



# **DuPage Water Commission**

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

## **AGENDA**

**FINANCE COMMITTEE  
THURSDAY, JUNE 13, 2002  
6:30 P.M.**

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

- I. Roll Call
- II. Approval of Minutes of May 9, 2002
- III. Treasurer's Report – May, 2002
- IV. Financial Statements – May, 2002
- V. Accounts Payable
- VI. Ordinance O-8-02: Annual Budget and Appropriation Ordinance for the Fiscal Year Commencing May 1, 2002 and Ending April 30, 2003
- VII. Audit Report – Fiscal Year April 30, 2002
- VIII. Broker of Record – Workmen's Compensation Insurance
- IX. Review Audit Service Proposals
- X. Fund Balance Analysis
- XI. Self Insurance Study
- XII. Investment Policy
- XIII. Other
- XIV. Adjournment

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**MINUTES OF A MEETING OF THE  
FINANCE COMMITTEE  
OF THE DU PAGE WATER COMMISSION  
HELD ON MAY 9, 2002**

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: G. Kouba, Committee Chairman, A. Crane, A. Poole and R. Tolentino. Also in attendance: R. Skiba.

**MINUTES OF MEETING – MARCH 14, 2002**

Motion by Commissioner Poole, seconded by Commissioner Tolentino, to approve the minutes of the March 14, 2002 meeting. This motion carried unanimously.

**TREASURER'S REPORT – APRIL, 2002**

The Committee reviewed the April Treasurer's Report. After discussion, the report was recommended for acceptance by the full Commission at its meeting of May 9, 2002.

**FINANCIAL STATEMENTS - APRIL, 2002**

The Committee reviewed the Financial Statements for April, 2002. After a brief discussion, the Committee accepted the report.

**ACCOUNTS PAYABLE**

The Committee reviewed the accounts payable in the amount of \$3,876,180.09. There were no revisions to the list presented. After a brief discussion, the Committee recommended that the full Commission, at its meeting on May 9, 2002, approve the accounts payable.

**DRAFT FY 2002-03 APPROPRIATION**

The draft FY 2002-03 Appropriation Ordinance legal notice of availability for public inspection was published on May 8, 2002. A public hearing is set for June 13, 2002 prior to the Regular Commission meeting. Action on the ordinance is scheduled at that meeting. The ordinance must be adopted prior to July 31, 2002.

### **AUDIT SERVICE PROPOSAL**

Requests for proposals (RFP) for audit services for fiscal years 2003 and 2004 are being sought. The incumbent firm as well as six other firms received the RFP. These proposals are due by 3:00 p.m. on May 22, 2002. The professional proposal will be delivered to the Commissioners on May 24<sup>th</sup>. A second, separate envelope included with each response showing the hourly billing rates for each fiscal year proposed, estimated total cost for each portion of the work (interim cash reviews and audit) and a total cost will not be opened until directed by the Committee.

The proposals will be reviewed at the June Committee meeting. Interviews with the audit firms will be conducted at the July Committee meeting currently set for Wednesday, July 10, 2002.

### **NEXT AGENDA**

The Committee directed the topic of fund balance review be placed on the June Committee agenda.

With no further business to come before the Committee, the meeting was adjourned at 7:30 p.m.

DU PAGE WATER COMMISSION  
WATER FUND  
CASH BASIS GENERAL LEDGER  
STATEMENT OF REVENUES & EXPENDITURES  
May 31, 2002

REVENUE	CURRENT MONTH ACTUAL	Y-T-D ACTUAL
WATER SALES	4,626,161.73	4,626,161.73
SALES TAXES	2,307,451.65	2,307,451.65
INVESTMENT INCOME	1,412,016.63	1,412,016.63
OTHER INCOME	709,742.90	709,742.90
TOTAL REVENUE	9,055,372.91	9,055,372.91
EXPENSES		
PERSONAL SERVICES	172,370.30	172,370.30
PROFESSIONAL SERVICES	20,943.65	20,943.65
CONTRACTUAL SERVICES	4,172.61	4,172.61
INSURANCE	(175.00)	(175.00)
ADMINISTRATIVE COSTS	10,661.79	10,661.79
WATER SUPPLY COSTS	2,429,922.13	2,429,922.13
BOND PRINCIPAL & INTEREST	13,492,703.75	13,492,703.75
LAND AND RIGHT OF WAY	0.00	0.00
CAPITAL OUTLAY	44,098.00	44,098.00
TOTAL OPERATING EXPENSES	16,174,697.23	16,174,697.23
CONSTRUCTION EXPENDITURES	1,251,337.71	1,251,337.71
TOTAL EXPENSES	17,426,034.94	17,426,034.94
NET FUND TRANSACTIONS	(8,370,662.03)	(8,370,662.03)
BEGINNING BALANCE		191,401,325.62
ENDING BALANCE		183,030,663.59
FUNDS CONSIST OF:		
PETTY CASH		500.00
CASH AT BANK ONE		15,716.61
CASH AT OAK BROOK BANK LOCK BOX		1,000.00
CASH AT VILLA PARK TRUST & SAVINGS		2,950.31
TOTAL CASH		20,166.92
ILLINOIS FUNDS MONEY MARKET		26,037,270.93
ILLINOIS FUNDS PRIME FUND		42,792,750.68
GOVERNMENT MONEY MARKET FUNDS		1,565,009.09
U. S. TREASURY INVESTMENTS		66,665,388.71
U. S. AGENCY INVESTMENTS		20,950,077.26
CERTIFICATES OF DEPOSIT		25,000,000.00
COMMERCIAL PAPER		0.00
TOTAL INVESTMENTS		183,010,496.67
TOTAL FUNDS		183,030,663.59



# DuPage Water Commission

## MEMORANDUM

TO: General Manager  
FROM: Financial Administrator  
DATE: June 7, 2002  
SUBJECT: Financial Report – May 31, 2002

### **WATER FUND**

All requirements of the revenue bond ordinance have been met as of May 31, 2001. This early in the fiscal year, budget variances are not significant. However, the cold month of May reduced both water sales to customers and water purchases from Chicago.

### **INVESTMENT PORTFOLIO**

The Commission's investment portfolio totals \$182.7 million. It is earning 2.1% based on market yield and 2.4% based on original purchase price. The benchmark yield adopted by the Commission was 1.6% at May 31, 2002.

Commission funds are invested as follows: United States Treasury obligations (36.4%), United States Agency obligations (11.4%), the Illinois Funds Money Market Fund (14.2%), the Illinois Funds Prime Funds (23.4%), certificates of deposit (13.7%) and government money market funds (0.9%).

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	20,166.92	1,000.00	18,484.59	0.00	0.00	682.33	0.00	0.00	0.00
INVESTMENTS	182,694,004.04	3,184,472.78	11,435,136.08	720,237.94	840,366.39	17,904,036.15	9,800,936.38	5,366,466.65	133,442,351.67
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	5,763,471.35	5,763,471.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES TAX RECEIVABLE	7,920,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,920,000.00
ACCOUNTS RECEIVABLE-OTHER	581,712.40	581,712.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	944,279.99	0.00	0.00	524.79	612.33	0.00	8,854.17	0.00	934,288.70
INVENTORIES & PREPAIDS	193,733.48	193,733.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	421,179,812.98	421,179,812.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONSTRUCTION IN PROGRESS	19,655,993.80	19,655,993.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LESS: ACCUMULATED DEPRECIATION	(60,309,610.03)	(60,309,610.03)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	19,605,927.13	19,605,927.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ASSETS</b>	<b>598,249,492.06</b>	<b>409,856,513.89</b>	<b>11,453,620.67</b>	<b>720,762.73</b>	<b>840,978.72</b>	<b>17,904,718.48</b>	<b>9,809,790.55</b>	<b>5,366,466.65</b>	<b>142,296,640.37</b>
<b>LIABILITIES &amp; EQUITY</b>									
ACCOUNTS PAYABLE	3,933,951.43	0.00	3,933,951.43	0.00	0.00	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	211,613.89	0.00	211,613.89	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
BONDS PAYABLE CURRENT	18,005,000.00	8,804,583.33	0.00	0.00	800,416.67	0.00	0.00	0.00	8,400,000.00
ACCRUED INTEREST	1,866,321.46	0.00	0.00	685,658.96	0.00	0.00	0.00	0.00	1,180,662.50
ACCRUED LIABILITIES	435,468.17	0.00	435,468.17	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT RETENTION	2,079,306.76	0.00	2,079,306.76	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	3,185,472.78	3,185,472.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	219,284,140.81	219,284,140.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>249,001,275.30</b>	<b>231,274,196.92</b>	<b>6,660,340.25</b>	<b>685,658.96</b>	<b>800,416.67</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9,580,662.50</b>
<b>NET ASSETS</b>									
UNRESTRICTED FUNDS									
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	27,300,000.00	0.00	0.00	0.00	0.00	67,505.98	214,375.54	366,466.65	26,651,651.83
RESERVED FOR WATER RATE STABILIZATION	46,759,496.33	6,538,917.23	0.00	0.00	0.00	0.00	8,854.17	0.00	40,211,724.93
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	55,171,599.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55,171,599.29
<b>TOTAL UNRESTRICTED FUNDS</b>	<b>129,231,095.62</b>	<b>6,538,917.23</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>67,505.98</b>	<b>223,229.71</b>	<b>366,466.65</b>	<b>122,034,976.05</b>
RESTRICTED BY ORDINANCE/RESOLUTION	47,973,721.40	0.00	4,793,280.42	35,103.77	40,562.05	17,837,212.50	9,586,560.84	5,000,000.00	10,681,001.82
INVESTED IN PROPERTY PLANT AND EQUIPMENT	172,043,399.74	172,043,399.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>349,248,216.76</b>	<b>178,582,316.97</b>	<b>4,793,280.42</b>	<b>35,103.77</b>	<b>40,562.05</b>	<b>17,904,718.48</b>	<b>9,809,790.55</b>	<b>5,366,466.65</b>	<b>132,715,977.87</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>598,249,492.06</b>	<b>409,856,513.89</b>	<b>11,453,620.67</b>	<b>720,762.73</b>	<b>840,978.72</b>	<b>17,904,718.48</b>	<b>9,809,790.55</b>	<b>5,366,466.65</b>	<b>142,296,640.37</b>

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

DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
GENERAL ACCOUNT BALANCE SHEET DETAIL  
May 31, 2002

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	TOTAL GENERAL ACCOUNT	WATER FUND SUBACCOUNT	SALES TAXES SUBACCOUNT	GO BOND DEBT SERVICE SUBACCOUNT
<b>ASSETS</b>				
CASH	0.00	0.00	0.00	0.00
INVESTMENTS	133,442,351.67	50,719,626.76	69,668,751.71	13,053,973.20
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	0.00	0.00	0.00	0.00
SALES TAX RECEIVABLE	7,920,000.00	0.00	7,920,000.00	0.00
ACCOUNTS RECEIVABLE-OTHER	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	934,288.70	143,750.00	611,985.08	178,553.62
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
<b>TOTAL ASSETS</b>	<b>142,296,640.37</b>	<b>50,863,376.76</b>	<b>78,200,736.79</b>	<b>13,232,526.82</b>
<b>LIABILITIES &amp; EQUITY</b>				
ACCOUNTS PAYABLE	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00
BONDS PAYABLE CURRENT	8,400,000.00	0.00	0.00	8,400,000.00
ACCRUED INTEREST	1,180,662.50	0.00	0.00	1,180,662.50
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
<b>TOTAL LIABILITIES</b>	<b>9,580,662.50</b>	<b>0.00</b>	<b>0.00</b>	<b>9,580,662.50</b>
<b>NET ASSETS</b>				
UNRESTRICTED FUNDS				
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES	26,651,651.83	10,651,651.83	16,000,000.00	0.00
RESERVED FOR WATER RATE STABILIZATION	40,211,724.93	40,211,724.93	0.00	0.00
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	55,171,599.29	0.00	55,171,599.29	0.00
<b>TOTAL UNRESTRICTED FUNDS</b>	<b>122,034,976.05</b>	<b>50,863,376.76</b>	<b>71,171,599.29</b>	<b>0.00</b>
RESTRICTED BY ORDINANCE/RESOLUTION	10,681,001.82	0.00	7,029,137.50	3,651,864.32
INVESTED IN PROPERTY PLANT AND EQUIPMENT	0.00	0.00	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>132,715,977.87</b>	<b>50,863,376.76</b>	<b>78,200,736.79</b>	<b>3,651,864.32</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>142,296,640.37</b>	<b>50,863,376.76</b>	<b>78,200,736.79</b>	<b>13,232,526.82</b>

DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
STATEMENT OF REVENUES & EXPENDITURES  
May 31, 2002

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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	3,390,935.66	3,390,935.66	3,775,712.23	(384,776.57)	89.8%
FIXED COST REVENUES	847,063.15	847,063.15	847,063.17	(0.02)	100.0%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	81,248.90	81,248.90	87,779.12	(6,530.22)	92.6%
SALES TAXES	2,307,451.65	2,307,451.65	2,463,318.88	(155,867.23)	93.7%
INVESTMENT INCOME	500,882.53	500,882.53	384,845.89	116,036.64	130.2%
OTHER INCOME	105,159.50	105,159.50	31,488.36	73,671.14	334.0%
TOTAL REVENUE	7,232,741.39	7,232,741.39	7,590,207.65	(357,466.26)	95.3%
EXPENSES					
PERSONAL SERVICES	190,152.95	190,152.95	206,732.04	16,579.09	92.0%
PROFESSIONAL SERVICES	28,801.59	28,801.59	21,175.13	(7,626.46)	136.0%
CONTRACTUAL SERVICES	59,165.46	59,165.46	85,351.24	26,185.78	69.3%
INSURANCE	297,992.52	297,992.52	344,792.39	46,799.87	86.4%
ADMINISTRATIVE COSTS	15,898.82	15,898.82	11,170.19	(4,728.63)	142.3%
WATER SUPPLY COSTS	3,435,040.01	3,435,040.01	3,984,865.97	549,825.96	86.2%
BOND INTEREST EXPENSE	1,117,731.85	1,117,731.85	1,268,174.09	150,442.24	88.1%
LAND AND RIGHT OF WAY	0.00	0.00	509.16	509.16	0.0%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	547,912.74	547,912.74	568,911.32	20,998.58	96.3%
TOTAL OPERATING EXPENSES	5,692,695.94	5,692,695.94	6,491,681.53	798,985.59	87.7%
NET OPERATING INCOME	1,540,045.45	1,540,045.45	1,098,526.12	441,519.33	140.2%
CONSTRUCTION EXPENDITURES	863,006.33	863,006.33	703,530.12	(159,476.21)	122.7%
NET FUND TRANSACTIONS	677,039.12	677,039.12	394,996.00	282,043.12	171.4%
BEGINNING NET ASSETS		347,708,171.31			
ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED		863,006.33			
ENDING NET ASSETS		349,248,216.76			



FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 05/31/02
<b>Water Fund Depository Accounts (WF-1210)</b>										
Illinois Funds-Money Market	1.765%	05/31/02	06/01/02	1.765%	1.765%	\$ 1,431,448.97	\$ 1,431,448.97	\$ 0.00	\$ 1,431,448.97	\$ 0.00
Illinois Funds-Prime Fund	1.863%	05/31/02	06/01/02	1.863%	1.863%	\$ 1,753,023.81	\$ 1,753,023.81	\$ 0.00	\$ 1,753,023.81	\$ 0.00
				1.819%	1.819%	\$ 3,184,472.78	\$ 3,184,472.78	\$ 0.00	\$ 3,184,472.78	\$ 0.00
<b>Water Fund Oper. &amp; Maint. Acct. (WF-1211)</b>										
Illinois Funds-Money Market	1.765%	05/31/02	06/01/02	1.765%	1.765%	\$ 6,491,059.79	\$ 6,491,059.79	\$ 0.00	\$ 6,491,059.79	\$ 0.00
Illinois Funds-Prime Fund	1.863%	05/31/02	06/01/02	1.863%	1.863%	\$ 4,944,076.29	\$ 4,944,076.29	\$ 0.00	\$ 4,944,076.29	\$ 0.00
				1.807%	1.807%	\$ 11,435,136.08	\$ 11,435,136.08	\$ 0.00	\$ 11,435,136.08	\$ 0.00
<b>Revenue Bond Interest Account (WF-1212)</b>										
One Group Government Money Market	1.250%	05/31/02	06/01/02	1.250%	1.250%	\$ 720,237.94	\$ 720,237.94	\$ 0.00	\$ 720,237.94	\$ 524.79
				1.250%	1.250%	\$ 720,237.94	\$ 720,237.94	\$ 0.00	\$ 720,237.94	\$ 524.79
<b>Revenue Bond Principal (WF-1213)</b>										
One Group Government Money Market	1.250%	05/31/02	06/01/02	1.250%	1.250%	\$ 840,366.39	\$ 840,366.39	\$ 0.00	\$ 840,366.39	\$ 612.33
				1.250%	1.250%	\$ 840,366.39	\$ 840,366.39	\$ 0.00	\$ 840,366.39	\$ 612.33
<b>Revenue Bond Debt Svc. Reserve (WF-1214)</b>										
U. S. Treas. Bills (Banc One Trust)	0.000%	04/12/02	10/10/02	1.945%	1.750%	\$ 18,018,000.00	\$ 17,904,036.15	\$ 58,158.10	\$ 17,845,878.05	\$ 0.00
				1.945%	1.750%	\$ 18,018,000.00	\$ 17,904,036.15	\$ 58,158.10	\$ 17,845,878.05	\$ 0.00
<b>Water Fund Oper. &amp; Maint. Res. (WF-1215)</b>										
Illinois Funds-Money Market	1.765%	05/31/02	06/01/02	1.765%	1.765%	\$ 491,200.32	\$ 491,200.32	\$ 0.00	\$ 491,200.32	\$ 0.00
Illinois Funds-Prime Fund	1.863%	05/31/02	06/01/02	1.863%	1.863%	\$ 4,204,267.31	\$ 4,204,267.31	\$ 0.00	\$ 4,204,267.31	\$ 0.00
U. S. Treas. Notes (Banc One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	2.740%	\$ 5,000,000.00	\$ 5,105,468.75	\$ (13,476.56)	\$ 5,118,945.31	\$ 8,854.17
				2.433%	2.315%	\$ 9,695,467.63	\$ 9,800,936.38	\$ (13,476.56)	\$ 9,814,412.94	\$ 8,854.17
<b>Water Fund Depreciation Account (WF-1216)</b>										
Illinois Funds-Money Market	1.765%	05/31/02	06/01/02	1.765%	1.765%	\$ 625,993.54	\$ 625,993.54	\$ 0.00	\$ 625,993.54	\$ 0.00
Illinois Funds-Prime Fund	1.863%	05/31/02	06/01/02	1.863%	1.863%	\$ 4,740,473.11	\$ 4,740,473.11	\$ 0.00	\$ 4,740,473.11	\$ 0.00
				1.852%	1.852%	\$ 5,366,466.65	\$ 5,366,466.65	\$ 0.00	\$ 5,366,466.65	\$ 0.00

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 05/31/02
Water Fund General Account (WF-1217)										
Illinois Funds-Money Market	1.765%	05/31/02	06/01/02	1.765%	1.765%	\$ 6,419,394.14	\$ 6,419,394.14	\$ 0.00	\$ 6,419,394.14	\$ 0.00
Illinois Funds-Prime Fund	1.863%	05/31/02	06/01/02	1.863%	1.863%	13,384,826.37	13,384,826.37	0.00	13,384,826.37	0.00
F.H.L.B. (ABN AMRO)	6.375%	07/20/01	11/15/02	3.948%	1.924%	5,000,000.00	5,099,000.00	(54,394.10)	5,153,394.10	13,281.25
U. S. Treas. Strip-int (ABN AMRO)	0.000%	03/19/02	05/15/03	2.661%	2.090%	10,000,000.00	9,804,687.50	105,912.00	9,698,775.50	0.00
F.H.L.B. (D. Rauscher)	6.875%	11/30/01	08/15/03	2.951%	2.640%	5,000,000.00	5,244,531.25	(79,786.89)	5,324,318.14	100,260.42
U. S. Treas. Notes (Dain Rauscher)	7.250%	01/31/02	05/15/04	3.204%	3.140%	10,000,000.00	10,767,187.50	(117,112.50)	10,884,300.00	30,208.33
				2.612%	2.252%	\$ 49,804,220.51	\$ 50,719,626.76	\$ (145,381.49)	\$ 50,865,008.25	\$ 143,750.00
Sales Tax Funds (WF-1230)										
Illinois Funds-Money Market	1.765%	05/31/02	06/01/02	1.765%	1.765%	\$ 10,578,174.17	\$ 10,578,174.17	\$ 0.00	\$ 10,578,174.17	\$ 0.00
Illinois Funds-Prime Fund	1.863%	05/31/02	06/01/02	1.863%	1.863%	13,766,083.79	13,766,083.79	0.00	13,766,083.79	0.00
Cert. of Deposit (Winfield Community Bank)	4.000%	06/27/01	06/17/02	4.000%	4.000%	1,000,000.00	1,000,000.00	0.00	1,000,000.00	37,041.10
Cert. of Deposit (West Suburban Bank)	4.000%	07/16/01	07/16/02	4.000%	4.000%	5,935,100.00	5,935,100.00	0.00	5,935,100.00	207,484.59
F.H.L.M.C. (D. Rauscher)	6.625%	06/13/01	08/15/02	4.003%	1.855%	5,000,000.00	5,047,150.00	(100,896.88)	5,148,046.88	96,614.58
Cert. of Deposit (West Suburban Bank)	2.970%	10/13/01	10/15/02	2.970%	2.970%	64,900.00	64,900.00	0.00	64,900.00	1,214.61
Cert. of Deposit (Suburban Bank & Trust)	2.360%	10/16/01	10/16/02	2.360%	2.360%	6,000,000.00	6,000,000.00	0.00	6,000,000.00	88,063.56
Cert. of Deposit (Oak Brook Bank)	2.250%	01/15/02	01/15/03	2.250%	2.250%	6,000,000.00	6,000,000.00	0.00	6,000,000.00	50,301.37
U. S. Treas. Strip-prn (ABN AMRO)	0.000%	03/20/02	02/15/03	2.547%	2.100%	5,000,000.00	4,927,343.75	41,193.75	4,886,150.00	0.00
Cert. of Deposit (Mid America Bank)	2.750%	04/12/02	04/15/03	2.750%	2.750%	6,000,000.00	6,000,000.00	0.00	6,000,000.00	22,150.68
F.H.L.B. (D. Rauscher)	6.875%	11/30/01	08/15/03	2.951%	2.640%	5,000,000.00	5,244,531.25	(79,786.89)	5,324,318.14	100,260.42
U. S. Treas. Notes (Banc One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	2.740%	5,000,000.00	5,105,468.75	(13,476.57)	5,118,945.32	8,854.17
				2.581%	2.353%	\$ 69,344,257.96	\$ 69,668,751.71	\$ (152,966.59)	\$ 69,821,718.30	\$ 611,985.08
2001 G. O. Bonds Debt Service (WF-1243)										
ABN AMRO Government Money Market	1.623%	05/31/02	06/01/02	1.623%	1.623%	\$ 4,404.76	\$ 4,404.76	\$ 0.00	\$ 4,404.76	\$ 6.12
U. S. Treas. Notes (LaSalle Bank)	6.125%	03/08/02	08/31/02	1.967%	1.620%	2,000,000.00	2,020,937.50	(18,281.25)	2,039,218.75	30,625.00
U. S. Treas. Notes (LaSalle Bank)	5.500%	03/08/02	02/28/03	2.450%	2.040%	10,758,000.00	11,028,630.94	(44,544.84)	11,073,175.78	147,922.50
				2.375%	1.975%	\$ 12,762,404.76	\$ 13,053,973.20	\$ (62,826.09)	\$ 13,116,799.29	\$ 178,553.62
TOTAL ALL FUNDS				2.410%	2.169%	\$ 181,171,030.70	\$ 182,694,004.04	\$ (316,492.63)	\$ 183,010,496.67	\$ 944,279.99
May 31, 2002				90 DAY US TREASURY YIELD	1.600%					

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**Du Page Water Commission**

Basic Financial Statements Together With  
Management's Discussion and Analysis  
As of April 30, 2002  
Together With Reports of Independent Public Accountants

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**DU PAGE WATER COMMISSION**

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June 13, 2002

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

Gentlemen:

The audited financial statements for fiscal year 2001-02 and the report from Arthur Andersen accompany this letter. These financial statements have been prepared in compliance with accounting principles set by the Governmental Accounting Standards Board (GASB).

GASB adopted new accounting standards in June, 1999 that require a management discussion and analysis to be part of the basic annual audited financial statements. Such a document has been included for the first time in these audited financial statements for the fiscal year ending April 30, 2002.

Over the past several years, the Commission has been issuing a separate water system annual report that details operating as well as financial results. It was planned that the audit and the annual report be merged for April 30, 2002. However, factors beyond the Commission's control have caused the accelerated release of the latest audited financial statements. As a result, the complete merging of these two documents will be deferred until the April 30, 2003 audited financial statements are prepared.

Consequently, readers of this report are referred to the water system annual report for more detailed budget variance and other financial analyses. This report will be presented to the Commission later this summer.

Respectfully submitted,

James J. Holzwart  
General Manager

Richard H. Skiba, Jr.  
Financial Administrator

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## **DU PAGE 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 along with 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 business type activity. 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. These items had previously been accounted for in governmental fund types, but were transferred to the Water Fund to simplify the implementation of GASB Statement 34.

#### **FINANCIAL OPERATIONS SUMMARY**

With total operating and non-operating revenues (including capital contributions) of \$97.6 million and expenses amounting to \$65.7 million, the Commission's net assets increased by \$31.9 million in fiscal year 2001-02 to \$347.7 million. Of the \$127.2 of unrestricted net assets, \$27.3 million was designated to meet emergencies and \$53.5 million was designated for capital improvements including related debt service. The remaining \$46.4 million has been set aside to mitigate against the possibility of future water rate increases. Restricted net assets and net assets invested in property, plant and equipment were \$48.9 million and \$171.6 million respectively.

#### **BUDGETARY ANALYSIS**

Total revenues were 4.5% less than budget and total operating expenditures were below budget by 11.2%. There were unfavorable variances in water sales, sales tax receipts and interest income. However, construction reimbursements from customer request facility additions were more than expected for the fiscal year. On the expense side, the delay in the start of a major valve repair project and the refunding of the Commission's 1992 general obligation bond resulted in a favorable budget variance. These variations caused the increase in net assets to be \$3.9 million more than budgeted.

#### **COMPARISON TO PRIOR FISCAL YEAR**

Water sales for fiscal year 2001-02 were 30.99 billion gallons versus 30.89 billion gallons last fiscal year. There were no major new customers and the weather conditions were similar to the previous fiscal year.

The national economic slow down has affected the Commission's sales tax receipts. This revenue source was significantly less than fiscal year 2000-01. 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 bond

payments in fiscal year 2001-02. In addition, \$4.5 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2001-02 by 25%. This is a continuation of a practice started in fiscal year 1997-98.

Interest income was significantly lower than fiscal year 2000-01. Yields for fiscal year 2000-01 were 6.0% versus 3.5% in fiscal year 2001-02.

All other revenues came mainly from construction reimbursements for additional metering and emergency connection facilities. These projects began last in the prior fiscal year.

Water Distribution costs increased due mainly to a 4% increase in water rates charged by the City of Chicago.

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

In the fiscal year 2001-02 the Commission placed over \$22 million net of new pipelines and metering facilities in service. This caused an increase in depreciation expense.

The increase in personnel service comes from normal salary adjustments. As with many small employers (the Commission had 28 employees in fiscal year 2001-02), the Commission experienced a significant increase in its group health insurance premiums.

In the all other expense category, design work for the major valve repair project, \$152,000, and a \$106,000 increase in property insurance cost are responsible for the increase from last fiscal year.

### **Du Page Water Commission Revenues and Expenses Year-to-Year Comparison**

	<b>FY 2001- 2002</b>	<b>FY 2000- 2001</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
<b>REVENUES:</b>				
Water sales--				
all categories	\$55,506,213	\$55,090,957	\$ 415,256	0.8%
Sales taxes	33,062,484	34,147,121	(1,084,637)	(3.2%)
Investment income	6,027,426	10,444,607	(4,417,181)	(42.3%)
All other revenues	3,002,774	124,599	2,878,175	2310.0%
Total revenue	97,598,897	99,807,284	(2,208,387)	(2.2%)
<b>EXPENSES:</b>				
Water distribution	40,745,833	39,860,109	885,724	2.2%
Bond interest	15,407,363	17,038,503	(1,631,140)	(9.6%)
Depreciation	6,323,022	6,042,247	280,775	4.6%
Personal services	2,116,275	1,988,837	127,438	6.4%
All other expenses	1,137,472	892,342	245,130	27.5%
Total expenses	65,729,965	65,822,038	(92,073)	(0.1%)
Net revenue/ expense	<u>\$31,868,932</u>	<u>\$33,985,246</u>	<u>\$(2,116,174)</u>	<u>(6.2%)</u>

**Du Page Water Commission  
Summary of Changes in Net Assets  
Year-to-Year Comparison**

	<b>April 30, 2002</b>	<b>April 30, 2001</b>	<b>Increase (Decrease)</b>
Assets-			
Cash and investments	\$191,696,574	\$176,796,448	\$14,900,126
Receivables	16,533,833	14,111,210	2,422,623
Other assets	531,438	465,663	65,775
Net property plant and equipment	380,187,750	375,500,065	4,687,685
Deferred water supply contract cost	20,221,726	27,488,261	(7,266,535)
Total assets	609,171,321	594,361,647	14,809,674
Liabilities-			
Payables	6,645,547	5,820,773	824,774
Accrued interest	5,129,812	5,608,126	(478,314)
Deferred revenue	3,287,169	3,237,449	49,720
Bonds payable—current	17,550,000	16,665,000	885,000
Bonds payable—noncurrent, net	228,850,622	247,191,060	(18,340,438)
Total liabilities	261,463,150	278,522,408	(17,059,258)
Net assets	\$347,708,171	\$315,839,239	\$31,868,932

**CAPITAL ASSET CHANGES**

The Commission's capital assets increased by \$22.0 million during fiscal year 2001-02, net of the Commission's receipt of an arbitrage rebate from the federal government. Of this amount, \$21.6 million was for watermain improvements. Total fixed assets before depreciation stood at \$420.3 million at April 30, 2002. There were \$19.7 million of watermain and delivery facilities under construction at fiscal year end.

**Du Page Water Commission  
Changes in Capital Assets  
Year-to-Year Comparison**

<b>Capital investment</b>	<b>FY 2001-2002</b>	<b>FY 2000-2001</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Land and permanent easements	\$ 11,158,482	\$ 11,211,491	\$ (53,009)	(0.5%)
Water mains	321,044,013	299,428,608	21,615,405	7.2%
Buildings and other structures	77,513,863	77,180,956	332,907	0.4%
Pumping equipment	5,225,286	5,225,286	-	0.0%
Office furniture and equipment	4,933,416	4,853,426	79,990	1.6%
Vehicles and other equipment	441,746	389,470	52,276	13.4%
Totals	\$420,316,806	\$398,289,237	\$22,027,569	5.5%



**DEBT ADMINISTRATION**

All scheduled bond payments through May 1, 2002 were made on time. Requirements of the revenue bond ordinance have also been met, in full, as of fiscal year end. Principal reductions of \$12.7 million in general obligation debt and \$8.7 million in revenue bond were achieved. At April 30, 2002, remaining general obligation bonded debt was \$92.7 million. Revenue bond principal outstanding was \$164.4 million.

On December 4, 2001, the Commission delivered its 2001 general obligation bonds to refund its 1992 general obligation bonds. A net present value saving of \$5,960,661 or 6.12% of refunded par was realized. Gross savings over the remaining life of the refunded bonds will be \$10,700,612. These results exceed the Commission's refunding criteria of 3% of refunded par, \$6 million gross savings and \$3 million net present value savings established in 1992.

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, 2002. Property taxes for the bond payments have been abated annually since 1986.

**Du Page Water Commission**  
**Changes in Outstanding Bonded Debt**  
**Year-to-Year Comparison**

<b>Debt instrument</b>	<b>FY 2001-2002</b>	<b>FY 2000-2001</b>	<b>Increase (Decrease)</b>	<b>Gross % Change</b>
Full faith and credit general obligation bonds	\$ 92,675,000	\$105,335,000	\$(12,660,000)	(12.0%)
Revenue bonds backed by fixed cost requirements	164,410,000	173,130,000	(8,720,000)	(5.0%)
Totals	<u>\$257,085,000</u>	<u>\$278,465,000</u>	<u>\$(21,380,000)</u>	<u>(7.7%)</u>

**INVESTMENT PORTFOLIO**

The Commission's investment portfolio totaled \$191.7 million. It was earning 2.19% based on market yield and 2.50% based on original purchase price. The benchmark yield adopted by the Commission was 1.67% at April 30, 2002. The Commission's Local Investment Program (collateralized certificates of deposit at banks located in Du Page County) has reached its authorized limit of \$25 million.

Commission funds are invested as follows: United States Treasury obligations (37.1%), United States Agency obligations (10.9%), the Illinois Funds Money Market Fund (9.5%), the Illinois Funds Prime Funds (22.3%), certificates of deposit (13.1%) and government money market funds (7.1%).

**OTHER FINANCIAL INFORMATION**

Major municipal bond rating agencies, Moody's Investor Service, Standard & Poor's and Fitch IBCA all give the Commission's general obligation bonds their highest rating. Moody's rates the Commission's revenue bonds Aa1. On May 15, 2002 Standard & Poor's upgraded the Commission's revenue bonds from AA to AAA.

During the summer of 2001, 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, on April 25, 2002 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 can provide loans of up to \$15 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.

In accordance with the program outlined above, the Commission committed \$7.7 million of sales tax funds to reduce its customers' fixed cost payments for fiscal year 2002-03 by 43%. This helped reduce the average Charter Customer water rate for the next fiscal year from \$1.75 to \$1.65 per 1,000 gallons. The Commission's five-year planning document shows that this new rate can be maintained through April 30, 2007.

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Honorable Chairman and  
Members of the Board of Commissioners,  
Du Page Water Commission:

We have audited the accompanying basic financial statements of the **DU PAGE WATER COMMISSION** (the "Commission"), as listed in the table of contents, as of April 30, 2002, 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. 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, 2002, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 2 to the basic financial statements, the Commission adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," GASB Statement 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments," GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues," GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and GASB Statement 38, "Certain Financial Statement Note Disclosures" as of and for the year ended April 30, 2002.

The Management's Discussion and Analysis on pages 1 to 7 is not a required part of the basic financial statements, but is supplementary 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 supplementary 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 schedules listed in the table of contents are presented for purposes of additional analysis and are 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.

Chicago, Illinois  
May 22, 2002

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**DU PAGE WATER COMMISSION**

**STATEMENT OF NET ASSETS**

**WATER FUND**

**As of April 30, 2002**

<b>CASH AND INVESTMENTS</b>	<b>\$109,975,579</b>
<b>RESTRICTED CASH AND INVESTMENTS</b>	<b>81,720,995</b>
<b>RECEIVABLES:</b>	
Water sales	6,082,165
Accrued interest	1,243,835
Sales tax	7,920,000
Other	1,287,833
<b>INVENTORY</b>	<b>167,080</b>
<b>PREPAID EXPENSES AND DEPOSITS</b>	<b>364,358</b>
<b>FIXED ASSETS</b> , less accumulated depreciation of \$59,785,050	<b>360,531,756</b>
<b>CONSTRUCTION IN PROGRESS</b>	<b>19,655,994</b>
<b>DEFERRED WATER SUPPLY CONTRACT COSTS</b>	<b>20,221,726</b>
Total assets	<b><u>\$609,171,321</u></b>

The accompanying notes to basic financial statements  
are an integral part of this statement.

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**DU PAGE WATER COMMISSION**

**STATEMENT OF NET ASSETS (CONTINUED)**

**WATER FUND**

**As of April 30, 2002**

<b>TOTAL ASSETS</b>		<u>\$609,171,321</u>
<b>LIABILITIES:</b>		
Accounts payable		3,982,868
Contract retentions		1,999,015
Accrued liabilities		663,664
Accrued interest payable		5,129,812
Deferred revenue		3,287,169
Revenue bonds payable--current		9,150,000
Revenue bonds payable--noncurrent, net		141,887,966
General obligation bonds payable--current		8,400,000
General obligation bonds payable--noncurrent, net		<u>86,962,656</u>
Total liabilities		<u>261,463,150</u>
<b>NET ASSETS:</b>		
Unrestricted funds	127,243,034	
Restricted funds	48,906,283	
Capital investments	<u>171,558,854</u>	
Total net assets		<u>\$347,708,171</u>

The accompanying notes to basic financial statements  
are an integral part of this statement.

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**DU PAGE WATER COMMISSION****STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS****WATER FUND****For the Year Ended April 30, 2002****OPERATING REVENUES:**

Water sales-	
Operations and maintenance costs	\$ 41,228,304
Fixed costs	13,376,556
Customer differential	901,353
Other income	9,167
Total operating revenues	<u>55,515,380</u>

**OPERATING EXPENSES:**

Water supply costs	40,745,833
Depreciation	6,323,022
Personal services	2,116,275
Insurance	506,204
Professional and contractual services	531,998
Administrative costs	95,775
Land and right of way	3,495
Total operating expenses	<u>50,322,602</u>
Operating income	<u>5,192,778</u>

**NONOPERATING REVENUES (EXPENSES):**

Sales Tax	33,062,484
Investment income	6,027,426
Interest and other charges	(15,407,363)
Total net nonoperating revenues	<u>23,682,547</u>
Income before contribution	28,875,325
Capital contributions	<u>2,993,607</u>
Change in net assets	<u>31,868,932</u>

**TOTAL NET ASSETS, at April 30, 2001** 315,839,239**TOTAL NET ASSETS, at April 30, 2002** \$347,708,171

The accompanying notes to basic financial statements  
are an integral part of this statement.

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**DU PAGE WATER COMMISSION**

**STATEMENT OF CASH FLOWS  
WATER FUND**

**For the Year Ended April 30, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 54,587,208
Cash received from arbitrage rebates	2,000,339
Other cash receipts	2,255,935
Cash payments for water supply	(33,636,878)
Cash payments for personal services	(2,060,232)
Cash payments for insurance	(567,344)
Cash payments for professional and contractual services	(539,037)
Cash payments for administrative costs	(101,821)
Cash payments for right of way	(3,495)
Net cash provided by operating activities	<u>21,934,675</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Cash received from Sales Taxes	33,092,484
Interest paid on revenue bonds	(8,899,047)
Interest paid on general obligation bonds	(6,482,067)
Principal paid on revenue bonds	(8,720,000)
Principal paid on general obligation bonds	(9,240,000)
Proceeds from general obligation refunding bond issuance	99,210,942
Payment to general obligation refunding bond escrow agent	(98,612,815)
General obligation bond issuance costs	(584,730)
Construction of fixed assets	(11,933,942)
Capital outlay	(182,598)
Net cash used in capital and related financing activities	<u>(12,351,773)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest on investments	7,968,315
Proceeds from investments maturing	124,724,262
Payments for investments purchased	(152,262,559)
Net cash used in investing activities	<u>(19,569,982)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (9,987,080)

**CASH AND CASH EQUIVALENTS, at April 30, 2001** 84,349,740

**CASH AND CASH EQUIVALENTS, at April 30, 2002** 74,362,660

**OTHER INVESTMENTS (at market)** 117,333,914

**TOTAL CASH AND INVESTMENTS, at April 30, 2002** 191,696,574

**RESTRICTED CASH AND INVESTMENTS** 81,720,995

**UNRESTRICTED CASH AND INVESTMENTS** \$109,975,579

The accompanying notes to basic financial statements  
are an integral part of this statement.

**DU PAGE WATER COMMISSION****NOTES TO BASIC FINANCIAL STATEMENTS****April 30, 2002****1. REPORTING ENTITY**

The Du Page Water Commission (the "Commission") is a county water commission, body politic and corporate, political subdivision and unit of local government, in Du Page 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 Du Page Water Commission Board consists of thirteen Board members. Seven of the Board members are appointed by the Du Page 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 Du Page County districts.

The purposes and objectives of the Commission are:

- a. To provide water to municipalities and other customers within Du Page 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 Du Page County.

The authority to designate management, influence operations, formulate budgets, set water rates and the rights to Commission surpluses and deficiencies rests solely with the Commission Board. Significant matters which 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 Du Page County appointed Board members and 40% of the municipality appointed Board members. Neither Du Page County nor the municipalities within Du Page 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.

**2. ADOPTION OF NEW ACCOUNTING STANDARDS**

During fiscal year 2002, the Commission adopted Governmental Accounting Standards Board ("GASB") Statement No. 33, *Accounting and Financial Reporting for Nonexchange*



*Transactions; GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued June 1999; GASB Statement No. 36, Recipient Reporting for Certain Shared Non Exchange Revenues, an amendment to GASB No. 33; GASB Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, and; in GASB Statement No. 38, Certain Financial Statement Note Disclosures.*

The principal effects of adopting these statements were (1) the accounting treatment for Capital Contributions as a component of the Statement of Operations, (2) starting in fiscal year 2001-02 and prospectively, the reclassification of elements of the total of Net Assets (in the form of previously entitled Fund Equity) and (3) the addition of the required supplementary information of Management’s Discussion and Analysis. No restatements of previously reported amounts were required as a result of the adoption of these standards.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Basis of Accounting**

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 prepayments 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. See Note 10 for an analysis of the investments held at year-end.

## Budgets

In April 2002, the Commission adopted the annual management budget in the amount of \$72,737,454 for the fiscal year ended April 30, 2003, detailed as follows:

	<u>Water Fund</u>
Personal services	\$ 2,434,103
Professional services	249,320
Contractual services	737,400
Insurance	1,493,781
Administrative costs	131,520
Direct water distribution costs	45,768,774
Principal and interest expenses	15,218,089
Land and right-of-way	5,995
Capital outlay/depreciation	6,698,472
Total operating expenditures	<u>72,737,454</u>
Construction expenditures	8,283,500
Construction expenditures capitalized	<u>(8,283,500)</u>
Total expenditures	<u><u>\$72,737,454</u></u>

An appropriation ordinance is adopted annually to supplement the Commission's management budget. For fiscal 2001-2002, total Commission expenditures did not exceed the appropriation ordinances, which are 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 (See Note 7).

## Accrued Benefits

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

The Commission also provides employees with an Individual Retirement Account (SEP-IRA) which is funded by the Commission at 8% of base pay. During fiscal year 2002, the Commission made contributions in the amount of \$129,320. A self-directed Individual Retirement Account is maintained for each participant. Each participant has 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.

## 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

(See Note 9 for an analysis of fixed assets)

### **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 with 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 Treasurers' Investment Pool are considered cash equivalents.

### **Use of Estimates**

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

## **4. NET ASSETS**

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

The Commission adopted Resolution R-14-02 on April 25, 2002. This resolution made the following designations and assignments of the Commission's unrestricted net assets balance:

\$53,471,628 is designated and assigned to the Construction Reserve within the Sales Tax subaccount of the General Account of the Water Fund;

\$46,471,406 is 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;

\$27,300,000 is designated and assigned for emergency repairs and other contingencies;

\$37,217,659 is restricted pursuant to the Commission's revenue bond ordinances, O-1-87 and O-8-93 for future principal and interest payments as well as required reserves. In addition, \$4,020,474 is restricted pursuant to the Commission's revenue bond ordinances, O-12-01 and O-3-02 for future principal and interest payments as well as required reserves. Resolution R-14-02 designates and assigns \$7,668,150 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.

## **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 and to suburban communities. These charges are not to exceed the lowest rate for water 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 2002, the Commission purchased 31.8 billion gallons of water from the City of Chicago; such purchases equaling 95.9% 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.

## **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 Du Page 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, 2002, the Commission's remaining commitment on contracts for construction is approximately \$6.9 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.

## **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."

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 2002.

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 2002, all required transfers were made and account balances were sufficient to meet Ordinance requirements.

Restricted cash and investments at April 30, 2002 are as follows:

Water Fund-	
Depository	\$ 3,287,169
Operation and maintenance	11,438,827
Interest	4,342,704
Principal	9,150,000
Debt service reserve	17,880,401
Operation and maintenance reserve	9,685,932
Depreciation reserve	5,183,434
General Obligation Bond Debt Service Fund	13,084,378
Sales Taxes	7,668,150
	<u>\$81,720,995</u>

## 8. BONDS PAYABLE

In prior years, the Commission issued the General Obligation Bonds, Series 1986, and the Water Revenue Bonds, Series 1987, for the acquisition and construction of the water system. Additionally, in fiscal 1992, the Commission issued the General Obligation Refunding Bonds, Series 1992, to refund a portion of the General Obligation Bonds, Series 1986.

On December 4, 2001, the Commission issued the General Obligation Refunding Bonds, Series 2001, to refund a portion of the General Obligation Refunding Bonds, Series 1992. The General Obligation Bonds and General Obligation Refunding Bonds are secured by the full faith and credit and taxing power of the Commission. A net present value saving of \$5,960,661 or 6.12% of refunded par was realized. Gross savings over the remaining life of the refunded bonds will be \$10,700,612. These results exceed the Commission's refunding criteria of 3% of refunded par, \$6 million gross savings and \$3 million net present value savings established in 1992. It is the Commission's intent to abate property taxes associated with general obligation bond debt service through March 2003 (the 2002 Tax Levy), and, instead, use its sales tax collections to pay for its debt service. The property tax levy was abated for each of the tax levy years through 2001.

The following summarizes the general obligation bond activity for the fiscal year ended April 30, 2002:

Bonds outstanding, April 30, 2001	\$105,335,000
Principal payments	(7,945,000)
Retirement of 1992 general obligation refunding bonds	(98,344,100)
Premium paid for early retirement	954,100
2001 general obligation refunding bond principal	93,970,000
Principal payment on 2001 bonds	(1,295,000)
General obligation bonds outstanding, April 30, 2002	<u>\$ 92,675,000</u>

General obligation bond debt at April 30, 2002, consists of the following:

**DRAFT****General Obligation  
Refunding Bonds,  
Series 2001**

Face value	\$92,675,000
Less-	
Unamortized premium	4,208,317
Unamortized loss on defeasance	<u>(1,520,661)</u>
Bonds payable, net	<u><u>\$95,362,656</u></u>
Rate of Interest	<u><u>5.00 to 5.25%</u></u>
Maturity	<u><u>March 1, 2003 –2011</u></u>

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

**General Obligation Refunding Bonds, Series 2001**

<b>Fiscal Year Ending April 30</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2003	\$ 4,722,650	\$ 8,400,000	\$ 13,122,650
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
2008-11	6,200,238	46,275,000	52,475,238
Total	<u><u>\$25,399,738</u></u>	<u><u>\$92,675,000</u></u>	<u><u>\$118,074,738</u></u>

In fiscal 1994, the Water Refunding Revenue Bonds, Series 1993, were issued to refund a portion of the Water Revenue Bonds, Series 1987.

The following summarizes the revenue bond activity for the fiscal year ended April 30, 2002:

Bonds outstanding, April 30, 2001	\$173,130,000
Principal payments	<u>(8,720,000)</u>
Bonds outstanding, April 30, 2002	<u><u>\$164,410,000</u></u>

Water revenue bond debt at April 30, 2002, consists of the following:

**Water Refunding  
Bonds  
Series 1993**

Face value	\$164,410,000
Less-	
Unamortized discount	(2,397,614)
Unamortized issuance costs	<u>(946,339)</u>



Unamortized loss on defeasance	<u>(10,028,081)</u>
Bonds payable, net	<u>\$151,037,966</u>
Rate of Interest	<u>5.0 to 5.5%</u>
Maturity	<u>May 1, 2002 – 2014</u>

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

Water Refunding Revenue Bonds, Series 1993

<b>Fiscal Year Ending April 30</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2003	\$ 8,456,657	\$ 9,150,000	\$ 17,606,657
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
2008-2012	21,907,261	65,480,000	87,387,261
2013-2015	3,893,400	48,340,000	52,233,400
Total	<u>\$63,079,961</u>	<u>\$164,410,000</u>	<u>\$227,489,961</u>

## 9. FIXED ASSETS

A summary of changes in fixed assets is as follows:

	<b>Balance May 1, 2001</b>	<b>Net Changes</b>	<b>Balance Apr. 30, 2002</b>
Land and permanent easements	\$ 11,211,491	\$ (53,009)	\$ 11,158,482
Water mains	299,428,608	21,615,405	321,044,013
Buildings and other structures	77,180,956	332,907	77,513,863
Pumping equipment	5,225,286	-	5,225,286
Office furniture and equipment	4,853,426	79,990	4,933,416
Vehicles and other equipment	389,470	52,276	441,746
	<u>398,289,237</u>	<u>22,027,569</u>	<u>420,316,806</u>
Accumulated depreciation	<u>(53,522,749)</u>	<u>(6,262,301)</u>	<u>(59,785,050)</u>
Total net fixed assets	<u>\$344,766,488</u>	<u>\$15,765,268</u>	<u>\$360,531,756</u>



**10. CASH AND INVESTMENTS**

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

**Cash and Certificates of Deposit**

At year-end, the carrying amount of the Commission's cash balances was \$14,930 and the bank balance was \$45,146, of which all was insured by the Federal Depository Insurance Corporation ("FDIC").

As of year-end, the carrying amount of the Commission's certificate of deposits was \$25,000,000. The certificates are collateralized by FDIC insurance and/or securities held in the Commission's name by a third-party trustee.

**Investments**

The Commission's investment policy limits investments of the Commission's funds to the following: (a) direct or fully guaranteed obligations of the U.S. Government; (b) fully guaranteed obligations of certain U.S. federally chartered agencies; (c) interest-bearing demand or time deposits in banks and savings and loan associations; (d) short-term obligations of U.S. corporations with assets exceeding \$500,000,000 and with a rating of AAA1, 2 or 3; (e) money market mutual funds whose portfolio consists solely of U.S. Government obligations; (f) the 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.

The Commission's investments are categorized as follows to give an indication of the level of custodial risk assumed by the Commission at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent, but not in the Commission's name.

At April 30, 2002, the carrying amount equals the market value of the investments.

	<b>Risk Categories</b>			<b>Carrying Amount</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
U.S. Government securities-				
Treasury-				
Notes	\$ 34,070,602	-		\$ 34,070,602
Bills	17,879,719			17,879,719
Strips	19,687,500			19,687,500
Total U.S. Government securities	71,637,821			71,637,821
Agency securities-				

Federal Home Loan Bank	15,627,344	15,627,344
Federal Home Loan Mortgage Corporation	5,068,750	5,068,750
Total Agency securities	<u>20,696,094</u>	<u>20,696,094</u>
Certificates of Deposit	<u>25,000,000</u>	<u>25,000,000</u>
Uncategorized-		
Investment in Illinois Public Treasurers' Investment Pool		60,850,624
Banc One Money Market Fund		<u>13,497,105</u>
Total investments		<u>\$191,681,644</u>

**11. MAJOR CUSTOMER**

During fiscal year 2002, approximately \$10.4 million, or 18.8%, of water sales revenue in the Water Fund was realized from Naperville, the Commission's largest customer.

**12. ARBITRAGE REBATE**

On September 18, 2001, the Commission received \$2,000,339 in arbitrage rebate overpayments from the federal government. As the initial rebate payment in 1992 was capitalized as part of the original system construction, this overpayment reduced the carrying value of capital assets and will result in a reduction of depreciation over the remaining lives of those assets.

**DU PAGE WATER COMMISSION****COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS BUDGET AND ACTUAL****WATER FUND****For the Year Ended April 30, 2002**

	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable)</u>
<b>OPERATING REVENUES:</b>			
Water sales-			
Operations and maintenance costs	\$ 41,228,304	\$ 42,179,537	(951,233)
Fixed costs	13,376,556	13,376,556	-
Customer differential	901,353	907,241	(5,888)
Other income	9,167	6,750	2,417
Total operating revenues	<u>55,515,380</u>	<u>56,470,084</u>	<u>(954,704)</u>
<b>OPERATING EXPENSES:</b>			
Water supply costs	40,745,833	46,669,904	5,924,071
Depreciation	6,323,022	6,791,910	468,888
Personal services	2,116,275	2,106,216	(10,059)

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Insurance	506,204	463,876	(42,328)
Professional and contractual services	531,998	1,674,124	1,142,126
Administrative costs	95,775	135,897	40,122
Land and right of way	3,495	5,995	2,500
Total operating expenses	50,322,602	57,847,922	7,525,320
Operating income	5,192,778	(1,377,838)	6,570,616
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Sales tax	33,062,484	35,414,895	(2,352,411)
Investment income	6,027,426	7,612,792	(1,585,366)
Interest and other charges	(15,407,363)	(16,152,895)	745,532
Total net non-operating expenses	23,682,547	26,874,792	(3,192,245)
Income before contribution	28,875,325	25,496,954	3,378,371
Capital Contributions	2,993,607	2,670,000	323,607
CHANGES IN NET ASSETS	\$ 31,868,932	\$ 28,166,954	3,701,978
NET ASSETS, at April 30, 2001	315,839,239	315,621,442	217,797
NET ASSETS, at April 30, 2002	\$347,708,171	\$343,788,396	\$ 3,919,775

**DRAFT****DU PAGE WATER COMMISSION****SCHEDULE OF INSURANCE****April 30, 2002**

<b>Insured</b>	<b>Description of Coverage</b>	<b>Amount of Coverage</b>	<b>Expiration Date</b>	<b>Insuring Company</b>
Du Page Water Commission	Property	\$100,000,000 Building and Personal Property \$25,000 Deductible \$100,000,000 Boiler and Machinery \$5,000,000 Extra Expense	11/1/2002	CNA Insurance Company
Du Page Water Commission	Public Entity Liability	\$20,000,000 Per Occurrence \$30,000,000 Annual Aggregate	11/1/2002	Specialty National
Du Page Water Commission	Auto Liability	\$20,000,000 Each Accident Liability \$1,000,000 Per Accident/Uninsured \$500 Comprehensive Deductible \$500 Collision Deductible	11/1/2002	Specialty National
Du Page Water Commission	Workers' Compensation	\$2,500,000 Each Accident \$2,500,000 Each Employee \$2,500,000 Policy Limit	12/15/2002	Illinois Public Risk Fund
Du Page 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	11/1/2002	Specialty National
Du Page Water Commission	Underground Storage Tank - Third Party Liability	\$1,000,000 Each Incident \$1,000,000 Aggregate \$5,000 Deductible Per Incident	11/1/2002	Illinois National Insurance Company
Du Page Water Commission	Pollution Legal Liability	\$10,000,000 Per Incident \$10,000,000 Aggregate \$25,000 Deductible Per Incident	11/1/2003	American International Specialty Lines
Du Page Water Commission	Bond – Central Avenue Easement	\$25,000	7/5/2002	Kemper
Du Page Water Commission	Bond – Maybrook Easement	\$25,000	11/4/2003	Kemper
James Cekal	Treasurer's Bond	\$56,500,000	2/10/2003	Liberty Mutual
James Holzwart	General Manager's Bond	\$5,000,000	2/10/2003	Liberty Mutual

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS  
ON DEBT COVENANTS COMPLIANCE**

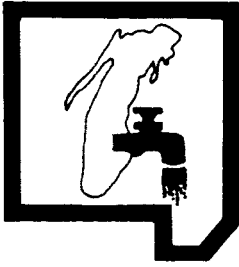
To the Honorable Chairman and  
Members of the Board of Commissioners,  
Du Page Water Commission:

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of the **DU PAGE WATER COMMISSION** as of April 30, 2002, and have issued our report thereon dated May 22, 2002.

In connection with our audit, nothing came to our attention that caused us to believe that the Du Page Water Commission was not in compliance with any of the debt covenants of Article X of the Revenue Bond Ordinance of 1987 and Article II of the Water Refunding Revenue Board 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 Du Page Water Commission and the revenue bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Chicago, Illinois  
May 22, 2002



## DU PAGE WATER COMMISSION

600 E. BUTTERFIELD ROAD • ELMHURST, IL • 60126-4642  
(630) 834-0100 • FAX: (630) 834-0120

# DRAFT

June 14, 2002

Illinois Public Risk Fund  
c/o Boyle, Flagg & Seaman  
15020 S. Cicero Ave.  
Oak Forest, IL 60452

Please recognize Arthur J. Gallagher Risk Management Services, Inc., Two Pierce Place, Itasca, IL 60143 as our exclusive broker of record effective June 14, 2002. This letter supersedes any previous letter of authority.

Sincerely,

# DRAFT

James J. Holzwart  
General Manager  
/vpb

Cc: Jim Mochel, AGRMSI

Accounting/Correspondence/IPRF 061402.doc

DuPAGE WATER COMMISSION  
SUMMARY OF AUDIT SERVICE PROPOSALS - FISCAL YEARS APRIL 30, 2003 & 2004  
May 22, 2002

FIRM	OFFICE LOCATIONS	GOVERNMENT CLIENTS	WATER UTILITIES CLIENTS	STAFF SERVICING GOVERNMENT CLIENTS		TOTAL AUDIT FEES FOR REQUESTED SERVICES
				PARTNERS	TOTAL PERSONNEL	
DELOITTE & TOUCHE	INTERNATIONALLY	YES	YES	40	150	\$123,200
KPMG	INTERNATIONALLY	YES	YES	100	330+	\$76,000
McGLADREY & PULLEN, LLP	NATIONALLY	YES	YES	6	60	\$87,000
MILLER COOPER & CO., LTD.	NORTHBROOK, ILLINOIS	YES	YES	2	28	\$68,500
SIKICH GARDNER & CO., LLP	AURORA & SPRINGFIELD, ILLINOIS	YES	YES	6	23	\$82,822



# Professional Fees

In preparing our proposal, we were mindful that cost is always a consideration in selecting a professional services firm. We know that the Commission expects a reasonable fee, one that, at the same time, enables us to perform at the highest professional standards of quality. Our fees are based, in part, on our expectations as to the level of effort required to provide the requested services, and the extent of involvement by experienced professionals. We expect that our fees will reflect the value of the services provided and responsibilities assumed, and will be considered fair and reasonable by both the Commission and Deloitte & Touche.

<b>Proposed Fees for Audit Services</b>	<b>2003</b>	<b>2004</b>
Audit financial statements	\$46,000	\$50,000
Agreed-upon procedures	\$9,000	\$9,800
Expenses	\$4,000	\$4,400

Our fees for 2003 and future years do not include any additional effort that may result from congressional action or increased oversight of the accounting profession. We will discuss such scope changes with the Commission as soon as they become known.

All costs for time and expenses related to the transition to our firm will be absorbed by Deloitte & Touche – our investment toward building a solid and mutually respectful relationship – and are excluded from our fees.

Providing a high level of value-added service is integral to our engagement philosophy. Routine conversations and minor research and consultation services are included in our fee quote. Fees for more extensive research and consultation or for other services you may request of us will be billed at an hourly rate of \$110.

## **Client Acceptance Procedures**

Given the sensitive nature of your timing requirements, we have already initiated our customary engagement acceptance procedures. This proposal is being submitted in advance of our completion of those engagement acceptance procedures, and our acceptance of your appointment of Deloitte & Touche as auditors is conditioned upon the satisfactory completion of these procedures.





303 East Wacker Drive  
Chicago, IL 60601-5212

Telephone 312 665 1000  
Fax 312 665 6000

May 22, 2002

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

Dear Mr. Skiba:

Pursuant to your request for proposal, this submission contains detailed cost information for providing the professional services outlined in our technical proposal. Our proposed fee for the audit of the DuPage Water Commission financial statements for the years ended April 30, 2003 and 2004 are as follows:

<i>Fiscal Year</i>	<i>Financial Statement Audit</i>	<i>Agreed- Upon Procedures</i>	<i>Total</i>
<b>2003</b>	\$35,000	\$2,250	\$37,250
<b>2004</b>	\$36,000	\$2,750	\$38,750

We make this offer contingent on completion of our normal new client acceptance procedures. Inherent in the above fees is a substantial discount from KPMG's firm-wide "standard" billing rates.

We have assembled a client service team and developed a comprehensive audit approach aimed at being a "full service" provider to the Village in fulfilling its goals and needs. We believe our fees are reasonable and responsive to those goals and needs. A schedule of hours and rates by level is attached as Appendix A. If you have any questions or require clarification of our offer, please call me at (312) 665-5306.

Very truly yours,

KPMG LLP

Jeffrey N. Markert  
Partner



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

**APPENDIX A**

## DuPage Water Commission

## Schedule of Professional Fees and Expenses

For the Audit of the April 30, 2003 Financial Statements

Level	Hours	Standard hourly Rates	Quoted Hourly Rates	Total
Partner	30	550	220	6,600
Manager	70	315	140	9,800
Supervising Staff/ Seniors Auditors	120	240	100	12,000
Staff	100	200	80	8,000
Total for financial statement audit services and interim cash procedures	320			36,400
Out-of-pocket expenses				850
Total				37,250

**APPENDIX A**

## DuPage Water Commission

## Schedule of Professional Fees and Expenses

For the Audit of the April 30, 2004 Financial Statements

Level	Hours	Standard hourly Rates	Quoted Hourly Rates	Total
Partner	30	550	225	6,750
Manager	70	315	145	10,150
Supervising Staff/ Seniors Auditors	120	240	105	12,600
Staff	100	200	83	8,300
Total for financial statement audit services and interim cash procedures				37,800
Out-of-pocket expenses				950
Total				38,750

May 22, 2002

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

Dear Mr. Skiba:

McGladrey & Pullen, LLP, is pleased to submit our dollar cost proposal to provide audit and attest services to the DuPage Water Commission.

***PROFESSIONAL FEE DETAILS***

The McGladrey & Pullen, LLP policy is to estimate fees at amounts that are competitive, but allow us to respond to your needs in providing high quality professional services. Our fees are based on the estimated time required to complete your engagement at discounted hourly rates.

Based on our experience with similar governmental entities, we estimate that our fees, including out-of-pocket expenses, will not exceed the fees quoted in this proposal.

Our fees for audit services and for the agreed-upon procedures work for the years ended April 30, 2003 and 2004 would be as follows:

Year ending April 30, 2003	\$42,500
Year ending April 30, 2004	\$44,500

We anticipate that the agreed-upon procedures work will be approximately 10-15% of the totals listed above. Hourly rates for individuals working on the engagement will vary based upon their level and years of experience. Following is a summary of the hourly rates by level:

Partners	\$180-240
Managers	\$130-160
Seniors	\$80-120
Staff	\$60-90

First time costs of reviewing prior auditor files, documenting our systems understanding and obtaining permanent file documents will be absorbed by McGladrey & Pullen, LLP as our investment in a continuing relationship. Fees will be billed as they are incurred. Payment of invoices is due upon presentation.

401 North Michigan Avenue  
Suite 2800  
Chicago, Illinois 60611  
312.245.1620  
Fax: 312.644.6538  
www.mcgladrey.com



**McGLADREY & PULLEN, LLP**

**Certified Public Accountants**

### **PROPOSAL ASSUMPTIONS**


- The proposed fees are based on our current understanding and analysis of your situation based on material supplied to us for our review and that the books and records of the Commission are in balance and ready for the agreed upon audit dates.
- At your request, we would supply fee estimates for future years assuming no significant change in the size or nature of your operations or no new requirements imposed on the Commission by the accounting profession which would significantly change the scope of our services.
- Fees assume full implementation of GASB 34 for the year ended April 30, 2002.
- In estimating our fees, we have planned on the services of your personnel in the preparation of various schedules and confirmation requests, providing copies of requested information and locating certain files, invoices and records. If this assistance is not provided or available, we would discuss the situation with management and provide an estimate of the cost of the additional services.
- Lastly, our fees cover the cost of responding to routine questions during the year. If questions arise which require research, we will discuss any necessary billing arrangements prior to beginning the research. If you need us to perform special projects, we will discuss these with you in advance and provide a fee estimate prior to commencing work on any projects.

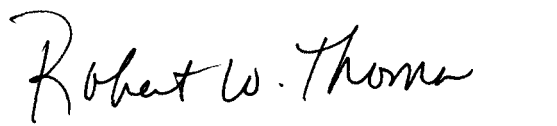
The McGladrey & Pullen, LLP approach to professional services is centered around responsive client service by our Client Service Team. While our fees may not always be the lowest, they are competitive. Our level of service will always be high as we work with the Commission to bring an informed perspective to the table. We will be responsive, enthusiastic and cost effective.

If you have any questions about this proposal, or need to discuss these matters further, please do not hesitate to contact Joe at (312) 245-1776 or Bob at (708) 478-0190 x6713. We look forward to your reply.

Very truly yours,

McGladrey & Pullen, LLP

  
Joseph J. Evans  
Partner

  
Robert W. Thoma  
Partner  
Director of Local Government Services

# MILLER COOPER & Co., Ltd

1 of 2

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ACCOUNTANTS AND CONSULTANTS  
DU PAGE WATER COMMISSION  
REQUEST FOR PROPOSAL  
AUDITING SERVICES

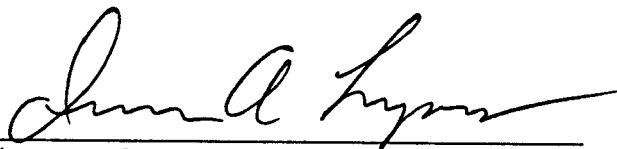
Due: 3:00 P.M. - May 22, 2002

Name of Firm Submitting Proposal: Miller Cooper & Co., Ltd.

## FEE STRUCTURE\*

Date	Financial/Compliance Audit	Agreed upon Cash and Investment Procedures
August 31, 2002	—	\$4,400
December 31, 2002	—	4,400
April 30, 2002	\$24,900	included in audit fee
August 31, 2003	—	4,550
December 31, 2003	—	4,550
April 30, 2004	\$25,700	included in audit fee

\*See explanation of fees on the following page



Signature of Authorized Representative

Irwin A. Lyons

Name of Authorized Representative

Principal

Title

May 21, 2002

Date:

## Explanation of Fees

### Annual Audits

The fees are based upon our receiving adjusted trial balances for each fund, support for account balances, detailed investment schedules, detailed fixed asset records, and information from third parties. Fees are also based on the assumption that prior year information will be readily available from the prior auditors and that the Commission staff will provide the support explained during the RFP process.

Fee estimates are based upon the assumption that we will not encounter any extraordinary circumstances that would cause a material extension of our normal auditing procedures. We will obtain your authorization before extending our procedures. Extraordinary circumstances could be of the following type: changes in accounting or auditing standards, new activities for the Commission, new bond issues, new grants, changes in the compliance requirements or a breakdown in the Commission's systems of internal accounting controls. Work requested on new bond issues on the use of the report in other documents is not included in the proposed fees.

### Agreed Upon Procedures

The fees are based upon the Commission completing the bank reconciliations, confirmations, and providing detailed investment schedules on a timely basis.

### Rates for Additional Services

Rates for additional services will be based upon our standard rates at the time the service is provided and the timing, complexity and staffing needs of the proposed project. Additional services during non-peak times are usually discounted at least 20% and additional services relating to expanding the scope of the audit will be discounted 30%.

<b>Level</b>	<b>Rates at May 2002</b>
Partner .....	\$260
Manager .....	\$140-170
Senior .....	\$110-125
Staff.....	\$90-100

**SIKICH GARDNER & CO, LLP**  
**SCHEDULE OF AUDIT AND PROFESSIONAL FEES**

**Fiscal Year 2003**

August 31, 2002 cash and investment agreed upon procedures report	\$ 3,600
December 31, 2002 cash and investment agreed upon procedures report	3,600
Audit as of April 30, 2003	<u>33,500</u>
All Inclusive Fee for Fiscal Year 2003 Services	<u>\$ 40,700</u>

**Fiscal Year 2004**

August 31, 2003 cash and investment agreed upon procedures report	\$ 3,725
December 31, 2003 cash and investment agreed upon procedures report	3,725
Audit as of April 30, 2004	<u>34,672</u>
All Inclusive Fee for Fiscal Year 2004 Services	<u>\$ 42,122</u>

**Schedule of Hourly Rates**  
**(effective January 1, 2002)**

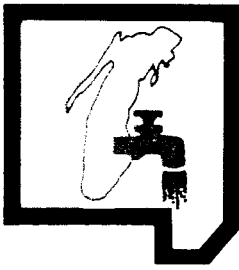
<u>Personnel</u>	<u>Rate</u>
Partners	\$ 209
Managers	131
Supervisors	104
Seniors	94
Staff	83
Administrative	78



## APPENDIX TO SCHEDULE OF AUDIT AND PROFESSIONAL FEES

These fees assumes that the Commission will provide the auditors with adjusted trial balances by individual funds, a year-to-date general ledger with details of postings to all accounts, subsidiary ledgers that agree or are reconciled to the general ledger, and will prepare certain schedules of account analysis and confirmations of account balances. These fees also include the cost to implement any new GASB pronouncements during the duration of the contract, except GASB Statement No. 34 which the Commission is implementing as of April 30, 2002.

We invoice our clients on a monthly basis as services are provided. In accordance with Illinois Compiled Statutes, payments for all services are due within sixty (60) days of receipt of an invoice. Invoices not paid within sixty days are assessed a finance charge of one (1) percent per month (12% annually).



## DU PAGE WATER COMMISSION

600 E. BUTTERFIELD ROAD • ELMHURST, IL • 60126-4642  
(630) 834-0100 • FAX: (630) 834-0120

May 29, 2002

SEE ATTACHED LIST

Dear :

### RECEIPT OF REQUEST FOR PROPOSAL

The DuPage Water Commission wishes to acknowledge receipt of your response to its request for proposals for its annual audit and related services for the fiscal years ending April 30, 2003 and 2004.

Your proposal has been forwarded to the Commissioners. The Finance Committee will review the proposals at its June 13<sup>th</sup> meeting. Interviews should take place in July. Appointment of the auditors is expected at the Commission meeting of Thursday, August 8, 2002.

Very truly yours,

Richard H. Skiba, Jr.  
Financial Administrator

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ACCOUNTING\AUDITR F P\AUDITORS.LST. RFP.DOC

~~Mr. Dan O'Brien  
Ernst & Young  
233 South Wacker Drive  
Chicago, IL 60606~~

Mr. Pat Hagen  
Deloitte & Touche  
180 N. Stetson, 20th Floor  
Chicago, IL 60601

Mr. Irwin Lyons  
Miller, Cooper & Co.  
650 Dundee Road, Suite 250  
Northbrook, IL 60062

Mr. Jeff Markert  
KPMG  
303 E. Wacker Drive  
Chicago, IL 60601

Mr. Bob Thoma  
McGladrey & Pullen  
19001 Old LaGrange Road,  
Suite 300  
Mokena, IL 60448

~~Mr. Gerry Fink  
Arthur Andersen & Company  
33 W. Monroe Street  
Chicago, IL 60603~~

Mr. Fred Lantz  
Sikich Gardner  
1877 W. Downers Place  
Aurora, IL 60506