and deposits	479,407
Fixed assets, less accumulation depreciation of \$66,175,011 (Note 9)	359,900,050
Construction in progress	19,740,890
Deferred water supply contract costs	12,414,247

**Total assets**

**\$ 611,084,974**

**Liabilities**

Accounts payable	\$ 3,335,694
Contract retentions	1,170,141
Accrued liabilities	622,291
Accrued interest payable	4,831,062
Deferred revenue	3,030,408
Revenue bonds payable - current (Note 8)	9,605,000
Revenue bonds payable - noncurrent, net (Note 8)	133,513,217
General obligation bonds payable - current (Note 8)	8,810,000
General obligation bonds payable - noncurrent, net (Note 8)	77,389,480

**Total liabilities**

**\$ 242,307,293**

**Net Assets**

Unrestricted funds	\$ 136,423,000
Reserved for bond ordinances (Note 4)	51,202,190
Capital investments	181,152,491

**Total net assets**

**\$ 368,777,681**

The accompanying notes are an integral part of this statement.

DuPage Water Commission

Statement Of Revenues, Expenses And  
Changes In Net Assets  
For The Year Ended April 30, 2003

---

Operating revenues

Water sales:

Operations and maintenance costs	\$ 42,819,534
Fixed costs	10,164,758
Customer differential	994,590
Other income	569,493

<b>Total operating revenues</b>	<b>54,548,375</b>
---------------------------------	-------------------

Operating expenses

Water supply costs	46,305,822
Depreciation	6,424,735
Personal services	2,326,679
Insurance	662,113
Professional and contractual services	817,662
Administrative costs	103,808
Land and right of way	3,495

<b>Total operating expenses</b>	<b>56,644,314</b>
---------------------------------	-------------------

<b>Operating loss</b>	<b>(2,095,939)</b>
-----------------------	--------------------

Nonoperating revenues (expenses)

Sales tax	30,704,457
Investment income	5,808,624
Interest and other charges	(13,347,632)

<b>Total net nonoperating revenues</b>	<b>23,165,449</b>
--	-------------------

<b>Changes in net assets</b>	<b>21,069,510</b>
------------------------------	-------------------

Total net assets, at April 30, 2002	347,708,171
-------------------------------------	-------------

<b>Total net assets, at April 30, 2003</b>	<b>\$ 368,777,681</b>
--	-----------------------

The accompanying notes are an integral part of this statement.



DuPage Water Commission

Statement Of Cash Flows  
For The Year Ended April 30, 2003

---

**Cash Flows From Operating Activities**

Cash received from customers	\$ 53,855,432
Other cash receipts	1,076,333
Cash payments for water supply	(37,736,891)
Cash payments for personal services	(2,361,060)
Cash payments for insurance	(752,950)
Cash payments for professional and contractual services	(697,595)
Cash payments for administrative costs	(103,204)
Cash payments for right of way	(3,495)
<b>Net cash provided by operating activities</b>	<b>13,276,570</b>

**Cash Flows From Capital And Related Financing Activities**

Cash received from sales taxes	31,454,457
Interest paid on revenue bonds	(8,456,658)
Interest paid on general obligation bonds	(4,722,650)
Principal paid on revenue bonds	(9,150,000)
Principal paid on general obligation bonds	(8,400,000)
Construction of fixed assets	(7,860,805)
Capital outlay	(114,702)
<b>Net cash used in capital and related financing activities</b>	<b>(7,250,358)</b>

**Cash Flows From Investing Activities**

Interest on investments	5,929,217
Proceeds from investments maturing	332,095,820
Payments for investments purchased	(371,602,935)
<b>Net cash used in investing activities</b>	<b>(33,577,898)</b>

<b>Net decrease in cash and cash equivalents</b>	<b>(27,551,686)</b>
--	---------------------

Cash and cash equivalents, at April 30, 2002	<u>74,362,660</u>
--	-------------------

Cash and cash equivalents, at April 30, 2003	46,810,974
--	------------

Other investments (at market)	<u>156,609,780</u>
-------------------------------	--------------------

<b>Total cash and investments, at April 30, 2003</b>	<b>203,420,754</b>
--	--------------------

Restricted cash and investments	<u>82,643,521</u>
---------------------------------	-------------------

<b>Unrestricted cash and investments</b>	<b><u>\$ 120,777,233</u></b>
--	------------------------------

The accompanying notes are an integral part of this statement.

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### **Note 1. Reporting Entity**

The DuPage Water Commission (Commission) is a county water commission, body politic and corporate, political subdivision and unit of local government, in DuPage County, Illinois, existing and operating under the Water Commission Act of 1985 (P.A. 84-119), effective July 30, 1985, as amended (the "1985 Commission Act"). The Commission declared the official start of operations on May 1, 1992.

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

The purpose and objectives of the Commission are:

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

The primary authority to designate management, influence operations, formulate budgets, set water rates and the rights to Commission surpluses and deficiencies rests with the Commission Board. Significant matters that require Board action include setting water rates, borrowing funds, amending the Chicago Water Supply contract or Commission bylaws and employing the general manager and professional contractors. These significant matters must carry a majority vote of all commissioners, which majority must contain at least one-third of the DuPage County appointed Board members and 40% of the municipality appointed Board members. Neither DuPage County nor the municipalities within DuPage County have the ability to significantly influence operations; therefore, the Commission is not included in any other governmental reporting entity. In addition, the Commission does not have any component units.

#### **Note 2. Adoption of New Accounting Standards**

During fiscal year 2003, the Commission adopted Governmental Accounting Standards Board ("GASB") Statement No. 40, "Deposit and Investment Risk Disclosures," an amendment of GASB Statement No. 3.

The principal effect of adopting this statement was to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. No restatements of previously reported amounts were required as a result of the adoption of this standard.

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### **Note 3. Summary of Significant Accounting Policies**

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

##### **Basis of Accounting**

The Water Fund is accounted for as a proprietary fund type using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with water system operation are included on the balance sheet.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or prepaid amounts have been utilized. Water revenue is recognized when the water is delivered. Sales tax revenue is recognized at the time of the related sale.

In accordance with the Commission's revenue bond ordinance (see Note 7), the Commission maintains accounts for the Revenue Bond Construction Fund, the Special Redemption Fund and the Arbitrage Rebate Fund, but these funds are presently inactive.

Deferred revenues in the Water Fund represent payments from non-charter customers for Customer Differential revenues. These deferred revenues will be amortized on a straight-line basis through April 30, 2024. Customer differentials represent payments for connecting to the Commission's System as well as fixed costs charged to subsequent customers to cover costs which would have been paid by subsequent customers if they had been Charter Customers.

##### **Investments**

The Commission applies GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement requires reporting investments at their fair value as of the balance sheet date. All investment income, including changes in the fair value of the investment portfolio, is recognized as income or expense currently.

##### **Accounts Receivable**

Customer receivables are recorded as receivables and revenues at their original invoice amount. Management regularly reviews the customer receivable accounts and has deemed no allowance for uncollectible accounts necessary as of April 30, 2003. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 40 days.

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### Note 3. Summary of Significant Accounting Policies (Continued)

##### Budgets

In April 2003, the Commission adopted the annual management budget in the amount of \$75,601,542 for the fiscal year ended April 30, 2004, detailed as follows:

	<u>Water Fund</u>
Direct water distribution costs	\$ 50,510,173
Capital outlay/depreciation	6,780,299
Personal services	2,597,416
Insurance	1,746,663
Professional and contractual services	1,243,260
Administrative costs	147,120
Land and right-of-way	5,995
Principal and interest expenses	12,570,616
Total operating expenditures	<u>75,601,542</u>
Construction expenditures	9,242,000
Construction expenditures capitalized	(9,242,000)
Total expenditures	<u><u>\$ 75,601,542</u></u>

An appropriation ordinance is adopted annually to supplement the Commission's management budget. Total Commission expenditures did not exceed the appropriation ordinance, which is the legal spending authority for the Commission.

##### Bond Discount and Issuance Expense and Losses on Defeasance

Discount and issuance expenses and losses on defeasance related to the outstanding General Obligation Bonds, Water Revenue Bonds and Water Refunding Revenue Bonds have been deferred and are being amortized as an element of debt service expense over the lives of the related bonds.

##### Accrued Benefits

The Commission accrues a liability for vested vacation pay, which is cumulative, and for unused current calendar year personal days.

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### Note 3. Summary of Significant Accounting Policies (Continued)

Until April 19, 2003, the Commission had provided employees with a Simplified Employee Pension - Individual Retirement Account (SEP-IRA), which was funded by the Commission at 8% of base pay. During fiscal year 2002, the Commission made contributions in the amount of \$159,312. A self-directed Individual Retirement Account was maintained for each participant. Each participant had a fully vested interest in his retirement account balance. Accordingly, the amounts related to these assets are not reflected on the Commission's financial statements. As of April 19, 2003 contributions were terminated to the SEP-IRA. The Commission has elected to have the Illinois Municipal Retirement Fund (IMRF) as their retirement plan. Contributions began on May 1, 2003 for the IMRF plan. A portion of employees' assets were rolled over from the SEP-IRA plan to the IMRF plan. The Commission also passed a resolution to assist employees in funding the employee's share of the cost of converting prior service with the Commission into IMRF creditable service up to \$1,400,000. As discussed in Note 4, \$3,805,524 of unrestricted net assets has been designated for this purpose, as well as the unfunded IMRF liability created upon joining.

#### Fixed Assets

Fixed assets represent costs of the Commission's waterworks system that are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the fixed assets, including contributed fixed assets, which are as follows:

Type of Fixed Asset	Life
Water mains	80 years
Buildings and other structures	40 years
Pumping equipment	30 years
Office furniture and equipment	3-10 years
Vehicles and other equipment	5-25 years

#### Proprietary Activity Accounting and Financial Reporting

The Commission applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs").

#### Statement of Cash Flows

For purposes of the statement of cash flows, money market funds and investments in Illinois Public Treasurer's Investment Pool are considered cash equivalents.

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### Note 3. Summary of Significant Accounting Policies (Continued)

##### Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 4. Net Assets

GASB Statement No 34 requires the delineation of Net Assets as Invested in Property, Plant and Equipment ("capital investments"), Restricted and Unrestricted. The balance of capital investments represents funds that have been used to acquire pipelines, pump stations, storage facilities and meter stations constructed and operated by the DuPage Water Commission, net of outstanding debt.

The Commission has the following restricted net assets:

##### Reserved for Revenue Bond Ordinance

The following amounts are reserved in accordance with the Commission's various Revenue Bond Ordinances:

Reserved for future principal and interest payments and required reserves	\$ 38,595,215
---	---------------

Resolution R-10-03 designated and assigns \$8,916,329 to the Revenue Bond Reserve within the Sales Tax subaccount of the General Account of the Water Fund. The restriction of these funds is required to permit the reduction of the Fixed Cost Revenue Requirements adopted by Ordinance O-7-02 pursuant to Ordinances O-1-87 and O-8-93.	8,916,329
---	-----------

<b>Reserved for General Obligation Bond</b>	<u>3,690,646</u>
---	------------------

Total Reserved	<u><u>\$ 51,202,190</u></u>
----------------	-----------------------------

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### Note 4. Net Assets (Continued)

The Commission adopted Resolution R-16-03 on April 10, 2003. This resolution made the following designations and assignments of the Commission's net assets balance:

##### Designated for Operations

Designated and assigned to the Construction Reserve within the Sales Tax subaccount of the General Account of the Water Fund	\$ 49,512,314
--	---------------

Designated and assigned a water rate stabilization reserve in the General Account of the Water Fund to reduce fluctuations in rates charged to customers in future years	45,005,162
--	------------

Designated and assigned for emergency repairs and other contingencies	<u>28,100,000</u>
---	-------------------

Total Operations Designation	<u>122,617,476</u>
------------------------------	--------------------

##### Designated Non-Operating

Designated and assigned for unfunded pension fund liability and to assist employees in funding the employee's share of the cost of converting prior service with the Commission into IMRF creditable service	3,805,524
--	-----------

Designated for areas affected by contaminated well water pursuant the intergovernmental agreement, R-32-02	<u>10,000,000</u>
--	-------------------

Total Non-Operating Designation	<u>13,805,524</u>
---------------------------------	-------------------

Total Designated Unrestricted	<u><u>\$ 136,423,000</u></u>
-------------------------------	------------------------------

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### **Note 5. Water Contract with the City of Chicago**

The Commission has entered into a 40-year contract (from March 19, 1984) with the City of Chicago, Illinois (the "Chicago Contract"), under which Chicago has agreed to supply all of the Commission's water requirements, up to 1.7 times the year's annual average day amount (which is a quantity adequate to meet the customers' projected needs), with water of such quality as will meet or exceed applicable standards of the state and federal governments. The Chicago Contract provides that the cost of water to the Commission shall be equal to the rate fixed for large quantities of water furnished through meters to consumers inside Chicago furnished by Chicago through meters. The Commission is obligated to purchase a minimum amount of water; such minimum is 50% of the aggregate Illinois Department of Natural Resources allocations. In fiscal 2003, the Commission purchased 32.0 billion gallons of water from the City of Chicago; such purchases equaling 94.6% of the aggregate Illinois Department of Natural Resources allocations.

As a part of the Chicago Contract, the Commission agreed to construct and then sell to Chicago certain interconnection facilities, including the Chicago (Lexington) Pumping Station. The interconnection facilities connect Chicago's water system with the Commission's transmission system. Chicago is paying for the interconnection facilities through a credit of 20% of the net charges for water furnished to the Commission. The cost of the interconnection facilities is shown on the balance sheet as Deferred Water Supply Contract Costs. The Commission expects to have fully recovered this amount during fiscal year 2005.

#### **Note 6. Commitments and Contingent Liabilities**

On April 25, 2002, the Commission approved a motion for a proposed agreement to make long-term, low-interest loans from Commission funds available to Charter Customer municipalities for the purpose of providing financing, under certain circumstances to future customers who presently live in areas of DuPage County not presently served by the Commission. The Commission's belief is that the implementation of final intergovernmental agreements relating to this motion will not materially affect the financial position of the Commission. As of April 30, 2003, there are no outstanding loan balances.

As of April 30, 2003, the Commission's remaining commitment on contracts for construction is approximately \$18.6 million. The Commission has certain other contingent liabilities resulting from litigation, claims and commitments incident to the ordinary course of business. It is the Commission's opinion that final resolution of such contingencies will not materially affect the financial position of the Commission.

#### **Note 7. Revenue Bond Ordinance**

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

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



## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### Note 7. Revenue Bond Ordinance (Continued)

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

**Operation and Maintenance Account** – An amount sufficient to make the amount then on deposit sufficient to pay operation and maintenance costs for the month of deposit and the next succeeding month.

**Interest Account** – Monthly one-sixth of the amount sufficient to cover interest becoming due on the bonds on the next succeeding semiannual interest payment date.

**Principal Account** – Monthly one-twelfth of the amount sufficient to cover principal of the bonds coming due on the next succeeding principal maturity date.

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

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

**Depreciation Account** – Monthly amounts of at least \$175,000. Any amounts in excess of the required minimum balance of \$5,000,000 may be transferred to the general account of the Water Fund by resolution of the Commission Board.

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

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

The Ordinance provides for the creation of the Special Redemption Fund to be held by the Trustee to account for issuance proceeds and condemnation awards to the extent not used to repair or replace the system and any other Commission-designated transfer. These monies may be used for debt service purposes. This fund was not active in fiscal 2003.

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

During fiscal 2003, all required transfers were made and account balances were sufficient to meet Ordinance requirements.

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### Note 7. Revenue Bond Ordinance (Continued)

Restricted cash and investments at April 30, 2003 are as follows:

	<u>Water Fund</u>
Depository	\$ 3,030,408
Operation and maintenance	10,380,703
Interest	4,113,954
Principal	9,605,000
Debt service reserve	17,857,304
Operation and maintenance reserve	10,407,758
Depreciation reserve	5,181,189
General Obligation Bond Debt Service Fund	13,150,876
Sales tax	8,916,329
Total restricted cash and investments	<u><u>\$ 82,643,521</u></u>

#### Note 8. Bonds Payable

General Obligation Bonds:

The following summarizes the general obligation bond activity for the fiscal year ended April 30, 2003:

Bonds outstanding, April 30, 2002	\$ 92,675,000
Principal payments	<u>(8,400,000)</u>
Bonds outstanding, April 30, 2003	<u><u>\$ 84,275,000</u></u>

## DuPage Water Commission

### Notes To Basic Financial Statements

#### Note 8. Bonds Payable (Continued)

General obligation bond debt at April 30, 2003 consists of the following:

	General Obligation Refunding Bonds, Series 2001
Face value	\$ 84,275,000
Plus:	
Unamortized premium	3,273,089
Less:	
Unamortized loss on defeasance	(1,348,609)
Bonds payable, net	<u>\$ 86,199,480</u>
Rate of Interest	<u>5.00 to 5.25%</u>
Maturity	March 1, 2003 - 2011

Payments due on the general obligation bonds through maturity are as follows:

Fiscal Year Ending April 30	Interest	Principal	Total
2004	\$ 4,302,650	\$ 8,810,000	\$ 13,112,650
2005	3,862,150	9,260,000	13,122,150
2006	3,399,150	9,725,000	13,124,150
2007	2,912,900	10,205,000	13,117,900
2008	2,402,650	10,715,000	13,117,650
2009-2011	3,797,588	35,560,000	39,357,588
Total	<u>\$ 20,677,088</u>	<u>\$ 84,275,000</u>	<u>\$ 104,952,088</u>

#### Revenue Bonds:

The following summarizes the revenue bond activity for the fiscal year ended April 30, 2003:

Bonds outstanding, April 30, 2002	\$ 164,410,000
Principal payments	(9,150,000)
Bonds outstanding, April 30, 2003	<u>\$ 155,260,000</u>

## DuPage Water Commission

### Notes To Basic Financial Statements

#### Note 8. Bonds Payable (Continued)

Water revenue bond debt at April 30, 2003 consists of the following:

	Water Refunding Bonds Series 1993
Face value	\$ 155,260,000
Less -	
Unamortized discount	(2,002,274)
Unamortized issuance costs	(946,339)
Unamortized loss on defeasance	(9,193,170)
Bonds payable, net	<u>\$ 143,118,217</u>
Rate of interest	<u>5.0 to 5.5%</u>
Maturity	May 1, 2002 - 2014

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

Fiscal Year Ending April 30	Interest	Principal	Total
2004	\$ 7,987,783	\$ 9,605,000	\$ 17,592,783
2005	7,490,490	10,085,000	17,575,490
2006	6,957,722	10,600,000	17,557,722
2007	6,386,648	11,150,000	17,536,648
2008	5,774,193	11,740,000	17,514,193
2009-2015	20,026,470	102,080,000	122,106,470
Total	<u>\$ 54,623,306</u>	<u>\$ 155,260,000</u>	<u>\$ 209,883,306</u>

## DuPage Water Commission

### Notes To Basic Financial Statements

#### Note 9. Fixed Assets

A summary of changes in fixed assets is as follows:

	Balance May 1, 2002	Net Changes	Balance April 30, 2003
Land and permanent easements	\$ 11,158,482	\$ -	\$ 11,158,482
Water mains	321,044,013	1,834,052	322,878,065
Buildings and other structures	77,513,863	3,863,393	81,377,256
Pumping equipment	5,225,286	-	5,225,286
Office furniture and equipment	4,933,416	17,163	4,950,579
Vehicles and other equipment	441,746	43,647	485,393
	420,316,806	5,758,255	426,075,061
Accumulated depreciation	(59,785,050)	(6,389,961)	(66,175,011)
Total net fixed assets	\$ 360,531,756	\$ (631,706)	\$ 359,900,050

#### Note 10. Cash and Investments

The following is a summary of the Commission's cash and investments (including restricted cash and investments):

##### Cash

At year-end the carrying amount of the Commission's cash balances was \$194,907 and the bank balance was \$209,506, \$136,964 of which was insured by the Federal Depository Insurance Corporation. The remaining \$72,542 was covered by collateral held in the Commission's name by a third party.

##### Investments

As of April 30, 2003, the Commission had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. Government Securities	\$ 59,968,280	\$ 41,170,780	\$ 18,797,500
U.S. Government Strip	9,996,875	9,996,875	-
U.S. Government Agencies	61,644,625	20,363,000	41,281,625
Illinois Funds	32,894,706	32,894,706	-
Certificates of Deposit	25,000,000	25,000,000	-
Money Market Funds	13,721,361	13,721,361	-
Total	\$ 203,225,847	\$ 143,146,722	\$ 60,079,125

## DuPage Water Commission

### Notes To Basic Financial Statements

---

#### Note 10. Cash and Investments (Continued)

*Interest Rate Risk* – The Commission's investment policy does not limit the Commission's investment portfolio to specific maturities. All investments carry a fixed rate of interest. The weighted average of the Commission's interest rates is currently 2.04%.

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

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year-end, the carrying amount of the Commission's certificates of deposit was \$25,000,000. The certificates are covered by FDIC insurance and/or collateralized with securities held in the Commission's name by a third-party trustee. As of year-end, the carrying amounts of the Commission's U.S. Government Securities and U.S. Government Agencies were \$69,965,155 and \$61,644,625, respectively. These investments are collateralized with collateral held in the Commission's name by third-party trustees. The Illinois Funds and the Money Market funds are not subject to custodial credit risk.

The Illinois Funds Investment Pool is not registered with the SEC. Oversight for the Pool is provided by the Auditor General's Office of the State of Illinois. The fair value of the position in the Pool is the same as the value of the Pool shares.

#### Note 11. Major Customer

During fiscal year 2003, approximately \$10.4 million, or 19.3%, of water sales revenue in the Water Fund was realized from the City of Naperville, the Commission's largest customer.

#### Note 12. Subsequent Events

On July 22, 2003, the Governor of the State of Illinois signed into law Public Act 93-0226 which amended the Water Commission Act of 1985. This amendment made changes concerning the appointment of the chairman of the Commission as well as requires the Commission to transfer \$15,000,000 to the DuPage County Board on or before July 1 of each year beginning in July 2003 for a period of five years, a total of \$75,000,000.

On August 27, 2003, the Commission sold \$135,810,000 of refunding revenue bonds at an average interest rate of 3.98%. These bonds were used to retire bonds issued in 1993 at an average interest rate of 5.64%. The present value savings to the Commission of this transaction was approximately \$6.9 million.

**Dupage Water Commission**

**Statement Of Revenues, Expenses And  
Changes In Net Assets Budget And Actual  
Water Fund  
For the Year Ended April 30, 2003**

	Actual	Budget	Favorable (Unfavorable)
<b>Operating Revenues</b>			
Water sales:			
Operations and maintenance costs	\$ 42,819,534	\$ 43,256,125	\$ (436,591)
Fixed costs	10,164,758	10,164,758	-
Customer differential	994,590	1,005,634	(11,044)
Other income	569,493	370,750	198,743
<b>Total operating revenues</b>	<b>54,548,375</b>	<b>54,797,267</b>	<b>(248,892)</b>
<b>Operating Expenses</b>			
Water supply costs	46,305,822	45,768,774	(537,048)
Depreciation	6,424,735	6,698,472	273,737
Personal services	2,326,679	2,434,103	107,424
Insurance	662,113	1,493,781	831,668
Professional and contractual services	817,662	986,720	169,058
Administrative costs	103,808	131,520	27,712
Land and right of way	3,495	5,995	2,500
<b>Total operating expenses</b>	<b>56,644,314</b>	<b>57,519,365</b>	<b>875,051</b>
<b>Operating loss</b>	<b>(2,095,939)</b>	<b>(2,722,098)</b>	<b>(626,159)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Sales tax	30,704,457	33,717,690	(3,013,233)
Investment income	5,808,624	4,531,250	1,277,374
Interest and other charges	(13,347,632)	(15,218,089)	1,870,457
<b>Total net nonoperating revenues</b>	<b>23,165,449</b>	<b>23,030,851</b>	<b>134,598</b>
<b>Changes in Net Assets</b>	<b>21,069,510</b>	<b>20,308,753</b>	<b>760,757</b>
Net assets, at April 30, 2002	347,708,171	346,440,411	1,267,760
<b>Net assets, at April 30, 2003</b>	<b>\$ 368,777,681</b>	<b>\$ 366,749,164</b>	<b>\$ 2,028,517</b>

**DuPage Water Commission**

**Schedule Of Insurance  
April 30, 2003**

<b>Insured</b>	<b>Description of Coverage</b>	<b>Amount of Coverage</b>	<b>Expiration Date</b>	<b>Insuring Company</b>
DuPage Water Commission	Property	\$100,000 Building and Personal Property \$25,000 Deductible \$100,000 Boiler and Machinery \$5,000,000 Extra Expense	11/1/2003	CNA Insurance Company
DuPage Water Commission	Public Entity Liability	\$20,000,000 Per Occurrence	11/1/2003	Specialty National
DuPage Water Commission	Auto Liability	\$20,000,000 Each Accident Liability \$1,000,000 Per Accident/Uninsured \$500 Comprehensive Deductible \$500 Collision Deductible	11/1/2003	Specialty National
DuPage Water Commission	Workers' Compensation	\$2,500,000 Each Accident \$2,500,000 Each Employee \$2,500,000 Policy Limit	12/15/2003	Illinois Public Risk Fund
DuPage Water Commission	Commercial Crime	\$500,000 Forgery or Alteration \$500,000 Employee Dishonesty \$500,000 Theft and Destruction \$100,000 Computer Fraud \$1,000 Deductible	11/1/2003	Specialty National
DuPage Water Commission	Underground Storage Tank - Third Party Liability	\$1,000,000 Each Incident \$1,000,000 Aggregate \$5,000 Deductible Per Incident	11/1/2003	Illinois National Insurance Company
DuPage Water Commission	Pollution Legal Liability	\$10,000,000 Per Incident \$10,000,000 Aggregate \$25,000 Deductible Per Incident	11/1/2004	American International Specialty Lines
DuPage Water Commission	Bond - Central Avenue Easement	\$25,000	7/5/2003	Kemper
DuPage Water Commission	Bond - Maybrook Easement	\$25,000	11/4/2004	Kemper
James Cekal	Treasurer's Bond	\$56,500,000	2/10/2004	Liberty Mutual
James Holzwart	General Manager's Bond	\$5,000,000	2/10/2004	Liberty Mutual



## **Independent Auditor's Report on Debt Covenants Compliance**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the DuPage Water Commission as of April 30, 2003, and have issued our report thereon, dated June 19, 2003.

We have also audited the Commission's compliance with the terms, covenants, provisions and conditions of Article X of the Revenue Bond Ordinance 1987 and Article II of the Water Refunding Revenue Bond Ordinance of 1993. The management of the DuPage Water Commission is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on compliance with these requirements.

In connection with our audit, nothing came to our attention that caused us to believe that the DuPage Water Commission failed to comply with the terms, covenants, provisions, or conditions of Article X of the Revenue Bond Ordinance of 1987 and Article II of the Water Refunding Revenue Bond Ordinance of 1993, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Commissioners, the management of DuPage Water Commission and the revenue bond holders and is not intended to be and should not be used by anyone other than these specified parties.

Schaumburg, Illinois  
June 19, 2003



# DuPage Water Commission

## MEMORANDUM

TO: Chairman & Commissioners

FROM: General Manager

DATE: October 3, 2003

SUBJECT: Subsequent Customer Pricing Under PA93-0226

At its September meeting, the Commission asked for information regarding the retroactive effect of applying PA93-0226 to municipal subsequent customers. A preliminary analysis has been completed for Winfield and Oakbrook Terrace.

This analysis is intended to demonstrate the order of magnitude of any rebates resulting from such a program. Detailed, final estimates for all subsequent customers would require an extensive analysis and recalculation of monthly invoices—82 in the case of Winfield and 46 for Oakbrook Terrace. Before the time required in order to complete this analysis is expended, the Commission will need to arrive at a policy decision with regard to the interpretation of “original costs less rebates.”

It should also be noted this preliminary estimate contained in this report is based upon the following criteria:

- this analysis was done on a macro basis as of August 31, 2003;
- an equity “buy-in” approach has been used in lieu of missed fixed cost payments;
- the Commission’s cost of capital was based on the weighted average interest rate of outstanding Commission general obligation and revenue bonds as of the date of execution of the subsequent customer contracts involved;
- the time value of money has not been considered.

## **REIMBURSEMENT OF CONNECTION FACILITIES**

Reducing the interest rate on these facilities to the Commission's cost of capital had a minor affect on each municipal subsequent customer. From 10%, Oakbrook Terrace's rate was reduced to 5.94%. Due to certain understandings in the Winfield contract, its original contract interest rate was 5% prior to its first delivery of water and 10% thereafter. Under the "cost of capital" assumption, Winfield's interest rate would be 5.99%.

Oakbrook Terrace's outstanding connection facilities balance as of August, 2003 would be reduced from \$32,266 to \$27,016. Their monthly facilities payment from September, 2003 through April 2024 would be reduced to \$189 from \$308.

Winfield has actually fully reimbursed the Commission for its connection facilities. However, the effect of the changed interest rate resulted in an additional \$57 being owed to the Commission as of August, 2003.

## **MISSED FIXED COST PAYMENTS**

The substitution of the "equity buy-in" for the missed fixed cost payments coupled with the "cost of capital" rate for the 10% original contract rate reduced the "buy-in" for both municipal subsequent customers.

As of August, 2003, Oakbrook Terrace would receive a \$23,660 refund. Its monthly payment would be reduced to \$799 from \$1,510 from September, 2003 through April 30, 2024.

Winfield had also prepaid some of its missed fixed cost payments. Under this analysis its remaining monthly payment would be reduced to \$5,874 from \$8,488 from September, 2003 through April, 2024. Winfield would also receive a refund of missed fixed cost payments paid through August, 2003 of \$605,884.

## **CAPITAL RISK FACTOR CHARGES**

From October, 1999 through August, 2004, Oakbrook Terrace paid \$42,160 in Capital Risk (15%) charges. From October, 1996 through August, 2004, Winfield paid \$588,746 in Capital Risk (15%) charges. (Note: from April, 1995 through August, 2004, all private utility subsequent customers paid \$1,689,141 in Capital Risk (15%) charges.)