DuPage Water Commission

Annual Financial Report

For the Fiscal Years Ended
April 30, 2014 and 2013

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Years Ended
April 30, 2014 and 2013

Prepared by Finance Department

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS
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INTRODUCTORY SECTION

DU PAGE WATER COMMISSION
ELMHURST, ILLINOIS

PRINCIPAL OFFICIALS

April 30, 2014

General Manager	Mr. John F. Spatz, Jr.
Financial Administrator	Ms. Cheryl Peterson
Manager of Operations	Mr. Terrance McGhee

Commission administrative offices are located at:

600 East Butterfield Road
Elmhurst, IL 60126

FINANCIAL SECTION

Sikich®

1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

630.566.8400 // www.sikich.com

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the DuPage Water Commission (the Commission) as of and for the years ended April 30, 2014 and 2013, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of April 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, supplemental data, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental data is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sikich LLP

Naperville, Illinois
June 10, 2014

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

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 years ending April 30, 2014, 2013, and 2012.

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 Position, Statement of Revenues, Expenses and Changes in Net Position, 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 Position presents information on all the Commission's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four reported as net position. Over time, increases or decreases in net position 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 Position presents the information necessary to show how the Commission's net position changed during the fiscal years ending April 30, 2014 and 2013.

Both 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, deferred outflows, liabilities, deferred inflows, net position and operations, as well as summarize the Commission's significant accounting policies.

FINANCIAL OPERATIONS SUMMARY

In the current fiscal year, net position increased by $36.2 million to $405.7 million. Revenues of $141.2 million were approximately 11% higher in fiscal year 2014 compared to the prior year. Expenses increased by approximately 6% to $104.9 million compared to $99.1 million in fiscal 2013. The Commission's revenues were above budgeted expectations due to increased water sales and higher than anticipated sales tax collections. Higher costs related to increased water purchases were more than offset by continued reductions to interest costs due to accelerated debt repayment and refinancing activities, as well as other cost saving initiatives. As of April 30, 2014, net investment in capital assets was $326.4 million.

The Commission's net position rose by approximately $27.7 million in fiscal year 2013. Revenues and contributions were $126.7 million in fiscal 2013 compared to expenses totaling $99.1 million. The Commission's revenues were higher than expected due to increased water sales throughout the summer months. Expenditures were lower than budgeted primarily due to interest savings and effective cost containment efforts more than offsetting higher than expected water purchases.

Restricted net position was reduced to zero in fiscal year 2013 due to the defeasance of the 2003 Revenue Bonds and the replacement of the related 1987 bond ordinance. The requirement for restricted accounts to be maintained was not included in the new bond ordinance that became effective on February 1, 2013 when the 2013 Revenue Bonds were issued. As of April 30, 2013, net investment in capital assets was $314.8 million.

FINANCIAL ANALYSIS

Changes in Net Position. The table on page MD&A 3 presents information on the Commission's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the four reported as net position at April 30, 2014, 2013 and 2012. Net capital assets represent the total of assets capitalized less accumulated depreciation.

Fiscal Year 2014

Net capital assets decreased by $7.3 million in fiscal year 2014 due to depreciation expense of $7.9 million offset by investment in new construction, vehicles and equipment of $0.6 million.

Net investment in capital assets increased $11.6 million from the prior year. This is due to the $18.9 million decrease in debt used to finance capital assets offset by the $7.3 million decrease in capital assets mentioned above. In the fiscal year 2014, principal debt repayments related to capital assets of $19.4 million were partially offset by net amortization of premium and loss on refunding costs of $0.5 million.

Fiscal Year 2013

Net capital assets decreased by $5.9 million in fiscal year 2013 due to depreciation expense of $7.9 million offset by investment in new construction and equipment of $2.0 million.

Significant debt repayments, partially offset by a net decrease in capital assets, contributed to an increase of $15.8 million in net investment in capital assets from the prior year. Debt used to finance capital assets decreased by $21.7 million, of which $21.6 million was from principal debt repayments related to capital assets plus $0.1 million related to net amortization of premium and loss on refunding costs.

COMPARATIVE SUMMARY OF NET POSITION
April 30,

	2014	2013	2012
Assets and Deferred Outflows of Resources			
Current:			
Cash and cash equivalents	$ 18,825,424	$ 20,351,459	$ 8,544,488
Investments	51,074,297	44,817,141	22,943,780
Restricted cash and cash equivalents	-	-	28,390,510
Restricted investments	-	-	17,351,625
Receivables	20,196,694	17,909,383	15,803,796
Other assets	514,364	474,028	475,960
Non-current:			
Other assets	-	-	189,603
Long term loan receivable	539,481	588,526	637,570
Land and construction in process	12,051,670	13,250,482	12,098,217
Capital assets, net of depreciation	346,364,860	352,489,595	359,495,408
Total assets	449,566,790	449,880,614	465,930,957
Deferred outflows of resources:			
Unamortized loss on refunding	1,019,055	1,508,201	2,199,417
Total deferred outflows of resources	1,019,055	1,508,201	2,199,417
Total assets and deferred outflow of resources	450,585,845	451,388,815	468,130,374
Liabilities			
Current:			
Payables and accrued liabilities	8,183,231	7,204,558	8,363,923
Customer deposits	65,091	219,589	640,372
Bonds payable	14,094,250	16,381,250	11,090,000
Accrued interest	21,273	136,357	1,757,926
Capital lease payable	8,746	8,208	7,704
Unearned revenue	350,507	350,507	350,032
Non-current:			
Unearned revenue	3,154,561	3,505,068	3,858,119
Other liabilities	52,362	50,639	48,876
Notes payable	7,000,000	28,000,000	49,000,000
Capital lease payable	12,559	21,305	29,514
Bonds payable	11,954,550	26,048,800	51,173,871
Total liabilities	44,897,130	81,926,281	126,320,337
Net Position			
Net investment in capital assets	326,365,480	314,760,847	298,927,547
Restricted	-	-	36,566,886
Unrestricted	79,323,235	54,701,687	6,315,604
NET POSITION	$ 405,688,715	$ 369,462,534	$ 341,810,037

Revenues and Expenses. The table which follows presents a comparative summary of revenues, expenses and changes in net position for the years ended April 30, 2014, 2013 and 2012. The most significant source of revenues for the Commission continues to be from water sales.

Fiscal Year 2014
In fiscal year 2014, water sales declined to 27.84 billion gallons compared to 29.23 billion gallons in the prior fiscal year. The charter customer operations and maintenance average water rate increased from $2.89 per thousand gallons to $3.52 per thousand gallons for fiscal year 2014. Higher water rates were the reason the Commission's water revenue increased by $13.4 million or 14.5% compared to the prior year. An 18% rate increase was implemented on January 1st in the current fiscal year. There were no major new customers.

The Commission's sales tax revenues increased by $1.8 million or 5.6% as the local economy continued to improve. Sales tax collections in the current fiscal were similar to amounts received in fiscal year 2008. In addition, $7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2014 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2014.

Investment income decreased $0.4 million in part from the prior year due to unrealized losses in market values in the current fiscal year versus unrealized gains in the prior year. The Commission also did not receive additional funds from escrow activity related to debt refinancing as in the prior year. In addition, the low interest rate environment continued to limit the growth rate on the yield on investments.

The highest expense in the Commission's operations remains water distribution costs. The City of Chicago increasing their water rate charged to their customers was the main driver of water distribution costs increasing by $8.6 million (10.4%) in fiscal year 2014.

Fiscal Year 2013
Water sales for fiscal year 2013 were 29.23 billion gallons versus 27.51 billion gallons last fiscal year. The charter customer operations and maintenance average water rate increased from an average of $2.24 per thousand gallons to an average of $2.89 per thousand gallons for fiscal year 2013 due to a rate increase of 20% in January 2013. Water revenue increased by $22.9 million or 32.9% as a result of the higher rates and a 6.3% increase in water sales. There were no major new customers.

The Commission's sales tax revenues increased by $1.2 million or 3.8%, similar to the growth rate in fiscal 2012. Sales tax revenues have not yet recovered fully from the recent economic downturn but have continued to show stable growth over the past three years. Sales tax funds of $7.1 million were used to reduce the customers' fixed cost payments for fiscal year 2013 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2013.

Investment income increased by nearly $0.4 million from the prior year due to improved investment yield rates, unrealized gains related to market values and escrow earnings. The Commission began moving cash into longer term investments in late fiscal 2012. However, the growth rate on the yield on investments is still being restricted by the low interest rate environment.

Water distribution costs remain the highest expense in the Commission's operations. Water distribution costs increased $17.7 million mainly due to the City of Chicago increasing their water rate charged to their customers and a rise of over 6% in water purchases in fiscal 2013.

COMPARATIVE SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ending April 30,

	2014	2013	2012
REVENUES			
Operating:			
Water sales - all categories	$ 106,009,331	$ 92,600,883	$ 69,692,569
Other	55,933	164,774	349,425
Nonoperating:			
Sales tax	34,945,975	33,098,620	31,878,312
Investment income	123,042	508,005	114,872
Total Revenue	141,134,281	126,372,282	102,035,178
EXPENSES			
Operating:			
Water supply costs	90,772,120	82,207,354	64,544,607
Depreciation	7,952,088	7,889,770	7,381,640
Personal services	3,721,139	3,682,195	3,529,546
Other	1,497,303	1,726,419	1,643,289
Nonoperating:			
Interest and other charges	997,221	3,563,014	4,988,573
Intergovernmental expense - City of Chicago	-	-	36,508
Loss on disposal of capital assets	89	-	1,145,593
Total Expense	104,939,960	99,068,752	83,269,756
Net income (loss) before contributions	36,194,321	27,303,530	18,765,422
Contributions	31,860	348,967	29,236
Change in net position	36,226,181	27,652,497	18,794,658
Net position, May 1	369,462,534	341,810,037	323,015,379
Net position, April 30	$ 405,688,715	$ 369,462,534	$ 341,810,037

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Commission's capital assets before depreciation totaled $500.6 million in fiscal year 2014.

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

	2014	2013	2012
Land and permanent easements	$ 11,728,902	$ 11,728,902	$ 11,728,902
Construction in progress	322,768	1,521,580	369,315
Water mains	276,957,883	281,505,610	286,053,338
Buildings and other structures	57,650,587	60,215,251	61,979,662
Pumping equipment	11,258,702	10,532,375	11,141,213
Office furniture and equipment	352,406	93,147	120,230
Vehicles and other equipment	145,282	143,212	200,965
TOTAL CAPITAL ASSETS, NET	$358,416,530	$365,740,077	$371,593,625

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

Debt Administration. The Commission completed repayment of the $30 million certificate of debt in June 2013. For the remaining debt outstanding, the Commission made no material changes in structure or changed any ordinances in fiscal year 2014.

In fiscal year 2013, the Commission implemented a new bond ordinance upon defeasance of the 2003 Revenue Bonds and issuance of the 2013 Revenue Bonds. The current bond ordinance does not include requirements for certain balances to be maintained in specific accounts. Account requirements under the 1987 revenue bond ordinance in relation to the 2003 Revenue Bonds were met each month the debt was outstanding in fiscal years 2013 and 2012.

Fiscal Year 2014

The required revenue bond principal and interest payments were made monthly and on time during fiscal year 2014. On April 30, 2014, remaining revenue bond principal outstanding was $26.0 million.

As of April 30, 2014, the Commission had $7.0 million in certificates of debt outstanding compared to $28.0 million in certificates of debt at the end of the prior fiscal year. The remaining balance outstanding is part of the $40 million certificate of debt issued in May 2010. The remaining balance outstanding from April 30, 2013 on the $30 million certificate of debt issued to the Commission in December 2009 was paid in June 2013. Both were used to fund ongoing construction projects and purchase water from the City of Chicago. No principal payments are required in fiscal 2015.

The principal value remaining on the capital lease set to expire in September 2016 was approximately $21,300. In September 2011, the Commission entered into a capital lease obligation for office equipment which expires in five years. The value of the lease was approximately $42,100. No additional capital lease obligations were entered into in fiscal 2014.

Fiscal Year 2013
On April 30, 2013, the 2013 Revenue Bond principal outstanding was $42.4 million. The full amount of the 2003 Revenue Bonds was placed into escrow for the defeasance of the bonds on February 1, 2013. Prior to that time all required revenue bond principal and interest payments were made on time from funds set aside during fiscal year 2013.

Certificates of debt outstanding were $28 million as of April 30, 2013, down from $49 million as of April 30, 2012. The Commission issued a $30 million certificate of debt on December 2009, and a $40 million certificate of debt was issued in May, 2010. Both were used to fund ongoing construction projects and purchase water from the City of Chicago. No principal payments are required in fiscal 2014.

No additional capital lease obligations were entered into in fiscal 2013. The principal value remaining on the capital lease set to expire in September 2016 was approximately $29,500.

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

	2014	2013	2012
Certificates of debt	$7,000,000	$28,000,000	$ 49,000,000
Water revenue bonds	26,048,800	42,430,050	61,465,000
Capital lease	21,305	29,513	37,218
TOTAL OUTSTANDING DEBT	$33,070,105	$70,459,563	$110,502,218

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

INVESTMENT PORTFOLIO

Fiscal Year 2014
The Commission’s investment portfolio totaled $66.5 million. At the end of the fiscal year, the overall portfolio was earning approximately 0.53%. The benchmarks adopted by the Commission are based on the nature of the accounts and expected duration of the investments. The indices range from the 3 month U.S. Treasury Bill index to the 1-5 year U.S. Treasury Bill index.

Commission funds were invested as follows at April 30, 2014: United States treasury obligations (34%), United States agency investments (26%), money market funds (23%), commercial paper (10%), and municipal bonds (7%).

Fiscal Year 2013
The Commission’s investment portfolio totaled $58.7 million. At the end of the fiscal year, the portfolio was earning 0.42%. The benchmarks adopted by the Commission are based on the nature of the accounts and expected duration of the investments. The indices range from the 3 month U.S. Treasury Bill index to the 1-5 year U.S. Treasury Bill index.

Commission funds were invested as follows at April 30, 2013: United States agency investments (33%), United States treasury obligations (32%), money market funds (14%), the Illinois Funds investment pool (10%), municipal bonds (7%), certificates of deposit (3%), and commercial paper (1%).

OTHER FINANCIAL INFORMATION

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

In total the Commission issued three loans for approximately $5.6 million to charter customers during 2003-2007. Two of the loans were to be repaid in 13 installments, commencing in 2011 and continuing through 2023. Both of these loans have been paid in full. The third loan is to be repaid in 13 installments, commencing in 2014 and continuing through 2026. As of April 30, 2014 only $0.6 million remained outstanding from the customers.

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

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF NET POSITION

April 30, 2014 and 2013

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 18,825,424	$ 20,351,459
Investments	51,074,297	44,817,141
Receivables		
Water sales	12,120,990	10,015,155
Accrued interest	126,660	280,504
Sales tax	7,900,000	7,500,000
Due from other governments	-	64,680
Long-term loans receivable, current portion	49,044	49,044
Inventory	167,080	167,080
Prepaid expenses and deposits	347,284	306,948
Total current assets	90,610,779	83,552,011
NONCURRENT ASSETS		
Long-term loans receivable	539,481	588,526
Capital assets		
Not being depreciated	12,051,670	13,250,482
Being depreciated	488,518,909	487,090,296
Less accumulated depreciation	(142,154,049)	(134,600,701)
Net capital assets	358,416,530	365,740,077
Total noncurrent assets	358,956,011	366,328,603
Total assets	449,566,790	449,880,614
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	1,019,055	1,508,201
Total deferred outflows of resources	1,019,055	1,508,201
Total assets and deferred outflows of resources	450,585,845	451,388,815

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF NET POSITION (Continued)

April 30, 2014 and 2013

	2014	2013
CURRENT LIABILITIES		
Unearned revenue	$ 350,507	$ 350,507
Contract retentions	5,958	116,405
Customer deposits	65,091	219,589
Accounts payable	7,327,769	6,483,586
Accrued liabilities	629,305	393,868
Compensated absences	220,199	210,699
Capital lease payable	8,746	8,208
Revenue refunding bonds payable	14,094,250	16,381,250
Accrued interest payable	21,273	136,357
Total current liabilities	22,723,098	24,300,469
LONG-TERM LIABILITIES		
Other postemployment benefits obligation	52,362	50,639
Unearned revenue	3,154,561	3,505,068
Capital lease payable	12,559	21,305
Revenue refunding bonds payable, net	11,954,550	26,048,800
Notes payable	7,000,000	28,000,000
Total long-term liabilities	22,174,032	57,625,812
Total liabilities	44,897,130	81,926,281
NET POSITION		
Net investment in capital assets	326,365,480	314,760,847
Unrestricted	79,323,235	54,701,687
TOTAL NET POSITION	$ 405,688,715	$ 369,462,534

See accompanying notes to financial statement.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

For the Years Ended April 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Water sales		
Operations and maintenance costs	$ 97,794,815	$ 84,535,827
Fixed costs	7,144,872	7,144,872
Customer differential	1,069,644	920,184
Other income	55,933	164,774
Total operating revenues	106,065,264	92,765,657
OPERATING EXPENSES		
Water supply costs	90,772,120	82,207,354
Personal services	3,721,139	3,682,195
Insurance	521,903	531,010
Professional and contractual services	506,567	639,495
Administrative costs	468,833	555,914
Total operating expenses	95,990,562	87,615,968
OPERATING INCOME BEFORE DEPRECIATION	10,074,702	5,149,689
DEPRECIATION	7,952,088	7,889,770
OPERATING INCOME (LOSS)	2,122,614	(2,740,081)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax	34,945,975	33,098,620
Investment income	123,042	508,005
Interest and other charges	(997,221)	(3,563,014)
Loss on disposal of capital assets	(89)	-
Total non-operating revenues (expenses)	34,071,707	30,043,611
NET INCOME BEFORE CONTRIBUTIONS	36,194,321	27,303,530
Contributions	31,860	348,967
CHANGE IN NET POSITION	36,226,181	27,652,497
NET POSITION, MAY 1	369,462,534	341,810,037
NET POSITION, APRIL 30	$ 405,688,715	$ 369,462,534

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 103,398,491	$ 89,264,642
Cash payments to suppliers	(92,203,195)	(84,552,733)
Cash payments to employees	(2,672,180)	(2,620,295)
Other cash receipts	55,933	116,606
Net cash from operating activities	8,579,049	2,208,220
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from sales taxes	34,545,975	33,003,620
Cash received from water quality loans receiveable	49,045	-
Net cash from noncapital financing activities	34,595,020	33,003,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on revenue bonds	(416,856)	(4,313,113)
Interest paid on notes payable	(204,651)	(787,377)
Interest paid on capital lease payable	(1,652)	(2,145)
Proceeds from revenue refunding bonds issued	-	42,430,050
Principal paid on revenue refunding bonds	(16,381,250)	(61,465,000)
Principal paid on notes payable	(21,000,000)	(21,000,000)
Principal paid on capital lease payable	(8,208)	(7,705)
Construction and purchases of capital assets	(707,217)	(2,433,986)
Net cash from capital and related financing activities	(38,719,834)	(47,579,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	324,614	101,050
Proceeds from sale of investments	46,536,091	41,109,330
Purchase of investments	(52,840,975)	(45,426,483)
Net cash from investing activities	(5,980,270)	(4,216,103)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,526,035)	(16,583,539)
CASH AND CASH EQUIVALENTS, MAY 1	20,351,459	36,934,998
CASH AND CASH EQUIVALENTS, APRIL 30	$ 18,825,424	$ 20,351,459

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended April 30, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ 2,122,614	$ (2,740,081)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation	7,952,088	7,889,770
Changes in assets and liabilities		
Increase in water sales receivable	(2,105,835)	(2,562,882)
(Increase) Decrease in prepaid expenses and deposits	(40,336)	1,932
Decrease in due from other governments	64,680	803,711
Decrease in unearned revenue	(350,507)	(352,576)
Increase (Decrease) in accounts payable	844,183	(533,948)
Increase in accrued liabilities and compensated absences	244,937	121,314
Increase in other postemployment benefits obligation	1,723	1,763
Decrease in customer deposits	(154,498)	(420,783)
NET CASH FROM OPERATING ACTIVITIES	$ 8,579,049	$ 2,208,220
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions	$ 31,860	$ 348,967
Capital asset additions financed with accrued liabilities and contract retentions	$ -	$ 110,447
NONCASH INVESTING ACTIVITIES		
Unrealized gain (loss) on investments	$ (47,728)	$ 204,583

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The purpose and objectives of the Commission are:

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Reporting Entity

The Commission is considered to be a primary government pursuant to GASB Statement No. 14 as amended by GASB Statement No. 61 since it is legally separate and fiscally independent. These financial statements include all functions, programs, and activities under the control of the Board of Commissioners.

b. Basis of Accounting

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

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

c. Fund Accounting

Enterprise Funds

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Cash Equivalents

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

e. Investments

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

f. Accounts Receivable

Customer receivables are recorded as receivables and revenues at their original invoice amount. Management has determined no allowance for uncollectible accounts necessary as of April 30, 2014 and 2013. A receivable is considered to be past due is/if any portion of the receivable balance is outstanding for more than 40 days.

g. Prepaid Expenses

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

h. Inventory

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

i. Capital Assets - Property, Plant, and Equipment

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Capital Assets - Property, Plant, and Equipment (Continued)

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

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

j. Bond Discounts, Bond Premiums, and Losses on Refundings

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

k. Compensated Absences

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

l. Unearned Revenue

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

m. Net Position

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

o. Accounting Estimates

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

2. DEPOSITS AND INVESTMENTS

The Commission's investment policy limits investments of the Commission's funds to the following: (a) direct or fully guaranteed obligations of the U.S. Government; (b) fully guaranteed obligations of certain U.S. federally chartered agencies; (c) interest-bearing demand or time deposits in banks and savings and loan associations; (d) short-term obligations of U.S. corporations with assets exceeding $500,000,000 and with a rating of A1/P1; (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) state and local obligations rated A-/A3; and (h) repurchase agreements.

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. The Commission's investment policy allows for the pledging of collateral for all bank balances in excess of federal depository insurance, with collateral held by a third party under a trust agreement or safekeeping agreement. The bank balance of cash and certificates of deposit was fully insured at April 30, 2014 and 2013.

b. Investments

The following table presents the investments and maturities of the Commission's debt securities as of April 30, 2014 and 2013:

	2014				
		Investment Maturities in Years			
Investment Type	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury notes	$ 22,893,238	$ 1,289,851	$ 21,603,387	$ -	$ -
U.S. agency	17,115,855	1,679,710	15,436,145	-	-
Commercial Paper	6,597,829	6,597,829	-	-	-
Municipal Bond	4,467,375	650,292	3,817,083	-	-
TOTAL	$ 51,074,297	$ 10,217,682	$ 40,856,615	$ -	$ -

	2013				
		Investment Maturities in Years			
Investment Type	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury notes	$ 19,026,909	$ 2,195,832	$ 16,831,077	$ -	$ -
U.S. agency	19,419,693	-	19,419,693	-	-
Commercial Paper	499,934	499,934	-	-	-
Municipal Bond	3,897,605	-	3,897,605	-	-
TOTAL	$ 42,844,141	$ 2,695,766	$ 40,148,375	$ -	$ -

On the statement of net position are $1,973,000 of certificates of deposit that are recorded as investments for 2013.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Commission limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market. Investments cannot have a maturity greater than five years except commercial paper which is limited to 210 days.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Commission limits its exposure to credit risk by primarily investing in U.S. Government obligations and external investment pools. The money market fund and Illinois Funds are AAA rated. The commercial paper is rated A1 and the municipal bonds are rated A to AAA.

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

Concentration of credit risk is the risk of loss due to a high percentage of the Commission’s investments being invested with any one issuer. The Commission’s investment policy places no limit on the amount the Commission may invest in any one issuer, except for commercial paper which is limited to 5% of the total portfolio.

3. LOANS RECEIVABLE

On April 25, 2002, the Commission approved a motion for a proposed agreement to make long-term, low-interest loans available to Charter Customer municipalities for the purpose of providing financing under certain circumstances to future customers who presently live in areas of DuPage County not presently served by the Commission. Three intergovernmental agreements with Charter Customers were made during 2003-2007. Two of the loans were to be repaid in 13 installments, commencing in 2011 and continuing through 2023. Both of these loans have been paid in full. The third loan is to be repaid in 13 installments, commencing in 2014 and continuing through 2026. Interest at a rate of 2% per annum shall be paid annually until the principal balance of the loan has been paid in full. As of April 30, 2014 and 2013, loans totaling $588,525 and $637,570 were due from the customers, respectively. A reclassification was made to present the current portion of the loans receivable from charter customers as of April 30, 2013.

3. LOANS RECEIVABLE (Continued)

Payments due from Charter Customers are as follows:

Fiscal Year Ending April 30,	2014 Principal	2014 Interest
2015	$ 49,044	$ 11,771
2016	49,044	10,790
2017	49,044	9,809
2018	49,044	8,828
2019	49,044	7,847
2020 - 2024	245,218	24,521
2025 - 2026	98,087	2,942
TOTAL	$ 588,525	$ 76,508

Fiscal Year Ending April 30,	2013 Principal	2013 Interest
2014	$ 49,044	$ 12,751
2015	49,044	11,771
2016	49,044	10,790
2017	49,044	9,809
2018	49,044	8,828
2019 - 2023	245,219	29,426
2024 - 2026	147,131	5,885
TOTAL	$ 637,570	$ 89,260

4. CAPITAL ASSETS

Capital asset activity for years ended April 30, 2014 and 2013 is as follows:

	2014			
	Balances May 1	Additions	Retirements	Balances April 30
Capital assets not being depreciated				
Land and permanent easements	$ 11,728,902	$ -	$ -	$ 11,728,902
Construction in progress	1,521,580	595,982	1,794,794	322,768
Total capital assets not being depreciated	13,250,482	595,982	1,794,794	12,051,670

4. CAPITAL ASSETS (Continued)

	2014			
	Balances May 1	Additions	Retirements	Balances April 30
Capital assets being depreciated				
Water mains	$ 364,135,069	$ -	$ -	$ 364,135,069
Buildings and other structures	102,495,971	8,689	-	102,504,660
Pumping equipment	15,177,305	1,436,935	-	16,614,240
Office furniture and equipment	4,665,865	329,687	398,829	4,596,723
Vehicles and other equipment	616,086	52,131	-	668,217
Total capital assets being depreciated	487,090,296	1,827,442	398,829	488,518,909
Less accumulated depreciation				
Water mains	82,629,459	4,547,727	-	87,177,186
Buildings and other structures	42,280,720	2,573,353	-	44,854,073
Pumping equipment	4,644,930	710,608	-	5,355,538
Office furniture and equipment	4,572,718	70,339	398,740	4,244,317
Vehicles and other equipment	472,874	50,061	-	522,935
Total accumulated depreciation	134,600,701	7,952,088	398,740	142,154,049
Total capital assets being depreciated, net	352,489,595	(6,124,646)	89	346,364,860
CAPITAL ASSETS, NET	$ 365,740,077	$ (5,528,664)	$ 1,794,883	$ 358,416,530

	2013			
	Balances May 1	Additions	Retirements	Balances April 30
Capital assets not being depreciated				
Land and permanent easements	$ 11,728,902	$ -	$ -	$ 11,728,902
Construction in progress	369,315	1,944,754	792,489	1,521,580
Total capital assets not being depreciated	12,098,217	1,944,754	792,489	13,250,482
Capital assets being depreciated				
Water mains	364,135,069	-	-	364,135,069
Buildings and other structures	101,703,485	792,486	-	102,495,971
Pumping equipment	15,105,689	80,815	9,199	15,177,305
Office furniture and equipment	4,659,876	10,656	4,667	4,665,865
Vehicles and other equipment	616,086	-	-	616,086
Total capital assets being depreciated	486,220,205	883,957	13,866	487,090,296

4. CAPITAL ASSETS (Continued)

	2013			
	Balances May 1	Additions	Retirements	Balances April 30
Less accumulated depreciation				
Water mains	$ 78,081,731	$ 4,547,728	$ -	$ 82,629,459
Buildings and other structures	39,723,823	2,556,897	-	42,280,720
Pumping equipment	3,964,476	689,653	9,199	4,644,930
Office furniture and equipment	4,539,646	37,739	4,667	4,572,718
Vehicles and other equipment	415,121	57,753	-	472,874
Total accumulated depreciation	126,724,797	7,889,770	13,866	134,600,701
Total capital assets being depreciated, net	359,495,408	(7,005,813)	-	352,489,595
CAPITAL ASSETS, NET	$ 371,593,625	$ (5,061,059)	$ 792,489	$ 365,740,077

5. WATER CONTRACT WITH THE CITY OF CHICAGO

The Commission has entered into a 40-year contract (from March 19, 1984) with the City of Chicago, Illinois (the Chicago Contract), under which the City of Chicago (the City) has agreed to supply all of the Commission's water requirements, up to 1.7 times the year's annual average day amount, with water of such quality as will meet or exceed applicable standards of the state and federal governments. The Chicago Contract provides that the cost of water to the Commission is furnished by the City 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 2014 and 2013, the Commission purchased 28.6 and 29.9 billion gallons of water, respectively from the City, which equaled 80.0% and 84.3%, respectively of the aggregate Illinois Department of Natural Resources allocations.

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

6. RISK MANAGEMENT

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

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

7. LONG-TERM DEBT

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

	2014				
	Balances May 1	Issuances	Retirements	Balances April 30	Due Within One Year
Other postemployment benefits obligation	$ 50,639	$ 1,723	$ -	$ 52,362	$ -
Notes payable	28,000,000	-	21,000,000	7,000,000	-
Capital Lease	29,513	-	8,208	21,305	8,746
Revenue refunding bonds	42,430,050	-	16,381,250	26,048,800	14,094,250
TOTAL	$ 70,510,202	$ 1,723	$ 37,389,458	$ 33,122,467	$ 14,102,996

	2013				
	Balances May 1	Issuances	Retirements	Balances April 30	Due Within One Year
Other postemployment benefits obligation	$ 48,876	$ 1,763	$ -	$ 50,639	$ -
Notes payable	49,000,000	-	21,000,000	28,000,000	-
Capital Lease	37,218	-	7,705	29,513	8,208
Revenue refunding bonds	61,465,000	42,430,050	61,465,000	42,430,050	16,381,250
Unamortized premium	798,871	-	798,871	-	-
Total revenue bonds	62,263,871	42,430,050	62,263,871	42,430,050	16,381,250
TOTAL	$ 111,349,965	$ 42,431,813	$ 83,271,576	$ 70,510,202	$ 16,389,458

7. LONG-TERM DEBT (Continued)

b. Notes Payable

On December 21, 2009, the Commission issued $30,000,000 Debt Certificates, Series 2009 to provide for the acquisition of water and for improvements and extensions to the existing facilities of the Commission. On June 21, 2013, the 2009 Debt Certificates were redeemed and prepaid in full. Principal was due in one installment on December 21, 2015; with a variable rate of interest that is determined and reset annually (1.5% as of April 30, 2013). The 2009 Debt Certificates also allowed optional redemption and prepayments, in whole and in part, on any semiannual interest payment date. As of April 30, 2013, $3,000,000 of principal was outstanding.

On May 17, 2010, the Commission issued $40,000,000 Debt Certificates, Series 2010 to provide for the acquisition of water and for improvements and extensions to the existing facilities of the Commission. Principal is due in annual installments such that principal outstanding may not exceed the following:

May 1,	
2015	$ 7,000,000

The remaining principal balance must be paid in full by May 1, 2016. Interest is due on May 1 and November 1, 2014 and 2013 with a variable rate of interest that is determined periodically (0.90% as of April 30, 2014 and 1.45% as of April 30, 2013). As of April 30, 2014 and 2013, $7,000,000 and $25,000,000 of principal, respectively was outstanding.

c. Revenue Bonds

In February 2013, the Commission issued $42,430,050 Revenue Refunding Bonds Series 2013. Principal is due in monthly installments of $898,250 to $3,580,000, interest at 0.98% through maturity at May 15, 2016. The Series 2013 revenue bonds were issued to refund $50,375,000 of outstanding Revenue Bond, Series 2003 (call date May 1, 2013) with an average interest rate of 3.98%. As such, the Series 2003 were retired and the liability for the debt has been removed from the Commission’s books. As a result of the refunding, the Commission achieved cash flow savings of $3,181,221 and an economic gain of $3,181,241.

7. LONG-TERM DEBT (Continued)

c. Revenue Bonds (Continued)

As of April 30, 2014 and 2013, $26,048,800 and $42,430,050, respectively, of principal remained outstanding on the Series 2013 bonds. In addition, the bonds are subject to certain terms and conditions contained in the Master Revenue Bond Ordinance (the Ordinance), which was approved in December 2012 by the board and adopted when the Commission refinanced the Revenue Bonds, Series 2003, and issued the Revenue Bonds, Series 2013, in February 2013. Substantially all revenue generated from the Commission's operations are pledged to retire these bonds.

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

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

SERIES 2013 BONDS

Fiscal Year Ending April 30,	2014 Principal	2014 Interest
2015	$ 14,094,250	$ 192,025
2016	11,056,250	66,248
2017	898,300	734
TOTAL	$ 26,048,800	$ 259,007

Fiscal Year Ending April 30,	2013 Principal	2013 Interest
2014	$ 16,381,250	$ 416,855
2015	14,094,250	192,025
2016	11,056,250	66,248
2017	898,300	734
TOTAL	$ 42,430,050	$ 675,862

7. LONG-TERM DEBT (Continued)

d. Revenue Bond Ordinance

On December 18, 2012, the Commission adopted the Ordinance authorizing the issuance of Water Revenue Bonds, Series 2013, for the purpose of replacing the 1987 Ordinance and refunding the Water Revenue Bonds, Series 2003.

The Ordinance required the establishment of various accounts within the Water Fund designated as Operation and Maintenance Account, Interest Account, Principal Account, Bank Obligation Account, and General Account.

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

Operation and Maintenance Account - There shall be credited to the Operation and Maintenance Account an amount sufficient to pay Operation and Maintenance costs which shall not cause the balance in such account at any time to be greater than the Operation and Maintenance Maximum Amount.

Interest Account - There shall next be credited to the Interest Account and paid immediately to the Purchaser the then current interest due on the Bonds plus, at the Commission’s option, the interest due for the next following month. All moneys to the credit of said Account shall be used solely to pay interest on Outstanding Bonds.

Principal Account - There shall next be credited to the Principal Account at the Commission’s option, all or a portion of the principal due for the next following Fiscal Year. All moneys to the credit of the Principal Account shall be used solely to pay principal on Outstanding Bonds.

Bank Obligations Account - There shall next be credited to the Bank Obligations Account and paid immediately to the Purchaser any amounts due on Bank Obligations. All moneys to the credit of said Account shall be used solely to pay amounts due on Bank Obligations.

General Account - All moneys remaining in the Water Fund after crediting the required amounts to the respective Accounts hereinabove provided for and after making up any deficiency in any of said Accounts, including for past due amounts that remain unpaid, shall be credited to the General Account.

All the accounts are held by the Commission.

7. LONG-TERM DEBT (Continued)

e. Capital Lease

In September 2011, the Commission entered into a five year capital lease obligation for office equipment. Future minimum lease payments under capital leases for the next five years in total are as follows:

Fiscal Year Ending April 30,	Principal
2015	$ 9,849
2016	9,849
2017	3,283
Total Minimum Future Lease Payments	22,981
Less Interest	1,676
PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS	$ 21,305

8. CONTINGENCIES

Contingent Liabilities

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

9. MAJOR CUSTOMER

During fiscal year 2014 and 2013, approximately 5.6 and 6.1 billion gallons, or 20.05% and 21.01%, respectively of water sales revenue in the Water Fund were realized from the City of Naperville, the Commission's largest customer.

10. DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund

Plan Description. The Commission's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Commission's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at www.imrf.org.

10. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Funding Policy. As set by statute, the Commission's regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires the Commission to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2013 was 11.91%. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For April 30, 2014 and 2013, the Commission's annual pension cost of $311,561 and $304,608, respectively was equal to the Commission's required and actual contributions. The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry-age normal actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 10.00% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3.00% annually. The actuarial value of the Commission's plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Commission's plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level of percentage of projected payroll on an open 30 year basis.

10. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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

	Fiscal Year	Illinois Municipal Retirement
Annual pension cost (APC)	2012	$ 282,693
	2013	304,608
	2014	311,561
Actual contributions	2012	$ 282,693
	2013	304,608
	2014	311,561
Percentage of APC contributed	2012	100.00%
	2013	100.00%
	2014	100.00%
NPO	2012	$ -
	2013	-
	2014	-

Funded Status and Funding Progress. The funded status and funding progress of the plan as of December 31, 2013 and 2012 was as follows:

	2013	2012
Actuarial accrued liability (AAL)	$ 7,684,981	$ 6,949,144
Actuarial value of plan assets	6,582,996	5,501,960
Unfunded actuarial accrued liability (UAAL)	1,101,985	1,447,184
Funded ratio (actuarial value of plan assets/AAL)	85.66%	79.17%
Covered payroll (active plan members)	$ 2,563,971	$ 2,514,715
UAAL as a percentage of covered payroll	42.98%	57.55%

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

11. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At April 30, 2013, the most recent actuarial valuation, membership consisted of:

Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	23
Active nonvested plan members	11
TOTAL	36
Participating employers	1

d. Funding Policy

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2013, and 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2012	$ 8,480	75.12%	$ 48,876
April 30, 2013	8,133	78.30%	50,639
April 30, 2014	8,093	78.71%	52,362

The net OPEB obligation as of April 30, 2014 and 2013 was calculated as follows:

	2014	2013
Annual required contribution	$ 7,755	$ 7,755
Interest on net OPEB obligation	2,026	1,955
Adjustment to annual required contribution	(1,688)	(1,577)
Annual OPEB cost	8,093	8,133
Contributions made	6,370	6,370
Increase in net OPEB obligation	1,723	1,763
Net OPEB obligation, beginning of year	50,639	48,876
NET OPEB OBLIGATION, END OF YEAR	$ 52,362	$ 50,639

Funded Status and Funding Progress: The funded status of the Plan as of April 30, 2013 (most recent valuation) was as follows:

Actuarial accrued liability (AAL)	$ 86,237
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	86,237
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 2,643,508
UAAL as a percentage of covered payroll	3.26%

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

In the April 30, 2013 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included an investment rate of return of 4.0% and an initial healthcare cost trend rate of 8.0% with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 4.0% wage inflation assumption. The actuarial value of assets was not determined as the Commission has not advance funded its obligation. The Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2013 was 30 years.

12. CUSTOMER PREPAYMENTS

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

13. SALES TAX

Beginning June 1, 2016, the sales tax imposed may no longer be imposed or collected, unless a continuation of the tax is approved by the voters at a referendum.

REQUIRED SUPPLEMENTARY INFORMATION

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2014

Actuarial Valuation December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ 4,653,290	$ 5,774,686	80.58%	$ 1,121,396	$ 2,602,576	43.09%
2009	5,026,706	6,359,912	79.04%	1,333,206	2,760,942	48.29%
2010	4,142,473	5,795,662	71.48%	1,653,189	2,537,383	65.15%
2011	4,783,201	6,361,630	75.19%	1,578,429	2,484,345	63.54%
2012	5,501,960	6,949,144	79.17%	1,447,184	2,514,715	57.55%
2013	6,582,996	7,684,981	85.66%	1,101,985	2,563,971	42.98%

On a market value basis, the actuarial value of assets as of December 31, 2013 is $7,685,176. On a market basis, the funded ratio would be 100.00%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the DuPage Water Commission. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2014

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	$ 240,646	$ 240,646	100.00%
2010	265,581	265,581	100.00%
2011	271,059	271,059	100.00%
2012	282,693	282,693	100.00%
2013	304,608	304,608	100.00%
2014	311,561	311,561	100.00%

(See independent auditor's report.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2014

Actuarial Valuation Date April 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2009	*	*	*	*	*	*
2010	-	$ 78,076	0.00%	$ 78,076	$ 2,820,206	2.77%
2011	*	*	*	*	*	*
2012	*	*	*	*	*	*
2013	-	86,237	0.00%	86,237	2,643,508	3.26%
2014	*	*	*	*	*	*

*The requirements under GASB Statement No. 45 require an actuarial valuation every three years. Therefore, no actuarial valuation was done as of April 30, 2009, 2011, 2012, and 2014.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2014

Fiscal Year	**Employer Contributions**	**Annual Required Contribution (ARC)**	**Percentage Contributed**
2009	$ 6,370	$ 8,760	72.72%
2010	6,370	8,760	72.72%
2011	6,370	7,755	82.14%
2012	6,370	7,755	82.14%
2013	6,370	7,755	82.14%
2014	6,370	7,755	82.14%

(See independent auditor's report.)

SUPPLEMENTAL DATA

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL

For the Years Ended April 30, 2014
(with comparative actual)

	2014			2013
	Budget	**Actual**	**Variance**	**Actual**
OPERATING REVENUES				
Water sales				
Operations and maintenance costs	$ 94,185,521	$ 97,794,815	$ 3,609,294	$ 84,535,827
Fixed costs	7,144,729	7,144,872	143	7,144,872
Customer differential	919,370	1,069,644	150,274	920,184
Other income	-	55,934	55,934	164,774
Total operating revenues	102,249,620	106,065,265	3,815,645	92,765,657
OPERATING EXPENSES				
Water supply costs	90,366,554	90,772,120	405,566	82,207,354
Personal services	3,882,622	3,721,139	(161,483)	3,682,195
Insurance	621,500	521,903	(99,597)	531,010
Professional and contractual services	923,300	506,567	(416,733)	639,495
Administrative costs	765,918	468,833	(297,085)	555,914
Total operating expenses	96,559,894	95,990,562	(569,332)	87,615,968
OPERATING INCOME BEFORE DEPRECIATION	5,689,726	10,074,703	4,384,977	5,149,689
DEPRECIATION	7,956,000	7,952,089	(3,911)	7,889,770
OPERATING INCOME (LOSS)	(2,266,274)	2,122,614	(4,388,888)	(2,740,081)
NONOPERATING REVENUES (EXPENSES)				
Sales tax	32,299,519	34,945,975	2,646,456	33,098,620
Investment income	252,000	123,042	(128,958)	508,005
Interest and other charges	(1,974,100)	(997,221)	976,879	(3,563,014)
Loss on disposal of capital assets	-	(89)	(89)	-
Total nonoperating revenues (expenses)	30,577,419	34,071,707	3,494,288	30,043,611
NET INCOME BEFORE CONTRIBUTIONS	28,311,145	36,194,321	7,883,176	27,303,530
Contributions	298,616	31,860	(266,756)	348,967
CHANGE IN NET POSITION	$ 28,609,761	36,226,181	$ 7,616,420	27,652,497
NET POSITION, MAY 1		369,462,534		341,810,037
NET POSITION, APRIL 30		$ 405,688,715		$ 369,462,534

(See independent auditor's report.)

STATISTICAL SECTION

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SALES TAX REVENUES

April 30, 2014

For the Years Ended	Sales Tax Revenues
2014	$ 34,945,975
2013	33,098,620
2012	31,878,312
2011	30,780,825
2010	29,046,664

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATE WATER ALLOCATIONS

April 30, 2014

	(Millions Gallons Per Day) (1)		
	2010	**2020**	**2030**
Addison	4.230	4.457	4.682
Argonne National Laboratory (2)	0.758	0.758	0.758
Bensenville	2.571	2.616	2.660
Bloomingdale	2.767	3.048	3.327
Carol Stream	4.213	4.600	4.926
Clarendon Hills	0.832	0.888	0.942
Darien	2.934	3.254	3.293
Downers Grove	6.589	7.265	7.937
DuPage County			
Glen Ellyn Heights	0.210	0.283	0.395
Steeple Run	0.183	0.189	0.195
S.E.R.W.F.	0.643	0.708	0.782
Hobson Valley	0.051	0.126	0.195
York Township	0.172	0.172	0.172
Elmhurst	4.699	4.749	4.797
Glenn Ellyn	2.985	3.164	3.349
Glendale Heights	2.869	2.977	3.086
Hinsdale	2.762	2.923	3.081
Illinois American			
Arrowhead	0.190	0.190	0.190
Country Club Estates	0.105	0.105	0.105
DuPage/Lisle	0.555	0.585	0.615
Liberty Ridge East	0.042	0.048	0.054
Liberty Ridge West	0.305	0.349	0.400
Lombard Heights	0.065	0.065	0.065
Valley View	0.700	0.700	0.700
Itasca	1.666	1.951	2.143
Lisle	3.024	3.261	3.497
Lombard	4.777	5.177	5.572
Naperville	18.803	21.683	24.560
Oak Brook	4.205	4.508	4.675
Oak Brook Terrace	0.281	0.293	0.293
Roselle	2.206	2.357	2.508
Villa Park	2.146	2.206	2.284
Westmont	2.945	3.069	3.173
Wheaton	5.821	6.008	6.191
Willowbrook	1.267	1.452	1.636
Winfield	1.011	1.188	1.366
Wood Dale	1.613	1.680	1.747
Woodridge	3.876	4.479	4.479
TOTAL AVERAGE MGD	95.071	103.531	110.830

(1) State Water allocations are expressed in terms of average quantity per day. Actual use in a day may exceed average daily use.

(2) The state has determined that no water allocation permit is required for Argonne National Laboratory to draw water from Lake Michigan. The figures set forth in this table represent the maximum amount of water the Commission is obligated to sell to Argonne National Laboratory.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

WATER REVENUES AND USAGE

April 30, 2014

For the Year Ended	Water Sales (1)	Gallons Sold (in 000's)
2014	$ 104,939,687	27,841,047
2013	91,680,699	29,228,914
2012	68,784,739	27,508,123
2011	58,863,923	28,110,957
2010	48,522,181	27,960,000

(1) Amounts include water sales from operation and maintenance costs and fixed costs, excludes customer differential