DuPage Water Commission

Annual Financial Report

For the Fiscal Year Ended
April 30, 2009

DUPAGE WATER COMMISSION

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2009

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Certified Public Accountants & Advisors

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INTRODUCTORY SECTION

DUPAGE WATER COMMISSION

PRINCIPAL OFFICIALS

April 30, 2009

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

FINANCIAL SECTION

Certified Public Accountants & Business Advisors

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998 Corporate Boulevard • Aurora, IL 60502

INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the DuPage Water Commission, as of and for the year ended April 30, 2009, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the DuPage Water Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the DuPage Water Commission, as of April 30, 2009, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Sikich LLP

Aurora, Illinois
September 30, 2010

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the DuPage Water Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ending April 30, 2009.

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

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

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

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

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

FINANCIAL OPERATIONS SUMMARY

With revenues of $74.0 million and expenses totaling $75.2 million, the Commission's net assets decreased by $1.2 million in fiscal year 2009 to $329.3 million. Restricted net assets and net assets invested in property, plant and equipment were $44.4 million and $256.5 million, respectively.

FINANCIAL ANALYSIS

Changes in Net Assets. The table on page 2 presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. All significant dollar changes have been explained. Net capital assets represent the total of assets capitalized less accumulated depreciation. The decrease in capital assets of $2.4 million is due to depreciation expense of $6.8 million, offset by investment in new construction of $4.4 million.

The Commission is constructing emergency generation at the Lexington Pump Station. The City of Chicago has agreed to pay a portion back to the Commission through a 10 percent credit in water costs paid by the Commission. Net assets invested in capital assets, net of related debt increased $17.3 million from the prior year due primarily to a decrease in bonds payable of $19.7 million used to finance capital assets.

Restricted net assets increased by $0.3 million over the prior year. For more information see Note 7 (c) and Note 8, in the notes to the financial statements.

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

	2009	2008 RESTATED	INCREASE (DECREASE)	% CHANGE
Assets				
Current:				
Unrestricted cash and investments	$ 2,187,306	$ 19,004,762	$ (16,817,456)	-88.5%
Restricted cash and investments	66,455,606	62,086,170	4,369,436	7.0%
Receivables	11,730,634	13,380,889	(1,650,255)	-12.3%
Other Assets	928,348	627,284	301,064	48.0%
Non-current:				
Other Assets	330,038	-	330,038	N/A
Long term loan receivable	5,637,192	5,637,191	1	0.0%
Land and construction in progress	19,338,232	14,966,815	4,371,417	29.2%
Capital assets, net of depreciation	350,095,316	356,918,849	(6,823,533)	-1.9%
Total assets	456,702,672	472,621,960	(15,919,288)	-3.4%
Liabilities				
Current:				
Payables and accrued liabilities	8,318,519	4,317,116	4,001,403	92.7%
Customer deposits	1,457,785	-	1,457,785	N/A
Bonds payable	21,425,000	20,090,393	1,334,607	6.6%
Accrued interest	2,567,431	2,893,994	(326,563)	-11.3%
Deferred revenue	140,607	140,992	(385)	-0.3%
Non-current:				
Deferred revenue	1,943,383	2,083,606	(140,223)	-6.7%
Other liabilities	47,747	38,438	9,309	24.2%
Bonds payable	91,459,790	112,555,514	(21,095,724)	-18.7%
Total liabilities	127,360,262	142,120,053	(14,759,791)	-10.4%
Net assets				
Invested in capital assets, net	256,548,758	239,239,756	17,309,002	7.2%
Restricted	44,433,387	41,668,865	2,764,522	6.6%
Unrestricted	28,360,265	49,593,286	(21,233,021)	-42.8%
NET ASSETS	$ 329,342,410	$ 330,501,907	$ (1,159,497)	-0.4%

Unrestricted reserves were reduced by $51.2 million in the fiscal year ended April 30, 2008. Fiscal year ended April 30, 2009 saw a reduction of $21.2 million. With three years of double digit percentage increases to the rates it is charged for water purchased from the City of Chicago, the Commission is reviewing its rate structure to ensure an adequate level of reserves.

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

Revenues and Expenses. The table which follows presents a comparative summary of revenues and expenses. The most significant source of revenues for the Commission continues to be from water sales. Water sales for fiscal year 2009 were 29.4 billion gallons versus 31 billion gallons last fiscal year. There were no major new customers and the average charter customer water rate increased from $1.25 per thousand gallons to $1.37 per thousand gallons for fiscal year 2009. Due to the rate increase, water revenue increased by $1.1 million or 2.8%.

The Commission's sales tax revenues decreased by $3.2 million or 9.3% due to national economic slowdown in fiscal year 2009. Sales taxes were used to make all general obligation bond payments in fiscal year 2009. In addition, $7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2009 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2009.

Statement 31 of the Governmental Accounting Standards Board requires investments be reported at fair market value. Investment income decreased $2.5 million from the prior year due to a decrease in investment yield rates.

Water distribution costs remain the highest expense in the Commission's operations. Water distribution costs increased $3.6 million mainly due to the City of Chicago increasing their water rate charged to their customers.

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

	2009	2008 RESTATED	INCREASE (DECREASE)	% CHANGE
REVENUES				
Operating:				
Water sales - all categories	$ 41,480,689	$ 40,367,479	$ 1,113,210	2.8%
Other	2,473	72,697	(70,224)	-96.6%
Non-operating:				N/A
Sales tax	31,118,492	34,308,874	(3,190,382)	-9.3%
Investment income	1,424,148	3,958,431	(2,534,283)	-64.0%
Gain on the sale of capital assets	-	46,624	(46,624)	-100.0%
Total Revenue	74,025,802	78,754,105	(4,728,303)	-6.0%
EXPENSES				
Operating:				
Water supply costs	53,813,786	50,234,652	3,579,134	7.1%
Depreciation	6,871,760	7,786,017	(914,257)	-11.7%
Personnel services	3,792,037	3,803,665	(11,628)	-0.3%
All other expenses	2,210,235	1,886,996	323,239	17.1%
Non-operating:				
Bond interest	6,761,745	7,514,478	(752,733)	-10.0%
Intergovernmental Expense - City of Chicago	1,735,736	-	1,735,736	N/A
Total Expense	75,185,299	71,225,808	3,959,491	5.6%
Income before special and non-operating items	(1,159,497)	7,528,297	(8,687,794)	-115.4%
Special item - customer rebate	-	(40,000,000)	40,000,000	-100.0%
Changes in net assets	$ (1,159,497)	$ (32,471,703)	$ 31,312,206	-96.4%
Net assets, May 1	330,501,907	362,973,610		
Net assets, April 30	$ 329,342,410	$ 330,501,907		

(See independent auditor's report.)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Commission's capital assets before depreciation totaled $477.3 million in fiscal year 2009.

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

	2009	2008	INCREASE (DECREASE)	% CHANGE
Land and permanent easements	$ 11,792,301	$ 11,792,301	$ -	0.0%
Construction in progress	$ 7,545,931	$ 3,174,514	$ 4,371,417	137.7%
Water mains	299,530,885	304,078,857	(4,547,972)	-1.5%
Buildings and other structures	48,059,961	50,101,388	(2,041,427)	-4.1%
Pumping equipment	2,271,289	2,435,894	(164,605)	-6.8%
Office furniture and equipment	86,353	141,375	(55,022)	-38.9%
Vehicles and other equipment	146,828	161,335	(14,507)	-9.0%
Total capital assets, net	$ 369,433,548	$ 371,885,664	$ (2,452,116)	-0.7%

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

Debt Administration. All scheduled bond payments through April 30, 2009 were made on time. Requirements of the revenue bond ordinance have also been met as of fiscal year-end except for the Operations and Maintenance Reserve account which was $1.4 million below full requirement. Principal reductions of $11.3 million in general obligation debt and $9.1 million in revenue bond debt were achieved through annual payments. On April 30, 2009, remaining general obligation bond and revenue bond principal outstanding was $24.3 million and $91.6 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

	2009	2008	INCREASE (DECREASE)	% CHANGE
General obligation bonds	$ 24,310,000	$ 35,560,000	$ (11,250,000)	-31.6%
Water revenue bonds	91,670,000	100,795,000	(9,125,000)	-9.1%
Total outstanding bonded debt	$ 115,980,000	$ 136,355,000	$ (20,375,000)	-14.9%

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

INVESTMENT PORTFOLIO

The Commission's investment portfolio totaled $68.4 million. At the end of the fiscal year, the portfolio was earning .633% based on market yield and .682% based on original purchase price. The benchmark yield adopted by the Commission was .162%.

Commission funds were invested as follows at April 30, 2009: United States treasury obligations (18%), the Illinois Funds investment pool (49%), money market funds (21%) and certificates of deposit (12%).

OTHER FINANCIAL INFORMATION

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

REQUEST FOR INFORMATION

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

DUPAGE WATER COMMISSION

STATEMENT OF NET ASSETS

April 30, 2009

CURRENT ASSETS	
Cash and cash equivalents	$ 2,187,306
Restricted cash and cash equivalents	54,191,207
Restricted investments	12,264,399
Receivables	
Water sales	4,856,468
Accrued interest	232,528
Sales tax	6,641,638
Due from other governments	340,029
Inventory	167,080
Prepaid expenses and deposits	421,240
Total current assets	81,301,895
NONCURRENT ASSETS	
Unamortized bond issuance costs	330,038
Long-term loans receivable	5,637,192
Capital assets	
Not being depreciated	19,338,232
Being depreciated	456,340,188
Less accumulated depreciation	(106,244,873)
Net capital assets	369,433,547
Total noncurrent assets	375,400,777
Total assets	456,702,672

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION

STATEMENT OF NET ASSETS (Continued)

April 30, 2009

CURRENT LIABILITIES		
Unearned revenue	$	140,607
Contract retentions		342,472
Customer deposits		1,457,785
Accounts payable		3,873,546
Accrued liabilities		3,864,015
Compensated absences		238,486
General obligation refunding bonds payable		11,845,000
Revenue refunding bonds payable		9,580,000
Accrued interest payable		2,567,431
Total current liabilities		33,909,342
LONG-TERM LIABILITIES		
Other postemployment benefits obligation		47,747
Unearned revenue		1,943,383
General obligation refunding bonds payable, net		12,410,949
Revenue refunding bonds payable, net		79,048,841
Total long-term liabilities		93,450,920
Total liabilities		127,360,262
NET ASSETS		
Invested in capital assets, net of related debt		256,548,757
Restricted by bond ordinances		44,433,387
Unrestricted		28,360,266
TOTAL NET ASSETS	$	329,342,410

See accompanying notes to financial statement.

DUPAGE WATER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Year Ended April 30, 2009

OPERATING REVENUES	
Water sales	
Operations and maintenance costs	$ 33,408,518
Fixed costs	7,144,719
Customer differential	927,452
Other income	2,473
Total operating revenues	41,483,162
OPERATING EXPENSES	
Water supply costs	53,813,786
Personal services	3,792,037
Insurance	729,203
Professional and contractual services	655,937
Administrative costs	825,095
Total operating expenses	59,816,058
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(18,332,896)
DEPRECIATION	6,871,758
OPERATING INCOME (LOSS)	(25,204,654)
NONOPERATING REVENUES (EXPENSES)	
Sales tax	31,118,492
Investment income	1,424,146
Intergovernmental expense	(1,735,736)
Interest and other charges	(6,761,745)
Total nonoperating revenues (expenses)	24,045,157
CHANGE IN NET ASSETS	(1,159,497)
NET ASSETS, MAY 1	331,569,715
Prior period adjustment	(1,067,808)
NET ASSETS, MAY 1, RESTATED	330,501,907
NET ASSETS, APRIL 30	$ 329,342,410

See accompanying notes to financial statements.

DUPAGE WATER COMMISSION

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 41,610,951
Cash payments to suppliers	(52,301,604)
Cash payments to employees	(3,720,588)
Other cash receipts	30,046
Net cash from operating activities	(14,381,195)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from sales taxes	32,792,114
Cash payments for intergovernmental expenses	(1,735,736)
Net cash from noncapital financing activities	31,056,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on revenue bonds	(4,937,562)
Interest paid on general obligation bonds	(1,866,900)
Principal paid on revenue bonds	(9,125,000)
Principal paid on general obligation bonds	(11,250,000)
Construction and purchases of capital assets	(4,098,838)
Net cash from capital and related financing activities	(31,278,300)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,155,097
Proceeds from investments maturing	14,270,429
Payments for investments purchased	(12,106,000)
Net cash from investing activities	4,319,526
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,283,591)
CASH AND CASH EQUIVALENTS, MAY 1	66,662,104
CASH AND CASH EQUIVALENTS, APRIL 30	$ 56,378,513

(This statement is continued on the following page.)

DUPAGE WATER COMMISSION

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2009

RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	$ (25,204,654)
Adjustments to reconcile operating income (loss) to	
net cash from operating activities	
Depreciation	6,871,758
Changes in assets and liabilities	
Increase in water sales receivable	(781,888)
Decrease in other receivables	27,573
Decrease in prepaid expenses and deposits	38,964
Increase in due from other governments	(340,029)
Decrease in deferred revenue	(140,608)
Increase in accounts payable	534,603
Increase in accrued liabilities and compensated absences	3,210,990
Increase in other postemployment benefits obligation	9,309
Increase in customer deposits	1,392,787
NET CASH FROM OPERATING ACTIVITIES	$ (14,381,195)

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The purpose and objectives of the Commission are:

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Reporting Entity

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

b. Basis of Accounting

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

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

c. Fund Accounting

Enterprise Funds

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

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 deposits with a maturity of one year or less and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

e. Investments

Investments and nonnegotiable 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 charges are recorded as receivables and revenues at their original invoice amount. Management has determined that no allowance for uncollectible accounts is necessary as of April 30, 2009. 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 of repair pipe are accounted for at cost, using the first-in/first-out (FIFO) method.

i. Restricted Cash and Investments

Restricted cash and investments represent those assets which are required to be held separately from other Commission cash and investments as mandated by the revenue bond indentures and as self-imposed by ordinance or resolution by the Board of Commissioners, and as determined by management in overfunding the Depreciation Account by $924,989.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Capital Assets - Property, Plant, and Equipment

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

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

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

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

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

l. Unamortized Losses on Refundings

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Compensated Absences

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

n. Unearned Revenue

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

o. Net Assets

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

p. Accounting Estimates

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

q. GASB Pronouncement

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

2. DEPOSITS AND INVESTMENTS

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

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

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. The Commission's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance.

b. Investments

The following table presents the investments and maturities of the Commission's debt securities as of April 30, 2009:

		Investment Maturities in Years			
Investment Type	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury notes	$ 12,264,399	$ 12,264,399	$ -	$ -	$ -
Illinois Funds	33,471,425	33,471,425	-	-	-
Money market funds	14,203,059	14,203,059	-	-	-
TOTAL	$ 59,938,883	$ 59,938,883	$ -	$ -	$ -

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Commission limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market. Commercial paper, if any, is limited to 90 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 Illinois Funds are rated AAA. The money market fund is not rated.

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

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

3. LOANS RECEIVABLE

On April 25, 2002, the Commission approved a motion for a proposed agreement to make long-term, low-interest loans available to Charter Customer municipalities for the purpose of providing financing under certain circumstances to future customers who presently live in areas of DuPage County not presently served by the Commission. Three intergovernmental agreements with Charter Customers were made during fiscal years 2003-2007. Two of the loans are to be repaid in 13 installments, commencing in 2011 and continuing through 2023. The third loan is to be repaid in 13 installments, commencing in 2014 and continuing through 2026. Interest at a rate of 2% per annum shall be paid annually until the principal balance of the loan has been paid in full. As of April 30, 2009, loans totaling $5,637,192 are due from the customers.

3. LOANS RECEIVABLE (Continued)

Payments due from Charter Customers are as follows:

Fiscal Year Ending April 30	Principal	Interest	Total
2010	$ -	$ 112,744	$ 112,744
2011	384,586	112,744	497,330
2012	384,586	105,052	489,638
2013	384,586	97,360	481,946
2014	433,630	89,669	523,299
2015	433,630	80,996	514,626
2016	433,630	72,323	505,953
2017	433,630	63,651	497,281
2018	433,630	54,978	488,608
2019	433,630	46,306	479,936
2020	433,630	37,633	471,263
2021	433,630	28,960	462,590
2022	433,630	20,288	453,918
2023	433,632	11,615	445,245
2024	49,044	2,943	51,987
2025	49,044	1,962	51,006
2026	49,046	981	50,027
TOTAL	$ 5,637,192	$ 940,205	$ 6,577,397

4. CAPITAL ASSETS

	Balances May 1, Restated	Additions	Retirements	Balances April 30
Capital assets not being depreciated				
Land and permanent easements	$ 11,792,300	$ -	$ -	$ 11,792,300
Construction in progress	3,174,514	4,371,418	-	7,545,932
Total capital assets not being depreciated	14,966,814	4,371,418	-	19,338,232
Capital assets being depreciated				
Water mains	363,967,660	-	-	363,967,660
Buildings and other structures	81,317,783	-	-	81,317,783
Pumping equipment	5,583,705	11,300	14,442	5,580,563
Office furniture and equipment	4,986,322	-	55,000	4,931,322
Vehicles and other equipment	551,047	36,927	45,114	542,860
Total capital assets being depreciated	456,406,517	48,227	114,556	456,340,188

4. CAPITAL ASSETS

	Balances May 1, Restated	Additions	Retirements	Balances April 30
Less accumulated depreciation				
Water mains	$ 59,888,806	$ 4,547,971	$ -	$ 64,436,777
Buildings and other structures	31,216,395	2,041,426	-	33,257,821
Pumping equipment	3,147,811	175,905	14,442	3,309,274
Office furniture and equipment	4,844,947	55,022	55,000	4,844,969
Vehicles and other equipment	389,712	51,434	45,114	396,032
Total accumulated depreciation	99,487,671	6,871,758	114,556	106,244,873
Total capital assets being depreciated, net	356,918,846	(6,823,531)	-	350,095,315
CAPITAL ASSETS, NET	$ 371,885,660	$ (2,452,113)	$ -	$ 369,433,547

5. WATER CONTRACT WITH THE CITY OF CHICAGO

The Commission has entered into a 40-year contract (from March 19, 1984) with the City of Chicago, Illinois (the Chicago Contract), under which the City of Chicago has agreed to supply all of the Commission's water requirements, up to 1.7 times the year's annual average day amount (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 is furnished by the City of Chicago through meters.

The Commission is obligated to purchase a minimum amount of water; such minimum is 50% of the aggregate Illinois Department of Natural Resources allocations. In fiscal 2009, the Commission purchased 30 billion gallons of water from the City of Chicago; such purchases equaling 85.1% of the aggregate Illinois Department of Natural Resources allocations.

The Commission is constructing improvements regarding electrical generation facilities and a solar photovoltaic system at the Lexington pumping station. The City of Chicago will reimburse the Commission a maximum of (a) 50% of the cost of designing and constructing the two replacement variable frequency drives, (b) $4,000,000 plus 100% of the cost of designing and constructing the solar photovoltaic system over and above the sum of $8,000,000, and (c) $8,500,000 which amount represents the average generation cost per average daily pumping capacity at the pumping stations where the City has already constructed backup generation. The City will reimburse the Commission monthly for such costs through a 10% credit against Commission water purchases from the City. Upon completion, the facilities will be conveyed to the City.

6. RISK MANAGEMENT

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

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

7. LONG-TERM DEBT

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

	Balances May 1	Issuances	Retirements	Balances April 30	Due Within One Year
Other postemployment benefits obligation	$ 38,438	$ 9,309	$ -	$ 47,747	$ -
General obligation refunding bonds	35,560,000	-	11,250,000	24,310,000	11,845,000
Unamortized premium	551,551	-	290,250	261,301	-
Unamortized loss on refunding	(487,404)	-	(172,052)	(315,352)	-
Total general obligation bonds	35,624,147	-	11,368,198	24,255,949	11,845,000
Revenue refunding bonds	100,795,000	-	9,125,000	91,670,000	9,580,000
Unamortized premium	3,287,028	-	831,649	2,455,379	-
Unamortized loss on refunding	(6,595,244)	-	(1,098,706)	(5,496,538)	-
Total revenue bonds	97,486,784	-	8,857,943	88,628,841	9,580,000
TOTAL	$ 133,149,369	$ 9,309	$ 20,226,141	$ 112,932,537	$ 21,425,000

b. 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, 2009, $24,310,000 principal was outstanding on these bonds. The Commission intends to retire these bonds with annual sales tax proceeds. The Series 2001 bonds are general obligations of the Commission secured by the full faith and credit of the Commission and payable, as to both principal and interest, from ad valorem taxes levied against all taxable property within the territory of the Commission. The Commission issued Ordinance No. O-1-09, abating the ad valorem taxes on this debt and has set aside $7,145,219 of sales tax proceeds to be used to service the debt as it becomes due during fiscal year 2010. The $7,145,219 is reported as restricted cash and cash equivalents on the statement of net assets.

7. LONG-TERM DEBT (Continued)

b. General Obligation Bonds (Continued)

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

Fiscal Year Ending April 30	Principal	Interest	Total
2010	$ 11,845,000	$ 1,276,275	$ 13,121,275
2011	12,465,000	654,413	13,119,413
TOTAL	$ 24,310,000	$ 1,930,688	$ 26,240,688

c. Revenue Bonds

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

As of April 30, 2009, $91,670,000 principal remained outstanding on the Series 2003 bonds. In addition, the bonds are subject to certain terms and conditions contained in the Master Revenue Bond Ordinance (the Ordinance), which was created when the Commission initially issued Revenue Bonds, Series 1987. Substantially all revenue generated from the Commission's operations are pledged to retire these bonds.

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

Fiscal Year Ending April 30	Principal	Interest	Total
2010	$ 9,580,000	$ 4,469,938	$ 14,049,938
2011	10,060,000	3,978,937	14,038,937
2012	10,565,000	3,463,313	14,028,313
2013	11,090,000	2,921,937	14,011,937
2014	11,645,000	2,339,006	13,984,006
2015	12,255,000	1,711,631	13,966,631
2016	12,900,000	1,051,312	13,951,312
2017	13,575,000	356,344	13,931,344
TOTAL	$ 91,670,000	$ 20,292,418	$ 111,962,418

7. LONG-TERM DEBT (Continued)

d. Revenue Bond Ordinance

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

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

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

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

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

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.

7. LONG-TERM DEBT (Continued)

d. Revenue Bond Ordinance (Continued)

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

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

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

The Ordinance provides for the creation of the Special Redemption Fund to be held by the Trustee to account for issuance proceeds and condemnation awards to the extent not used to repair or replace the system and any other Commission-designated transfer. These monies may be used for debt service purposes. This fund was not active in fiscal 2009.

The Ordinance created the Arbitrage Rebate Fund to be held by the Trustee to maintain the tax-exempt status of the interest paid on the bonds. Beginning in fiscal 1988, an account was established and funds were transferred to segregate funds deemed necessary to maintain the tax-exempt status of the revenue bonds. Investment earnings of the Interest Account, Principal Account, and Debt Service Reserve Account is used for the purpose of funding amounts set aside in the Arbitrage Rebate Fund. This fund was not active in fiscal 2009.

During fiscal 2009, all required transfers were not made; account balances were sufficient to meet the Ordinance’s requirements, except for the Operations and Maintenance Reserve requirement (underfunded by $1,387,002). In accordance with the Commission’s revenue bond ordinance, the Commission maintains accounts for the Revenue Bond Construction Fund, the Special Redemption Fund, and the Arbitrage Rebate Fund, but these funds are presently inactive.

Restricted assets related to the bond ordinances at April 30, 2009 are as follows:

Sales tax internally restricted for fixed cost payments	$ 7,145,219
Amount held for payment of general obligation bonds and interest	13,629,351
Operation and maintenance account	15,374,682
Interest account	2,567,744
Principal account	10,270,364
Operation and maintenance reserve account	11,543,257
Depreciation account	5,424,989
TOTAL RESTRICTED ASSETS	$ 66,455,606

8. RESTRICTED NET ASSETS

The Commission has the following restricted net assets:

Restricted net assets:	
Restricted assets (Note 7)	$ 66,455,606
Less current liabilities payable from restricted assets	
Revenue refunding bonds	
Operations and maintenance account	
Accounts payable	3,873,546
Accrued liabilities	3,864,015
Compensated absences	238,486
Interest account	
Accrued interest payable	2,354,719
General obligation refunding bonds	
Accrued interest payable	212,712
Total current liabilities payable from restricted assets	10,543,478
Less sales tax internally restricted for fixed cost payments	7,145,219
Less excess in operations and maintenance account	933,506
Less excess in interest account	213,025
Less excess in principal account	690,364
Less excess in depreciation account	924,989
Less excess in general obligation bond account	1,571,638
TOTAL RESTRICTED NET ASSETS	$ 44,433,387

9. COMMITMENTS AND CONTINGENCIES

Commitments

As of April 30, 2009, the Commission's remaining commitment on contracts for future construction total approximately $39.8 million.

Contingent Liabilities

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

10. MAJOR CUSTOMER

During fiscal year 2009, approximately 5.8 billion gallons, or 20.02% of water sales revenue in the Water Fund was realized from the City of Naperville, the Commission's largest customer.

11. DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund

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

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

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Commission is required to contribute at an actuarially determined rate. The employer rate for fiscal year 2009 was 9.06% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on an open basis). The amortization period at December 31, 2008 was 26 years.

For April 30, 2009, the Commission's annual pension cost of $240,646 was equal to the Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 11.60% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor. The assumptions used for the 2008 actuarial valuation were based on the 2005-2007 experience study.

11. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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

	Fiscal Year	Illinois Municipal Retirement
Annual pension cost (APC)	2007	$ 275,607
	2008	295,199
	2009	240,646
Actual contributions	2007	$ 275,607
	2008	295,199
	2009	240,646
Percentage of APC contributed	2007	100.00%
	2008	100.00%
	2009	100.00%
NPO	2007	$ -
	2008	-
	2009	-

Funded Status and Funding Progress

The funded status and funding progress of the plan as of December 31, 2008 was as follows:

Actuarial accrued liability (AAL)	$ 5,774,686
Actuarial value of plan assets	4,653,290
Unfunded actuarial accrued liability (UAAL)	1,121,396
Funded ratio (actuarial value of plan assets/AAL)	80.58%
Covered payroll (active plan members)	$ 2,602,576
UAAL as a percentage of covered payroll	43.09%

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

12. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

c. Membership

At April 30, 2008, membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	18
Active nonvested plan members	19
TOTAL	37
Participating employers	1

d. Funding Policy

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

The Commission first had an actuarial valuation performed for the Plan as of April 30, 2006 to determine the funded status of the Plan as of that date. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2006	$ 12,601	9.52%	$ 11,401
April 30, 2007	*	*	*
April 30, 2008	13,616	0.00%	38,438
April 30, 2009	9,309	0.00%	47,747

* The Commission's policy is to have an actuarial valuation performed biennially. Therefore, no actuarial valuation was done as of April 30, 2007 or 2009.

The net OPEB obligation as of April 30, 2009 was calculated as follows:

Annual required contribution	$ 8,760
Interest on net OPEB obligation	1,922
Adjustment to annual required contribution	(1,373)
Annual OPEB cost	9,309
Contributions made	-
Increase in net OPEB obligation	9,309
Net OPEB obligation, beginning of year	38,438
NET OPEB OBLIGATION, END OF YEAR	$ 47,747

Funded Status and Funding Progress: The funded status of the Plan as of April 30, 2008 was as follows:

Actuarial accrued liability (AAL)	$ 67,267
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	67,267
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$ 2,477,690
UAAL as a percentage of covered payroll	2.71%

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

In the April 30, 2008 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included as investment rate of return of 5.0% and an initial healthcare cost trend rate of 8.0% with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 5.0% wage inflation assumption. The actuarial value of assets was not determined as the Commission has not advance funded its obligation. The Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at April 30, 2008 was 28 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. PRIOR PERIOD ADJUSTMENTS

The Commission has restated net assets as of May 1, 2008 as follows:

NET ASSETS, MAY 1 (as previously reported)	$ 331,569,715
Restated for:	
Accounting correction for overstatement of capital assets	(1,282,238)
Accounting correction for prior year revenue recognition	181,490
Accounting correction for prior year expense recognition	71,378
Accounting correction to record prior year other postemployment benefits obligation	(38,438)
Subtotal restatements	(1,067,808)
NET ASSETS, MAY 1, RESTATED	$ 330,501,907

15. SUBSEQUENT EVENTS

On December 10, 2009, the Board of Commissioners adopted Ordinance No. O-14-09, authorizing and providing for the issuance of not-to-exceed $30,000,000 Debt Certificates, Series 2009 to provide for the acquisition of water and of improvements and extensions to the existing facilities of the Commission.

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

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

a. The commissioners shall be appointed as follows:

1. A chairperson, who shall also serve in the capacity of a commissioner, shall be appointed by the chairperson of the county board of the home county with the advice and consent of the county board.

2. One commissioner from each county board district within the home county shall be appointed by the chairperson of the county board of the home county with the advice and consent of the county board.

15. SUBSEQUENT EVENTS (Continued)

a. (Continued)

3. One commissioner from each county board district within the home county shall be appointed by the majority vote of the mayors of those included municipalities that have the greatest percentage of their respective populations residing within such county board district of the home county. A vice chairperson of the commission shall be appointed from the commissioners appointed pursuant to this paragraph by a majority vote of these commissioners.

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

REQUIRED SUPPLEMENTARY INFORMATION

DUPAGE WATER COMMISSION

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2009

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)
2005	$ 2,010,845	$ 3,497,300	57.50%	$ 1,486,455	$ 2,075,517	71.62%
2006	3,949,591	4,271,581	92.46%	321,990	2,253,534	14.29%
2007	4,742,810	5,068,990	93.57%	326,180	2,441,680	13.36%
2008	4,653,290	5,774,686	80.58%	1,121,396	2,602,576	43.09%

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

(See independent auditor's report.)

DUPAGE WATER COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2009

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2004	$ 360,425	$ 360,425	100.00%
2005	231,511	231,511	100.00%
2006	336,441	336,441	100.00%
2007	275,607	275,607	100.00%
2008	295,199	295,199	100.00%
2009	240,646	240,646	100.00%

(See independent auditor's report.)

DUPAGE WATER COMMISSION

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2009

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

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

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

(See independent auditor's report.)

DUPAGE WATER COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2009

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

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

N/A - Not available

SUPPLEMENTAL DATA

DUPAGE WATER COMMISSION

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

For the Year Ended April 30, 2009

	Budget	Actual	Variance
OPERATING REVENUES			
Water sales			
Operations and maintenance costs	$ 40,605,758	$ 33,408,518	$ (7,197,240)
Fixed costs	7,144,719	7,144,719	-
Customer differential	948,473	927,452	(21,021)
Other income	2,500	2,473	(27)
Total operating revenues	48,701,450	41,483,162	(7,218,288)
OPERATING EXPENSES			
Water supply costs	65,608,960	53,813,786	(11,795,174)
Personal services	4,502,214	3,792,037	(710,177)
Insurance	831,874	729,203	(102,671)
Professional and contractual services	1,211,666	655,937	(555,729)
Administrative costs	966,339	825,095	(141,244)
Total operating expenses	73,121,053	59,816,058	(13,304,995)
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(24,419,603)	(18,332,896)	6,086,707
DEPRECIATION	6,965,924	6,871,758	(94,166)
OPERATING INCOME (LOSS)	(31,385,527)	(25,204,654)	(6,180,873)
NONOPERATING REVENUES (EXPENSES)			
Sales tax	36,268,083	31,118,492	(5,149,591)
Investment income	4,446,791	1,424,146	(3,022,645)
Intergovernmental expense	-	(1,735,736)	(1,735,736)
Interest and other charges	(6,767,972)	(6,761,745)	6,227
Total nonoperating revenues (expenses)	33,946,902	24,045,157	(9,901,745)
CHANGE IN NET ASSETS	$ 2,561,375	(1,159,497)	$ (3,720,872)
NET ASSETS, MAY 1		331,569,715	
Prior period adjustment		(1,067,808)	
NET ASSETS, MAY 1, RESTATED		330,501,907	
NET ASSETS, APRIL 30		$ 329,342,410	

(See independent auditor's report.)