McGladrey & Pullen
Certified Public Accountants

# DuPage Water Commission

Financial Audit and Compliance Examination
April 30, 2007

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

DuPage Water Commission

Table of Contents

DuPage Water Commission

Table of Contents

DuPage Water Commission

Commission Officials
Year Ended April 30, 2007

| | |
|---|---|
| General Manager | Mr. Robert L. Martin |
| Financial Administrator | Mr. R. Max Richter |
| Staff Attorney | Ms. Maureen Crowley |

Commission administrative offices are located at:

600 East Butterfield Road
Elmhurst, IL  60126

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

## MANAGEMENT ASSERTION LETTER

October 4, 2007

McGladrey & Pullen, LLP
20 North Martingale Road, Suite 500
Schaumburg, IL 60173-2420

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the DuPage Water Commission (Commission). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the year ended April 30, 2007. Based on this evaluation, we assert that during the year ended April 30, 2007, the Commission has materially complied with the assertions below.

A. The Commission has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.

B. The Commission has obligated, expended, received and used revenues, grants and similar awards in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law or regulation upon obligation, expenditure, receipt or use.

C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.

D. The revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. The money or negotiable securities or similar assets handled by the Commission or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping thereto is proper, accurate and in accordance with law.

Yours very truly,

DuPage Water Commission

Robert Martin, General Manager

Max Richter, Financial Administrator

Maureen Crowley, Staff Attorney

DuPage Water Commission

Compliance Report
Summary
Year Ended April 30, 2007

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

## Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

## Summary of Findings

| Number of | *This Report* | *Prior Report* |
|---|---|---|
| Findings | 0 | 0 |
| Repeated findings | 0 | 0 |
| Prior recommendations implemented or not repeated | 0 | 2 |

## Exit Conference

Commission management waived having an exit conference in a letter dated August 22, 2007.

McGladrey & Pullen
Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information For State Compliance Purposes

Honorable William G. Holland
Auditor General, State of Illinois
and
Honorable Chairman and
Members of the Board of Commissioners
DuPage Water Commission

Compliance

As Special Assistant Auditors for the Auditor General, we have examined DuPage Water Commission's (Commission) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended April 30, 2007. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

A. The Commission has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.

B. The Commission has obligated, expended, received and used revenues, grants and similar awards in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law or regulation upon obligation, expenditure, receipt or use.

C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.

D. The revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. The money or negotiable securities or similar assets handled by the Commission or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping thereto is proper, accurate and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended April 30, 2007. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

<u>Internal Control</u>

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Commission's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

<u>Supplementary Information for State Compliance Purposes</u>

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Commission as of and for the year ended April 30, 2007, and have issued our report thereon dated (date of report). The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, 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 for the year ended April 30, 2007, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Commission's basic financial statements for the year ended April 30, 2006. In our report dated July 27, 2006, we expressed an unqualified opinion on the respective basic financial statements. In our opinion, the 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended April 30, 2006, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the DuPage Water Commission's Board of Commissioners and Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 4, 2007

McGladrey & Pullen
Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With ***Government Auditing Standards***

Honorable William G. Holland
Auditor General, State of Illinois
and
Honorable Chairman and
Members of the Board of Commissioners
DuPage Water Commission

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the DuPage Water Commission (Commission), as of and for the year ended April 30, 2007, and have issued our report thereon October 4, 2007. During the year ended April 30, 2007, the Commission implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement required the Commission to accrue certain expenses and liabilities and disclose certain information related to postemployment benefits other than pension benefits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.
We noted certain matters which we have reported to management of the Commission in a separate letter dated October 4, 2007.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the DuPage Water Commission's Board of Commissioners and the Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 4, 2007

Financial Statement Report
Summary
Year Ended April 30, 2007

The audit of the accompanying basic financial statements of the DuPage Water Commission (Commission) was performed by McGladrey & Pullen, LLP, as special assistant auditors for the Auditor General, State of Illinois.

Based on their audit, the auditors expressed an unqualified opinion on the Commission's basic financial statements.

# Independent Auditors' Report

Honorable William G. Holland
Auditor General, State of Illinois
and
Honorable Chairman and
Members of the Board of Commissioners
DuPage Water Commission

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the DuPage Water Commission (Commission) as of April 30, 2007, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of April 30, 2007, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, which includes Management's Discussion and Analysis, Illinois Municipal Retirement Fund information and Other Post-Employment Benefits information as 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 required supplementary information. However, we did not audit the information and we express no opinion on it.

During the year ended April 30, 2007, the Commission implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement required the Commission to accrue certain expenses and liabilities and disclose certain information related to postemployment benefits other than pension benefits.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on budget comparison listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in 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.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the terms, covenants, provisions or conditions of Article X of the Revenue Bond Ordinance of 1987, Article II of the Water Refunding Bond Ordinance of 1993, and Article II of the Water Refunding Bond Ordinance of 2003, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 4, 2007

## 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, 2007.

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 presents 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 of $88.9 million and expenses totaling $70.3 million, the Commission's net assets increased by $18.6 million in fiscal year 2006-07 to $363 million. Restricted net assets and net assets invested in property, plant and equipment were $33.2 million and $244 million respectively.

## FINANCIAL ANALYSIS

Changes in Net Assets. The table below presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. All significant dollar changes have been explained.

The decrease in total cash and investments can be attributed to the $15 million payment to DuPage County. State of Illinois Public Act 93-0226 adopted July 22, 2003 requires a $75 million transfer of Commission Funds to DuPage County over a five-year period.

Net capital assets represent the total of assets capitalized less accumulated depreciation. The decrease in capital assets of $6.7 million is due to depreciation expense of $6.6 million, a write off of construction in progress feasibility costs of $2.1 million offset by investment in new construction of $2 million.

The Commission originally financed and constructed the Lexington Pump Station and the tunnel that connects Lexington to the Central Park Pumping Station for the City of Chicago. The City of Chicago agreed to pay the Commission back through a 20 percent reduction in water costs (Deferred Water Supply Contract Costs) paid by the Commission. The deferred water supply contract costs decreased by $868,166, as this was the last fiscal year the Commission received a reduction in water costs.

Amounts payable to DuPage County decreased by $15 million due to the payment to DuPage County in accordance with State of Illinois Public Act 93-0226. Bonds payable declined because of bond payments made during the fiscal year. This also reduced accrued interest payable.

Net assets invested in capital assets, net of related debt increased $12 million from the prior year due primarily to a decrease in noncurrent bonds payable of $19.4 million used to finance capital assets.

Restricted net assets increased by $1.3 million over the prior year due mainly to increases in restricted investments held by a trustee for payment of the current portion of the general obligation bonds, revenue bonds and other liabilities associated with the bonds and the decrease in current restricted liabilities. For more information see Note 7 (c) and Note 8, in the notes to the financial statements.

A comparative summary of the changes in net assets is presented on the following page.

COMPARATIVE SUMMARY OF NET ASSETS
For Fiscal Years Ending April 30

| | 2007 | 2006 | INCREASE (DECREASE) | % CHANGE |
|---|---|---|---|---|
| **Assets** | | | | |
| Current: | | | | |
| Unrestricted cash and investments | $ 84,075,900 | $ 93,324,553 | $ (9,248,653) | -9.9% |
| Restricted investments | 42,748,630 | 42,964,387 | (215,757) | -0.5% |
| Receivables | 13,598,557 | 14,191,133 | (592,576) | -4.2% |
| Other assets | 658,875 | 644,936 | 13,939 | 2.2% |
| Noncurrent: | | | | |
| Restricted investments | 17,169,760 | 16,532,818 | 636,942 | 3.9% |
| Long term loan receivable | 4,999,623 | 4,999,623 | - | 0.0% |
| Land and construction in progress | 32,712,041 | 32,573,258 | 138,783 | 0.4% |
| Capital assets, net of accumulated depreciation | 343,930,865 | 350,584,643 | (6,653,778) | -1.9% |
| Deferred water supply contract cost | - | 868,166 | (868,166) | -100.0% |
| Total assets | 539,894,251 | 556,683,517 | (16,789,266) | -3.0% |
| **Liabilities** | | | | |
| Current: | | | | |
| Payables and accrued liabilities | 4,097,550 | 5,347,320 | (1,249,770) | -23.4% |
| Due to DuPage County | 15,000,000 | 15,000,000 | - | 0.0% |
| Bonds payable | 19,372,287 | 18,726,775 | 645,512 | 3.4% |
| Accrued interest | 3,200,535 | 3,492,452 | (291,917) | -8.4% |
| Deferred revenue | 140,607 | 107,439 | 33,168 | 30.9% |
| Noncurrent: | | | | |
| Deferred revenue | 2,466,473 | 2,607,080 | (140,607) | -5.4% |
| Due to DuPage County | - | 15,000,000 | (15,000,000) | -100.0% |
| Bonds payable | 132,643,189 | 152,016,240 | (19,373,051) | -12.7% |
| Total liabilities | 176,920,641 | 212,297,306 | (35,376,665) | -16.7% |
| **Net Assets** | | | | |
| Invested in capital assets, net | 243,999,717 | 232,009,827 | 11,989,890 | 5.2% |
| Restricted | 33,248,018 | 31,930,658 | 1,317,360 | 4.1% |
| Unrestricted | 85,725,875 | 80,445,726 | 5,280,149 | 6.6% |
| Total net assets | $ 362,973,610 | $ 344,386,211 | $ 18,587,399 | 5.4% |

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 2007 were 30.0 billion gallons versus 33.2 billion gallons last fiscal year. There were no major new customers and the average charter customer water rate was unchanged for fiscal year 2007 and 2006, respectively. Due to cooler weather, water revenue decreased by $3.5 million or 7.3%.

The national economic slow down has eased and sales tax receipts rose substantially in fiscal year 2007. Sales tax revenues have been sufficient to fund all system capital improvements and the statutory payment to the county 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 2007. In addition, $7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2007 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2007.

Statement 31 of the Governmental Accounting Standards Board requires investments be reported at fair market value. Investment income increased $1.9 million from the prior year due to an increase in interest income and the fair value of investments at April 30, 2007.

Water distribution costs remain the highest expense in the Commission's operations. Water distribution costs decreased $2 million mainly due to the reduction of water usage.

Personnel Services increased due mainly to a payment to the Illinois Municipal Retirement Fund of $1.5 million for the 2005 unfunded pension liability.

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

| | 2007 | 2006 | INCREASE (DECREASE) | % CHANGE |
|---|---|---|---|---|
| Revenues | | | | |
| Operating: | | | | |
| Water sales - all categories | $ 45,036,990 | $ 48,575,115 | $ (3,538,125) | -7.3% |
| Other | 63,690 | 1,236 | 62,454 | 5052.9% |
| Nonoperating: | | | | |
| Sales tax | 36,422,562 | 35,394,007 | 1,028,555 | 2.9% |
| Investment income | 7,350,036 | 5,429,134 | 1,920,902 | 35.4% |
| Total revenues | 88,873,278 | 89,399,492 | (526,214) | -0.6% |
| Expenses | | | | |
| Operating: | | | | |
| Water supply costs | 48,591,776 | 50,637,086 | (2,045,310) | -4.0% |
| Depreciation | 6,695,222 | 6,702,842 | (7,620) | -0.1% |
| Personnel services | 4,879,217 | 3,122,625 | 1,756,592 | 56.3% |
| All other expenses | 1,939,158 | 1,855,008 | 84,150 | 4.5% |
| Nonoperating: | | | | |
| Bond interest | 8,180,506 | 8,760,388 | (579,882) | -6.6% |
| Total expenses | 70,285,879 | 71,077,949 | (792,070) | -1.1% |
| Change in net assets | 18,587,399 | 18,321,543 | 265,856 | 1.5% |
| Net assets May 1 | 344,386,211 | 326,064,668 | 18,321,543 | 5.6% |
| Net assets April 30 | $ 362,973,610 | $ 344,386,211 | $ 18,587,399 | 5.4% |

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The Commission's capital assets before depreciation totaled $469.2 million in fiscal year 2007.

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

| | 2007 | 2006 | INCREASE (DECREASE) | % CHANGE |
|---|---|---|---|---|
| Land and permanent easements | $ 11,158,482 | $ 11,158,482 | $ - | 0.0% |
| Construction in progress | 21,553,558 | 21,414,776 | 138,782 | 0.6% |
| Water mains | 288,810,376 | 293,121,053 | (4,310,677) | -1.5% |
| Buildings and other structures | 52,206,213 | 54,247,639 | (2,041,426) | -3.8% |
| Pumping equipment | 2,554,038 | 2,733,505 | (179,467) | -6.6% |
| Office furniture and equipment | 179,475 | 236,876 | (57,401) | -24.2% |
| Vehicles and other equipment | 180,763 | 245,570 | (64,807) | -26.4% |
| Total capital assets, net | $ 376,642,905 | $ 383,157,901 | $ (6,514,996) | -1.7% |

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

**Debt Administration.** All scheduled bond payments through May 1, 2007 were made on time. Requirements of the revenue bond ordinance have also been met, in full, as of fiscal year-end. Principal reductions of $10.2 million in general obligation debt and $8.3 million in revenue bond debt were achieved through annual payments. On April 30, 2007, remaining general obligation bond and revenue bond principal outstanding was $46.3 million and $109.5 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.

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

| | 2007 | 2006 | INCREASE (DECREASE) | % CHANGE |
|---|---|---|---|---|
| General obligation bonds | $ 46,275,000 | $ 56,480,000 | $ (10,205,000) | -18.1% |
| Water revenue bonds | 109,485,000 | 117,760,000 | (8,275,000) | -7.0% |
| Total outstanding bonded debt | $ 155,760,000 | $ 174,240,000 | $ (18,480,000) | -10.6% |

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

## INVESTMENT PORTFOLIO

The Commission's investment portfolio totaled $143.7 million. At the end of the fiscal year, the portfolio was earning 4.778% based on market yield and 4.786% based on original purchase price. The benchmark yield adopted by the Commission was 4.90%.

Commission funds were invested as follows at April 30, 2007: United States treasury obligations (9.1%), the Illinois Funds investment pool (63.5%), money market funds (9%) and certificates of deposit (18.4%).

## OTHER FINANCIAL INFORMATION

On July 22, 2003, the Illinois Governor signed into law Public Act (PA) 93-0226. This Act impacts certain DuPage Water Commission procedures and contracts as well as provides a one-time $75 million grant from the Commission to DuPage County payable over a five-year period. The Act also limits the Commission's average charter customer water rate to be no greater than $1.65 per 1,000 gallons until April 30, 2008. This rate is expected to be sufficient to meet all Commission obligations and complete all currently planned capital projects.

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. While these long-term low-interest loans may reduce the Commission's investment income, the Commission's long-term rate stabilization and five-year capital improvement programs will not be adversely affected because funds were segregated for this purpose at the time the resolution was passed.

On April 12, 2007, the Board of Commissioners of the Commission passed Resolution R-28-07 which declared, effective as of May 1, 2007, for the fiscal year ending April 30, 2008 a rebate to Contract Customers in an aggregate amount of $40.0 million. This resolution will increase the expense and decrease the fund balance for the 2008 fiscal year.

## 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 R. Max Richter, Financial Administrator, DuPage Water Commission, 600 E. Butterfield Road, Elmhurst, IL 60126-4642, (630) 834-0100. E-mail requests should be sent to *richter@dpwc.org.*

DuPage Water Commission

Statement of Net Assets
April 30, 2007

## Assets

| | |
|---|---|
| Current: | |
| Cash | $ 283,609 |
| Investments (Note 3) | 83,792,291 |
| Restricted investments (Notes 3 and 7) | 42,748,630 |
| Receivables | |
| Water sales | 4,043,376 |
| Accrued interest | 1,012,548 |
| Sales tax | 8,529,260 |
| Other | 13,373 |
| Inventory | 167,080 |
| Prepaid expenses and deposits | 491,795 |
| Total current assets | 141,081,962 |
| Noncurrent: | |
| Restricted investments (Notes 3 and 7) | 17,169,760 |
| Long-term loans receivable (Note 4) | 4,999,623 |
| Land and construction in progress (Note 5) | 32,712,041 |
| Other capital assets, net of accumulation depreciation of $92,591,277 (Note 5) | 343,930,865 |
| Total noncurrent assets | 398,812,289 |
| Total assets | $ 539,894,251 |

See Notes to Financial Statements.

(Continued)

DuPage Water Commission

Statement of Net Assets (Continued)
April 30, 2007

## Liabilities

| | |
|---|---|
| Current: | |
| Due to DuPage County (Note 10) | $ 15,000,000 |
| Deferred revenue | 140,607 |
| Total current liabilities | 15,140,607 |
| | |
| Current liabilities payable from restricted assets: | |
| Accounts payable | 3,059,103 |
| Accrued liabilities | 788,319 |
| Compensated absences | 178,750 |
| Contract retentions | 71,378 |
| Revenue bonds payable - current (Note 7) | 8,484,693 |
| General obligation bonds payable - current (Note 7) | 10,887,594 |
| Accrued interest payable | 3,200,535 |
| Total current liabilities payable from restricted assets | 26,670,372 |
| | |
| Noncurrent: | |
| Deferred revenue | 2,466,473 |
| General obligation bonds payable - noncurrent, net (Note 7) | 35,560,132 |
| Revenue bonds payable - noncurrent, net (Note 7) | 97,083,057 |
| Total noncurrent liabilities | 135,109,662 |
| | |
| Total liabilities | 176,920,641 |

## Net Assets

| | |
|---|---|
| Invested in capital assets, net of related debt | 243,999,717 |
| Restricted for bond ordinances and sales tax resolution (Note 8) | 33,248,018 |
| Unrestricted | 85,725,875 |
| | |
| Total net assets | $ 362,973,610 |

See Notes to Financial Statements.

DuPage Water Commission

Statement of Revenues, Expenses and
Changes in Net Assets
Year Ended April 30, 2007

| | |
|---|---|
| Operating revenues | |
| Water sales | |
| Operations and maintenance costs | $ 37,173,710 |
| Fixed costs | 7,145,094 |
| Customer differential | 718,186 |
| Other income | 63,690 |
| Total operating revenues | 45,100,680 |
| | |
| Operating expenses | |
| Water supply costs | 48,591,776 |
| Depreciation | 6,695,222 |
| Personal services | 4,879,217 |
| Insurance | 782,076 |
| Professional and contractual services | 552,087 |
| Administrative costs | 602,000 |
| Land and right of way | 2,995 |
| Total operating expenses | 62,105,373 |
| | |
| Operating loss | (17,004,693) |
| | |
| Nonoperating revenues (expenses) | |
| Sales tax | 36,422,562 |
| Investment income | 7,350,036 |
| Interest and other charges | (8,180,506) |
| Net nonoperating revenues | 35,592,092 |
| | |
| Change in net assets | 18,587,399 |
| | |
| Net assets, May 1, 2006 | 344,386,211 |
| | |
| Net assets, April 30, 2007 | $ 362,973,610 |

See Notes to Financial Statements.

DuPage Water Commission

## Statement of Cash Flows
Year Ended April 30, 2007

| | |
|---|---|
| Cash flows from operating activities | |
| Cash received from customers | $ 46,201,865 |
| Cash payments to suppliers | (49,270,857) |
| Cash payments to employees | (4,850,936) |
| Other cash payments | (796,015) |
| Net cash used in operating activities | (8,715,943) |
| | |
| Cash flows from non capital financing activities | |
| Cash paid to DuPage County | (15,000,000) |
| Cash received from sales taxes | 36,555,470 |
| Net cash provided by non capital financing activities | 21,555,470 |
| | |
| Cash flows from capital and related financing activities | |
| Interest paid on revenue bonds | (5,619,709) |
| Interest paid on general obligation bonds | (2,560,798) |
| Principal paid on revenue bonds | (8,254,601) |
| Principal paid on general obligation bonds | (10,472,174) |
| Construction and purchases of capital assets | (2,250,168) |
| Net cash used in capital and related financing activities | (29,157,450) |
| | |
| Cash flows from investing activities | |
| Interest on investments | 7,490,455 |
| Proceeds from investments maturing | 146,041,537 |
| Payments for investments purchased | (137,710,681) |
| Net cash provided by investing activities | 15,821,311 |
| | |
| Net decrease in cash | (496,612) |
| | |
| Cash, May 1, 2006 | 780,221 |
| | |
| Cash, April 30, 2007 | $ 283,609 |

See Notes to Financial Statements.

DuPage Water Commission

Statement of Cash Flows - Continued
Year Ended April 30, 2007

| | |
|---|---|
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | $ (17,004,693) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation expense | 6,695,222 |
| Write off of previously capitalized cost of unfeasible projects, net of cash refunds | 1,757,261 |
| Decrease in water sales accounts receivable | 339,249 |
| Increase in prepaid expenses and deposits | (13,939) |
| Decrease in deferred water supply contracts | 868,166 |
| Decrease in deferred revenue | (107,439) |
| Decrease in accounts payable | (449,381) |
| Increase in accrued liabilities and compensated absences | 122,854 |
| Decrease in contract retentions | (923,243) |
| Total adjustments | 8,288,750 |
| Net cash used in operating activities | $ (8,715,943) |

See Notes to Financial Statements.

## Note 1. Summary of Significant Accounting Policies

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

### (a) Reporting Entity

The DuPage Water Commission (Commission) is a county water commission, body politic and corporate, political subdivision and unit of local government, in DuPage County, Illinois, existing and operating under the Water Commission Act of 1985 (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 DuPage Water Commission Board consists of 13 Board members. Seven of the Board members are appointed by the DuPage County Board Chairman with the advice and consent of the County Board. One of these appointees is designated as chairman of the Commission. The other six Board members are appointed by vote of the mayors of municipalities within the DuPage County districts.

The purpose and objectives of the Commission are:

a. To provide water to municipalities and other customers within DuPage County.

b. To plan, construct, acquire, develop, operate, maintain and/or contract for facilities for receiving, storing and transmitting water from Lake Michigan for the principal use and mutual benefit of the municipalities and other customers.

c. To provide adequate supplies of such water on an economical and efficient basis for the municipalities and other customers.

d. To provide a forum for discussion, study, development and implementation of recommendations of mutual interest regarding water distribution and supply facilities within DuPage County.

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

### (b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission is accounted for as a proprietary fund type (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with water system operations are included on the statement of net assets.

## Note 1. Summary of Significant Accounting Policies (Continued)

### (b) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Under the accrual basis of accounting, 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.

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

The change in deferred revenue for the year ended April 30, 2007 was as follows:

| | |
|---|---|
| Balance, May 1 | $ 2,714,519 |
| Retirements | (107,439) |
| Balance, April 30 | $ 2,607,080 |

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Commission's principal ongoing operations.

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

### (c) Cash

Cash consists principally of deposits held in banks. For purposes of the cash flow statement, the Commission reports all certificates of deposit (CD's), investments in investment pools, money market funds and securities as investments.

### (d) Investments

The Commission reports investments at their fair value as of year-end. The net appreciation or depreciation in the fair value of investments is included as interest on investments in the statement of revenues, expenses and changes in net assets.

### (e) Accounts Receivable

Customer receivables are recorded as receivables and revenues at their original invoice amount. Management regularly reviews the customer receivable accounts and has deemed no allowance for uncollectible accounts necessary as of April 30, 2007. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 40 days.

## Note 1. Summary of Significant Accounting Policies (Continued)

### (f) Restricted Investments

Restricted investments represent those assets which are required to be held separately from other Commission investments as mandated by the revenue bond indentures. Current portions relate to funds held for revenue bond operating and maintenance costs as well as funds that will be liquidated during the subsequent fiscal year (generally for principal and interest then due), and assets held by trustees for retirement of general obligation bond principal and interest maturing in the next fiscal year. All other investments are considered noncurrent and are generally held until the bonds mature.

### (g) Inventory and Prepaid Items

Inventories are accounted for at cost, using the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### (h) Capital Assets

Capital assets, which include the Commission's waterworks system, land, buildings, furniture, equipment and vehicles are reported at cost. The Commission capitalizes all capital assets with an initial individual cost or value greater than or equal to $5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is included as part of the capitalized value of the asset constructed or improved. There was no interest cost capitalized by the Commission during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following useful lives:

| Capital 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 |

### (i) Bond Discount / Premium, Issuance Expense and Losses on Defeasance

Bond discounts, premiums and issuance costs have been deferred and are being amortized as an element of interest expense over the lives of the related bonds. Bonds payable are reported net of the applicable premium or discount. Losses on defeasance related to the outstanding General Obligation Bonds and Water Refunding Revenue Bonds have been deferred and are being amortized as an element of interest expense over the shorter of the lives of the old or new bonds.

## Note 1. Summary of Significant Accounting Policies (Continued)

### (j) Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation pay benefits and unused current calendar-year personal days. There is no liability for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission. All vacation and personal day pay is accrued when incurred and is considered current. The change in compensated absences for the year ended April 30, 2007 was as follows:

| | | |
|---|---|---|
| Balance, May 1 | $ | 150,740 |
| Issuances | | 48,148 |
| Retirements | | (20,138) |
| Balance, April 30 | $ | 178,750 |

### (k) Net Assets

The Statement of Net Assets presents the Commission's assets and liabilities with the difference reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

It is the Commission's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### (l) Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

### (m) Reclassifications

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation.

## Note 2. Budgets

In April 2006, the Commission adopted the annual management budget in the amount of $69,196,904 for operating costs, $8,208,650 for interest retirements and $19,873,000 for capital outlay for the fiscal year ended April 30, 2007. An appropriation ordinance is adopted annually to supplement the Commission's management budget. Total Commission expenditures did not exceed the appropriation ordinance, which is the legal spending authority for the Commission.

## Note 3. Deposits and Investments

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

### (a) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission's policy is to fully collateralize all deposits above FDIC insurance limits, with the collateral held in safekeeping by an independent third party in the Commission's name. Collateral may not be released without the permission of Commission management. As of April 30, 2007, none of the Commission's deposits were exposed to custodial credit risk.

Certificates of deposit totaling $26,500,000 are reported as investments in the Statement of Net Assets.

### (b) Investments

As of April 30, 2007, the Commission had the following investments and maturities:

| | | Investment Maturities (in Years) | |
|---|---|---|---|
| Investment Type | Fair Value | Less Than 1 | 1-5 |
| U.S. treasury notes | $ 13,042,711 | $ 13,042,711 | $ - |
| Illinois Funds investment pool | 91,254,708 | 91,254,708 | - |
| Money market funds | 12,913,262 | 12,913,262 | - |
| Total | $ 117,210,681 | $ 117,210,681 | $ - |

The Illinois Funds Investment Pool is not registered with the SEC. The Pool is sponsored by the Treasurer of the State of Illinois, in accordance with State law. The fair value of the position in the Pool is the same as the value of the Pool shares.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commission's investment policy does not limit the Commission's investment portfolio to specific maturities.

## Note 3. Deposits and Investments (Continued)

### (b) Investments (Continued)

Credit Risk - The Commission's investment policy limits investments of the Commission's funds to the following: (a) direct or fully guaranteed obligations of the U.S. government; (b) fully guaranteed obligations of certain U.S. federally chartered agencies; (c) interest-bearing demand or time deposits in banks and savings and loan associations; (d) short-term obligations of U.S. corporations with assets exceeding $500,000,000 and with a rating of AAA1, 2 or 3; (e) money market mutual funds whose portfolio consists solely of U.S. Government obligations; (f) the Illinois Funds 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 money market funds are not rated. The Illinois Funds Investment Pool has been rated AAAm by Standard & Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury notes are held by the Commission's agent in the Commission's name. The Illinois Funds Investment Pool and the Money Market funds are not subject to custodial credit risk. The Commission's investment policy does not address custodial credit risk for investments.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission places no limit on the amount the Commission may invest in any one issuer. More than five percent (5%) of the Commission's investments are in the Illinois Funds Investment Pool and Money Market Funds.

## Note 4. 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. Two intergovernmental agreements with charter customers were made during fiscal year 2004. Loans are to be repaid in 13 installments, commencing in 2010 and continuing through 2023. Each of the principal installments shall be determined as of the last day of the month preceding the annual payment date in any given year by dividing the unpaid principal balance by the number of annual installments of principal remaining to be paid during the term of the loan. 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, 2007, notes totaling $211,623 and $4,788,000 are due from members.

## Note 5. Capital Assets

A summary of changes in capital assets is as follows:

| | Balance May 1 | Increases | Decreases | Balance April 30 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land and permanent easements | $ 11,158,482 | $ - | $ - | $ 11,158,482 |
| Construction in progress | 21,414,776 | 2,196,927 | (2,058,145) | 21,553,558 |
| Total capital assets not being depreciated | 32,573,258 | 2,196,927 | (2,058,145) | 32,712,040 |
| Other capital assets | | | | |
| Water mains | 344,040,928 | - | (11,797) | 344,029,131 |
| Buildings and other structures | 81,381,182 | - | - | 81,381,182 |
| Pumping equipment | 5,225,286 | - | - | 5,225,286 |
| Office furniture and equipment | 5,239,220 | 53,241 | - | 5,292,461 |
| Vehicles and other equipment | 594,081 | - | - | 594,081 |
| Total other capital assets at historical cost | 436,480,697 | 53,241 | (11,797) | 436,522,141 |
| Less acccumulated depreciation for | | | | |
| Water mains | (50,919,875) | (4,298,880) | - | (55,218,755) |
| Buildings and other structures | (27,133,543) | (2,041,426) | - | (29,174,969) |
| Pumping equipment | (2,491,781) | (179,467) | - | (2,671,248) |
| Office furniture and equipment | (5,002,344) | (110,642) | - | (5,112,986) |
| Vehicles and other equipment | (348,511) | (64,807) | - | (413,318) |
| Total accumulated depreciation | (85,896,054) | (6,695,222) | - | (92,591,276) |
| Other capital assets, net | 350,584,643 | (6,641,981) | (11,797) | 343,930,865 |
| Capital assets, net | $ 383,157,901 | $ (4,445,054) | $ (2,069,942) | $ 376,642,905 |

## Note 6. Water Contract with the City of Chicago

The Commission has entered into a 40-year contract (from March 19, 1984) with the City of Chicago, Illinois (the "Chicago Contract"), under which Chicago has agreed to supply all of the Commission's water requirements, up to 1.7 times the year's annual average day amount (which is a quantity adequate to meet the customers' projected needs), with water of such quality as will meet or exceed applicable standards of the state and federal governments. The Chicago Contract provides that the cost of water to the Commission shall be equal to the rate fixed for large quantities of water furnished through meters to consumers inside Chicago furnished by Chicago through meters.

The Commission is obligated to purchase a minimum amount of water; such minimum is 50% of the aggregate Illinois Department of Natural Resources allocations. In fiscal 2007, the Commission purchased 31 billion gallons of water from the City of Chicago; such purchases equaling 83.3% 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 was amortized over the life of the contract. The balance was fully amortized as of April 30, 2007.

## Note 7. Long-Term Obligations Payable

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

| | Balance May 1 | Issuances | Retirements | Balance April 30 | Due Within One Year |
|---|---|---|---|---|---|
| Deferred revenue | $ 2,714,519 | $ - | $ 107,439 | $ 2,607,080 | $ 140,607 |
| General obligation bonds* | 56,480,000 | - | 10,205,000 | 46,275,000 | 10,715,000 |
| Revenue bonds** | 117,760,000 | - | 8,275,000 | 109,485,000 | 8,690,000 |
| Total | $ 176,954,519 | $ - | $ 18,587,439 | $ 158,367,080 | $ 19,545,607 |

| | | |
|---|---|---|
| * General obligation bonds | | |
| Principal | $ 46,275,000 | $ 10,715,000 |
| Unamortized premium | 832,654 | 344,532 |
| Unamortized loss on refunding | (659,928) | (171,938) |
| Total general obligation bonds | $ 46,447,726 | $ 10,887,594 |
| ** Revenue bonds | | |
| Principal | $ 109,485,000 | $ 8,690,000 |
| Unamortized premium | 3,779,708 | 894,275 |
| Unamortized loss on refunding | (7,696,958) | (1,099,582) |
| Total revenue bonds | $ 105,567,750 | $ 8,484,693 |

## Note 7. Long-Term Obligations Payable (Continued)

### (a) 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, 2007, $46,275,000 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-1-07, abating the ad valorem taxes on this debt and has set aside, with a trustee, $13,117,650 of sales tax proceeds to be used to service the debt as it becomes due during fiscal year 2008. The $13,117,650 is reported as restricted investments on the Statement of Net Assets.

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

| Fiscal Year Ending April 30 | Interest | Principal | Total |
|---|---|---|---|
| 2008 | 2,402,650 | 10,715,000 | 13,117,650 |
| 2009 | 1,866,900 | 11,250,000 | 13,116,900 |
| 2010 | 1,276,275 | 11,845,000 | 13,121,275 |
| 2011 | 654,413 | 12,465,000 | 13,119,413 |
| Total | $ 6,200,238 | $ 46,275,000 | $ 52,475,238 |

### (b) 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 3.0% 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 Bonds, 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, 2007, $109,485,000 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. See Note 7 (c). Substantially all revenue generated from Commission operations are pledged to retire these bonds.

## Note 7. Long-Term Obligations Payable (Continued)

### (b) Revenue Bonds (Continued)

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

| Fiscal Year Ending April 30 | Interest | Principal | Total |
|---|---|---|---|
| 2008 | 5,600,187 | 8,690,000 | 14,290,187 |
| 2009 | 5,165,688 | 9,125,000 | 14,290,688 |
| 2010 | 4,709,437 | 9,580,000 | 14,289,437 |
| 2011 | 4,230,438 | 10,060,000 | 14,290,438 |
| 2012 | 3,727,437 | 10,565,000 | 14,292,437 |
| 2013-2017 | 9,979,825 | 61,465,000 | 71,444,825 |
| Total | $ 33,413,012 | $ 109,485,000 | $ 142,898,012 |

### (c) Revenue Bond Ordinance

On January 15, 1987, the Commission adopted a master revenue bond 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.

## Note 7. Long-Term Obligations Payable (Continued)

### (c) Revenue Bond Ordinance (Continued)

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 2007.

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 2007, all required transfers were made and account balances were sufficient to meet Ordinance 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.

The Commission also issued a resolution restricting certain surplus funds for the payment of the revenue bonds. Resolution R-14-04 restricts $7,144,469 in surplus funds within the sales tax sub-account to permit the reduction of the fixed cost revenue requirements adopted by Ordinance O-7-02 pursuant to Ordinances O-1-87, O-8-93 and O-9-03.

## Note 7. Long-Term Obligations Payable (Continued)

### (c) Revenue Bond Ordinance (Continued)

Restricted investments related to the various revenue bond ordinances at April 30, 2007 are as follows:

| | |
|---|---|
| Sales tax restricted for fixed cost payments | $ 7,145,093 |
| Amount held by trustee for payment of general obligation bonds and interest | 14,037,574 |
| Operation and maintenance account | 9,542,462 |
| Interest account | 2,943,199 |
| Principal account | 9,080,302 |
| Operation and maintenance reserve account | 12,169,760 |
| Depreciation reserve account | 5,000,000 |
| Total restricted investments | $ 59,918,390 |
| Reported as | |
| Current | $ 42,748,630 |
| Noncurrent | 17,169,760 |
| | $ 59,918,390 |

## Note 8. Restricted Net Assets

The Commission has the following restricted net assets:

| | |
|---|---|
| Restricted Net Assets: | |
| Restricted assets: | |
| Investments - per various bond ordinances (Note 7(c)) | $ 59,918,390 |
| Less current liabilities payable from restricted assets: | |
| Revenue bonds: | |
| Operations and maintenance account: | |
| Accounts payable | 3,059,103 |
| Accrued liabilities | 788,319 |
| Compensated absences | 178,750 |
| Contract retentions | 71,378 |
| Principal account: | |
| Principal payable (due May 1, 2007) | 8,690,000 |
| Interest account: | |
| Interest payable (due May 1, 2007) | 2,800,094 |
| Unamortized premium and loss on refunding | (205,307) |
| General obligation bonds: | |
| Principal payable (due March 1, 2008) | 10,715,000 |
| Interest payable (due March 1, 2008) | 400,441 |
| Unamortized premium and loss on refunding | 172,594 |
| Total liabilities payable from restricted assets | 26,670,372 |
| Restricted net assets | $ 33,248,018 |

## Note 9. Unrestricted Net Assets

The Commission adopted Resolution R-14-04 on April 7, 2004. This resolution made the following "designations and assignments" of the Commission's unrestricted net assets balance:

| | |
|---|---|
| Designated for Operations: | |
| Designated and assigned to the Construction Reserve within the Sales Tax subaccount of the General Account of the Water Fund | $ 43,927,783 |
| 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 | 13,712,912 |
| Designated and assigned for emergency repairs and other contingencies | 12,900,000 |
| Total designated for operations | 70,540,695 |
| Designated Non-Operating: | |
| Designated for areas affected by contaminated well water pursuant the intergovernmental agreement, R-32-02 | 9,937,000 |
| Total non-operating designation | 9,937,000 |
| Total unrestricted net assets - designated | $ 80,477,695 |

## Note 10. Payment to DuPage County

The Governor of the State of Illinois has signed into law Public Act 93-0226 which amends the Water Commission Act of 1985. Public Act 93-0226 enacted changes concerning the appointment of the chairman of the Commission as well as required the Commission to transfer $75,000,000 to the DuPage County Board. The transfer of funds is to occur on or before July 1 of each year beginning in July 2003, $15,000,000 per year, for a period of five years. As of April 30, 2007, a liability of $15,000,000 remains in the Statement of Net Assets.

## Note 11. Commitments and Contingent Liabilities

As of April 30, 2007, the Commission's remaining commitment on contracts for future construction total approximately $250 thousand. No future financing is required. The Commission has certain other contingent liabilities resulting from litigation, claims and commitments incident to the ordinary course of business. It is the Commission's opinion that final resolution of such contingencies will not materially affect the financial position of the Commission.

## Note 12. Major Customer

During fiscal year 2007, approximately $7.6 million, or 20.53% of water sales revenue in the Water Fund was realized from the City of Naperville, the Commission's largest customer.

## Note 13. Employee Retirement Plan

### (a) Plan Description

The Commission contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. 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 8 years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois State Statute.

The Commission does not issue stand-alone financial reports for its participation in IMRF. However, IMRF issues a publicly available report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

### (b) Funding Policy

Participating employees are required to contribute 4.5% of their annual salary to IMRF. The Commission is required to contribute the remaining amounts necessary to fund the benefits of its own employees in the System, using the actuarial basis specified by state statute (entry age normal); for calendar 2006 the rate was 12.23%. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

## Note 13. Employee Retirement Plan (Continued)

### (b) Funding Policy

For calendar year 2006, the Commission's annual pension cost of $275,607 was equal to the Commission's required and actual contributions. The required contributions were determined as part of the December 31, 2004 actuarial valuation.

### (c) Significant Actuarial Assumptions

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations dated December 31, 2006. Additional information as of the latest actuarial valuation follows:

| | | |
|---|---|---|
| Actuarial Cost Method | | Entry Age Normal |
| Method Used to Determine Actuarial Value of Assets | | Five-Year Smoothed Market Value |
| Amortization Method and period | | Level Percentage of Projected Payroll-Closed Basis –30 Years |
| Significant Actuarial Assumptions | | |
| (a) | Rate of Return on Investment of Present and Future Assets | 7.50% compounded annually |
| (b) | Projected Salary Increases - Attributable to Inflation | 4.00% compounded annually |
| (c) | Additional Projected Salary Increases - Attributable to Seniority/Merit | 0.4% to 11.6% |
| (d) | Postretirement Benefit Increases | 3.00% |

### (d) Trend Information

For calendar year 2006, the Commission’s annual pension cost, required contribution and amount contributed were $275,607. For calendar year 2005, the Commission’s annual pension cost, required contribution and amount contributed were $336,441. For calendar year 2004, the Commission’s annual pension cost, required contribution and amount contributed were $199,607. There was no pension benefit obligation for any year. This was the fourth year the Commission participated in IMRF.

## Note 14. 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; and injuries to 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.

## Note 15. Other Post-Employment Benefits (OPEB)

The Commission adopted GASB Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as of April 30, 2007 on a prospective basis.

### (a) Plan Description

The Commission provides certain health care insurance benefits for retired employees under a single employer plan. The Commission is the administrator of the plan. In accordance with Commission policy, substantially all of the Commission's employees may become eligible for those benefits if they reach normal retirement age while working for the Commission. The Commission contributes $100 per month until age 65.

The Commission does not issue stand-alone financial reports for its other post-employment benefits.

### (b) Funding Policy

The Commission funds other post-employment benefits on a pay-as-you-go basis. For fiscal year 2006, the Commission's annual other post-employment benefits cost of $12,601 was equal to the Commission's required contributions. The required contributions were determined as part of the April 30, 2006 actuarial valuation.

### (c) Significant Actuarial Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Actuarial calculations reflect a long-term perspective and consistent with that perspective, 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.

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations dated April 30, 2006. Additional information as of the latest actuarial valuation follows:

| | | |
|---|---|---|
| Actuarial Cost Method | | Entry Age |
| Method Used to Determine Actuarial Value of Assets | | Market Value |
| Amortization Method and period | | Level Percentage of Pay-Closed Basis –30 Years |
| Significant Actuarial Assumptions | | |
| (a) | Rate of Return on Investment of Present and Future Assets | 5.00% compounded annually |
| (b) | Projected Salary Increases - Attributable to Inflation | N/A |
| (c) | Healthcare Inflation Rate | 8% |
| (d) | Employer Provided Benefit | $100/Month to Age 65 |

Note 15. Other Post-Employment Benefits (OPEB)

## (d) Annual OPEB Cost and Net OPEB Obligation

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations dated April 30, 2006. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Annual required contribution | $ 12,601 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | 12,601 |
| Contribution made | 1,200 |
| Increase in net OPEB obligation | 11,401 |
| Net OPEB obligation beginning of year | - |
| Net OPEB obligation end of year | $ 11,401 |

## (e) Funding Status

| Fiscal Year | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll ((b - a) / c) |
|---|---|---|---|---|---|---|
| 04/30/2006 | - | $ 98,996 | $ 98,996 | - % | N/A | N/A % |

Note 15. Other Post-Employment Benefits (OPEB)

(f) Trend Information

| Fiscal Year Ending | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 4/30/2006 | $ 12,601 | 9.50% | $ 11,401 |

Note 16. Subsequent Event

On April 12, 2007, the Board of Commissioners of the Commission passed Resolution R-28-07 which declared, effective as of May 1, 2007, for the fiscal year ending April 30, 2008 a rebate to Contract Customers in an aggregate amount of $40.0 million. This resolution will increase the expense and decrease the fund balance for the 2008 fiscal year.

DuPage Water Commission

Illinois Municipal Retirement Fund

Required Supplementary Information
Analysis of Funding Progress
April 30, 2007

| Calendar Year | | Actuarial Value of Assets (a) | | Actuarial Accrued Liability (b) | | Unfunded Actuarial Accrued Liability (b) - (a) | Funded Ratio (a)/(b) | | | Covered Payroll (c) | Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll ((b - a) / c) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2004 | $ | 1,470,339 | $ | 3,045,051 | $ | 1,574,712 | 48.29 | % | $ | 1,919,298 | 82.05 | % |
| 2005 | | 2,010,845 | | 3,497,300 | | 1,486,455 | 57.50 | | | 2,075,517 | 71.62 | |
| 2006 | | 3,949,591 | | 4,271,581 | | 321,990 | 92.46 | | | 2,253,534 | 14.29 | |

The DuPage Water Commission began participating in the Illinois Municipal Retirement Fund during fiscal year 2004.

DuPage Water Commission

Illinois Municipal Retirement Fund

Required Supplementary Information
Employer Contributions
April 30, 2007

| Calendar Year | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| 2004 | $ 199,607 | 100.00 % |
| 2005 | 336,441 | 100.00 |
| 2006 | 275,607 | 100.00 |

The DuPage Water Commission began participating in the Illinois Municipal Retirement Fund during fiscal year 2004.

DuPage Water Commission

Other Post-Employment Benefits

Required Supplementary Information
Analysis of Funding Progress
April 30, 2007

| Fiscal Year | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (b) - (a) | Funded Ratio (a)/(b) | | Covered Payroll (c) | Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll ((b - a) / c) | |
|---|---|---|---|---|---|---|---|---|
| 04/30/2004 | N/A | N/A | N/A | N/A | % | N/A | N/A | % |
| 04/30/2005 | N/A | N/A | N/A | N/A | | N/A | N/A | |
| 04/30/2006 | - | $ 98,996 | $ 98,996 | - | | N/A | N/A | |

The DuPage Water Commission began recording other post-employment benefit costs during fiscal year 2007.

DuPage Water Commission

Other Post-Employment Benefits

Required Supplementary Information
Employer Contributions
April 30, 2007

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 04/30/2004 | N/A | N/A | N/A |
| 04/30/2005 | N/A | N/A | N/A |
| 04/30/2006 | $ 12,601 | 9.50% | $ 11,401 |

DuPage Water Commission began recording other post-employment benefit costs during fiscal year 2007.

Dupage Water Commission

Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
Year Ended April 30, 2007

| | Actual | Budget | Variance Positive (Negative) |
|---|---|---|---|
| Operating revenues | | | |
| Water sales | | | |
| Operations and maintenance costs | $ 37,173,710 | $ 41,541,205 | $ (4,367,495) |
| Fixed costs | 7,145,094 | 7,145,094 | - |
| Customer differential | 718,186 | 714,437 | 3,749 |
| Other income | 63,690 | 2,500 | 61,190 |
| Total operating revenues | 45,100,680 | 49,403,236 | (4,302,556) |
| Operating expenses | | | |
| Water supply costs | 48,591,776 | 54,910,943 | 6,319,167 |
| Depreciation | 6,695,222 | 6,833,725 | 138,503 |
| Personal services | 4,879,217 | 5,125,378 | 246,161 |
| Insurance | 782,076 | 864,484 | 82,408 |
| Professional and contractual services | 552,087 | 641,181 | 89,094 |
| Administrative costs | 602,000 | 815,193 | 213,193 |
| Land and right of way | 2,995 | 6,000 | 3,005 |
| Total operating expenses | 62,105,373 | 69,196,904 | 7,091,531 |
| Operating loss | (17,004,693) | (19,793,668) | 2,788,975 |
| Nonoperating revenues (expenses) | | | |
| Sales tax | 36,422,562 | 35,677,396 | 745,166 |
| Investment income | 7,350,036 | 4,537,780 | 2,812,256 |
| Interest and other charges | (8,180,506) | (8,208,650) | 28,144 |
| Net nonoperating revenues | 35,592,092 | 32,006,526 | 3,585,566 |
| Change in net assets | 18,587,399 | 12,212,858 | 6,374,541 |
| Net assets, May 1, 2006 | 344,386,211 | 344,386,211 | - |
| Net assets, April 30, 2007 | $ 362,973,610 | $ 356,599,069 | $ 6,374,541 |

## Summary

Supplementary information for State compliance purposes presented in this section of the report includes the following:

Analysis of Operations:

- Commission Functions and Planning Program
- Average Number of Employees
- Cost Statistics, Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Commission Functions Description

The DuPage Water Commission (Commission) is a county water commission, body politic and corporate, political subdivision and unit of local government, in DuPage County, Illinois, existing and operating under the Water Commission Act of 1985 (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 DuPage Water Commission Board consists of 13 Board members. Seven of the Board members are appointed by the DuPage County Board Chairman with the advice and consent of the County Board. One of these appointees is designated as chairman of the Commission. The other six Board members are appointed by vote of the mayors of municipalities within the DuPage County districts.

The purpose and objectives of the Commission are:

a. To provide water to municipalities and other customers within DuPage County.

b. To plan, construct, acquire, develop, operate, maintain and/or contract for facilities for receiving, storing and transmitting water from Lake Michigan for the principal use and mutual benefit of the municipalities and other customers.

c. To provide adequate supplies of such water on an economical and efficient basis for the municipalities and other customers.

d. To provide a forum for discussion, study, development and implementation of recommendations of mutual interest regarding water distribution and supply facilities within DuPage County.

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

## Budget Preparation

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

## Capital Improvement Plan

In accordance with Commission policy, the Commission adopted a Capital Improvement Plan, which is reviewed annually and evaluated by the Commission with each new budget cycle. This annual document is based on the Commission's anticipated needs for normal operations, emergency operations and improvements to the system. Included in the plan is a 15-year projection of revenues, expenses and net assets. The proposed capital plan is included in the projection summary. The plan is divided into several sections – distribution system improvements, Lexington pump station improvements, and standpipe improvements. Capital outlay is funded by sales tax revenues, and major non-recurring maintenance is funded by water rates on a fiscal year basis.

General Manager:

Robert L. Martin
DuPage Water Commission
600 E. Butterfield Road
Elmhurst, IL 60126

DuPage Water Commission

Average Number of Employees
Years Ended April 30, 2007 and 2006

The following analyses were developed through analysis of headcount schedules.

| | 2007 | 2006 |
|---|---|---|
| Administrative | 6 | 6 |
| Operations | 19 | 19 |
| Pipeline | 9 | 9 |
| Total | 34 | 34 |

DuPage Water Commission

Cost Statistics, Service Efforts and Accomplishments (Unaudited)
Year Ended April 30, 2007

CUSTOMER USAGE

| CUSTOMER | FY2007 TOTAL (1,000 GAL)(1) | % OF TOTAL | ALLOCATION (1000 GAL) | % OF ALLOCATION | 2007 ALLOCATION (MGD) | 2006 ALLOCATION (MGD) |
|---|---|---|---|---|---|---|
| ADDISON | 1,345,878 | 4.49% | 1,688,828 | 79.69% | 4.644 | 4.603 |
| ARGONNE NAT'L LAB | 178,221 | 0.59% | 276,670 | 64.42% | 0.758 | 0.758 |
| BENSENVILLE | 857,113 | 2.86% | 992,740 | 86.34% | 2.724 | 2.714 |
| BLOOMINGDALE | 901,453 | 3.01% | 1,048,527 | 85.97% | 2.891 | 2.847 |
| CAROL STREAM | 1,362,863 | 4.55% | 1,693,119 | 80.49% | 4.667 | 4.599 |
| CLARENDON HILLS | 280,351 | 0.94% | 264,230 | 106.10% | 0.726 | 0.721 |
| DARIEN | 743,700 | 2.48% | 1,032,770 | 72.01% | 2.842 | 2.812 |
| DOWNERS GROVE | 2,141,185 | 7.14% | 2,525,653 | 84.78% | 6.945 | 6.884 |
| ELMHURST | 1,512,067 | 5.04% | 1,717,752 | 88.03% | 4.712 | 4.698 |
| GLEN ELLYN | 971,351 | 3.24% | 1,080,796 | 89.87% | 2.964 | 2.957 |
| GLENDALE HEIGHTS | 941,457 | 3.14% | 1,131,594 | 83.20% | 3.114 | 3.081 |
| HINSDALE | 934,406 | 3.12% | 972,543 | 96.08% | 2.667 | 2.661 |
| IAWC-ARROWHEAD | 55,756 | 0.19% | 71,540 | 77.94% | 0.196 | 0.196 |
| IAWC-COUNTRY CLUB | 32,834 | 0.11% | 42,705 | 76.89% | 0.117 | 0.117 |
| IAWC-DU PAGE/LISLE | 170,994 | 0.57% | 220,004 | 77.72% | 0.604 | 0.601 |
| IAWC-LIBERTY RIDGE | | | | | | |
| EAST | 12,733 | 0.04% | 19,193 | 66.34% | 0.053 | 0.052 |
| WEST | 98,969 | 0.33% | 132,344 | 74.78% | 0.368 | 0.355 |
| IAWC-LOMBARD HEIGHTS | 23,923 | 0.08% | 26,280 | 91.03% | 0.072 | 0.072 |
| IAWC-VALLEY VIEW | 255,177 | 0.85% | 255,500 | 99.87% | 0.700 | 0.700 |
| ITASCA | 538,801 | 1.80% | 657,154 | 81.99% | 1.810 | 1.787 |
| LISLE | 982,323 | 3.28% | 1,200,245 | 81.84% | 3.305 | 3.265 |
| LOMBARD | 1,565,652 | 5.22% | 1,811,650 | 86.42% | 4.978 | 4.943 |
| NAPERVILLE | 6,155,442 | 20.53% | 7,568,103 | 81.33% | 20.787 | 20.661 |
| OAK BROOK | 1,266,794 | 4.23% | 1,525,885 | 83.02% | 4.193 | 4.163 |
| OAKBROOK TERRACE | 57,872 | 0.19% | 95,539 | 60.57% | 0.263 | 0.260 |
| ROSELLE | 696,430 | 2.32% | 835,579 | 83.35% | 2.303 | 2.270 |
| VILLA PARK | 678,479 | 2.26% | 775,443 | 87.50% | 2.127 | 2.121 |
| WESTMONT | 935,266 | 3.12% | 1,059,596 | 88.27% | 2.908 | 2.896 |
| WHEATON | 1,850,942 | 6.17% | 2,168,712 | 85.35% | 5.960 | 5.916 |
| WILLOWBROOK | 403,192 | 1.34% | 496,188 | 81.26% | 1.364 | 1.353 |
| WINFIELD | 311,504 | 1.04% | 419,447 | 74.27% | 1.155 | 1.141 |
| WOOD DALE | 542,027 | 1.81% | 612,958 | 88.43% | 1.686 | 1.670 |
| WOODRIDGE | 1,173,643 | 3.91% | 1,213,479 | 96.72% | 3.355 | 3.282 |
| DPC - GLEN ELLYN HEIGHTS | 0 | 0.00% | 40,044 | 0.00% | 0.188 | - |
| DPC - STEEPLE RUN | 0 | 0.00% | 38,340 | 0.00% | 0.180 | - |
| DPC - SERWF | 0 | 0.00% | 262,203 | 0.00% | 1.231 | - |
| TOTAL | 29,978,798 | 100% | 35,973,353 | 83.34% | 99.557 | 97.156 |

(1) Includes meter adjustment billings.

DuPage Water Commission

Cost Statistics, Service Efforts and Accomplishments (Unaudited)
Year Ended April 30, 2007

## WATER SALES ACCOUNTABILITY

AVERAGE GALLONS SOLD TO CUSTOMERS PER DAY 82,133,693

| MONTH | SALES TO CUSTOMERS (GALLONS) (1) | PURCHASES FROM CHICAGO (GALLONS) | GALLONS BILLED % | BILLINGS TO CUSTOMERS | BILLINGS FROM CHICAGO | (Per 100 Gallons) AVERAGE RATE SOLD | AVERAGE RATE PURCHASED |
|---|---|---|---|---|---|---|---|
| May-06 | 2,610,813,000 | 2,692,357,782 | 96.97% | $ 3,891,960 | $ 3,580,836 | $ 0.14907 | $ 0.13300 |
| Jun-06 | 2,991,952,000 | 3,070,487,707 | 97.44% | 4,364,187 | 4,083,749 | 0.14586 | 0.13300 |
| Jul-06 | 3,271,454,000 | 3,360,915,489 | 97.34% | 4,711,154 | 4,470,018 | 0.14401 | 0.13300 |
| Aug-06 | 3,182,143,000 | 3,278,914,023 | 97.05% | 4,600,409 | 4,360,956 | 0.14457 | 0.13300 |
| Sep-06 | 2,484,010,000 | 2,539,240,000 | 97.82% | 3,734,339 | 3,377,189 | 0.15034 | 0.13300 |
| Oct-06 | 2,280,178,000 | 2,358,823,308 | 96.67% | 3,481,972 | 3,137,235 | 0.15271 | 0.13300 |
| Nov-06 | 2,180,207,000 | 2,227,311,241 | 97.89% | 3,357,623 | 2,962,324 | 0.15400 | 0.13300 |
| Dec-06 | 2,226,395,000 | 2,288,619,699 | 97.28% | 3,415,281 | 3,043,864 | 0.15340 | 0.13300 |
| Jan-07 | 2,220,804,000 | 2,280,218,308 | 97.39% | 3,408,348 | 3,032,690 | 0.15347 | 0.13300 |
| Feb-07 | 2,140,173,000 | 2,201,007,331 | 97.24% | 3,307,210 | 2,927,340 | 0.15453 | 0.13300 |
| Mar-07 | 2,208,929,000 | 3,412,423,571 | 64.73% | 3,393,623 | 4,538,523 | 0.15363 | 0.13300 |
| Apr-07 | 2,181,740,000 | 2,251,116,429 | 96.92% | 3,359,524 | 2,993,985 | 0.15398 | 0.13300 |
| TOTALS | 29,978,798,000 | 31,961,434,888 | 93.80% | $ 45,025,630 | $ 42,508,709 | $ 0.15019 | $ 0.13300 |

(1) Includes emergency contract customer Schaumburg. Does not include meter adjustments billings.