



DuPage Water Commission

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

AGENDA

**FINANCE COMMITTEE
THURSDAY, MARCH 11, 2004
6:30 P.M.**

COMMITTEE MEMBERS

A. Poole, Chair
E. Chaplin

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

- I. Roll Call
- II. Approval of Minutes for Committee Meeting of January 8, 2004
- III. Release of Committee Executive Session Minutes of November 13, 2003
- IV. Treasurer's Report – February, 2004
- V. Financial Statements – February, 2004
- VI. Cash and Investment Review - September 1 through December 31, 2003
- VII. Accounts Payable
- VIII. Financial Consulting Services Contract
- IX. Subsequent Customer Pricing Review
- X. Status of Illinois Auditor General Review
- XI. Financial Review
 - A. Net Asset (Fund Balance) Analysis
 - B. Investment Portfolio Review
 - C. Self Insurance Study

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**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DU PAGE WATER COMMISSION
HELD ON JANUARY 8, 2004**

The meeting was called to order at 7:08 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, E. Chaplin B. Krajewski and J. Janicik. Also in attendance: Commission Chairman M. Vondra, V. Hellenbrand (Virchow Krause), M. Crowley and R. Skiba.

MINUTES OF MEETING – NOVEMBER 13, 2003

Motion by Commissioner Chaplin, seconded by Commissioner Krajewski, to approve the minutes of the November 13, 2003 Finance Committee meeting. This motion carried unanimously.

MINUTES OF EXECUTIVE SESSION – NOVEMBER 13, 2003

Motion by Commissioner Janicik, seconded by Commissioner Chaplin, to approve the minutes of the November 13, 2003 Finance Committee executive session. This motion carried unanimously.

TREASURER'S REPORT – DECEMBER, 2003

Commissioner Chaplin presented the December, 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 January 8, 2004.

FINANCIAL STATEMENTS - DECEMBER, 2003

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

ACCOUNTS PAYABLE

The Committee reviewed the accounts payable in the amount of \$4,875,811.25. There were no revisions to the list. The Committee had no questions and will recommend approval of the accounts payable at the January 8, 2004 Commission meeting.

AUDITOR GENERAL ENGAGEMENT LETTER

M. Crowley reported that the intergovernmental agreement for the April 30, 2004 audit by the Illinois Auditor General (IAG) has been finalized. McGladery and Pullen's audit contract with the Commission will be assumed by the IAG. Because of additional IAG requirements, there will likely be some additional costs for this audit.

MAJOR ACTIVITIES TIMETABLE

The Committee noted the financial activities timetable prepared by staff. This table will be updated as necessary.

RESOLUTION R-3-04

The Committee reviewed and recommended approval of Resolutions R-3-04 by the full Commission at its January 8, 2004 meeting. Resolution R-3-04 directs the transfer of the excess debt service reserve account balance to the general account of the water fund. This excess was created when a surety bond was substituted for the funding requirement called for in the revenue bond ordinance. The resolution requires these funds be used as soon as possible to pay for new construction costs.

SUBSEQUENT CUSTOMER PRICING REVIEW

V. Hellenbrand reviewed Virchow Krause's November 12, 2003 draft report on the effect of PA93-0226 on Commission subsequent customer pricing. It was noted that due to the vague language of the Act, the Commission must make some policy decisions to move this issue forward.

Chairman Vondra suggested that Virchow Krause develop scenarios based on the Act that were best case interpretations for the charter customers and best case for subsequent customers. Motion by Commissioner Janicik, seconded by Commissioner Chaplin, to recommend the Commission accept the Chairman's suggestion, to continue the construction source funding analysis contained in the November 12, 2003 Virchow Krause study and to employ Katten Muchin Zavis Rosenman to review legal interpretations of PA93-0226 as applied by Virchow Krause in performing these tasks. Motion carried unanimously.

FIVE-YEAR CAPITAL PLANNING DOCUMENT

The Committee briefly reviewed the draft Five-Year Capital Plan. Staff explained that the plan could be made to work even with the effect of the changes in the Water Commission Act of 1985.

ADJOURNMENT

With no further business to come before the Committee, the meeting was adjourned at 8:01 p.m.



DuPage Water Commission

MEMORANDUM

TO: Acting General Manager

FROM: Financial Administrator

DATE: March 5, 2004

SUBJECT: Financial Report – February 29, 2004

PROPERTY TAX ABATED

At its February 12th meeting, the Commission abated the property tax related to its outstanding general obligation bonds. This was the 18th consecutive abatement of this tax. As a result, \$13.1 million was removed from the 2003 property tax bills of residents in the Commission's service area. Over \$250 million of property taxes have been abated in this manner by the Commission since 1986.

REVENUE ANALYSIS

Total revenues were 8.3% less than budget. Water operations and maintenance revenues were 6.5% less than budget. Last summer's cool, wet weather slowed water sales.

Sales tax collections in the first ten months of the fiscal year were \$92,344 (0.4%) less than the same period of fiscal year 2002-03. However the month of February was \$142,271 (5.4%) more than last February. A 2% increase had been budgeted. This revenue source is presently 3.0% below budget.

Market fluctuations have caused a decrease in investment market values resulting in investment income that is 59.9% below budget. For investments held to maturity, market value income recognized last fiscal year in accordance with generally accepted accounting principles is now reversing.

EXPENSE ANALYSIS

Total operating expenses were 0.3% below budget. Bond interest costs are 16.8% over budget. The \$2.9 million call premium cost on the 1993 revenue bonds retired in September is the major factor in this variance. Insurance costs are under budget because only one self-insured claim for \$1,000 has been incurred.

Overall direct water supply costs were 6.7% under budget corresponding to the less than budgeted water sales mentioned above. The small difference between these two variances is mainly due to an acceleration of the blow-off valve repair project, which is more than \$1.0 million ahead of schedule.

On May 1, 2003, the Commission changed its pension plan to the Illinois Municipal Retirement Fund (IMRF). 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. An early retirement incentive program was adopted in July. Four employees committed to this program during the 3rd fiscal quarter. Early retirement incentive costs were \$347,000. In September, the Commission instituted a military service credit program under IMRF. Five eligible employees participated in this program at a cost of \$74,000. Additional pension, Social Security and Medicare cost related to these programs also added to the budget variance.

CONSTRUCTION PROJECTS

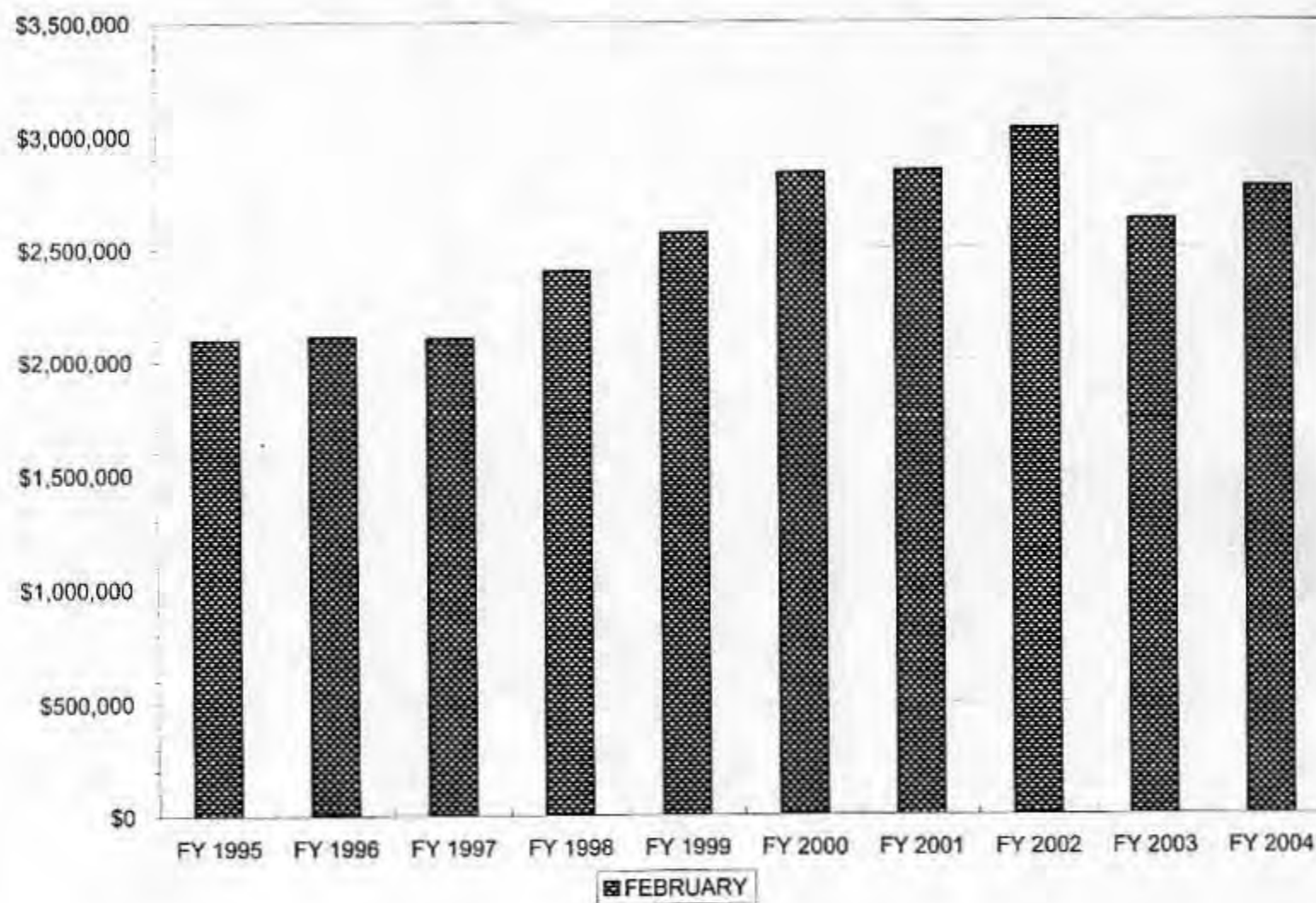
The only open construction project is the West Transmission Main (TW-2). A contract to construct an interconnection between the Northwest and Southwest Transmission Mains (TIB-1) was awarded in September. Project TIB-1 will increase flow in the system in the event of a break on the Northwest or Southwest 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

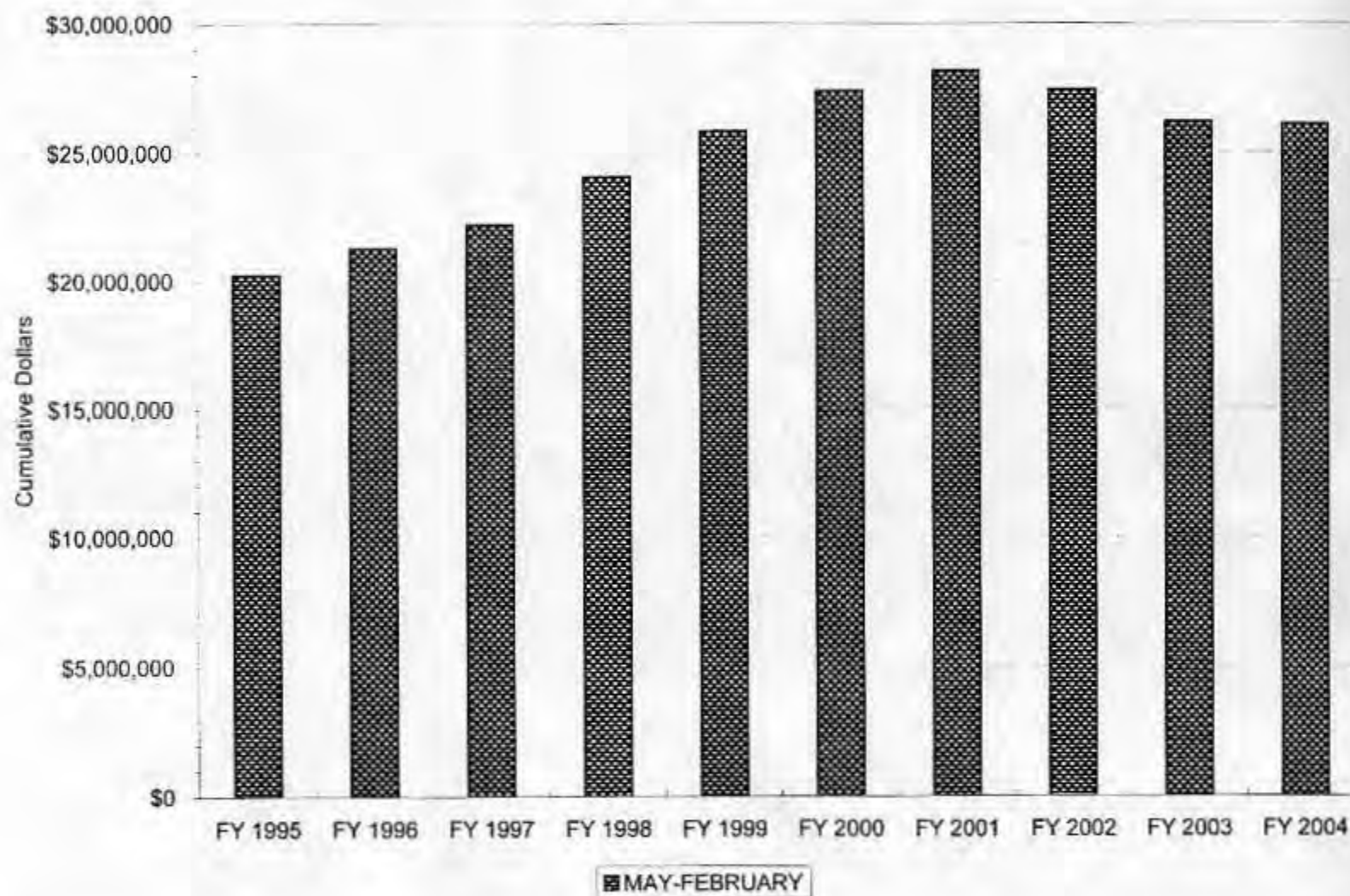
The Commission's investment portfolio totals \$193.3 million. It is earning 1.27% based on market yield and 2.14% based on original purchase price. The benchmark yield adopted by the Commission was 0.92% at February 29, 2004.

Commission funds are invested as follows: United States Treasury obligations (21.4%), United States Agency obligations (21.0%), the Illinois Funds Money Market Fund (14.1%), the Illinois Funds Prime Funds (24.1%), certificates of deposit (12.8%) and government money market funds run by the Commission's bond trustees (6.6%).

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



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



February 29, 2004		REVENUE BOND								
ASSETS	TOTAL WATER FUND ALL ACCOUNTS	WATER FUND DEPOSITORY ACCOUNTS	OPER & MAINT ACCOUNT	REVENUE BOND INTEREST ACCOUNT	REVENUE BOND PRINCIPAL ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	OPER & MAINT RESERVE ACCOUNT	DEPRECIATION ACCOUNT	GENERAL ACCOUNT	
CASH	903,641.70	892,940.02	10,701.68	0.00	0.00	0.00	0.00	0.00	0.00	
INVESTMENTS	193,258,102.07	2,155,625.32	10,396,686.72	2,816,301.60	8,517,443.18	0.00	10,480,665.03	5,495,098.07	153,290,282.15	
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	4,905,987.80	4,905,987.80	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	252,479.61	252,479.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
INTEREST RECEIVABLE	1,185,127.52	0.00	0.00	31,556.28	96,581.20	0.00	45,000.00	45,000.00	966,989.98	
INVENTORIES & PREPAIDS	719,589.74	719,589.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
FIXED ASSETS	426,901,838.87	426,901,838.87	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	(71,498,171.25)	(71,498,171.25)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
DEFERRED WATER SUPPLY CONTRACT COST	5,787,699.30	5,787,699.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RECEIVABLE FROM OTHER GOVERNMENTS - LONG TERM	2,871,700.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,871,700.00	
TOTAL ASSETS	594,198,885.88	391,858,879.93	10,407,388.40	2,847,857.88	8,714,024.44	0.00	10,531,665.03	5,540,098.07	164,298,972.13	
LIABILITIES & EQUITY										
ACCOUNTS PAYABLE	3,170,176.35	0.00	3,170,176.35	0.00	0.00	0.00	0.00	0.00	0.00	
ACCRUED PAYROLL & TAXES	231,521.66	0.00	231,521.66	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	1,725,833.33	0.00	0.00	8,629,166.67	0.00	0.00	0.00	8,810,000.00	
ACCRUED INTEREST	4,969,427.82	0.00	0.00	2,818,102.82	0.00	0.00	0.00	0.00	2,151,325.00	
ACCRUED LIABILITIES	538,320.96	0.00	538,320.96	0.00	0.00	0.00	0.00	0.00	0.00	
CONTRACT RETENTION	1,214,792.26	0.00	1,214,792.26	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	3,048,565.34	3,048,565.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
LONG TERM BONDS PAYABLE	199,298,552.31	199,298,552.31	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	
TOTAL LIABILITIES	291,836,358.70	204,072,950.98	5,154,811.23	2,818,102.82	8,629,166.67	0.00	0.00	0.00	70,961,325.00	
NET ASSETS										
UNRESTRICTED FUNDS										
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	11,200,000.00	0.00	0.00	0.00	0.00	0.00	26,510.69	540,098.07	10,633,391.24	
RESERVED FOR WATER RATE STABILIZATION	45,380,816.12	5,878,057.15	0.00	0.00	0.00	0.00	0.00	0.00	39,502,758.97	
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	18,345,858.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18,345,858.59	
TOTAL UNRESTRICTED OPERATING NET ASSETS	72,926,674.71	5,878,057.15	0.00	0.00	0.00	0.00	26,510.69	540,098.07	68,482,008.80	
UNRESTRICTED NON-OPERATING NET ASSETS										
WATER QUALITY LOANS RESERVE	9,937,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,937,000.00	
IMRF PRIOR SERVICE PENSION COST RESERVE	2,405,524.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,405,524.00	
TOTAL UNRESTRICTED NON-OPERATING NET ASSETS	12,342,524.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,342,524.00	
TOTAL UNRESTRICTED NET ASSETS	85,269,198.71	5,878,057.15	0.00	0.00	0.00	0.00	26,510.69	540,098.07	78,824,532.80	
RESTRICTED BY ORDINANCE/RESOLUTION	35,385,458.67	0.00	5,252,577.17	29,755.06	84,657.77	0.00	10,505,154.34	5,000,000.00	14,513,114.33	
INVESTED IN PROPERTY PLANT AND EQUIPMENT	181,907,871.60	181,907,871.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL NET ASSETS	302,562,529.18	187,785,928.95	5,252,577.17	29,755.06	84,657.77	0.00	10,531,665.03	5,540,098.07	93,337,647.13	
TOTAL LIABILITIES & NET ASSETS	594,198,885.88	391,858,879.93	10,407,388.40	2,847,857.88	8,714,024.44	0.00	10,531,665.03	5,540,098.07	164,298,972.13	

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	153,290,282.15	66,111,520.28	63,359,019.77	23,819,742.10
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	966,989.58	347,395.83	450,951.75	168,642.40
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	2,671,700.00	0.00	2,871,700.00	0.00
TOTAL ASSETS	164,298,972.13	66,458,916.11	73,851,671.52	23,988,384.50
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	2,151,325.00	0.00	0.00	2,151,325.00
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	70,961,325.00	0.00	60,000,000.00	10,961,325.00
NET ASSETS				
UNRESTRICTED FUNDS (R-27-03)				
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES	10,633,391.24	10,633,391.24	0.00	0.00
RESERVED FOR WATER RATE STABILIZATION	39,502,758.97	39,502,758.97	0.00	0.00
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	16,345,858.59	13,917,241.90	2,428,616.69	0.00
TOTAL UNRESTRICTED OPERATING NET ASSETS	66,482,008.80	64,053,392.11	2,428,616.69	0.00
UNRESTRICTED NON-OPERATING NET ASSETS				
WATER QUALITY LOANS RESERVE (R-32-02)	9,937,000.00	0.00	9,937,000.00	0.00
IMRF PRIOR SERVICE PENSION COST RESERVE (R-16-03)	2,405,524.00	2,405,524.00	0.00	0.00
TOTAL UNRESTRICTED NON-OPERATING NET ASSETS	12,342,524.00	2,405,524.00	9,937,000.00	0.00
TOTAL UNRESTRICTED NET ASSETS	78,824,532.80	66,458,916.11	12,365,616.69	0.00
RESTRICTED BY ORDINANCE/RESOLUTION	14,513,114.33	0.00	1,486,054.83	13,027,059.50
INVESTED IN PROPERTY PLANT AND EQUIPMENT	0.00	0.00	0.00	0.00
TOTAL NET ASSETS	93,337,647.13	66,458,916.11	13,851,671.52	13,027,059.50
TOTAL LIABILITIES & NET ASSETS	164,298,972.13	66,458,916.11	73,851,671.52	23,988,384.50

DU PAGE WATER COMMISSION
WATER FUND
GENERAL LEDGER
STATEMENT OF REVENUES & EXPENDITURES
February 29, 2004

PAGE 7

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	3,043,647.96	36,179,121.34	38,896,402.55	(2,517,281.21)	93.5%
FIXED COST REVENUES	743,027.42	7,430,274.20	7,430,274.17	0.03	100.0%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	55,882.24	635,704.01	870,909.43	(235,205.42)	73.0%
EMERGENCY WATER SERVICE	0.00	30,016.40	24,724.94	5,291.46	121.4%
SALES TAXES	2,765,531.65	26,089,582.35	26,886,487.99	(796,905.64)	97.0%
INVESTMENT INCOME	187,771.81	2,032,138.42	5,066,866.67	(3,034,528.25)	40.1%
OTHER INCOME	500.00	94,525.37	46,916.67	47,608.70	201.5%
TOTAL REVENUE	6,796,361.08	72,491,362.09	79,022,382.42	(6,531,020.33)	91.7%
EXPENSES					
PERSONAL SERVICES	176,284.89	4,136,949.45	2,164,513.32	(1,972,436.13)	191.1%
PROFESSIONAL SERVICES	13,567.23	334,859.78	326,924.98	(7,934.80)	102.4%
CONTRACTUAL SERVICES	47,531.11	582,035.95	716,375.00	134,339.05	81.2%
INSURANCE	(4,843.88)	908,490.90	1,565,895.17	657,404.27	58.0%
ADMINISTRATIVE COSTS	8,472.84	89,612.49	122,600.00	32,987.51	73.1%
WATER SUPPLY COSTS	3,366,482.91	40,029,128.45	42,897,239.34	2,868,110.89	93.3%
BOND INTEREST EXPENSE	807,890.86	12,235,356.03	10,475,513.33	(1,759,842.70)	116.8%
LAND AND RIGHT OF WAY	0.00	2,995.00	4,995.82	2,000.82	60.0%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	551,881.97	5,387,085.73	5,650,249.17	263,163.44	95.3%
TOTAL OPERATING EXPENSES	4,967,267.93	63,706,513.78	63,924,306.13	217,792.35	99.7%
NET OPERATING INCOME	1,829,093.15	8,784,848.31	15,098,076.29	(6,313,227.98)	58.2%
CONSTRUCTION EXPENDITURES	294,787.43	2,826,777.73	7,701,666.67	4,874,888.94	36.7%
TRANSFERS TO OTHER GOVERNMENTS	0.00	75,000,000.00	0.00	(75,000,000.00)	N/A
NET FUND TRANSACTIONS	1,534,305.72	(69,041,929.42)	7,396,409.62	(76,438,339.04)	-933.5%
BEGINNING NET ASSETS					
ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED		368,777,680.87			
		2,826,777.73			
ENDING NET ASSETS		302,562,529.18			

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 02/29/04	BID PRICE 02/29/04
Water Fund Depository Accounts (WF-1210)											
Illinois Funds-Money Market	0.932%	02/29/04	03/01/04	0.932%	0.932%	\$ 503,014.04	\$ 503,014.04	\$ -	\$ 503,014.04	\$ -	100.000
Illinois Funds-Prime Fund	0.982%	02/29/04	03/01/04	0.982%	0.982%	1,652,611.28	1,652,611.28	-	1,652,611.28	-	100.000
				0.970%	0.970%	\$ 2,155,625.32	\$ 2,155,625.32	\$ -	\$ 2,155,625.32	\$ -	
Water Fund Oper. & Maint. Acct. (WF-1211)											
Illinois Funds-Money Market	0.932%	02/29/04	03/01/04	0.932%	0.932%	\$ 5,342,130.62	\$ 5,342,130.62	\$ -	\$ 5,342,130.62	\$ -	100.000
Illinois Funds-Prime Fund	0.982%	02/29/04	03/01/04	0.982%	0.982%	5,054,556.10	5,054,556.10	-	5,054,556.10	-	100.000
				0.956%	0.956%	\$ 10,396,686.72	\$ 10,396,686.72	\$ -	\$ 10,396,686.72	\$ -	
Revenue Bond Interest Account (WF-1212)											
One Group Government Money Market	0.317%	02/29/04	03/01/04	0.317%	0.317%	\$ 782.85	\$ 782.85	\$ -	\$ 782.85	\$ 0.03	100.000
U. S. Treas. Notes (Bank One Trust Company)	3.375%	10/07/03	04/30/04	1.013%	0.800%	585,000.00	587,193.75	(5,575.78)	592,769.53	8,581.25	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	11/07/03	04/30/04	1.058%	0.800%	563,000.00	565,111.25	(4,134.53)	569,245.78	6,333.75	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	12/09/03	04/30/04	1.008%	0.800%	553,000.00	555,073.75	(3,045.82)	558,119.57	6,221.25	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	01/05/04	04/30/04	0.974%	0.800%	552,000.00	554,070.00	(2,134.99)	556,204.99	6,210.00	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	02/11/04	04/30/04	0.934%	0.800%	552,000.00	554,070.00	(840.94)	554,910.94	6,210.00	100.375
				0.998%	0.800%	\$ 2,805,782.85	\$ 2,816,301.80	\$ (15,731.78)	\$ 2,832,033.36	\$ 31,556.28	
Revenue Bond Principal (WF-1213)											
One Group Government Money Market	0.317%	02/29/04	03/01/04	0.317%	0.317%	\$ 249.43	\$ 249.43	\$ -	\$ 249.43	\$ 0.01	100.000
U. S. Treas. Notes (Bank One Trust Company)	3.375%	05/09/03	04/30/04	1.178%	0.800%	884,000.00	887,315.00	(15,435.47)	902,750.47	9,945.00	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	06/03/03	04/30/04	1.090%	0.800%	821,000.00	824,078.75	(13,790.23)	837,868.98	9,296.25	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	07/08/03	04/30/04	1.012%	0.800%	820,000.00	823,075.00	(12,566.25)	835,631.25	9,225.00	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	08/14/03	04/30/04	1.108%	0.800%	819,000.00	822,071.25	(9,981.56)	832,052.81	9,213.75	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	09/11/03	04/30/04	1.064%	0.800%	916,000.00	919,435.00	(9,947.19)	929,382.19	10,305.00	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	10/07/03	04/30/04	1.013%	0.800%	846,000.00	849,172.50	(8,063.44)	857,235.94	9,517.50	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	11/07/03	04/30/04	1.058%	0.800%	925,000.00	928,468.75	(6,792.97)	935,261.72	10,406.25	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	12/09/03	04/30/04	1.008%	0.800%	852,000.00	855,195.00	(4,692.60)	859,887.66	9,585.00	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	01/05/04	04/30/04	0.974%	0.800%	851,000.00	854,191.25	(3,290.98)	857,482.23	9,573.75	100.375
U. S. Treas. Notes (Bank One Trust Company)	3.375%	02/11/04	04/30/04	0.934%	0.800%	851,000.00	854,191.25	(1,296.45)	855,487.70	9,573.75	100.375
				1.044%	0.800%	\$ 8,585,249.43	\$ 8,617,443.18	\$ (85,847.20)	\$ 8,703,290.38	\$ 96,581.28	
Revenue Bond Debt Svc. Reserve (WF-1214)											
				N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	
Water Fund Oper. & Maint. Res. (WF-1215)											
Illinois Funds-Money Market	0.932%	02/29/04	03/01/04	0.932%	0.932%	\$ 6,281,273.27	\$ 6,281,273.27	\$ -	\$ 6,281,273.27	\$ -	100.000
Illinois Funds-Prime Fund	0.982%	02/29/04	03/01/04	0.982%	0.982%	190,391.76	190,391.76	-	190,391.76	-	100.000
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	0.800%	4,000,000.00	4,015,000.00	(15,000.00)	4,030,000.00	45,000.00	100.375
				1.708%	0.882%	\$ 10,471,665.03	\$ 10,486,665.03	\$ (15,000.00)	\$ 10,501,665.03	\$ 45,000.00	

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 02/29/04	BID PRICE 02/29/04
Water Fund Depreciation Account (WF-1216)											
Illinois Funds-Money Market	0.932%	02/29/04	03/01/04	0.932%	0.932%	\$ 719,622.33	\$ 719,622.33	\$ -	\$ 719,622.33	\$ -	100.000
Illinois Funds-Prime Fund	0.982%	02/29/04	03/01/04	0.982%	0.982%	760,275.74	760,275.74	-	760,275.74	-	100.000
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	0.800%	4,000,000.00	4,015,000.00	(15,000.00)	4,030,000.00	45,000.00	100.375
				2.418%	0.842%	\$ 5,480,098.07	\$ 5,495,098.07	\$ (15,000.00)	\$ 5,510,098.07	\$ 45,000.00	
Water Fund General Account (WF-1217)											
Illinois Funds-Money Market	0.932%	02/29/04	03/01/04	0.932%	0.932%	\$ 7,806,638.11	\$ 7,806,638.11	\$ -	\$ 7,806,638.11	\$ -	100.000
Illinois Funds-Prime Fund	0.982%	02/29/04	03/01/04	0.982%	0.982%	24,109,515.27	24,109,515.27	-	24,109,515.27	-	100.000
U. S. Treas. Notes (Dain Rauscher)	7.250%	01/31/02	05/15/04	3.204%	0.920%	10,000,000.00	10,125,000.00	(759,300.00)	10,884,300.00	211,458.33	101.250
F.H.L.B. (RBC D. Rauscher)	3.625%	06/14/02	10/15/04	3.403%	1.000%	10,000,000.00	10,153,125.00	105,468.75	10,647,656.25	135,937.50	101.531
				1.877%	0.966%	\$ 51,916,153.38	\$ 52,194,278.38	\$ (653,831.25)	\$ 52,848,109.63	\$ 347,395.83	
Water Fund General Account (WF-1218)											
Illinois Funds-Money Market	0.932%	02/29/04	03/01/04	0.932%	0.932%	\$ 3,915,399.60	\$ 3,915,399.60	\$ -	\$ 3,915,399.60	\$ -	100.000
Illinois Funds-Prime Fund	0.982%	02/29/04	03/01/04	0.982%	0.982%	10,001,842.30	10,001,842.30	-	10,001,842.30	-	100.000
				8.005%	4.591%	\$ 13,917,241.90	\$ 13,917,241.90	\$ -	\$ 13,917,241.90	\$ -	
Sales Tax Funds (WF-1230)											
Illinois Funds-Money Market	0.932%	02/29/04	03/01/04	0.932%	0.932%	\$ 2,882,104.88	\$ 2,882,104.88	\$ -	\$ 2,882,104.88	\$ -	100.000
Illinois Funds-Prime Fund	0.982%	02/29/04	03/01/04	0.982%	0.982%	5,019,114.89	5,019,114.89	-	5,019,114.89	-	100.000
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	84,164.38	100.000
F.H.L.B. (ABN AMRO)	3.375%	06/21/02	05/14/04	3.002%	1.124%	10,000,000.00	10,045,300.00	(23,450.00)	10,068,750.00	98,437.50	100.453
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	14,082.19	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	55,811.07	100.000
F.H.L.B. (RBC D. Rauscher)	3.625%	09/12/02	10/15/04	2.400%	1.000%	10,000,000.00	10,153,125.00	(94,675.00)	10,247,800.00	135,937.50	101.531
Cert. of Deposit (West Suburban Bank)	1.250%	10/15/03	10/15/04	1.250%	1.250%	64,900.00	64,900.00	-	64,900.00	304.50	100.000
Cert. of Deposit (Suburban Bank & Trust)	1.550%	10/16/03	10/16/04	1.550%	1.550%	6,000,000.00	6,000,000.00	-	6,000,000.00	34,652.05	100.000
Cert. of Deposit (Oak Brook Bank)	1.500%	01/15/04	01/15/05	1.500%	1.500%	6,000,000.00	6,000,000.00	-	6,000,000.00	11,095.89	100.000
F.H.L.B. (RBC D. Rauscher)	4.000%	10/17/02	02/15/05	2.462%	1.160%	10,000,000.00	10,259,375.00	(65,125.00)	10,344,500.00	16,666.67	102.594
				1.993%	1.260%	\$ 63,901,219.77	\$ 63,359,019.77	\$ (203,250.00)	\$ 63,562,269.77	\$ 450,951.75	
2001 G. O. Bonds Debt Service (WF-1243)											
ABN AMRO Government Money Market	0.757%	02/29/04	03/01/04	0.757%	0.757%	\$ 12,806,742.10	\$ 12,806,742.10	\$ -	\$ 12,806,742.10	\$ 3,447.40	100.000
U. S. Treas. Notes (LaSalle Bank)	3.000%	02/28/03	02/29/04	1.219%	0.670%	10,388,000.00	10,388,000.00	(183,007.34)	10,571,007.34	155,820.00	100.000
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/05/03	02/29/04	1.052%	0.670%	287,000.00	287,000.00	(5,470.94)	292,470.94	4,305.00	100.000
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/07/03	02/29/04	1.073%	0.670%	338,000.00	338,000.00	(6,337.50)	344,337.50	5,070.00	100.000
				0.967%	0.717%	\$ 23,819,742.10	\$ 23,819,742.10	\$ (194,815.78)	\$ 24,014,557.88	\$ 168,642.40	
TOTAL ALL FUNDS											
				2.141%	1.274%	\$182,449,464.57	\$193,258,102.07	\$ (1,183,475.99)	\$194,441,578.06	\$1,185,127.52	

February 29, 2004

90 DAY US TREASURY YIELD

0.920%

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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

The procedures and the associated findings are as follows:

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

These procedures covered 95% of the dollar amount of all such transfers made during the period from September 1, 2003 to December 31, 2003 based on total transfers as shown on the list provided by the Commission's staff.

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

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

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

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
January 20, 2004

KMZ Rosenman
KATTEN MUCHIN ZAVIS ROSENMAN

525 West Monroe Street, Suite 1600
Chicago, IL 60661-3693
312.502.5200 office 312.502.1061 fax

MARK E. LAUGHMAN
mark.laughman@kmz.com
312.902.5680 direct 312.577.8960 fax

March 5, 2004

Via Facsimile

Mr. Richard H. Skiba, Jr.
Financial Administrator
DuPage Water Commission
600 East Butterfield Road
Elmhurst, Illinois 60126-4642

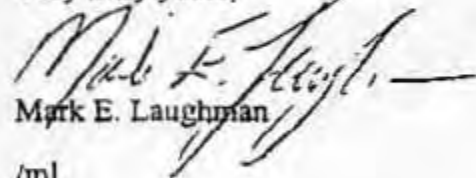
Re: DUPAGE WATER COMMISSION

Dear Rick:

This letter will confirm our conversation as to our status with respect to legal research being performed for the Commission on the implementation of Public Act 93-226. We are currently in the process of reviewing the large body of case law which exists with respect to the issue of the allocation of costs of prior capital improvements as between existing users of a utility system and prospective new users. We anticipate finishing up this research by the middle of April and will provide our written report to the Commission at that time.

If you need any additional information concerning this matter, please feel free to contact me.

Very truly yours,


Mark E. Laughman

/ml

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