

# DuPage Water Commission



Annual Financial Report

For the Fiscal Year Ended  
April 30, 2010

DUPAGE WATER COMMISSION

ANNUAL FINANCIAL REPORT

For the Year Ended  
April 30, 2010

DUPAGE WATER COMMISSION  
ELMHURST, ILLINOIS  
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## INTRODUCTORY SECTION

DUPAGE WATER COMMISSION  
ELMHURST, ILLINOIS

PRINCIPAL OFFICIALS

April 30, 2010

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Acting General Manager	Mr. Terrance McGhee
Financial Administrator	Vacant
Staff Attorney	Ms. Maureen Crowley
Manager of Water Operations	Mr. Terrance McGhee

Commission administrative offices are located at:

600 East Butterfield Road  
Elmhurst, IL 60126

## FINANCIAL SECTION



998 Corporate Boulevard • Aurora, IL 60502

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the DuPage Water Commission, as of and for the year ended April 30, 2010, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the DuPage Water Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the DuPage Water Commission, as of April 30, 2010, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

A handwritten signature in black ink, appearing to read "J. Schupp" followed by a stylized flourish.

Aurora, Illinois  
January 10, 2011

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This section of the DuPage Water Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ending April 30, 2010.

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

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

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

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

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

**FINANCIAL OPERATIONS SUMMARY**

With revenues and contributions of \$79.4 million and expenses totaling \$86.8 million, the Commission's net assets decreased by \$7.4 million in fiscal year 2010 to \$321.9 million. Restricted net assets and net assets invested in property, plant and equipment were \$26.6 million and \$285.3 million, respectively.

**FINANCIAL ANALYSIS**

**Changes in Net Assets.** The table on page 2 presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Net capital assets represent the total of assets capitalized less accumulated depreciation. The increase in capital assets of \$13.3 million is due to investment in new construction of \$20.2 million, offset by depreciation expense of \$6.9 million.

The Commission is constructing emergency generation at the Lexington Pump Station. The City of Chicago has agreed to pay a portion back to the Commission through a 10 percent credit in water costs paid by the Commission. Net assets invested in capital assets, net of related debt increased \$28.8 million from the prior year due primarily to a decrease in bonds payable of \$21.0 million used to finance capital assets.

Restricted net assets decreased by \$17.8 million from the prior year. For more information see Note 8, in the notes to the financial statements.

(See independent auditor's report)

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

	2010	2009	INCREASE (DECREASE)	% CHANGE
<b>Assets</b>				
Current:				
Unrestricted cash and investments	\$ 14,716,163	\$ 2,187,306	\$ 12,528,857	572.8%
Restricted cash and investments	39,331,143	66,455,606	(27,124,463)	-40.8%
Receivables	11,554,268	11,730,634	(176,366)	-1.5%
Other Assets	10,298,759	928,349	9,370,410	1009.4%
Non-current:				
Other Assets	226,798	330,038	(103,240)	-31.3%
Long term loan receivable	5,637,192	5,637,192	-	0.0%
Land and construction in progress	38,126,603	19,338,232	18,788,371	97.2%
Capital assets, net of depreciation	344,641,100	350,095,315	(5,454,215)	-1.6%
<b>Total assets</b>	<b>464,532,026</b>	<b>456,702,672</b>	<b>7,829,354</b>	<b>1.7%</b>
<b>Liabilities</b>				
Current:				
Payables and accrued liabilities	15,655,813	8,318,519	7,337,294	88.2%
Customer deposits	697,162	1,457,785	(760,623)	-52.2%
Notes payable	30,000,000	-	30,000,000	N/A
Bonds payable	22,460,026	21,425,000	1,035,026	4.8%
Accrued interest	2,358,877	2,567,431	(208,554)	-8.1%
Unearned revenue	138,637	140,607	(1,970)	-1.4%
Non-current:				
Unearned revenue	1,805,902	1,943,383	(137,481)	-7.1%
Other liabilities	44,637	47,747	(3,110)	-6.5%
Bonds payable	69,413,439	91,459,790	(22,046,351)	-24.1%
<b>Total liabilities</b>	<b>142,574,493</b>	<b>127,360,262</b>	<b>15,214,231</b>	<b>11.9%</b>
<b>Net assets</b>				
Invested in capital assets, net	285,357,700	256,548,758	28,808,942	11.2%
Restricted	26,597,792	44,433,387	(17,835,595)	-40.1%
Unrestricted	10,002,041	28,360,265	(18,358,224)	-64.7%
<b>NET ASSETS</b>	<b>\$ 321,957,533</b>	<b>\$ 329,342,410</b>	<b>\$ (7,384,877)</b>	<b>-2.2%</b>

(See independent auditor's report)

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

**Revenues and Expenses.** The table which follows presents a comparative summary of revenues and expenses. The most significant source of revenues for the Commission continues to be from water sales. Water sales for fiscal year 2010 were 28.0 billion gallons versus 29.2 billion gallons last fiscal year. There were no major new customers and the average charter customer water rate increased from \$1.39 per thousand gallons to \$1.74 per thousand gallons for fiscal year 2010. Due to the rate increase, water revenue increased by \$8.0 million or 19.2%.

The Commission's sales tax revenues decreased by \$2.1 million or 6.7% due to national economic slowdown, which continued into fiscal year 2010. Sales taxes were used to make all general obligation bond payments in fiscal year 2010. In addition, \$7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2010 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2010.

Statement 31 of the Governmental Accounting Standards Board requires investments be reported at fair market value. Investment income decreased \$1.1 million from the prior year due to a decrease in investment yield rates.

Water distribution costs remain the highest expense in the Commission's operations. Water distribution costs increased \$3.8 million mainly due to the City of Chicago increasing their water rate charged to their customers.

(See independent auditor's report)

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

	2010	2009	INCREASE (DECREASE)	% CHANGE
<b>REVENUES</b>				
Operating:				
Water sales - all categories	\$ 49,455,186	\$ 41,480,689	\$ 7,974,497	19.2%
Other	65,682	2,473	63,209	2556.0%
Non-operating:				
Sales tax	29,046,664	31,118,492	(2,071,828)	-6.7%
Investment income	360,738	1,424,148	(1,063,410)	-74.7%
<b>Total Revenue</b>	<b>78,928,270</b>	<b>74,025,802</b>	<b>4,902,468</b>	<b>6.6%</b>
<b>EXPENSES</b>				
Operating:				
Water supply costs	57,594,500	53,813,786	3,780,714	7.0%
Depreciation	6,880,364	6,871,760	8,604	0.1%
Personnel services	3,880,010	3,792,037	87,973	2.3%
All other expenses	2,908,826	2,210,235	698,591	31.6%
Non-operating:				
Bond interest	6,054,573	6,761,745	(707,172)	-10.5%
Intergovernmental Expense - City of Chicago	9,482,833	1,735,736	7,747,097	446.3%
<b>Total Expense</b>	<b>86,801,106</b>	<b>75,185,299</b>	<b>11,615,807</b>	<b>15.4%</b>
Income before non-operating items	(7,872,836)	(1,159,497)	(6,713,339)	579.0%
Contributions	487,959	-	487,959	N/A
Changes in net assets	\$ (7,384,877)	\$ (1,159,497)	\$ (6,225,380)	536.9%
Net assets, May 1	329,342,410	330,501,907		
<b>Net assets, April 30</b>	<b>\$ 321,957,533</b>	<b>\$ 329,342,410</b>		

(See independent auditor's report)

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The Commission's capital assets before depreciation totaled \$495.9 million in fiscal year 2010.

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

	2010	2009	INCREASE (DECREASE)	% CHANGE
Land and permanent easements	\$ 11,728,902	\$ 11,728,902	\$ -	0.0%
Construction in progress	\$ 26,397,701	\$ 7,545,932	\$ 18,851,769	249.8%
Water mains	294,982,914	299,530,883	(4,547,969)	-1.5%
Buildings and other structures	47,392,143	48,123,360	(731,217)	-1.5%
Pumping equipment	2,095,384	2,271,289	(175,905)	-7.7%
Office furniture and equipment	64,374	86,353	(21,979)	-25.5%
Vehicles and other equipment	106,285	146,828	(40,543)	-27.6%
<b>Total capital assets, net</b>	<b>\$ 382,767,703</b>	<b>\$ 369,433,547</b>	<b>\$ 13,334,156</b>	<b>3.6%</b>

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

**Debt Administration.** All scheduled bond payments through April 30, 2010 were made on time. However, account requirements under the revenue bond ordinance were not met as of fiscal year-end. The Operations and Maintenance Account was \$2.2 million below requirement. The Operations and Maintenance Reserve Account and the Depreciation Account were fully depleted. Requirements for these accounts were \$16.6 million and \$5.0 million, respectively. On December 21, 2009, the Commission issued a \$30 million certificate of debt to fund ongoing construction projects and purchase water from the City of Chicago. Another \$40 million certificate of debt was issued shortly after fiscal year end for the same purposes. These actions brought revenue bond required reserves back to 100% funding by June 30, 2010.

Principal reductions of \$11.8 million in general obligation debt and \$9.6 million in revenue bond debt were achieved through annual payments. On April 30, 2010, remaining general obligation bond and revenue bond principal outstanding was \$12.5 million and \$82.1 million, respectively. General obligation bond principal and interest payments continue to be 100% funded through the Commission's sales tax proceeds. Property taxes for the bond payments have been abated annually since 1986.

(See independent auditor's report)

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

	2010	2009	INCREASE (DECREASE)	% CHANGE
Certificate of debt	\$ 30,000,000	\$ -	\$ 30,000,000	n/a
General obligation bonds	12,465,000	24,310,000	(11,845,000)	-48.7%
Water revenue bonds	82,090,000	91,670,000	(9,580,000)	-10.5%
<b>Total outstanding bonded debt</b>	<b>\$ 124,555,000</b>	<b>\$ 115,980,000</b>	<b>\$ 8,575,000</b>	<b>7.4%</b>

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

**INVESTMENT PORTFOLIO**

The Commission's investment portfolio totaled \$53.7 million. At the end of the fiscal year, the portfolio was earning 0.125%. The benchmark yield adopted by the Commission was 0.110%.

Commission funds were invested as follows at April 30, 2010: United States treasury obligations (24%), the Illinois Funds investment pool (53%) and money market funds (23%).

**OTHER FINANCIAL INFORMATION**

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

**REQUEST FOR INFORMATION**

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

DUPAGE WATER COMMISSION

STATEMENT OF NET ASSETS

April 30, 2010

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CURRENT ASSETS	
Cash and cash equivalents	\$ 14,716,163
Restricted cash and cash equivalents	26,231,458
Restricted investments	13,099,685
Receivables	
Water sales	4,470,924
Accrued interest	19,708
Sales tax	7,063,636
Due from other governments	9,731,684
Inventory	167,080
Prepaid expenses and deposits	399,995
	<hr/>
Total current assets	75,900,333
NONCURRENT ASSETS	
Unamortized bond issuance costs	226,798
	<hr/>
Long-term loans receivable	5,637,192
	<hr/>
Capital assets	
Not being depreciated	38,126,603
Being depreciated	457,766,336
Less accumulated depreciation	(113,125,236)
	<hr/>
Net capital assets	382,767,703
	<hr/>
Total noncurrent assets	388,631,693
	<hr/>
Total assets	464,532,026
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(This statement is continued on the following page.)

DUPAGE WATER COMMISSION

STATEMENT OF NET ASSETS (Continued)

April 30, 2010

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CURRENT LIABILITIES

Unearned revenue	\$	138,637
Contract retentions		3,029,502
Customer deposits		697,162
Accounts payable		9,520,720
Accrued liabilities		2,922,807
Compensated absences		182,784
Note payable		30,000,000
General obligation refunding bonds payable, net		12,400,026
Revenue refunding bonds payable		10,060,000
Accrued interest payable		2,358,877

Total current liabilities 71,310,515

LONG-TERM LIABILITIES

Other postemployment benefits obligation		44,637
Unearned revenue		1,805,902
Revenue refunding bonds payable, net		69,413,439

Total long-term liabilities 71,263,978

Total liabilities 142,574,493

NET ASSETS

Invested in capital assets, net of related debt		285,357,700
Restricted by bond ordinances		26,597,792
Unrestricted		10,002,041

TOTAL NET ASSETS \$ 321,957,533

See accompanying notes to financial statement.

DUPAGE WATER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

For the Year Ended April 30, 2010

OPERATING REVENUES	
Water sales	
Operations and maintenance costs	\$ 41,376,962
Fixed costs	7,145,219
Customer differential	933,005
Other income	65,682
	<u>49,520,868</u>
OPERATING EXPENSES	
Water supply costs	57,594,500
Personal services	3,880,010
Insurance	665,767
Professional and contractual services	1,251,062
Administrative costs	991,997
	<u>64,383,336</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(14,862,468)
DEPRECIATION	<u>6,880,364</u>
OPERATING INCOME (LOSS)	<u>(21,742,832)</u>
NONOPERATING REVENUES (EXPENSES)	
Sales tax	29,046,664
Investment income	360,738
Intergovernmental expense	(9,482,833)
Interest and other charges	(6,054,573)
	<u>13,869,996</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(7,872,836)
Contributions	<u>487,959</u>
CHANGE IN NET ASSETS	(7,384,877)
NET ASSETS, MAY 1	<u>329,342,410</u>
NET ASSETS, APRIL 30	<u>\$ 321,957,533</u>

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2010

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 39,549,001
Cash payments to suppliers	(55,838,509)
Cash payments to employees	(3,876,428)
Other cash receipts	<u>65,682</u>
Net cash from operating activities	<u>(20,100,254)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from sales taxes	28,624,666
Cash payments for intergovernmental expenses	<u>(9,482,833)</u>
Net cash from noncapital financing activities	<u>19,141,833</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest paid on revenue bonds	(4,469,938)
Interest paid on general obligation bonds	(1,276,275)
Proceeds from notes issued	30,000,000
Principal paid on revenue bonds	(9,580,000)
Principal paid on general obligation bonds	(11,845,000)
Construction and purchases of capital assets	<u>(17,039,530)</u>
Net cash from capital and related financing activities	<u>(14,210,743)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	573,558
Proceeds from sale of investments	12,281,581
Purchase of investments	<u>(13,116,867)</u>
Net cash from investing activities	<u>(261,728)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(15,430,892)</b>
<b>CASH AND CASH EQUIVALENTS, MAY 1</b>	<b><u>56,378,513</u></b>
<b>CASH AND CASH EQUIVALENTS, APRIL 30</b>	<b><u>\$ 40,947,621</u></b>
<b>CASH AND CASH EQUIVALENTS - STATEMENT OF NET ASSETS</b>	
Cash and cash equivalents	\$ 14,716,163
Restricted cash and cash equivalents	<u>26,231,458</u>
<b>TOTAL CASH AND CASH EQUIVALENTS - STATEMENT OF NET ASSETS</b>	<b><u>\$ 40,947,621</u></b>

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2010

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RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (21,742,832)
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Depreciation	6,880,364
Changes in assets and liabilities	
Decrease in water sales receivable	385,544
Decrease in prepaid expenses and deposits	21,245
Increase in due from other governments	(9,391,655)
Decrease in deferred revenue	(139,451)
Increase in accounts payable	5,647,174
Decrease in accrued liabilities and compensated absences	(996,910)
Decrease in other postemployment benefits obligation	(3,110)
Decrease in customer deposits	(760,623)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (20,100,254)</u>
NONCASH CAPITAL AND RELATED	
FINANCING ACTIVITIES	
Contributions	<u>\$ 487,959</u>

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION  
ELMHURST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The purpose and objectives of the Commission are:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Reporting Entity

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

b. Basis of Accounting

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

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

c. Fund Accounting

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the Commission is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Commission has decided that periodic determination of revenues earned, expenses incurred, and net income or loss is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

DUPAGE WATER COMMISSION  
ELMHURST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Cash Equivalents

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

e. Investments

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

f. Accounts Receivable

Customer receivables are recorded as receivables and revenues at their original invoice amount. Management has determined no allowance for uncollectible accounts necessary as of April 30, 2010. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 40 days.

g. Prepaid Expenses

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

h. Inventory

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

i. Restricted Cash and Cash Equivalents and Investments

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

DUPAGE WATER COMMISSION  
ELMHURST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Capital Assets - Property, Plant, and Equipment

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

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

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

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

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

l. Unamortized Losses on Refundings

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Compensated Absences

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

n. Unearned Revenue

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

o. Net Assets

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

p. Accounting Estimates

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

q. GASB Pronouncement

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

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS

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

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

a. Deposits with Financial Institutions

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

b. Investments

The following table presents the investments and maturities of the Commission's debt securities as of April 30, 2010:

Investment Type	Investment Maturities in Years				
	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury notes	\$ 13,099,685	\$ 13,099,685	\$ -	\$ -	\$ -
Illinois Funds	28,419,434	28,419,434	-	-	-
Money market funds	12,180,218	12,180,218	-	-	-
<b>TOTAL</b>	<b>\$ 53,699,337</b>	<b>\$ 53,699,337</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

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

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

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

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

3. LOANS RECEIVABLE

On April 25, 2002, the Commission approved a motion for a proposed agreement to make long-term, low-interest loans available to Charter Customer municipalities for the purpose of providing financing under certain circumstances to future customers who presently live in areas of DuPage County not presently served by the Commission. Three intergovernmental agreements with Charter Customers were made during 2003-2007. Two of the loans are to be repaid in 13 installments, commencing in 2011 and continuing through 2023. The third loan is to be repaid in 13 installments, commencing in 2014 and continuing through 2026. Interest at a rate of 2% per annum shall be paid annually until the principal balance of the loan has been paid in full. As of April 30, 2010, loans totaling \$5,637,192 are due from the customers.

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

3. LOANS RECEIVABLE (Continued)

Payments due from Charter Customers are as follows:

Fiscal Year Ending April 30	Principal	Interest	Total
2011	\$ 384,586	\$ 112,744	\$ 497,330
2012	384,586	105,052	489,638
2013	384,586	97,360	481,946
2014	433,630	89,669	523,299
2015	433,630	80,996	514,626
2016	433,630	72,323	505,953
2017	433,630	63,651	497,281
2018	433,630	54,978	488,608
2019	433,630	46,306	479,936
2020	433,630	37,633	471,263
2021	433,630	28,960	462,590
2022	433,630	20,288	453,918
2023	433,632	11,615	445,245
2024	49,044	2,943	51,987
2025	49,044	1,962	51,006
2026	49,046	981	50,027
<b>TOTAL</b>	<b>\$ 5,637,192</b>	<b>\$ 827,461</b>	<b>\$ 6,464,653</b>

4. CAPITAL ASSETS

	Balances May 1*	Additions	Retirements	Balances April 30
Capital assets not being depreciated				
Land and permanent easements	\$ 11,728,902	\$ -	\$ -	\$ 11,728,902
Construction in progress	7,545,932	20,195,573	1,343,804	26,397,701
Total capital assets not being depreciated	19,274,834	20,195,573	1,343,804	38,126,603
Capital assets being depreciated				
Water mains	363,967,660	-	-	363,967,660
Buildings and other structures	81,381,181	1,343,805	-	82,724,986
Pumping equipment	5,580,563	-	-	5,580,563
Office furniture and equipment	4,931,322	18,945	-	4,950,267
Vehicles and other equipment	542,860	-	-	542,860
Total capital assets being depreciated	456,403,586	1,362,750	-	457,766,336

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Balances			Balances
	May 1	Additions	Retirements	April 30
Less accumulated depreciation				
Water mains	\$ 64,436,777	\$ 4,547,969	\$ -	\$ 68,984,746
Buildings and other structures	33,257,821	2,075,022	-	35,332,843
Pumping equipment	3,309,274	175,905	-	3,485,179
Office furniture and equipment	4,844,969	40,924	-	4,885,893
Vehicles and other equipment	396,032	40,543	-	436,575
Total accumulated depreciation	106,244,873	6,880,363	-	113,125,236
Total capital assets being depreciated, net	350,158,713	(5,517,613)	-	344,641,100
CAPITAL ASSETS, NET	\$ 369,433,547	\$ 14,677,960	\$ 1,343,804	\$ 382,767,703

\* The Commission reclassified an asset from Land and permanent easements to Buildings and other structures to report in the correct category.

5. WATER CONTRACT WITH THE CITY OF CHICAGO

The Commission has entered into a 40-year contract (from March 19, 1984) with the City of Chicago, Illinois (the Chicago Contract), under which the City of Chicago has agreed to supply all of the Commission's water requirements, up to 1.7 times the year's annual average day amount, with water of such quality as will meet or exceed applicable standards of the state and federal governments. The Chicago Contract provides that the cost of water to the Commission is furnished by the City of 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 2010, the Commission purchased 28.7 billion gallons of water from the City of Chicago, which equaled 83.1% of the aggregate Illinois Department of Natural Resources allocations.

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

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. RISK MANAGEMENT

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

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

7. LONG-TERM DEBT

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

	Balances May 1	Issuances	Retirements	Balances April 30	Due Within One Year
Other postemployment benefits obligation	\$ 41,510	\$ 3,127	\$ -	\$ 44,637	\$ -
Notes payable	-	30,000,000	-	30,000,000	30,000,000
General obligation refunding bonds	24,310,000	-	11,845,000	12,465,000	12,465,000
Unamortized premium	261,301	-	181,562	79,739	-
Unamortized loss on refunding	(315,352)	-	(170,639)	(144,713)	-
Total general obligation bonds	24,255,949	-	11,855,923	12,400,026	12,465,000
Revenue refunding bonds	91,670,000	-	9,580,000	82,090,000	10,060,000
Unamortized premium	2,455,379	-	674,109	1,781,270	-
Unamortized loss on refunding	(5,496,538)	-	(1,098,707)	(4,397,831)	-
Total revenue bonds	88,628,841	-	9,155,402	79,473,439	10,060,000
TOTAL	\$ 112,926,300	\$ 30,003,127	\$ 21,011,325	\$ 121,918,102	\$ 52,525,000

b. Note Payable

On December 21, 2009, the Commission issued \$30,000,000 Debt Certificates, Series 2009 to provide for the acquisition of water and for improvements and extensions to the existing facilities of the Commission. Principal is due in one installment on December 21, 2010; interest semi-annually at 1.25% through maturity on December 21, 2010. As of April 30, 2010, \$30,000,000 principal was outstanding.

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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7. LONG-TERM DEBT (Continued)

c. General Obligation Bonds

The Commission issues bonds to purchase and construct capital assets. The Commission has issued \$93,970,000 general obligation refunding bonds, Series 2001. Principal is due in annual installments of \$1,295,000 to \$12,465,000; interest at 5.0% to 5.25% through maturity on March 1, 2011. As of April 30, 2010, \$12,465,000 principal was outstanding on these bonds. The Commission intends to retire these bonds with annual sales tax proceeds. The Series 2001 bonds are general obligations of the Commission secured by the full faith and credit of the Commission and payable, as to both principal and interest, from ad valorem taxes levied against all taxable property within the territory of the Commission. The Commission issued Ordinance No. O-1-09, abating the ad valorem taxes on this debt.

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

Fiscal Year Ending April 30	Principal	Interest	Total
2011	\$ 12,465,000	\$ 654,413	\$ 13,119,413
TOTAL	\$ 12,465,000	\$ 654,413	\$ 13,119,413

d. Revenue Bonds

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

As of April 30, 2010, \$82,090,000 principal remained outstanding on the Series 2003 bonds. In addition, the bonds are subject to certain terms and conditions contained in the Master Revenue Bond Ordinance (the Ordinance), which was created when the Commission initially issued Revenue Bonds, Series 1987. Substantially all revenue generated from the Commission's operations are pledged to retire these bonds.

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

d. Revenue Bonds (Continued)

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

Fiscal Year Ending April 30	Principal	Interest	Total
2011	\$ 10,060,000	\$ 3,978,937	\$ 14,038,937
2012	10,565,000	3,463,313	14,028,313
2013	11,090,000	2,921,937	14,011,937
2014	11,645,000	2,339,006	13,984,006
2015	12,255,000	1,711,631	13,966,631
2016	12,900,000	1,051,312	13,951,312
2017	13,575,000	356,344	13,931,344
<b>TOTAL</b>	<b>\$ 82,090,000</b>	<b>\$ 15,822,480</b>	<b>\$ 97,912,480</b>

e. Revenue Bond Ordinance

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

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

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

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

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

7. LONG-TERM DEBT (Continued)

e. Revenue Bond Ordinance (Continued)

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

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

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

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

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

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

The Ordinance provides for the creation of the Special Redemption Fund to be held by the Trustee to account for issuance proceeds and condemnation awards to the extent not used to repair or replace the system and any other Commission-designated transfer. These monies may be used for debt service purposes. This fund was not active in fiscal 2010.

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

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

e. Revenue Bond Ordinance (Continued)

During fiscal 2010, several account balances were underfunded and did not meet the Ordinance's requirements.

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

Restricted assets related to the bond ordinances at April 30, 2010 are as follows:

Amount held for payment of general obligation bonds and interest	\$ 13,104,324
Operation and maintenance account	12,075,254
Interest account	2,115,406
Principal account	10,060,173
Depreciation account	<u>1,975,986</u>
<b>TOTAL RESTRICTED ASSETS</b>	<b><u>\$ 39,331,143</u></b>

8. RESTRICTED NET ASSETS

The Commission has the following restricted net assets:

Restricted net assets:	
Restricted assets (Note 7)	<u>\$ 39,331,143</u>
Less current liabilities payable from restricted assets	
Revenue refunding bonds	
Operations and maintenance account	
Accounts payable	4,896,871
Accrued liabilities	2,922,807
Compensated absences	182,784
Interest account	
Accrued interest payable	2,115,219
Depreciation account	
Accounts payable	1,975,986
General obligation refunding bonds	
Accrued interest payable	<u>109,069</u>
Total current liabilities payable from restricted assets	<u>12,202,736</u>
Less excess in interest account	187
Less excess in principal account	173
Less excess in general obligation bond account	<u>530,255</u>
<b>TOTAL RESTRICTED NET ASSETS</b>	<b><u>\$ 26,597,792</u></b>

9. COMMITMENTS AND CONTINGENCIES

Commitments

As of April 30, 2010, the Commission's remaining commitment on contracts for future construction totaled approximately \$12.997 million.

Contingent Liabilities

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

10. MAJOR CUSTOMER

During fiscal year 2010, approximately 5.6 billion gallons, or 20.21% of water sales revenue in the Water Fund was realized from the City of Naperville, the Commission's largest customer.

11. DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund

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

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2.00% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

11. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Commission is required to contribute at an actuarially determined rate. The employer rate for fiscal year 2010 was 10.68% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of April 30, 2010 was 30 years.

For April 30, 2010, the Commission's annual pension cost of \$265,581 was equal to the Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 10.00% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor.

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

	Fiscal Year	Illinois Municipal Retirement
Annual pension cost (APC)	2008	\$ 295,199
	2009	240,646
	2010	265,581
Actual contributions	2008	\$ 295,199
	2009	240,646
	2010	265,581
Percentage of APC contributed	2008	100.00%
	2009	100.00%
	2010	100.00%
NPO	2008	\$ -
	2009	-
	2010	-

DUPAGE WATER COMMISSION  
ELMHURST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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11. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Funded Status and Funding Progress

The funded status and funding progress of the plan as of December 31, 2009 was as follows:

Actuarial accrued liability (AAL)	\$	6,359,912
Actuarial value of plan assets		5,026,706
Unfunded actuarial accrued liability (UAAL)		1,333,206
Funded ratio (actuarial value of plan assets/AAL)		79.04%
Covered payroll (active plan members)	\$	2,760,942
UAAL as a percentage of covered payroll		48.29%

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

12. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2010, membership consisted of:

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

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Commission first had an actuarial valuation performed for the Plan as of April 30, 2006 to determine the funded status of the Plan as of that date. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2008	\$ 13,616	0.00%	\$ 38,438
April 30, 2009	9,442	67.5%	41,510
April 30, 2010	9,497	67.1%	44,636

DUPAGE WATER COMMISSION  
 ELMHURST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB obligation as of April 30, 2010 was calculated as follows:

Annual required contribution	\$ 8,760
Interest on net OPEB obligation	2,076
Adjustment to annual required contribution	<u>(1,339)</u>
Annual OPEB cost	9,497
Contributions made	<u>6,370</u>
Increase in net OPEB obligation	3,127
Net OPEB obligation, beginning of year	<u>41,510</u>
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<u><u>\$ 44,637</u></u>

Funded Status and Funding Progress: The funded status of the Plan as of April 30, 2010 was as follows:

Actuarial accrued liability (AAL)	\$ 78,076
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	78,076
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,820,206
UAAL as a percentage of covered payroll	2.77%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

13. CUSTOMER PREPAYMENTS

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

14. SUBSEQUENT EVENTS

On May 13, 2010, the Board of Commissioners adopted Ordinance No. O-8-10 authorizing and providing for the issuance of \$40,000,000 Taxable Debt Certificates, Series 2010, evidencing interests in an Installment Purchase Agreement for the purpose of paying the cost of purchasing real or personal property, or both, in and for the Commission, and providing for the security for and means of payment under the Agreement and the Certificates.

On July 29, 2010, Public Act 096-13890000 became effective, which will terminate all current commissioners and chairman effective January 1, 2011.

- a. The commissioners shall be appointed as follows:
  1. A chairperson, who shall also serve in the capacity of a commissioner, shall be appointed by the chairperson of the county board of the home county with the advice and consent of the county board.
  2. One commissioner from each county board district within the home county shall be appointed by the chairperson of the county board of the home county with the advice and consent of the county board.
  3. One commissioner from each county board district within the home county shall be appointed by the majority vote of the mayors of those included municipalities that have the greatest percentage of their respective populations residing within such county board district of the home county. A vice chairperson of the commission shall be appointed from the commissioners appointed pursuant to this paragraph by a majority vote of these commissioners.
- b. Beginning June 1, 2016, the sales tax imposed may no longer be imposed or collected, unless a continuation of the tax is approved by the voters at a referendum.

In December 2010, the \$30,000,000 Taxable Debt Certificate Series 2009, was amended by extending the maturity date from December 21, 2010 to December 21, 2015, with a variable rate of interest that is determined and reset annually, and also by allowing optional redemption and prepayments, in whole and in part, on any semiannual interest payment date.

REQUIRED SUPPLEMENTARY INFORMATION

DUPAGE WATER COMMISSION  
SCHEDULE OF FUNDING PROGRESS  
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2010

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

The Commission began participating in the Illinois Municipal Retirement Fund during fiscal year 2004. Information for prior years is not available.

(See independent auditor's report.)

DUPAGE WATER COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2010

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Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2005	\$ 231,511	\$ 231,511	100.00%
2006	336,441	336,441	100.00%
2007	275,607	275,607	100.00%
2008	295,199	295,199	100.00%
2009	240,646	240,646	100.00%
2010	265,581	265,581	100.00%

(See independent auditor's report.)

DUPAGE WATER COMMISSION  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2010

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

The Commission implemented GASB Statement No. 45 for the fiscal year ended April 30, 2006. Information for prior years is not available.

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

(See independent auditor's report.)

DUPAGE WATER COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2010

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

The Commission implemented GASB Statement No. 45 for the fiscal year ended April 30, 2006. Information for prior years is not available.

N/A - Not available

(See independent auditor's report.)

## SUPPLEMENTAL DATA

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

For the Year Ended April 30, 2010

	Budget	Actual	Variance
<b>OPERATING REVENUES</b>			
Water sales			
Operations and maintenance costs	\$ 47,880,552	\$ 41,376,962	\$ (6,503,590)
Fixed costs	7,145,219	7,145,219	-
Customer differential	982,600	933,005	(49,595)
Other income	2,500	65,682	63,182
Total operating revenues	<u>56,010,871</u>	<u>49,520,868</u>	<u>(6,490,003)</u>
<b>OPERATING EXPENSES</b>			
Water supply costs	70,228,962	57,594,500	(12,634,462)
Personal services	4,570,513	3,880,010	(690,503)
Insurance	767,182	665,767	(101,415)
Professional and contractual services	1,097,785	1,251,062	153,277
Administrative costs	1,156,715	991,997	(164,718)
Total operating expenses	<u>77,821,157</u>	<u>64,383,336</u>	<u>(13,437,821)</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(21,810,286)	(14,862,468)	6,947,818
DEPRECIATION	<u>6,714,378</u>	<u>6,880,364</u>	<u>165,986</u>
OPERATING INCOME (LOSS)	<u>(28,524,664)</u>	<u>(21,742,832)</u>	<u>(6,781,832)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Sales tax	30,069,085	29,046,664	(1,022,421)
Investment income	1,552,996	360,738	(1,192,258)
Intergovernmental expense	-	(9,482,833)	(9,482,833)
Interest and other charges	(6,333,653)	(6,054,573)	279,080
Total nonoperating revenues (expenses)	<u>25,288,428</u>	<u>13,869,996</u>	<u>(11,418,432)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ (3,236,236)</u>	<u>(7,872,836)</u>	<u>\$ (4,636,600)</u>
Contributions		<u>487,959</u>	
CHANGE IN NET ASSETS		(7,384,877)	
NET ASSETS, MAY 1		<u>329,342,410</u>	
NET ASSETS, APRIL 30		<u>\$ 321,957,533</u>	

(See independent auditor's report.)