

DuPage Water Commission



Annual Financial Report

For the Fiscal Years Ended
April 30, 2013 and 2012

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Years Ended
April 30, 2013 and 2012

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS
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INTRODUCTORY SECTION

**DU PAGE WATER COMMISSION
ELMHURST, ILLINOIS**

PRINCIPAL OFFICIALS

April 30, 2013

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements the DuPage Water Commission (the Commission) as of and for the years ended April 30, 2013 and 2012, 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, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Commission adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended April 30, 2013. Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance. Statement No. 63 added classifications on the statement of net position and changed net assets to net position. Statement No. 65 changed the classifications of certain items on the statement of position to the new classifications contained in GASB Statement No. 63. The addition of these statements had no effect on any of the Commission's net position as of and for the year ended April 30, 2013.

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 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.

Naperville, Illinois
June 28, 2013

Siskind LLP

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the DuPage Water Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal years ending April 30, 2013, 2012, and 2011.

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, 2013 and 2012.

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

The Commission's net position rose by approximately \$27.7 million in the current fiscal year. 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 usage 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 the current year 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.

In fiscal year 2012, net position increased by \$18.8 million to \$341.8 million. Revenues of \$102.0 million were approximately 12% higher in fiscal year 2012 compared to the prior year. Expenses decreased by nearly 8% to \$83.3 million compared to \$90.1 million in fiscal 2011. Restricted net position and net investment in capital assets were \$36.6 million and \$298.9 million, respectively.

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, 2013, 2012 and 2011. Net capital assets represent the total of assets capitalized less accumulated depreciation.

Fiscal Year 2013

Capital assets, net 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.

Fiscal Year 2012

Capital assets, net decreased by \$8.1 million in fiscal year 2012 due to depreciation expense of \$7.4 million and the write-off of \$1.2 million in assets under construction, offset by investment in new construction, vehicles and equipment of \$0.5 million. As a result of the Commission's improvements to the Lexington pumping station, the planned capital project to build a second reservoir was no longer deemed necessary and the costs incurred to date for that project were expensed.

Net investment in capital assets increased \$1.8 million from the prior year. This is due to the \$8.1 million decrease in capital assets mentioned above coupled with a net decrease of \$9.9 million in debt used to finance capital assets. In the fiscal year 2012, principal debt repayments related to capital assets of \$10.6 million were partially offset by net amortization of premium and loss on refunding costs of \$0.7 million.

Restricted net position increased by \$2.5 million from the prior year. For more information see Note 8, in the notes to the financial statements.

COMPARATIVE SUMMARY OF NET POSITION

April 30,

| | 2013 | 2012 | 2011 |
|--|-----------------------|-----------------------|-----------------------|
| Assets and Deferred Outflows of Resources | | | |
| Current: | | | |
| Cash and cash equivalents | \$ 20,351,459 | \$ 8,544,488 | \$ 26,837,754 |
| Investments | 44,817,141 | 22,943,780 | - |
| Restricted cash and cash equivalents | - | 28,390,510 | 32,187,288 |
| Restricted investments | - | 17,351,625 | 10,980,000 |
| Receivables | 17,860,339 | 15,803,796 | 19,889,484 |
| Other assets | 474,028 | 475,960 | 492,945 |
| Non-current: | | | |
| Other assets | - | 189,603 | 266,137 |
| Long term loan receivable | 637,570 | 637,570 | 5,000,569 |
| Land and construction in process | 13,250,482 | 12,098,217 | 41,200,486 |
| Capital assets, net of depreciation | 352,489,595 | 359,495,408 | 338,473,794 |
| Total assets | 449,880,614 | 465,930,957 | 475,328,457 |
| Deferred outflows of resources: | | | |
| Unamortized loss on refunding | 1,508,201 | 2,199,417 | 3,299,126 |
| Total deferred outflows of resources | 1,508,201 | 2,199,417 | 3,299,126 |
| Total assets and deferred outflow of resources | 451,388,815 | 468,130,374 | 478,627,583 |
| Liabilities | | | |
| Current: | | | |
| Payables and accrued liabilities | 7,204,558 | 8,363,923 | 7,714,603 |
| Customer deposits | 219,589 | 640,372 | 648,884 |
| Bonds payable | 16,381,250 | 11,090,000 | 10,565,000 |
| Accrued interest | 136,357 | 1,757,926 | 2,130,242 |
| Capital lease payable | 8,208 | 7,704 | - |
| Unearned revenue | 350,507 | 350,032 | 139,874 |
| Non-current: | | | |
| Unearned revenue | 3,505,068 | 3,858,119 | 1,664,791 |
| Other liabilities | 50,639 | 48,876 | 46,766 |
| Notes payable | 28,000,000 | 49,000,000 | 70,000,000 |
| Capital lease payable | 21,305 | 29,514 | - |
| Bonds payable | 26,048,800 | 51,173,871 | 62,702,044 |
| Total liabilities | 81,926,281 | 126,320,337 | 155,612,204 |
| Net Position | | | |
| Net investment in capital assets | 314,760,847 | 298,927,547 | 297,141,079 |
| Restricted | - | 36,566,886 | 34,115,788 |
| Unrestricted | 54,701,687 | 6,315,604 | (8,241,488) |
| NET POSITION | \$ 369,462,534 | \$ 341,810,037 | \$ 323,015,379 |

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, 2013, 2012 and 2011. The most significant source of revenues for the Commission continues to be from water sales.

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. The Commission began moving cash into longer term investments in late fiscal 2012. A more significant amount of the invested funds were therefore in the higher yield long-term investments for the full year, which resulted in increased investment income in fiscal 2013. 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.

Fiscal Year 2012

In fiscal year 2012, water sales declined to 27.51 billion gallons compared to 28.11 billion gallons in the prior fiscal year. The average charter customer operations and maintenance water rate increased from \$1.84 per thousand gallons to \$2.24 per thousand gallons for fiscal year 2012. Water revenue increased by \$9.9 million or 16.6% due primarily to a 30% rate increase implemented in the fiscal year.

The Commission's sales tax revenues increased by \$1.1 million or 3.6% as the local economy slightly improved over the prior year. In addition, \$7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2012 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2012.

Investment income decreased \$0.1 million from the prior year due to a further decline in investment yield rates.

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 \$0.8 million (1.3%) in fiscal year 2012.

COMPARATIVE SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ending April 30,

| | 2013 | 2012 | 2011 |
|---|-----------------------|-----------------------|-----------------------|
| REVENUES | | | |
| Operating: | | | |
| Water sales - all categories | \$ 92,600,883 | \$ 69,692,569 | \$ 59,785,622 |
| Other | 164,774 | 349,425 | 16,453 |
| Nonoperating: | | | |
| Sales tax | 33,098,620 | 31,878,312 | 30,780,825 |
| Investment income | 508,005 | 114,872 | 253,179 |
| | | | |
| Total Revenue | 126,372,282 | 102,035,178 | 90,836,079 |
| | | | |
| EXPENSES | | | |
| Operating: | | | |
| Water supply costs | 82,207,354 | 64,544,607 | 63,717,280 |
| Depreciation | 7,889,770 | 7,381,640 | 6,878,751 |
| Personal services | 3,682,195 | 3,529,546 | 3,373,895 |
| Other | 1,726,419 | 1,643,289 | 1,784,792 |
| Nonoperating: | | | |
| Interest and other charges | 3,563,014 | 4,988,573 | 6,755,941 |
| Intergovernmental expense - City of Chicago | - | 36,508 | 7,199,344 |
| Loss on disposal of capital assets | - | 1,145,593 | - |
| Loss from loan to charter customer | - | - | 425,000 |
| | | | |
| Total Expense | 99,068,752 | 83,269,756 | 90,135,003 |
| | | | |
| Net income (loss) before contributions | 27,303,530 | 18,765,422 | 701,076 |
| | | | |
| Contributions | 348,967 | 29,236 | 356,770 |
| | | | |
| Change in net position | 27,652,497 | 18,794,658 | 1,057,846 |
| | | | |
| Net position, May 1 | 341,810,037 | 323,015,379 | 321,957,533 |
| | | | |
| Net position, April 30 | <u>\$ 369,462,534</u> | <u>\$ 341,810,037</u> | <u>\$ 323,015,379</u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Commission's capital assets before depreciation totaled \$500.3 million in fiscal year 2013.

COMPARATIVE SUMMARY OF CHANGES IN NET CAPITAL ASSETS

For Fiscal Years Ending April 30,

| | 2013 | 2012 | 2011 |
|----------------------------------|----------------------|----------------------|----------------------|
| Land and permanent easements | \$ 11,728,902 | \$ 11,728,902 | \$ 11,728,902 |
| Construction in progress | 1,521,580 | 369,315 | 29,471,584 |
| Water mains | 281,505,610 | 286,053,338 | 290,434,945 |
| Buildings and other structures | 60,215,251 | 61,979,662 | 45,929,867 |
| Pumping equipment | 10,532,375 | 11,141,213 | 1,917,595 |
| Office furniture and equipment | 93,147 | 120,230 | 35,669 |
| Vehicles and other equipment | 143,212 | 200,965 | 155,718 |
| TOTAL CAPITAL ASSETS, NET | \$365,740,077 | \$371,593,625 | \$379,674,280 |

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

Debt Administration. In fiscal 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 year 2013 and each month of fiscal years ending April 30, 2012 and 2011, with one exception. The Depreciation Account was under funded by \$1.7 million at May 31, 2010. This was rectified by June 30, 2010.

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.

Fiscal Year 2012

At fiscal year-end the Operations and Maintenance Reserve Account and the Depreciation Account were overfunded by \$78,437 and \$31,952, respectively. The General Account balance was \$18.1 million, which included a \$13.0 million reserve established as Commission policy in July 2010, for Emergency Repairs and Other Contingencies.

The required revenue bond principal and interest payments were made on time from funds set aside during fiscal year 2012. On April 30, 2012, remaining revenue bond principal outstanding was \$61.5 million.

As of April 30, 2012, the Commission had \$49.0 million in certificates of debt outstanding compared to \$70 million in certificates of debt at the end of the prior fiscal year. 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 2013.

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.

COMPARATIVE SUMMARY OF CHANGES IN OUTSTANDING DEBT

For Fiscal Years Ending April 30,

| | 2013 | 2012 | 2011 |
|-------------------------------|---------------------|----------------------|----------------------|
| Certificates of debt | \$28,000,000 | \$ 49,000,000 | \$ 70,000,000 |
| Water revenue bonds | 42,430,050 | 61,465,000 | 72,030,000 |
| Capital lease | 29,513 | 37,218 | - |
| TOTAL OUTSTANDING DEBT | \$70,459,563 | \$110,502,218 | \$142,030,000 |

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

INVESTMENT PORTFOLIO

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%).

Fiscal Year 2012

The Commission's investment portfolio totaled \$76.4 million. At the end of the fiscal year, the overall portfolio was earning approximately 0.25%. 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, 2012: the Illinois Funds investment pool (28%), United States treasury obligations (23%), money market funds (19%), United States agency investments (15%), commercial paper (12%), and certificates of deposit (3%).

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, 2013 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, 2013 and 2012

| | 2013 | 2012 |
|---|--------------------|--------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 20,351,459 | \$ 8,544,488 |
| Investments | 44,817,141 | 22,943,780 |
| Restricted cash and cash equivalents | - | 28,390,510 |
| Restricted investments | - | 17,351,625 |
| Receivables | | |
| Water sales | 10,015,155 | 7,452,273 |
| Accrued interest | 280,504 | 78,132 |
| Sales tax | 7,500,000 | 7,405,000 |
| Due from other governments | 64,680 | 868,391 |
| Inventory | 167,080 | 167,080 |
| Prepaid expenses and deposits | 306,948 | 308,880 |
| | <u>83,502,967</u> | <u>93,510,159</u> |
| NONCURRENT ASSETS | | |
| Unamortized issuance costs | - | 189,603 |
| | <u>637,570</u> | <u>637,570</u> |
| Long-term loans receivable | | |
| Capital assets | | |
| Not being depreciated | 13,250,482 | 12,098,217 |
| Being depreciated | 487,090,296 | 486,220,205 |
| Less accumulated depreciation | (134,600,701) | (126,724,797) |
| | <u>365,740,077</u> | <u>371,593,625</u> |
| Net capital assets | | |
| | <u>366,377,647</u> | <u>372,420,798</u> |
| Total noncurrent assets | | |
| | <u>449,880,614</u> | <u>465,930,957</u> |
| Total assets | | |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Unamortized loss on refunding | 1,508,201 | 2,199,417 |
| | <u>1,508,201</u> | <u>2,199,417</u> |
| Total deferred outflows of resources | | |
| | <u>451,388,815</u> | <u>468,130,374</u> |
| Total assets and deferred outflows of resources | | |

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF NET POSITION (Continued)

April 30, 2013 and 2012

| | 2013 | 2012 |
|--|-----------------------|-----------------------|
| CURRENT LIABILITIES | | |
| Unearned revenue | \$ 350,507 | \$ 350,032 |
| Contract retentions | 116,405 | 507,736 |
| Customer deposits | 219,589 | 640,372 |
| Accounts payable | 6,483,586 | 7,017,534 |
| Accrued liabilities | 393,868 | 648,217 |
| Compensated absences | 210,699 | 190,436 |
| Capital lease payable | 8,208 | 7,704 |
| Revenue refunding bonds payable | 16,381,250 | 11,090,000 |
| Accrued interest payable | 136,357 | 1,757,926 |
| Total current liabilities | 24,300,469 | 22,209,957 |
| LONG-TERM LIABILITIES | | |
| Other postemployment benefits obligation | 50,639 | 48,876 |
| Unearned revenue | 3,505,068 | 3,858,119 |
| Capital lease payable | 21,305 | 29,514 |
| Revenue refunding bonds payable, net | 26,048,800 | 51,173,871 |
| Notes payable | 28,000,000 | 49,000,000 |
| Total long-term liabilities | 57,625,812 | 104,110,380 |
| Total liabilities | 81,926,281 | 126,320,337 |
| NET POSITION | | |
| Net investment in capital assets | 314,760,847 | 298,927,547 |
| Restricted by bond ordinances | - | 36,566,886 |
| Unrestricted | 54,701,687 | 6,315,604 |
| TOTAL NET POSITION | \$ 369,462,534 | \$ 341,810,037 |

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, 2013 and 2012

| | 2013 | 2012 |
|--|----------------|----------------|
| OPERATING REVENUES | | |
| Water sales | | |
| Operations and maintenance costs | \$ 84,535,827 | \$ 61,640,145 |
| Fixed costs | 7,144,872 | 7,144,594 |
| Customer differential | 920,184 | 907,830 |
| Other income | 164,774 | 349,425 |
| Total operating revenues | 92,765,657 | 70,041,994 |
| OPERATING EXPENSES | | |
| Water supply costs | 82,207,354 | 64,544,607 |
| Personal services | 3,682,195 | 3,529,546 |
| Insurance | 531,010 | 545,810 |
| Professional and contractual services | 639,495 | 657,286 |
| Administrative costs | 555,914 | 440,193 |
| Total operating expenses | 87,615,968 | 69,717,442 |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION | 5,149,689 | 324,552 |
| DEPRECIATION | 7,889,770 | 7,381,640 |
| OPERATING INCOME (LOSS) | (2,740,081) | (7,057,088) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Sales tax | 33,098,620 | 31,878,312 |
| Investment income | 508,005 | 114,872 |
| Intergovernmental expense | - | (36,508) |
| Interest and other charges | (3,563,014) | (4,988,573) |
| Loss on disposal of capital assets | - | (1,145,593) |
| Total nonoperating revenues (expenses) | 30,043,611 | 25,822,510 |
| NET INCOME BEFORE CONTRIBUTIONS | 27,303,530 | 18,765,422 |
| Contributions | 348,967 | 29,236 |
| CHANGE IN NET POSITION | 27,652,497 | 18,794,658 |
| NET POSITION, MAY 1 | 341,810,037 | 323,015,379 |
| NET POSITION, APRIL 30 | \$ 369,462,534 | \$ 341,810,037 |

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2013 and 2012

| | 2013 | 2012 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 89,264,642 | \$ 71,873,291 |
| Cash payments to suppliers | (84,552,733) | (61,017,454) |
| Cash payments to employees | (2,620,295) | (2,490,342) |
| Other cash receipts | 116,606 | 349,425 |
| | 2,208,220 | 8,714,920 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Cash received from sales taxes | 33,003,620 | 31,819,493 |
| Cash received from water quality loans | - | 4,362,999 |
| Cash payments for intergovernmental expenses | - | (36,508) |
| | 33,003,620 | 36,145,984 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Interest paid on revenue bonds | (4,313,113) | (3,463,313) |
| Interest paid on notes payable | (787,377) | (1,302,812) |
| Interest paid on capital lease payable | (2,145) | (1,694) |
| Proceeds from revenue refunding bonds issued | 42,430,050 | - |
| Principal paid on revenue refunding bonds | (61,465,000) | (10,565,000) |
| Principal paid on notes payable | (21,000,000) | (21,000,000) |
| Principal paid on capital lease payable | (7,705) | (4,871) |
| Construction and purchases of capital assets | (2,433,986) | (1,602,231) |
| | (47,579,276) | (37,939,921) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | 101,050 | 251,553 |
| Proceeds from sale of investments | 41,109,330 | 20,856,000 |
| Purchase of investments | (45,426,483) | (50,118,580) |
| | (4,216,103) | (29,011,027) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (16,583,539) | (22,090,044) |
| CASH AND CASH EQUIVALENTS, MAY 1 | 36,934,998 | 59,025,042 |
| CASH AND CASH EQUIVALENTS, APRIL 30 | \$ 20,351,459 | \$ 36,934,998 |
| CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION | | |
| Cash and cash equivalents | \$ 20,351,459 | \$ 8,544,488 |
| Restricted cash and cash equivalents | - | 28,390,510 |
| TOTAL CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION | \$ 20,351,459 | \$ 36,934,998 |

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended April 30, 2013 and 2012

| | 2013 | 2012 |
|---|----------------|----------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (2,740,081) | \$ (7,057,088) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities | | |
| Depreciation | 7,889,770 | 7,381,640 |
| Changes in assets and liabilities | | |
| Increase in water sales receivable | (2,562,882) | (214,252) |
| Decrease in prepaid expenses and deposits | 1,932 | 16,985 |
| Decrease in due from other governments | 803,711 | 4,169,253 |
| Increase (Decrease) in unearned revenue | (352,576) | 2,403,486 |
| Increase (Decrease) in accounts payable | (533,948) | 3,111,375 |
| Decrease in accrued liabilities and compensated absences | 121,314 | (1,090,077) |
| Increase in other postemployment benefits obligation | 1,763 | 2,110 |
| Decrease in customer deposits | (420,783) | (8,512) |
| NET CASH FROM OPERATING ACTIVITIES | \$ 2,208,220 | \$ 8,714,920 |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Contributions | \$ 348,967 | \$ 29,236 |
| Capital asset additions financed with accrued liabilities and contract retentions | \$ 110,447 | \$ 355,400 |
| Purchased of capital assets financed with capital lease | \$ - | \$ 42,089 |

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The purpose and objectives of the Commission are:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Reporting Entity

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

b. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net 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. Nonoperating revenues/expenses are incidental to the operation of the fund.

c. Fund Accounting

Enterprise Funds

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

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, 2013 and 2012. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 40 days.

g. Prepaid Expenses

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

h. Inventory

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

i. Restricted Cash and Cash Equivalents and Investments

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Capital Assets - Property, Plant, and Equipment

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

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

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

k. Bond 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.

l. 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.

m. Unearned Revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. 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.

o. 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. The Commission does not have any deferred inflows of resources that meet this criteria.

p. Accounting Estimates

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

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.

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

2. DEPOSITS AND INVESTMENTS (Continued)

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

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Commission’s deposits may not be returned to it. The Commission’s investment policy allows for the pledging of collateral for all bank balances in excess of federal depository insurance, with collateral held by a third party under a trust agreement or safekeeping agreement. The bank balance of cash and certificates of deposit was fully insured at April 30, 2013 and 2012.

b. Investments

The following table presents the investments and maturities of the Commission’s debt securities as of April 30, 2013 and 2012:

| Investment Type | 2013 | | | | |
|---------------------|--------------------------------|---------------------|----------------------|-------------|-----------------|
| | Investment Maturities in Years | | | | |
| | 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 | \$ - | \$ - |

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

On the Statement of Net Position are \$1,973,000 of certificates of deposit that are recorded as investments for both 2013 and 2012.

| Investment Type | 2012 | | | | |
|---------------------|----------------------|----------------------|--------------------------------|-------------|-----------------|
| | Fair Value | Less than 1 | Investment Maturities in Years | | |
| | | | 1-5 | 6-10 | Greater than 10 |
| U.S. Treasury notes | \$ 17,291,704 | \$ 1,444,842 | \$ 15,846,862 | \$ - | \$ - |
| U.S. agency | 11,944,200 | - | 11,944,200 | - | - |
| Commercial Paper | 9,086,502 | 9,086,502 | - | - | - |
| TOTAL | \$ 38,322,406 | \$ 10,531,344 | \$ 27,791,062 | \$ - | \$ - |

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.

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

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, 2013 and 2012, loans totaling \$637,570 were due from the customers.

Payments due from Charter Customers are as follows:

| Fiscal Year Ending April 30 | 2013 | |
|--------------------------------|-------------------|------------------|
| | Principal | 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 |

| Fiscal Year Ending April 30 | 2012 | |
|--------------------------------|-------------------|-------------------|
| | Principal | Interest |
| 2013 | \$ - | \$ 12,751 |
| 2014 | 49,044 | 12,751 |
| 2015 | 49,044 | 11,771 |
| 2016 | 49,044 | 10,790 |
| 2017 | 49,044 | 9,809 |
| 2018 - 2022 | 245,219 | 34,330 |
| 2023 - 2026 | 196,175 | 9,809 |
| TOTAL | \$ 637,570 | \$ 102,011 |

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

4. CAPITAL ASSETS

Capital asset activity for years ended April 30, 2013 and 2012 is as follows:

| | 2013 | | | Balances April 30 |
|---|-------------------|----------------|-------------|----------------------|
| | Balances May 1 | Additions | Retirements | |
| 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 |
| 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 |

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

4. CAPITAL ASSETS (Continued)

| | 2012 | | | Balances April 30 |
|---|-------------------|---------------|---------------|----------------------|
| | Balances May 1 | Additions | Retirements | |
| Capital assets not being depreciated | | | | |
| Land and permanent easements | \$ 11,728,902 | \$ - | \$ - | \$ 11,728,902 |
| Construction in progress | 29,471,584 | 50,289 | 29,152,558 | 369,315 |
| Total capital assets not being depreciated | 41,200,486 | 50,289 | 29,152,558 | 12,098,217 |
| Capital assets being depreciated | | | | |
| Water mains | 363,967,660 | 167,409 | - | 364,135,069 |
| Buildings and other structures | 83,345,488 | 18,362,099 | 4,102 | 101,703,485 |
| Pumping equipment | 5,580,563 | 9,656,496 | 131,370 | 15,105,689 |
| Office furniture and equipment | 4,950,267 | 117,888 | 408,279 | 4,659,876 |
| Vehicles and other equipment | 581,096 | 99,362 | 64,372 | 616,086 |
| Total capital assets being depreciated | 458,425,074 | 28,403,254 | 608,123 | 486,220,205 |
| Less accumulated depreciation | | | | |
| Water mains | 73,532,715 | 4,549,016 | - | 78,081,731 |
| Buildings and other structures | 37,415,621 | 2,312,304 | 4,102 | 39,723,823 |
| Pumping equipment | 3,662,968 | 432,878 | 131,370 | 3,964,476 |
| Office furniture and equipment | 4,914,598 | 33,327 | 408,279 | 4,539,646 |
| Vehicles and other equipment | 425,378 | 54,115 | 64,372 | 415,121 |
| Total accumulated depreciation | 119,951,280 | 7,381,640 | 608,123 | 126,724,797 |
| Total capital assets being depreciated, net | 338,473,794 | 21,021,614 | - | 359,495,408 |
| CAPITAL ASSETS, NET | \$ 379,674,280 | \$ 21,071,903 | \$ 29,152,558 | \$ 371,593,625 |

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.

5. WATER CONTRACT WITH THE CITY OF CHICAGO (Continued)

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 2013 and 2012, the Commission purchased 29.9 and 28.0 billion gallons of water, respectively from the City, which equaled 84.3% and 79.5%, 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.

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

7. LONG-TERM DEBT

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

| | 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 |

| | 2012 | | | | |
|--|-----------------------|------------------|----------------------|-----------------------|---------------------------|
| | Balances May 1 | Issuances | Retirements | Balances April 30 | Due Within One Year |
| Other postemployment benefits obligation | \$ 46,766 | \$ 2,110 | \$ - | \$ 48,876 | \$ - |
| Notes payable | 70,000,000 | - | 21,000,000 | 49,000,000 | - |
| Capital Lease | - | 42,089 | 4,871 | 37,218 | 7,704 |
| Revenue refunding bonds | 72,030,000 | - | 10,565,000 | 61,465,000 | 11,090,000 |
| Unamortized premium | 1,237,044 | - | 438,173 | 798,871 | - |
| Total revenue bonds | 73,267,044 | - | 11,003,173 | 62,263,871 | 11,090,000 |
| TOTAL | \$ 143,313,810 | \$ 44,199 | \$ 32,008,044 | \$ 111,349,965 | \$ 11,097,704 |

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. Principal is 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 and 2.5% as of April 30, 2012), and also by allowing optional redemption and prepayments, in whole and in part, on any semiannual interest payment date. As of April 30, 2013 and 2012, \$3,000,000 and \$19,000,000 of principal, respectively was outstanding.

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

7. LONG-TERM DEBT (Continued)

b. Notes Payable (Continued)

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:

| <u>May 1,</u> | |
|---------------|---------------|
| 2013 | \$ 30,000,000 |
| 2014 | 25,000,000 |
| 2015 | 20,000,000 |

The remaining principal balance must be paid in full by May 1, 2016. Interest is due on May 1 and November 1, 2013 and 2012 with a variable rate of interest that is determined periodically (1.45% as of April 30, 2013 and 1.74% as of April 30, 2012). As of April 30, 2013 and 2012, \$25,000,000 and \$30,000,000 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.

As of April 30, 2013, \$42,430,050 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.

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

7. LONG-TERM DEBT (Continued)

c. Revenue Bonds (continued)

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

As of April 30, 2012, \$61,465,000 of 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 1987 Ordinance), which was created when the Commission initially issued Revenue Bonds, Series 1987 and subsequently replaced with the new Ordinance. Substantially all revenue generated from the Commission's operations were pledged to retire these bonds.

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

| Fiscal Year Ending April 30, | <u>SERIES 2013 BONDS</u> | |
|---------------------------------|---------------------------------|-------------------|
| | 2013 | |
| | Principal | 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 |

| Fiscal Year Ending April 30, | <u>SERIES 2003 BONDS</u> | |
|---------------------------------|---------------------------------|---------------------|
| | 2012 | |
| | Principal | Interest |
| 2013 | \$ 11,090,000 | \$ 2,921,937 |
| 2014 | 11,645,000 | 2,339,006 |
| 2015 | 12,255,000 | 1,711,631 |
| 2016 | 12,900,000 | 1,051,312 |
| 2017 | 13,575,000 | 356,344 |
| TOTAL | \$ 61,465,000 | \$ 8,380,230 |

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 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)

d. Revenue Bond Ordinance (Continued)

On January 15, 1987, the Commission adopted the 1987 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 1987 Ordinance required the establishment of funds designated as Water Fund Revenue Bond Construction Fund, Special Redemption Fund, and Rebate Fund (the Arbitrate Rebate Fund) and various accounts within the Water Enterprise Fund designated as Operation and Maintenance Account, Interest Account, Principal Account, Debt Service Reserve Account, Operation and Maintenance Reserve Account, Depreciation Account, and General Account.

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

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

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

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

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

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

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

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

7. LONG-TERM DEBT (Continued)

d. Revenue Bond Ordinance (Continued)

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 1987 Ordinance required that the Interest Account, the Principal Account, and the Debt Service Reserve Account be held by the Trustee. All other accounts were held by the Commission.

The 1987 Ordinance provided 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 2012.

The 1987 Ordinance created the Arbitrage Rebate Fund to be held by the Trustee to maintain the tax-exempt status of the interest paid on the bonds. Beginning in fiscal 1988, an account was established and funds were transferred to segregate funds deemed necessary to maintain the tax-exempt status of the revenue bonds. Investment earnings of the Interest Account, Principal Account, and Debt Service Reserve Account is used for the purpose of funding amounts set aside in the Arbitrage Rebate Fund.

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 were inactive through January 31, 2013.

Restricted assets related to the previous bond ordinance at April 30, 2012 are as follows:

| <u>SERIES 2003 BONDS - 1987 ORDINANCE</u> | |
|--|--------------------------|
| | <u>2012</u> |
| Operation and Maintenance account | \$ 13,687,440 |
| Operation and Maintenance Reserve account | 12,411,745 |
| Interest account | 1,604,976 |
| Principal account | 11,094,158 |
| Depreciation account | <u>6,943,816</u> |
| TOTAL RESTRICTED ASSETS | <u>\$ 45,742,135</u> |

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

7. LONG-TERM DEBT (Continued)

e. Capital Lease

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

| Fiscal Year Ending April 30 | Principal |
|--|------------------|
| 2014 | \$ 9,849 |
| 2015 | 9,849 |
| 2016 | 9,849 |
| 2017 | 3,283 |
| Total Minimum Future Lease Payments | <u>32,830</u> |
| Less Interest | 3,317 |
| Present Value of Minimum Future Lease Payments | <u>\$ 29,513</u> |

8. RESTRICTED NET POSITION

The Commission had no restricted net position at the end of fiscal year 2013 due to the approval of the Ordinance in December 2012 by the Board, which replaced the 1987 Ordinance when the Commission refinanced the Revenue Bonds, Series 2003, and issued the Revenue Bonds, Series 2013, in February 2013.

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

8. RESTRICTED NET POSITION (continued)

The Commission had the following restricted net position as of April 30, 2012 related to the 1987 Ordinance:

| <u>SERIES 2003 BONDS - 1987 ORDINANCE</u> | 2012 |
|---|----------------------|
| Restricted net position: | |
| Restricted assets (Note 7) | \$ 45,742,135 |
| Add restricted investment earnings | |
| Revenue refunding bonds | |
| Principal account | - |
| Interest account | - |
| Operations and Maintenance Reserve account | 31,925 |
| Depreciation account | 13,136 |
| Total restricted investment earnings | 45,061 |
| Less current liabilities payable from restricted assets | |
| Revenue refunding bonds | |
| Operations and Maintenance account | |
| Accounts payable | 7,017,534 |
| Accrued liabilities | 292,817 |
| Compensated absences | 190,436 |
| Interest account | |
| Accrued interest payable | 1,599,594 |
| Total current liabilities payable from restricted assets | 9,100,381 |
| Less excess in Interest account | 5,382 |
| Less excess in Principal account | 4,158 |
| Less excess in Operations and Maintenance Reserve account | 78,437 |
| Less excess in Depreciation account | 31,952 |
| TOTAL RESTRICTED NET POSITION | \$ 36,566,886 |

9. 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.

10. MAJOR CUSTOMER

During fiscal year 2013 and 2012, approximately 6.1 and 5.5 billion gallons, or 21.01% and 20.01%, respectively of water sales revenue in the Water Fund were realized from the City of Naperville, the Commission's largest customer.

11. 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.

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 2012 was 11.92%. 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.

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

11. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Annual Pension Cost. For April 30, 2013 and 2012, the Commission's annual pension cost of \$304,608 and \$282,693, respectively was equal to the Commission's required and actual contributions. The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions at December 31, 2010 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 in calendar year 2011 and a 15% corridor in calendar year 2010 between the actuarial and market value of assets. The Commission's plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level of percentage of projected payroll on an open 30 year basis.

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) | 2011 | \$ 271,059 |
| | 2012 | 282,693 |
| | 2013 | 304,608 |
| Actual contributions | 2011 | \$ 271,059 |
| | 2012 | 282,693 |
| | 2013 | 304,608 |
| Percentage of APC contributed | 2011 | 100.00% |
| | 2012 | 100.00% |
| | 2013 | 100.00% |
| NPO | 2011 | \$ - |
| | 2012 | - |
| | 2013 | - |

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

11. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Funded Status and Funding Progress. The funded status and funding progress of the plan as of December 31, 2012 and 2011 was as follows:

| | 2012 | 2011 |
|---|--------------|--------------|
| Actuarial accrued liability (AAL) | \$ 6,949,144 | \$ 6,361,630 |
| Actuarial value of plan assets | 5,501,960 | 4,783,201 |
| Unfunded actuarial accrued liability (UAAL) | 1,447,184 | 1,578,429 |
| Funded ratio (actuarial value of plan assets/AAL) | 79.17% | 75.19% |
| Covered payroll (active plan members) | \$ 2,514,715 | \$ 2,484,345 |
| UAAL as a percentage of covered payroll | 57.55% | 63.54% |

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.

12. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 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 | <u>11</u> |
| TOTAL | <u><u>36</u></u> |
| Participating employers | <u><u>1</u></u> |

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2012 and 2011 was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|--|------------------------|
| April 30, 2011 | \$ 8,499 | 74.95% | \$ 46,766 |
| April 30, 2012 | 8,480 | 75.12% | 48,876 |
| April 30, 2013 | 8,133 | 78.30% | 50,639 |

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB obligation as of April 30, 2013 and 2012 was calculated as follows:

| | 2013 | 2012 |
|--|------------------|------------------|
| Annual required contribution | \$ 7,755 | \$ 7,755 |
| Interest on net OPEB obligation | 1,955 | 2,338 |
| Adjustment to annual required contribution | (1,577) | (1,613) |
| Annual OPEB cost | 8,133 | 8,480 |
| Contributions made | 6,370 | 6,370 |
| Increase in net OPEB obligation | 1,763 | 2,110 |
| Net OPEB obligation, beginning of year | 48,876 | 46,766 |
| NET OPEB OBLIGATION, END OF YEAR | \$ 50,639 | \$ 48,876 |

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% |

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

In the April 30, 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.

13. CUSTOMER PREPAYMENTS

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

14. 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, 2013

| Actuarial Valuation December 31 | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded (Overfunded) AAL (UAAL) (OAAL) (2) - (1) | (5) Covered Payroll | UAAL (OAAL) as a Percentage of Covered Payroll (4) / (5) |
|---------------------------------------|--|--|-------------------------------------|---|---------------------------|--|
| 2007 | \$ 4,742,810 | \$ 5,068,990 | 93.57% | \$ 326,180 | \$ 2,441,680 | 13.36% |
| 2008 | 4,653,290 | 5,774,686 | 80.58% | 1,121,396 | 2,602,576 | 43.09% |
| 2009 | 5,026,706 | 6,359,912 | 79.04% | 1,333,206 | 2,760,942 | 48.29% |
| 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% |

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$5,711,138. On a market basis, the funded ratio would be 82.18%.

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.

(See independent auditor's report.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2013

| Fiscal Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|-------------|------------------------|------------------------------------|------------------------|
| 2008 | \$ 295,199 | \$ 295,199 | 100.00% |
| 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% |

(See independent auditor's report.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2013

| 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) |
|--|--|--|-------------------------------------|---|---------------------------|--|
| 2008 | \$ - | \$ 67,267 | 0.00% | \$ 67,267 | \$ 2,477,690 | 2.71% |
| 2009 | * | * | * | * | * | * |
| 2010 | - | 78,076 | 0.00% | 78,076 | 2,820,206 | 2.77% |
| 2011 | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * |
| 2013 | - | 86,237 | 0.00% | 86,237 | 2,643,508 | 3.26% |

*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, and 2012.

(See independent auditor's report.)

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2013

| Fiscal Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|-------------|------------------------|------------------------------------|------------------------|
| 2008 | \$ - | \$ 13,231 | 0.00% |
| 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% |

(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, 2013 and 2012

| | 2013 | | | 2012 |
|---|----------------------|-----------------------|---------------------|-----------------------|
| | Budget | Actual | Variance | Actual |
| OPERATING REVENUES | | | | |
| Water sales | | | | |
| Operations and maintenance costs | \$ 79,254,842 | \$ 84,535,827 | \$ 5,280,985 | \$ 61,640,145 |
| Fixed costs | 7,144,729 | 7,144,872 | 143 | 7,144,594 |
| Customer differential | 928,125 | 920,184 | (7,941) | 907,830 |
| Other income | - | 164,774 | 164,774 | 349,425 |
| Total operating revenues | <u>87,327,696</u> | <u>92,765,657</u> | <u>5,437,961</u> | <u>70,041,994</u> |
| OPERATING EXPENSES | | | | |
| Water supply costs | 81,609,425 | 82,207,354 | 597,929 | 64,544,607 |
| Personal services | 3,871,225 | 3,682,195 | (189,030) | 3,529,546 |
| Insurance | 668,844 | 531,010 | (137,834) | 545,810 |
| Professional and contractual services | 824,700 | 639,495 | (185,205) | 657,286 |
| Administrative costs | 732,733 | 555,914 | (176,819) | 440,193 |
| Total operating expenses | <u>87,706,927</u> | <u>87,615,968</u> | <u>(90,959)</u> | <u>69,717,442</u> |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION | (379,231) | 5,149,689 | 5,528,920 | 324,552 |
| DEPRECIATION | 7,904,000 | 7,889,770 | (14,230) | 7,381,640 |
| OPERATING INCOME (LOSS) | <u>(8,283,231)</u> | <u>(2,740,081)</u> | <u>(5,543,150)</u> | <u>(7,057,088)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Sales tax | 31,399,519 | 33,098,620 | 1,699,101 | 31,878,312 |
| Investment income | 258,268 | 508,005 | 249,737 | 114,872 |
| Intergovernmental expense | - | - | - | (36,508) |
| Interest and other charges | (5,305,680) | (3,563,014) | 1,742,666 | (4,988,573) |
| Loss on disposal of capital assets | - | - | - | (1,145,593) |
| Total nonoperating revenues (expenses) | <u>26,352,107</u> | <u>30,043,611</u> | <u>3,691,504</u> | <u>25,822,510</u> |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS | 18,068,876 | 27,303,530 | 9,234,654 | 18,765,422 |
| Contributions | 597,232 | 348,967 | (248,265) | 29,236 |
| CHANGE IN NET POSITION | <u>\$ 18,666,108</u> | 27,652,497 | <u>\$ 8,986,389</u> | 18,794,658 |
| NET POSITION, MAY 1 | | <u>341,810,037</u> | | <u>323,015,379</u> |
| NET POSITION, APRIL 30 | | <u>\$ 369,462,534</u> | | <u>\$ 341,810,037</u> |

(See independent auditor's report.)

STATISTICAL SECTION

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

SALES TAX REVENUES

FOR THE YEARS ENDED APRIL 30

| <u>Year Ended</u> | <u>Sales Tax Revenues</u> |
|-----------------------|-------------------------------|
| 2013 | \$ 33,098,620 |
| 2012 | 31,878,312 |
| 2011 | 30,780,825 |
| 2010 | 29,046,664 |
| 2009 | 31,118,492 |

DUPAGE WATER COMMISSION
ELMHURST, ILLINOIS

STATE WATER ALLOCATIONS

| | (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 |
| Bloomington | 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 |
| 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 | <u>94.899</u> | <u>103.359</u> | <u>110.658</u> |

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

FOR THE YEARS ENDED APRIL 30

| <u>Year Ended</u> | <u>Water Sales (1)</u> | <u>Gallons Sold (in 000's)</u> |
|-----------------------|----------------------------|--|
| 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 |
| 2009 | 40,553,237 | 29,128,241 |
| 2008 | 39,390,157 | 31,015,607 |

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