McGladrey & Pullen
Certified Public Accountants

DuPage Water Commission

Annual Financial Report
April 30, 2008

DuPage Water Commission

Table of Contents

DuPage Water Commission

Commission Officials
Year Ended April 30, 2008

General Manager	Mr. Robert L. Martin
Financial Administrator	Mr. R. Max Richter
Staff Attorney	Ms. Maureen Crowley
Manager of Water Operations	Mr. Terrance McGhee

Commission administrative offices are located at:

600 East Butterfield Road
Elmhurst, IL 60126

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the DuPage Water Commission (Commission) as of April 30, 2008, and for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of April 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
August 15, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the DuPage Water Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ending April 30, 2008.

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

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

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

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

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

FINANCIAL OPERATIONS SUMMARY

With revenues of $78.5 million and expenses totaling $109.9 million, the Commission's net assets decreased by $31.4 million in fiscal year 2007-08 to $331.6 million. Restricted net assets and net assets invested in property, plant and equipment were $34.2 million and $240.5 million, respectively.

FINANCIAL ANALYSIS

Changes in Net Assets. The table on page 5 presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. All significant dollar changes have been explained.

The decrease in total cash and investments can be attributed to a rebate to the Commission's customers of $40.0 million and the $15 million payment to DuPage County. State of Illinois Public Act 93-0226 adopted July 22, 2003 required a $75 million transfer of Commission Funds to DuPage County over a five-year period.

Net capital assets represents the total of assets capitalized less accumulated depreciation. The decrease in capital assets of $3.5 million is due to depreciation expense of $6.5 million, offset by investment in new construction of $2.3 million.

The Commission is constructing emergency generation at the Lexington Pump Station. The City of Chicago has agreed to pay a portion back to the Commission through a 10 percent credit in water costs paid by the Commission.

Amounts payable to DuPage County decreased by $15.0 million due to the payment to DuPage County in accordance with State of Illinois Public Act 93-0226. Bonds payable declined because of bond payments made during the fiscal year. This also reduced accrued interest payable.

Net assets invested in capital assets, net of related debt increased $15.9 million from the prior year due primarily to a decrease in bonds payable of $20.1 million used to finance capital assets.

Restricted net assets increased by $1 million over the prior year due mainly to increases in restricted investments held by a trustee for payment of the current portion of the general obligation bonds, revenue bonds and other liabilities associated with the bonds and the decrease in current restricted liabilities. For more information see Note 7 (c) and Note 8, in the notes to the financial statements.

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

COMPARATIVE SUMMARY OF NET ASSETS
For Fiscal Years Ending April 30

	2008	2007	INCREASE (DECREASE)	% CHANGE
Assets				
Current:				
Unrestricted cash and investments	$ 19,464,805	$ 84,075,900	$ (64,611,095)	-76.8%
Restricted investments	43,933,363	42,748,630	1,184,733	2.8%
Receivables	13,380,889	13,598,557	(217,668)	-1.6%
Other assets	627,284	658,875	(31,591)	-4.8%
Noncurrent:				
Restricted investments	17,692,764	17,169,760	523,004	3.0%
Long term loan receivable	5,637,192	4,999,623	637,569	12.8%
Land and construction in progress	35,600,745	32,712,041	2,888,704	8.8%
Capital assets, net of accumulated depreciation	337,567,156	343,930,865	(6,363,709)	-1.9%
Total assets	473,904,198	539,894,251	(65,990,053)	-12.2%
Liabilities				
Current:				
Payables and accrued liabilities	4,388,494	4,097,550	290,944	7.1%
Due to DuPage County	-	15,000,000	(15,000,000)	100.0%
Bonds payable	20,090,393	19,372,287	718,106	3.7%
Accrued interest	2,893,994	3,200,535	(306,541)	-9.6%
Deferred revenue	140,992	140,607	385	0.3%
Noncurrent:				
Deferred revenue	2,265,096	2,466,473	(201,377)	-8.2%
Bonds payable	112,555,514	132,643,189	(20,087,675)	-15.1%
Total liabilities	142,334,483	176,920,641	(34,586,158)	-19.5%
Net Assets				
Invested in capital assets, net	240,521,994	224,627,430	15,894,564	7.1%
Restricted	34,253,246	33,248,018	1,005,228	3.0%
Unrestricted	56,794,475	105,098,162	(48,303,687)	-46.0%
Total net assets	$ 331,569,715	$ 362,973,610	$ (31,403,895)	-8.7%

Revenues and Expenses. The table which follows presents a comparative summary of revenues and expenses. The most significant source of revenues for the Commission continues to be from water sales. Water sales for fiscal year 2008 were 31 billion gallons versus 30.0 billion gallons last fiscal year. There were no major new customers and the average charter customer water rate decreased from $1.45 per thousand gallons to $1.25 per thousand gallons for fiscal year 2008. Due to the rate decrease and cooler weather, water revenue decreased by $4.8 million or 10.8%.

The Commission's sales tax revenues decreased by $2.1 million or 5.8% due to national economic slow down in fiscal year 2008. Sales tax revenues have been sufficient to fund all system capital improvements and the statutory payment to the county as well as providing an alternative funding source for debt service. Sales taxes were used to make all general obligation bond payments in fiscal year 2008. In addition, $7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2008 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2008.

Statement 31 of the Governmental Accounting Standards Board requires investments be reported at fair market value. Investment income decreased $3.4 million from the prior year due to a decrease in interest income and the fair value of investments at April 30, 2008.

Water distribution costs remain the highest expense in the Commission's operations. Water distribution costs increased $1.6 million mainly due to the City of Chicago increasing their water rate charged to their customers.

Personnel Services decreased due mainly to a lower payment to the Illinois Municipal Retirement Fund of $1.4 million for the unfunded pension liability.

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

	2008	2007	INCREASE (DECREASE)	% CHANGE
Revenues				
Operating:				
Water sales - all categories	$ 40,185,989	$ 45,036,990	$ (4,851,001)	-10.8%
Other	1,319	63,690	(62,371)	-97.9%
Nonoperating:				
Sales tax	34,308,874	36,422,562	(2,113,688)	-5.8%
Investment income	3,958,431	7,350,036	(3,391,605)	-46.1%
Gain on the sale of capital assets	46,624	-	46,624	100.0%
Total revenues	78,501,237	88,873,278	(10,372,041)	-11.7%
Expenses				
Operating:				
Water supply costs	50,234,652	48,591,776	1,642,876	3.4%
Depreciation	6,503,779	6,695,222	(191,443)	-2.9%
Personnel services	3,765,227	4,879,217	(1,113,990)	-22.8%
All other expenses	1,886,996	1,939,158	(52,162)	-2.7%
Nonoperating:				
Bond interest	7,514,478	8,180,506	(666,028)	-8.1%
Total expenses	69,905,132	70,285,879	(380,747)	-0.5%
Income before special item	8,596,105	18,587,399	(9,991,294)	-53.8%
Special item - customer rebate	(40,000,000)	-	(40,000,000)	100.0%
Change in net assets	(31,403,895)	18,587,399	(49,991,294)	-269.0%
Net assets, May 1	362,973,610	344,386,211	18,587,399	5.4%
Net assets, April 30	$ 331,569,715	$ 362,973,610	$ (31,403,895)	-8.7%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Commission's capital assets before depreciation totaled $472.1 million in fiscal year 2008.

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

	2008	2007	INCREASE (DECREASE)	% CHANGE
Land and permanent easements	$ 11,728,902	$ 11,158,482	$ 570,420	5.1%
Construction in progress	23,871,843	21,553,558	2,318,285	10.8%
Water mains	284,530,361	288,810,376	(4,280,015)	-1.5%
Buildings and other structures	50,318,161	52,206,213	(1,888,052)	-3.6%
Pumping equipment	2,430,791	2,554,038	(123,247)	-4.8%
Office furniture and equipment	126,508	179,476	(52,968)	-29.5%
Vehicles and other equipment	161,335	180,763	(19,428)	-10.7%
Total capital assets, net	$ 373,167,901	$ 376,642,906	$ (3,475,005)	-0.9%

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

Debt Administration. All scheduled bond payments through April 30, 2008 were made on time. Requirements of the revenue bond ordinance have also been met, in full, as of fiscal year-end. Principal reductions of $10.7 million in general obligation debt and $8.7 million in revenue bond debt were achieved through annual payments. On April 30, 2008, remaining general obligation bond and revenue bond principal outstanding was $35.6 million and $100.8 million, respectively. General obligation bond principal and interest payments continue to be 100% funded through the Commission's sales tax proceeds. Property taxes for the bond payments have been abated annually since 1986.

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

	2008	2007	INCREASE (DECREASE)	% CHANGE
General obligation bonds	$ 35,560,000	$ 46,275,000	$ (10,715,000)	-23.2%
Water revenue bonds	100,795,000	109,485,000	(8,690,000)	-7.9%
Total outstanding bonded debt	$ 136,355,000	$ 155,760,000	$ (19,405,000)	-12.5%

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

INVESTMENT PORTFOLIO

The Commission's investment portfolio totaled $81.2 million. At the end of the fiscal year, the portfolio was earning 2.786% based on market yield and 2.707% based on original purchase price. The benchmark yield adopted by the Commission was 1.34%.

Commission funds were invested as follows at April 30, 2008: United States treasury obligations (17.9%), the Illinois Funds investment pool (33.9%), money market funds (15.5%) and certificates of deposit (32.7%).

OTHER FINANCIAL INFORMATION

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

The Commission joined with the County of DuPage and the municipalities within the county to solve a water quality issue involving unincorporated areas not presently receiving a Lake Michigan water supply. As a wholesale distributor of Lake Michigan water, the Commission is not able to directly address this issue. However, the Commission agreed to make long-term, low-interest loans available to customer municipalities, retailers of Lake Michigan water, to extend their systems to serve county areas having water quality issues.

The full extent of this contamination is unknown at this time. However, the Commission has committed to provide loans totaling not more than $10 million toward mitigating the problem. While these long-term low-interest loans may reduce the Commission's investment income, the Commission's long-term rate stabilization and five-year capital improvement programs will not be adversely affected because funds were segregated for this purpose at the time the resolution was passed.

REQUEST FOR INFORMATION

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

DuPage Water Commission

Statement of Net Assets
April 30, 2008

Assets

Current:	
Cash	$ 98,992
Investments (Note 3)	19,365,813
Restricted investments (Notes 3 and 7)	43,933,363
Receivables	
Water sales	4,074,580
Accrued interest	963,476
Sales tax	8,315,260
Other	27,573
Inventory	167,080
Prepaid expenses and deposits	460,204
Total current assets	77,406,341
Noncurrent:	
Restricted investments (Notes 3 and 7)	17,692,764
Long-term loans receivable (Note 4)	5,637,192
Land and construction in progress (Note 5)	35,600,745
Other capital assets, net of accumulation depreciation of $98,982,794 (Note 5)	337,567,156
Total noncurrent assets	396,497,857
Total assets	$ 473,904,198

See Notes to Financial Statements.

(Continued)

DuPage Water Commission

Statement of Net Assets (Continued)
April 30, 2008

Liabilities

Current:	
Deferred revenue	$ 140,992
Total current liabilities	140,992
Current liabilities payable from restricted assets:	
Accounts payable	3,338,943
Accrued liabilities	699,052
Compensated absences	192,459
Contract retentions	93,042
Customer deposits	64,998
Revenue bonds payable - current (Note 7)	8,755,460
General obligation bonds payable - current (Note 7)	11,334,933
Accrued interest payable	2,893,994
Total current liabilities payable from restricted assets	27,372,881
Noncurrent:	
Deferred revenue	2,265,096
General obligation bonds payable - noncurrent, net (Note 7)	24,225,785
Revenue bonds payable - noncurrent, net (Note 7)	88,329,729
Total noncurrent liabilities	114,820,610
Total liabilities	142,334,483

Net Assets

Invested in capital assets, net of related debt	240,521,994
Restricted for bond ordinances and sales tax resolution (Note 8)	34,253,246
Unrestricted	56,794,475
Total net assets	$ 331,569,715

See Notes to Financial Statements.

DuPage Water Commission

Statement of Revenues, Expenses and
Changes in Net Assets
Year Ended April 30, 2008

Operating revenues	
Water sales	
Operations and maintenance costs	$ 32,244,813
Fixed costs	7,145,344
Customer differential	795,832
Other income	1,319
Total operating revenues	40,187,308
Operating expenses	
Water supply costs	50,234,652
Depreciation	6,503,779
Personal services	3,765,227
Insurance	767,333
Professional and contractual services	543,071
Administrative costs	573,597
Land and right of way	2,995
Total operating expenses	62,390,654
Operating loss	(22,203,346)
Nonoperating revenues (expenses)	
Sales tax	34,308,874
Investment income	3,958,431
Gain on the sale of capital assets	46,624
Interest and other charges	(7,514,478)
Net nonoperating revenues	30,799,451
Income before special item	8,596,105
Special item - customer rebate	(40,000,000)
Change in net assets	(31,403,895)
Net assets, May 1, 2007	362,973,610
Net assets, April 30, 2008	$ 331,569,715

See Notes to Financial Statements.

DuPage Water Commission

Statement of Cash Flows
Year Ended April 30, 2008

Cash flows from operating activities	
Cash received from customers	$ 39,953,793
Cash payments to suppliers	(51,826,505)
Cash payments to employees	(3,802,833)
Other cash receipts	52,117
Net cash used in operating activities	(15,623,428)
Cash flows from non capital financing activities	
Cash paid to DuPage County	(15,000,000)
Cash paid to customers for rebates	(40,000,000)
Cash received from sales taxes	34,522,874
Net cash provided by non capital financing activities	(20,477,126)
Cash flows from capital and related financing activities	
Interest paid on revenue bonds	(5,590,377)
Interest paid on general obligation bonds	(2,230,641)
Principal paid on revenue bonds	(8,482,561)
Principal paid on general obligation bonds	(10,887,008)
Construction and purchases of capital assets	(3,028,775)
Proceeds from the sale of capital assets	46,624
Net cash used in capital and related financing activities	(30,172,738)
Cash flows from investing activities	
Interest on investments	4,007,503
Proceeds from investments maturing	143,710,681
Payments for investments purchased	(80,991,940)
Loans made to members	(637,569)
Net cash provided by investing activities	66,088,675
Net decrease in cash	(184,617)
Cash, May 1, 2007	283,609
Cash, April 30, 2008	$ 98,992

See Notes to Financial Statements.

DuPage Water Commission

Statement of Cash Flows - Continued
Year Ended April 30, 2008

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (22,203,346)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	6,503,779
Increase in water sales accounts receivable	(31,204)
Increase in other receivables	(14,200)
Decrease in prepaid expenses and deposits	31,591
Decrease in deferred revenue	(200,992)
Increase in accounts payable	279,840
Decrease in accrued liabilities and compensated absences	(75,558)
Increase in contract retentions	21,664
Increase in customer deposits	64,998
Total adjustments	6,579,918
Net cash used in operating activities	$ (15,623,428)

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

The purpose and objectives of the Commission are:

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or prepaid amounts have been utilized. Water revenue is recognized when the water is delivered. Sales tax revenue is recognized at the time of the related sale.

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

The change in deferred revenue for the year ended April 30, 2008 was as follows:

Balance, May 1	$ 2,607,080
Retirements	(200,992)
Balance, April 30	$ 2,406,088

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

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

(c) Cash

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

(d) Investments

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

(e) Accounts Receivable

Customer receivables are recorded as receivables and revenues at their original invoice amount. Management regularly reviews the customer receivable accounts and has deemed no allowance for uncollectible accounts necessary as of April 30, 2008. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 40 days.

Note 1. Summary of Significant Accounting Policies (Continued)

(f) Restricted Investments

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

(g) Inventory and Prepaid Items

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

(h) Capital Assets

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

(j) Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation pay benefits and unused current calendar-year personal days. There is no liability for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission. All vacation and personal day pay is accrued when incurred and is considered current. The change in compensated absences for the year ended April 30, 2008 was as follows:

Balance, May 1	$	178,750
Issuances		32,296
Retirements		(18,587)
Balance, April 30	$	192,459

(k) Net Assets

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

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

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

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

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

(l) Accounting Estimates

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

Note 2. Budgets

In April 2007, the Commission adopted the annual management budget in the amount of $67,575,919 for operating costs, $7,434,993 for interest retirements and $12,217,600 for capital outlay for the fiscal year ended April 30, 2008. An appropriation ordinance is adopted annually to supplement the Commission's management budget. Total Commission expenditures did not exceed the appropriation ordinance, which is the legal spending authority for the Commission.

Note 3. Deposits and Investments

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

(a) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission's management policy is to fully collateralize all deposits above FDIC insurance limits, with the collateral held in safekeeping by an independent third party in the Commission's name. Collateral may not be released without the permission of Commission management. As of April 30, 2008, none of the Commission's deposits were exposed to custodial credit risk.

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

(b) Investments

As of April 30, 2008, the Commission had the following investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1-5
U.S. Treasury Notes	$ 14,428,828	$ 14,428,828	$ -
Illinois Funds Investment Pool *	27,546,650	27,546,650	-
Money Market Funds	12,516,462	12,516,462	-
Total	$ 54,491,940	$ 54,491,940	$ -

* The Illinois Funds have a weighted average maturity of less than 1 year.

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

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

Note 3. Deposits and Investments (Continued)

(b) Investments (Continued)

Credit Risk - The Commission's investment policy limits investments of the Commission's funds to the following: (a) direct or fully guaranteed obligations of the U.S. government; (b) fully guaranteed obligations of certain U.S. federally chartered agencies; (c) interest-bearing demand or time deposits in banks and savings and loan associations; (d) short-term obligations of U.S. corporations with assets exceeding $500,000,000 and with a rating of AAA1, 2 or 3; (e) money market mutual funds whose portfolio consists solely of U.S. Government obligations; (f) the Illinois Funds Investment Pool of the State of Illinois; and (g) repurchase agreements. The Revenue Bond Ordinance restricts funds held in the Interest and Principal accounts of the Water Fund to only investments in (a) as described above. The Revenue Bond Ordinance also restricts funds held in the Debt Service Reserve Account in the Water Fund to only investments in (a) and (b), as described above. The money market funds are not rated. The Illinois Funds Investment Pool has been rated AAAm by Standard & Poor's.

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

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

Note 4. Loans Receivable

On April 25, 2002, the Commission approved a motion for a proposed agreement to make long-term, low-interest loans available to Charter Customer municipalities for the purpose of providing financing under certain circumstances to future customers who presently live in areas of DuPage County not presently served by the Commission. Two intergovernmental agreements with Charter Customers were made during fiscal year 2004. The loans are to be repaid in 13 installments, commencing in 2010 and continuing through 2023. In fiscal year 2008, a third loan was made to a Charter Customer. The loan is to be repaid in 13 installments, commencing in 2013 and continuing through 2025. 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, 2008, notes totaling $5,637,192 are due from members.

Note 5. Capital Assets

A summary of changes in capital assets is as follows:

	Balance May 1	Increases	Decreases	Balance April 30
Capital assets not being depreciated				
Land and permanent easements	$ 11,158,482	$ 570,420	$ -	$ 11,728,902
Construction in progress	21,553,558	2,318,285	-	23,871,843
Total capital assets not being depreciated	32,712,040	2,888,705	-	35,600,745
Other capital assets				
Water mains	344,029,131	18,563	-	344,047,694
Buildings and other structures	81,381,182	-	-	81,381,182
Pumping equipment	5,583,705	-	-	5,583,705
Office furniture and equipment	4,934,043	52,279	-	4,986,322
Vehicles and other equipment	594,081	69,228	(112,262)	551,047
Total other capital assets at historical cost	436,522,142	140,070	(112,262)	436,549,950
Less accumulated depreciation for				
Water mains	(55,218,755)	(4,298,580)	-	(59,517,335)
Buildings and other structures	(29,174,969)	(1,888,051)	-	(31,063,020)
Pumping equipment	(3,017,139)	(134,616)	-	(3,151,755)
Office furniture and equipment	(4,767,095)	(93,877)	-	(4,860,972)
Vehicles and other equipment	(413,318)	(88,656)	112,262	(389,712)
Total accumulated depreciation	(92,591,276)	(6,503,780)	112,262	(98,982,794)
Other capital assets, net	343,930,866	(6,363,710)	-	337,567,156
Capital assets, net	$ 376,642,906	$ (3,475,005)	$ -	$ 373,167,901

Note 6. Water Contract with the City of Chicago

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

The Commission is obligated to purchase a minimum amount of water; such minimum is 50% of the aggregate Illinois Department of Natural Resources allocations. In fiscal 2008, the Commission purchased 32 billion gallons of water from the City of Chicago; such purchases equaling 86.8% of the aggregate Illinois Department of Natural Resources allocations.

The Commission is constructing emergency generation at the Lexington Pump Station. The City of Chicago has agreed to pay a portion back to the Commission through a 10 percent credit in water costs paid by the Commission.

Note 7. Long-Term Obligations Payable

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

	Balance May 1	Issuances	Retirements	Balance April 30	Due Within One Year
Deferred revenue	$ 2,607,080	$ -	$ 200,992	$ 2,406,088	$ 140,992
General obligation bonds*	46,275,000	-	10,715,000	35,560,000	11,250,000
Revenue bonds**	109,485,000	-	8,690,000	100,795,000	9,125,000
Total	$ 158,367,080	$ -	$ 19,605,992	$ 138,761,088	$ 20,515,992

* General obligation bonds		
Principal	$ 35,560,000	$ 11,250,000
Unamortized premium	488,122	256,871
Unamortized loss on refunding	(487,404)	(171,938)
Total general obligation bonds	$ 35,560,718	$ 11,334,933
** Revenue bonds		
Principal	$ 100,795,000	$ 9,125,000
Unamortized premium	2,885,433	730,042
Unamortized loss on refunding	(6,595,244)	(1,099,582)
Total revenue bonds	$ 97,085,189	$ 8,755,460

Note 7. Long-Term Obligations Payable (Continued)

(a) General Obligation Bonds:

The Commission issues bonds to purchase and construct capital assets. The Commission has issued $93,970,000 general obligation refunding bonds, series 2001. Principal is due in annual installments of $1,295,000 to $12,465,000; interest at 5.0% to 5.25% through maturity on March 1, 2011. As of April 30, 2008, $35,560,000 principal was outstanding on these bonds. The Commission intends to retire these bonds with annual sales tax proceeds. The series 2001 bonds are general obligations of the Commission secured by the full faith and credit of the Commission and payable, as to both principal and interest, from ad valorem taxes levied against all taxable property within the territory of the Commission. The Commission issued Ordinance No. O-1-08, abating the ad valorem taxes on this debt and has set aside, with a trustee, $13,116,900 of sales tax proceeds to be used to service the debt as it becomes due during fiscal year 2008. The $13,116,900 is reported as restricted investments on the Statement of Net Assets.

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

Fiscal Year Ending April 30	Interest	Principal	Total
2009	$ 1,866,900	$ 11,250,000	$ 13,116,900
2010	1,276,275	11,845,000	13,121,275
2011	654,413	12,465,000	13,119,413
Total	$ 3,797,588	$ 35,560,000	$ 39,357,588

(b) Revenue Bonds

In August 2003, the Commission issued $135,995,000 Revenue Refunding Bonds, Series 2003. Principal is due in annual installments of $7,880,000 to $13,575,000; interest at 3.0% to 5.25% through maturity on May 1, 2016. The Series 2003 revenue bonds have an average interest rate of 3.98% and were issued to refund $145,655,000 of outstanding Revenue Bonds, Series 1993 with an average interest rate of 5.3%. As a result, the Series 1993 bonds were retired and the liability for the debt has been removed from the Commission's books.

As of April 30, 2008, $100,795,000 principal remained outstanding on the Series 2003 bonds. In addition, the bonds are subject to certain terms and conditions contained in the "Master Revenue Bond Ordinance" (the Ordinance), which was created when the Commission initially issued Revenue Bonds, Series 1987. See Note 7 (c). Substantially all revenue generated from Commission operations are pledged to retire these bonds.

Note 7. Long-Term Obligations Payable (Continued)

(b) Revenue Bonds (Continued)

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

Fiscal Year Ending April 30	Interest	Principal	Total
2009	$ 5,165,688	$ 9,125,000	$ 14,290,688
2010	4,709,437	9,580,000	14,289,437
2011	4,230,438	10,060,000	14,290,438
2012	3,727,437	10,565,000	14,292,437
2013	3,199,188	11,090,000	14,289,188
2014-2017	6,780,637	50,375,000	57,155,637
Total	$ 27,812,825	$ 100,795,000	$ 128,607,825

(c) Revenue Bond Ordinance

On January 15, 1987, the Commission adopted a master revenue bond ordinance (the "Ordinance") authorizing the issuance of Water Revenue Bonds, Series 1987, for the purpose of financing a portion of the construction of the water supply system.

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

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

Operation and Maintenance Account – An amount sufficient to make the amount then on deposit sufficient to pay operation and maintenance costs for the month of deposit and the next succeeding month.

Interest Account – Monthly one-sixth of the amount sufficient to cover interest becoming due on the bonds on the next succeeding semiannual interest payment date.

Principal Account – Monthly one-twelfth of the amount sufficient to cover principal of the bonds coming due on the next succeeding principal maturity date.

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

Note 7. Long-Term Obligations Payable (Continued)

(c) Revenue Bond Ordinance (Continued)

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

Depreciation Account – Monthly amounts of at least $175,000. Any amounts in excess of the required minimum balance of $5,000,000 may be transferred to the general account of the Water Fund by resolution of the Commission Board.

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

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

The Ordinance provides for the creation of the Special Redemption Fund to be held by the Trustee to account for issuance proceeds and condemnation awards to the extent not used to repair or replace the system and any other Commission-designated transfer. These monies may be used for debt service purposes. This fund was not active in fiscal 2008.

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

During fiscal 2008, all required transfers were made and account balances were sufficient to meet Ordinance requirements. In accordance with the Commission's revenue bond ordinance, the Commission maintains accounts for the Revenue Bond Construction Fund, the Special Redemption Fund and the Arbitrage Rebate Fund, but these funds are presently inactive.

Note 7. Long-Term Obligations Payable (Continued)

(c) Revenue Bond Ordinance (Continued)

Restricted investments related to the various revenue bond ordinances at April 30, 2008 are as follows:

Sales tax restricted for fixed cost payments	$ 7,145,094
Amount held by trustee for payment of general obligation bonds and interest	14,445,240
Operation and maintenance account	9,830,659
Interest account	2,781,930
Principal account	9,730,440
Operation and maintenance reserve account	12,692,764
Depreciation reserve account	5,000,000
Total restricted investments	$ 61,626,127
Reported as	
Current	$ 43,933,363
Noncurrent	17,692,764
	$ 61,626,127

Note 8. Restricted Net Assets

The Commission has the following restricted net assets:

Restricted Net Assets:	
Restricted assets:	
Investments - per various bond ordinances (Note 7(c))	$ 61,626,127
Less current liabilities payable from restricted assets:	
Revenue bonds:	
Operations and maintenance account:	
Accounts payable	3,338,943
Accrued liabilities	699,052
Compensated absences	192,459
Contract retentions	93,042
Customer deposits	64,998
Principal account:	
Principal payable (due May 1, 2008)	9,125,000
Interest account:	
Interest payable (due May 1, 2008)	2,582,844
Unamortized premium and loss on refunding	(369,540)
General obligation bonds:	
Principal payable (due March 1, 2009)	11,250,000
Interest payable (due March 1, 2009)	311,150
Unamortized premium and loss on refunding	84,933
Total liabilities payable from restricted assets	27,372,881
Restricted net assets	$ 34,253,246

Note 9. Unrestricted Net Assets

The Commission has adopted various resolutions making the following “designations and assignments” of the Commission's unrestricted net assets balance:

Designated for Operations:	
Designated and assigned to the Construction Reserve within the Sales Tax subaccount of the General Account of the Water Fund	$ 28,725,741
Designated and assigned a water rate stabilization reserve in the General Account of the Water Fund to reduce fluctuations in rates charged to customers in future years	6,061,887
Designated and assigned for emergency repairs and other contingencies	18,854,117
Total designated for operations	53,641,745
Designated Non-Operating:	
Designated for areas affected by contaminated well water pursuant the intergovernmental agreement, R-32-02	3,152,730
Total non-operating designation	3,152,730
Total unrestricted net assets - designated	$ 56,794,475

Note 10. Payment to DuPage County

The Governor of the State of Illinois has signed into law Public Act 93-0226 which amends the Water Commission Act of 1985. Public Act 93-0226 enacted changes concerning the appointment of the Chairman of the Commission as well as required the Commission to transfer $75,000,000 to the DuPage County Board. The transfer of funds is to occur on or before July 1 of each year beginning in July 2003, $15,000,000 per year, for a period of five years. As of April 30, 2008, no liability remains in the Statement of Net Assets.

Note 11. Commitments and Contingent Liabilities

As of April 30, 2008, the Commission's remaining commitment on contracts for future construction total approximately $6.5 million. No future financing is required.

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

Note 12. Major Customer

During fiscal year 2008, approximately 8.3 million gallons, or 20.57% of water sales revenue in the Water Fund was realized from the City of Naperville, the Commission's largest customer.

Note 13. Employee Retirement Plan

(a) Plan Description

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

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

(b) Funding Policy

Participating employees are required to contribute 4.5% of their annual salary to IMRF. The Commission is required to contribute the remaining amounts necessary to fund the benefits of its own employees in the IMRF System, using the actuarial basis specified by state statute (entry age normal); for calendar 2007 the rate was 12.09%. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

Note 13. Employee Retirement Plan (Continued)

(b) Funding Policy

For calendar year 2007, the Commission's annual pension cost of $295,199 was equal to the Commission's required and actual contributions. The required contributions were determined as part of the December 31, 2007 actuarial valuation.

(c) Significant Actuarial Assumptions

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations dated December 31, 2007. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method		Entry Age Normal
Method Used to Determine Actuarial Value of Assets		Five-Year Smoothed Market Value
Amortization Method and period		Level Percentage of Projected Payroll-Closed Basis –29 Years
Significant Actuarial Assumptions		
(a)	Rate of Return on Investment of Present and Future Assets	7.50% compounded annually
(b)	Projected Salary Increases - Attributable to Inflation	4.00% compounded annually
(c)	Additional Projected Salary Increases - Attributable to Seniority/Merit	0.4% to 10.0%
(d)	Postretirement Benefit Increases	3.00%

(d) Trend Information

For calendar year 2007, the Commission's annual pension cost, required contribution and amount contributed were $295,199. For calendar year 2006, the Commission's annual pension cost, required contribution and amount contributed were $275,607. For calendar year 2005, the Commission's annual pension cost, required contribution and amount contributed were $336,441. There was no pension benefit obligation for any year. This was the fifth year the Commission participated in IMRF.

Note 14. Risk Management

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

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

Note 15. Other Post-Employment Benefits (OPEB)

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

(a) Plan Description

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

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

(b) Funding Policy

The Commission funds other post-employment benefits on a pay-as-you-go basis. For fiscal year 2007, the Commission's annual other post-employment benefits cost of $12,601 was equal to the Commission's required contributions. The required contributions were determined as part of the April 30, 2006 actuarial valuation. For fiscal year 2008, the Commission's contribution was $1,200.

(c) Significant Actuarial Assumptions

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

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

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

Actuarial calculations reflect a long-term perspective and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

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

Note 15. Other Post-Employment Benefits (OPEB)

(d) Annual OPEB Cost and Net OPEB Obligation

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

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

(e) Funding Status

The funded status of the plan as of April 30, 2006 (latest available), was as follows:

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

Note 15. Other Post-Employment Benefits (OPEB)

(f) Trend Information

Fiscal Year Ending		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
4/30/2006	$	12,601	9.50%	$	11,401
4/30/2007		*	*		*

* The Commission's policy is to have an actuarial valuation performed biennially. Therefore, no actuarial valuation was done as of April 30, 2007.

Note 16. Special Item – Customer Rebate

On April 12, 2007, the Board of Commissioners of the Commission passed Resolution R-28-07 which declared, effective as of May 1, 2007, for the fiscal year ending April 30, 2008 a rebate to Contract Customers in an aggregate amount of $40.0 million. The entire $40.0 million rebate was paid out in fiscal year ending April 30, 2008.

Note 17. Pending GASB Statements

The Governmental Accounting Standards Board (GASB) has issued the following statement:

Statement No. 50 – *Pension Disclosures – an amendment to GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement will become effective for the year ending April 30, 2010.

Management has not currently determined what impact, if any, this Statement may have on its financial statements.

DuPage Water Commission

Illinois Municipal Retirement Fund

Required Supplementary Information
Analysis of Funding Progress
April 30, 2008

Calendar Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll ((b - a) / c)
2005	$ 2,010,845	$ 3,497,300	$ 1,486,455	57.50 %	$ 2,075,517	71.62 %
2006	3,949,591	4,271,581	321,990	92.46	2,253,534	14.29
2007	4,742,810	5,068,990	326,180	93.57	2,441,680	13.36

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

On a market value basis, the actuarial value of assets as of December 31, 2007 is $5,079,391. On a market basis, the funded ratio would be 100.21%.

Digest of Changes:

The actuarial assumptions used to determine the actuarial accrued liability for 2007 are based on the 2002-2004 Experience Study.
The principal changes were:
The 1994 Group Annuity Mortality implemented.
For Regular members, fewer normal and earlier retirements are expected to occur.

DuPage Water Commission

Illinois Municipal Retirement Fund

Required Supplementary Information
Employer Contributions
April 30, 2008

Calendar Year	Annual Required Contribution	Percentage Contributed
2005	$ 336,441	100.00 %
2006	275,607	100.00
2007	295,199	100.00

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

DuPage Water Commission

Other Post-Employment Benefits

Required Supplementary Information
Analysis of Funding Progress
April 30, 2008

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll ((b - a) / c)
04/30/2006	-	$ 98,996	$ 98,996	-	N/A	N/A
04/30/2007	*	*	*	*	*	*

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

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

DuPage Water Commission

Other Post-Employment Benefits

Required Supplementary Information
Employer Contributions
April 30, 2008

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
04/30/2006	$ 12,601	9.50%	$ 11,401
04/30/2007	*	*	*

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

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

Dupage Water Commission

Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
Year Ended April 30, 2008

	Actual	Budget	Variance Positive (Negative)
Operating revenues			
Water sales			
Operations and maintenance costs	$ 32,244,813	$ 33,772,796	$ (1,527,983)
Fixed costs	7,145,344	7,145,344	-
Customer differential	795,832	721,581	74,251
Other income	1,319	2,500	(1,181)
Total operating revenues	40,187,308	41,642,221	(1,454,913)
Operating expenses			
Water supply costs	50,234,652	52,987,096	2,752,444
Depreciation	6,503,779	6,963,224	459,445
Personal services	3,765,227	5,297,852	1,532,625
Insurance	767,333	828,501	61,168
Professional and contractual services	543,071	779,046	235,975
Administrative costs	573,597	720,200	146,603
Land and right of way	2,995	-	(2,995)
Total operating expenses	62,390,654	67,575,919	5,185,265
Operating loss	(22,203,346)	(25,933,698)	3,730,352
Nonoperating revenues (expenses)			
Sales tax	34,308,874	36,390,944	(2,082,070)
Investment income	3,958,431	5,050,378	(1,091,947)
Gain on the sale of capital assets	46,624	-	46,624
Interest and other charges	(7,514,478)	(7,434,993)	(79,485)
Net nonoperating revenues	30,799,451	34,006,329	(3,206,878)
Income before special item	8,596,105	8,072,631	523,474
Special item - customer rebate	(40,000,000)	(40,000,000)	-
Change in net assets	(31,403,895)	(31,927,369)	523,474
Net assets, May 1, 2007	362,973,610	356,599,069	6,374,541
Net assets, April 30, 2008	$ 331,569,715	$ 324,671,700	$ 6,898,015