

**WATER AND SEWERAGE SYSTEM OF  
DUPAGE COUNTY, ILLINOIS  
An Enterprise Fund of DuPage County, Illinois**

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended November 30, 2015  
(With Comparative Totals for November 30, 2014)

# **WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**

An Enterprise Fund of DuPage County, Illinois

## **TABLE OF CONTENTS**

As of and for the Year Ended November 30, 2015

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Independent Auditors' Report	1 – 3
Required Supplementary Information	
Management's Discussion and Analysis	4 – 12
Financial Statements	
Statements of Net Position	13 – 14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16 – 17
Notes to Financial Statements	18 – 35
Required Supplementary Information	
Illinois Municipal Retirement Fund – Schedule of the System's Proportionate Share of the Net Pension Liability and System Contributions	36
Supplementary Information	
Combining Schedule of Net Position	37 – 38
Combining Schedule of Changes in Cash and Cash Equivalents	39 – 40
Other Information	
Schedule of Insurance Coverage	41
Required Information for Continuing Disclosure Undertaking	42 – 43
Five Year Summary of Debt Service Coverage Ratios	44
Report of Independent Public Accountants on Debt Covenants Compliance	45

## INDEPENDENT AUDITORS' REPORT

To the Honorable Chairman and Members of the County Board  
Water and Sewerage System of DuPage County, Illinois  
DuPage County, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Water and Sewerage System of DuPage County, Illinois, an enterprise fund of DuPage County, Illinois, as of and for the year ended November 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewerage System of DuPage County, Illinois as of November 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Chairman and Members of the County Board  
Water and Sewerage System of DuPage County, Illinois

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Water and Sewerage System of DuPage County, Illinois and do not purport to, and do not present fairly the financial position of DuPage County, Illinois, as of November 30, 2015 and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Water and Sewerage System of Dupage County, Illinois adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective December 1, 2014. Net position as of December 1, 2014 has been restated as a result. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The financial information listed as supplementary information in the table of contents for the year ended November 30, 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as supplementary information in the table of contents for the year ended November 30, 2015 is fairly stated in all material respects in relation to the financial statements as a whole.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion or provide any assurance on it.

To the Honorable Chairman and Members of the County Board  
Water and Sewerage System of DuPage County, Illinois

*Prior-Year Comparative Information*

We have previously audited the Water and Sewerage System of DuPage County, Illinois' 2014 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated June 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Baker Tilly Vuchow Krause, LLP*

Oak Brook, Illinois  
June 28, 2016

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2015**

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The Water and Sewerage System of DuPage County, Illinois (the System) began operations in 1962. The System consists of sewage collection and treatment facilities, water pumping connection facilities to the DuPage Water Commission, and water distribution facilities in certain areas of DuPage County. The System's principal activity is sewage collection and treatment with some pumping and distribution of water purchased primarily from the DuPage Water Commission. The System consists of a single proprietary type fund using full accrual accounting to report operations.

**GENERAL FINANCIAL HIGHLIGHTS**

The following is a discussion and analysis of The Water and Sewerage System of DuPage County, Illinois' financial statements for the fiscal year ending November 30, 2015.

- For fiscal year 2015, user charges and other revenues of the System were \$24,464,537 and expenses were \$24,416,410 resulting in total revenues exceeding total expenses by \$48,127. It should be noted that \$1.3 million of the reported revenue is related to capital contributions and \$3.24 million of the reported expense is related to depreciation and amortization.
- Cash disbursements exceeded cash receipts by \$1,169,769 in the Operation and Maintenance Account.

In 2011, an independent consultant was commissioned to perform a wastewater and water rate study analysis. The purpose of the study was to determine the required rate structure for the System. The study was approved by the Public Works Committee in late 2011. As a result of the study, water rate increases took effect beginning with the March 2012 customer bills. Water rates were increased in 2013, 2014 and 2015. The sewer, sewer maintenance, and base billing rates increased beginning with the March 2013 customer bills. These rates will remain in effect through 2015. In late 2014, the System hired an independent consultant to perform its next rate study analysis. The purpose of the study was to determine the required rate structure for wastewater and water services from 2016 through 2019. The rate study was completed in 2015.

The System completed the following construction projects in 2015: Plant enclosure for the chlorine building at Knollwood, lighting upgrades at Woodridge, Vacuum Receiving Station at Woodridge, rehabilitation of clarifiers 1, 2 and 3 at Knollwood, rehabilitation of the tertiary filter banks 9-12 at Woodridge, construction of the pressure adjusting and metering station at York Township, and construction of a new water tower at York Township.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2015**

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**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements which are comprised of the Financial Statements and Notes to the Financial Statements. This report also contains required supplementary information and other supplementary information in addition to the basic Financial Statements themselves.

Financial Statements

The Financial Statements are designed to provide readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the System's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the System's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing the changes in net position occurring during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., unbilled services fees and amounts due to vendors).

Because the System's primary function is to provide water delivery and sewage collection and treatment to its customers and to recover all costs through user fees and charges, the financial statements only include business-type activities.

The accounts of the System are organized on the basis of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Because the System provides water delivery and sewage treatment and recovers these costs through user fees and charges, the System's funds are accounted for as an enterprise fund type of the proprietary fund group.

The Financial Statements can be found on pages 13 to 17.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2015**

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Notes to Financial Statements

The Notes provide additional information that is essential to a full understanding of the financial data provided in the Financial Statements. The Notes to the Financial Statements can be found on pages 18 to 35 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and other information. This information can be found on pages 36 to 45.

**Statement of Net Position**

The following is a summary of the System's Statement of Net Position as of November 30, 2015 and 2014.

**Statement of Net Position Summary**

	November 30,	
	2015	2014*
Current Assets	\$14,840,021	\$15,667,315
Capital Assets	91,799,309	92,504,065
Restricted and Other Assets	<u>8,372,677</u>	<u>8,111,133</u>
Total Assets	<u>115,012,007</u>	<u>116,282,513</u>
Deferred Outflows of Resources Related to Pensions	<u>\$1,671,404</u>	-
Total Deferred Outflows of Resources	<u>1,617,404</u>	-
Current Liabilities	6,252,608	6,410,060
Long-term Liabilities	<u>19,433,363</u>	<u>18,377,272</u>
Total Liabilities	<u>25,685,971</u>	<u>24,787,332</u>
Net Investment in Capital Assets	75,103,186	74,249,205
Restricted for Debt Service	8,154,946	7,875,651
Unrestricted Net Position	<u>7,739,008</u>	<u>9,370,325</u>
Total Net Positions	<u><u>\$90,997,140</u></u>	<u><u>\$91,495,181</u></u>

\*Prior year information has not been adjusted to reflect the implementation of GASBs 68 and 71 during 2015.



**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2015**

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**Statement of Revenue and Expenses and Changes in Net Position Summary**

The following is a summary of the System's Statement of Revenue and Expenses and Changes in Net Position for the fiscal years ending on November 30, 2015 and November 30, 2014:

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET  
POSITION SUMMARY**

	November 30,	
	2015	2014*
Revenues:		
Users' Charges	\$ 13,747,334	\$ 13,414,295
Miscellaneous Income	2,031,094	2,084,000
Administrative Fees	1,193,538	1,204,718
Connection Fees	322,535	1,184,357
Capital Contributions	1,252,386	5,854,916
Total Revenue	<u>18,546,887</u>	<u>23,742,286</u>
Pass Through Revenue		
Darien Water Charges	5,325,419	5,430,010
Glen Ellyn Sewer Charges	572,286	543,509
Total Pass Through Revenue	<u>5,897,705</u>	<u>5,973,519</u>
Expenses:		
Salaries & Employee Benefits	8,063,453	7,646,040
Commodities	1,563,872	1,634,006
Contractual	5,082,838	5,238,122
Depreciation and Amortization	3,243,373	3,146,104
Interest and Other	545,224	944,293
Total Expenses	<u>18,498,760</u>	<u>18,608,565</u>
Pass Through Expenses		
Darien Water Payments	5,325,419	5,430,010
Glen Ellyn Sewer Payments	572,286	543,509
Total Pass Through Expenses	<u>5,897,705</u>	<u>5,973,519</u>
Change in Net Position	\$ <u>48,127</u>	\$ <u>5,133,721</u>

\*Prior year information has not been adjusted to reflect the implementation of GASBs 68 and 71 during 2015.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2015**

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The following is a discussion of the variances between 2015 and 2014.

**Revenues**

Revenues from user charges for sewerage service and sewer maintenance were relatively flat as was consumption. Sewer and sewer maintenance rates remained unchanged.

Revenues from user charges for water increased by 7.1%. Water rates increased by 6.5%. Consumption for water service was flat.

Miscellaneous income decreased by 2.3%. Penalties for late payment decreased approximately \$18,000. The department started accepting credit card payments in mid-2015 giving customers an additional channel to pay their overdue sewer and water bills. Other contractual charges also decreased approximately \$16,000. Work performed by the Public Works department staff for other county departments decreased approximately \$125,000 during 2015. About \$70,000 of this decrease in revenue is due to the mild winter and associated lack of necessity to snow plow for the DuPage Department of Transportation. Finally, revenue derived from the Stormwater Department decreased about \$42,000.

Administrative fees were flat from 2014 to 2015. The bi-monthly fee charged to customers for billing and meter reading remained unchanged at \$5.78.

User connection income decreased by 73% during 2015. In 2014 there was a temporary spike in the connection fee income as multiple builders purchased blanket permits for sewer connections to the Woodridge plant.

In 2015, contributed revenue consisted of acceptance of the Madison Estates and Madina Center sewer lines, the Madina Center water mains, and the pressure adjusting and metering station constructed in the Lakes of Royce Renaissance Special Service Area #35 and the York Center Special Service Area #37.

**Expenses**

Salaries and Employee Benefits increased 5.5% in 2015. Employees received a cost of living salary increase of 2%. The department also filled vacant positions late in FY2015. In addition, GASB 68 was implemented in 2015 resulting in a charge of approximately \$262,000 to employee benefits.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2015**

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Commodity expenses decreased by 4.3%. Approximately \$50,000 of the decrease was due to a decrease in the chemicals needed to run the sewerage plants. The use of chemicals is weather dependent and varies from year to year. The falling price of gasoline and diesel fuel, as well as the amount of gasoline and diesel fuel sold to other municipalities, created a decrease in fuel expenses of \$152,000. The expenses for automobile, machinery, and equipment parts and maintenance supplies increased by \$132,000. This is the result of the parts needed to maintain and repair the aging vehicles, buildings, and plant equipment.

Contractual expenses decreased approximately 2% in 2015. The largest decreases were seen in electricity and natural gas purchases at approximately \$273,558 or 17%. The stabilization of the natural gas and electricity prices as well as a mild winter contributed to the decrease in utility expenses. Water purchases increased by \$286,271 or 17.5%. The number of gallons of water purchased was relatively constant, but the price of water rose from \$3.97 in January 2014 to \$4.68 in January 2015 an increase of 17.9%. Worker's Compensation claims decreased \$233,916 primarily due to a large claim that was booked in FY2014. Repairs and maintenance increased approximately \$75,000. There were significant repairs to the facilities at the SERF water and Woodridge sewer plants. Dues and Memberships increased \$78,291. DuPage County participates in the DuPage River Salt Creek Workgroup. Dues are shared by the Public Works Department and the Stormwater Department. There is a four year in-stream improvement project at a total cost of \$483,730. Custodial and waste disposal increased by \$49,000. Additional waste hauling fees are associated with the newly operational vacuum receiving station. Other Government Services decreased approximately \$49,000 as a result of a decrease in reimbursement to the City of Darien for water billing. Indirect Cost Reimbursement and Other Contractual Services decreased \$31,000.

Interest and Other Expenses decreased \$399,069 or 42.3%. During 2014, the System incurred a \$394,264 loss on the disposal of assets. The loss is attributable to writing off the net book value of the York Center water system that was replaced by the York Township water system paid for by special service areas.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2015**

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**CAPITAL ASSETS, OTHER ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The System's investment in capital assets as of November 30, 2015 is summarized below, net of accumulated depreciation.

Land and Land Improvements	\$ 1,532,945
Sewage System	66,299,982
Water System	20,181,511
Other Property, Plant and Equipment	1,026,293
Net Intangible Assets	2,477,359
Construction in Progress	<u>281,219</u>
 Total Net Capital Assets	 <u>\$ 91,799,309</u>

Capital asset activity included \$10,432,899 in additions and \$456,059 of disposals. Of the capital asset additions, \$1,252,386 was contributed. Additional information on the System's capital assets can be found in Note 3 of the financial statements.

**Other Assets**

Other Assets increased from \$4,950,550, in 2014 to \$5,187,680 in 2015. The increase is directly related to the York Township water tower and metering station that was built with funds from special service areas.

**Long Term Debt**

The System has three outstanding Revenue Bond issues and one outstanding loan from the Illinois Environmental Protection Agency. Revenue Bonds were issued in 2008 to advance refund and refinance outstanding bonds from 2003 and also provided \$14.9 million in new money to fund its capital improvement program. In 2012, The System issued \$2.4 million in Revenue Bonds to repay the outstanding loan to the DuPage Water Commission for the buy in fee which is a membership requirement of the commission. The System also entered into a loan agreement with the Illinois Environmental Protection Agency for the construction of the York Township water system and water tower.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2015**

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The following is a summary of the outstanding long-term obligations of the System as of November 30, 2015.

Series 2008A	\$ 5,130,000
Series 2008B	5,120,000
Series 2012	1,775,000
IEPA Loan (2012)	4,578,250
Unamortized debt premium	95,196
Accrued sick, vacation and retention payable	1,722,553
Other post employment benefit payable	33,944
Net pension liability	<u>2,603,142</u>
 Total Long Term Debt	 \$ <u>21,058,085</u>

Additional information on the System's long term debt can be found in Note 5 of the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The System is supported solely by user charges and other miscellaneous income. Miscellaneous income includes connection revenue, septic revenue, cell tower leases, and interest income.

The current economic conditions, if continued in 2016, will have an impact on connection revenue, interest income and user charges.

The connection revenue forecast for 2016 is conservative and is based on local economic conditions. It is anticipated that the connection revenues will increase slightly from 2015 to 2016. The local economy has continued to slowly recover and residential and commercial developers have started new construction and have purchased connection permits in various parts of the County. Interest income is expected to be at or near 2015 levels.

User charges may be influenced by several factors, including: 1.) An increase in consumption due to a decrease in foreclosed or vacant properties. 2.) An increase in consumption due to new housing and commercial developments. 3.) An increase in consumption as new areas are served by the System. 4.) A reduction in consumption resulting from water conservation by customers experiencing an increase in water rates. 5.) Increase or reduction in consumption due to climate conditions.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2015**

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Over the past several years, the System converted all but one of its well water systems to Lake Michigan water. This conversion has had and will continue to have an impact on the operational expenditures for the water system as the System must now pay for Lake Michigan water. The System decommissioned the older water facilities, but will maintain them for emergency/standby sources of water.

A rate study was done in 2015 to set rates for water, sewer, sewer maintenance, and administrative fees. The purpose of the study was to allow the System to balance revenues with expenditures through 2019. User rates for the sewer system will remain at \$2.57 per thousand gallons until 2017 when they will be raised to \$2.80. Sewer maintenance rates will remain at \$.95 until 2017 when they will be increased to \$1.00 per thousand gallons. Administrative fees will remain at \$5.78 through 2019. Water rates will remain at \$9.40 until 2018 when they will be increased to \$9.85 per thousand gallons. The System performed a meter audit for its larger meters during 2015. Several of these meters were replaced and the System will continue to replace water meters in areas where water loss was high. In addition, the System is testing automated meter reading in its smaller water systems.

The System anticipates an increase in retirements from 2016 through 2017. This increase will have a direct impact on cash flows. DuPage County has an employee retention program that provides for a retention payment at retirement for eligible employees. In addition to this retention payment, employees receive a payout for their accrued vacation and sick time accrued prior to December 1, 2011.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Water and Sewerage System's financial results and position for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional information may be addressed to the Financial Services Administrator at 7900 S. Route 53, Woodridge, IL 60517 or questions may be submitted to the Financial Services Administrator via email at [publicworks@ec.dupageco.org](mailto:publicworks@ec.dupageco.org).

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## STATEMENTS OF NET POSITION As of November 30, 2015 (With Comparative Totals for November 30, 2014)

<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	2015	2014
Cash		
Operation and maintenance account	\$ 3,746,411	\$ 4,916,180
Depreciation account	3,466,936	3,680,606
Liability insurance account	1,284,454	1,159,454
Employee retention account	322,513	250,038
Workers compensation account	250,388	200,388
Total Cash	9,070,702	10,206,666
Accounts receivable - service (net of reserve for uncollectible accounts of \$750)	2,132,167	2,274,739
Unbilled service revenue	3,020,257	3,054,615
Due from County	393,110	-
Miscellaneous receivable	223,785	131,295
Total Current Assets	14,840,021	15,667,315
<b>RESTRICTED ASSETS</b>		
Cash		
First lien bond principal account	717,258	685,858
First lien bond interest account	139,763	152,211
First lien bond reserve account	1,016,127	1,016,127
Second lien bond principal account	480,449	465,449
Second lien bond interest account	107,549	116,887
Second lien bond reserve account	721,528	721,528
Subordinated indebtedness account	-	200
2012 water bond account	2,323	2,323
Total Restricted Cash	3,184,997	3,160,583
Special service area assessments receivable	5,187,680	4,950,550
Total Restricted Assets	8,372,677	8,111,133
<b>CAPITAL ASSETS</b>		
Utility Plant in Service		
Land and land improvements	1,532,945	1,532,945
Sewerage system	159,392,630	157,103,617
Accumulated depreciation	(93,092,648)	(90,808,020)
Net Sewerage System	66,299,982	66,295,597
Water system	30,945,000	25,868,628
Accumulated depreciation	(10,763,489)	(10,521,386)
Net Water System	20,181,511	15,347,242
Other property, plant and equipment	3,909,657	3,928,028
Accumulated depreciation	(2,883,364)	(2,907,009)
Net Other Property, Plant and Equipment	1,026,293	1,021,019
Water commission buy in	3,397,959	3,397,959
Water commission meter station	1,054,261	1,054,261
Accumulated amortization	(1,974,861)	(1,690,176)
Net Intangibles	2,477,359	2,762,044
Total Utility Plant in Service	91,518,090	86,958,847
Construction in Progress	281,219	5,545,218
Total Capital Assets	91,799,309	92,504,065
Total Assets	115,012,007	116,282,513
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	1,671,104	-
Total deferred outflows of resources	1,671,104	-

<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,188,723	\$ 1,840,769
Accrued wages	180,945	109,736
Accrued sick leave, vacation and retention - current	201,415	191,542
Charges collected for others	2,037,423	2,028,902
Due to County	1,005,387	462,865
Current Liabilities Payable From Restricted Assets		
Accrued interest payable	215,408	233,159
Current maturities of revenue bonds	1,195,000	1,150,000
Current maturities of IEPA construction loan	228,307	393,087
Total Current Liabilities	<u>6,252,608</u>	<u>6,410,060</u>
<b>LONG-TERM LIABILITIES</b>		
Accrued sick leave, vacation and retention - noncurrent	1,521,138	1,533,077
Revenue bonds	10,830,000	12,025,000
Unamortized debt premium	95,196	110,845
IEPA construction loans	4,349,943	4,578,251
Other post employment benefit payable	33,944	5,945
Net pension obligation payable	-	124,154
Net pension liability	2,603,142	-
Total Long-Term Liabilities	<u>19,433,363</u>	<u>18,377,272</u>
Total Liabilities	<u>25,685,971</u>	<u>24,787,332</u>
<b>NET POSITON</b>		
Net investment in capital assets	75,103,186	74,249,205
Restricted for debt service	8,154,946	7,875,651
Unrestricted	7,739,008	9,370,325
<b>TOTAL NET POSITION</b>	<u>\$ 90,997,140</u>	<u>\$ 91,495,181</u>



# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended November 30, 2015

(With Comparative Totals for the Year Ended November 30, 2014)

	Sewerage	Water	Sewer Maintenance	Administration	Total	
					2015	2014
<b>OPERATING REVENUES</b>						
Sewerage Service Users' Charges						
DuPage system	\$ 8,859,352	\$ -	\$ -	\$ -	\$ 8,859,352	\$ 8,702,800
Other systems	572,286	-	-	-	572,286	543,509
Water Service Users' Charges						
DuPage system	-	3,157,728	-	-	3,157,728	2,949,569
Other systems	-	5,325,419	-	-	5,325,419	5,430,010
Sewer Maintenance Users' Charges			1,492,645	-	1,492,645	1,527,940
Administrative fees	-	-	-	1,193,538	1,193,538	1,204,718
DuPage Water Commission capital buy-in fee	-	237,609	-	-	237,609	233,986
Penalties	-	-	-	185,859	185,859	204,077
Miscellaneous income	293,237	391,932	-	1,093,156	1,778,325	1,821,073
Total Operating Revenues	<u>9,724,875</u>	<u>9,112,688</u>	<u>1,492,645</u>	<u>2,472,553</u>	<u>22,802,761</u>	<u>22,617,682</u>
<b>OPERATING EXPENSES</b>						
Operation and Maintenance Expenses						
Personnel						
Salaries	2,753,742	978,382	735,852	1,139,729	5,607,705	5,727,469
Employee benefits	1,229,574	433,492	306,476	486,206	2,455,748	1,918,571
Commodities						
Equipment parts and supplies	539,469	162,699	109,836	89,231	901,235	768,002
Chemicals and gases	365,180	12,918	2,598	281,941	662,637	866,004
Contractual Services						
Professional services	92,441	55,829	22,117	30,498	200,885	218,309
Sludge removal	312,949	-	-	-	312,949	328,301
Natural gas	181,105	19,025	1,397	-	201,527	307,208
Electricity	1,040,795	78,983	21,862	-	1,141,640	1,309,528
Water and sewer	34,745	1,880,947	-	-	1,915,692	1,629,421
Repairs and maintenance	171,731	21,213	33,098	10,502	236,544	213,158
Reimbursements	575,840	5,325,419	-	2,381	5,903,640	5,955,405
Other contractual	437,099	276,887	96,693	262,922	1,073,601	1,250,311
Total Operation and Maintenance Expenses	<u>7,734,670</u>	<u>9,245,794</u>	<u>1,329,929</u>	<u>2,303,410</u>	<u>20,613,803</u>	<u>20,491,687</u>
Operating income before amortization and depreciation	1,990,205	(133,106)	162,716	169,143	2,188,958	2,125,995
Amortization of intangibles	-	284,685	-	-	284,685	284,685
Depreciation	2,577,211	381,477	-	-	2,958,688	2,861,419
Total Operating Expenses	<u>10,311,881</u>	<u>9,911,956</u>	<u>1,329,929</u>	<u>2,303,410</u>	<u>23,857,176</u>	<u>23,637,791</u>
Operating Income (Loss)	<u>(587,006)</u>	<u>(799,268)</u>	<u>162,716</u>	<u>169,143</u>	<u>(1,054,415)</u>	<u>(1,020,109)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	-	-	-	66,913	66,913	43,201
Interest expense on bonds and loans	(300,985)	(175,371)	(82,878)	-	(559,234)	(550,029)
Amortization of bond premium issuance costs	-	-	-	15,649	15,649	15,649
Gain (loss) on disposal of assets	-	-	-	4,293	4,293	(394,264)
Total Nonoperating Revenues (Expenses)	<u>(300,985)</u>	<u>(175,371)</u>	<u>(82,878)</u>	<u>86,855</u>	<u>(472,379)</u>	<u>(885,443)</u>
Income (Loss) before contributions	(887,991)	(974,639)	79,838	255,998	(1,526,794)	(1,905,552)
CONNECTION CHARGES	293,881	28,654	-	-	322,535	1,184,357
CAPITAL CONTRIBUTIONS	127,430	1,124,956	-	-	1,252,386	5,854,916
CHANGE IN NET POSITION	<u>\$ (466,680)</u>	<u>\$ 178,971</u>	<u>\$ 79,838</u>	<u>\$ 255,998</u>	<u>48,127</u>	<u>5,133,721</u>
NET POSITION, Beginning of Year					91,495,181	86,361,460
Cumulative Effect of a Change in Accounting Principle					(546,168)	-
NET POSITION - END OF YEAR					<u>\$90,997,140</u>	<u>\$91,495,181</u>

See accompanying notes to financial statements.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## STATEMENTS OF CASH FLOWS For the Year Ended November 30, 2015 (With Comparative Totals for November 30, 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 21,133,289	\$ 21,269,390
Payments to employees for services	(7,828,749)	(7,639,032)
Payments to suppliers for goods and services	(12,471,288)	(12,411,531)
Other revenue	1,448,705	2,036,356
Net Cash Flows From Operating Activities	<u>2,281,957</u>	<u>3,255,183</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payment from other funds	<u>384,233</u>	<u>836,145</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>66,913</u>	<u>43,201</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,047,116)	(2,733,955)
Proceeds from IEPA Loan	-	653,444
Principal payments on revenue bonds	(1,150,000)	(1,115,000)
Principal payments on IEPA loan	(393,087)	(785,191)
Interest payments on bonds and loans	(576,985)	(609,036)
Proceeds from the sale of capital assets	-	60,231
Proceeds from connection charges	322,535	1,184,357
Net Cash Flows From Capital and Related Financing Activities	<u>(3,844,653)</u>	<u>(3,345,150)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(1,111,550)	789,379
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>13,367,249</u>	<u>12,577,870</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 12,255,699</u>	<u>\$ 13,367,249</u>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION</b>		
Cash	\$ 9,070,702	\$ 10,206,666
Restricted cash	<u>3,184,997</u>	<u>3,160,583</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 12,255,699</u>	<u>\$ 13,367,249</u>

	2015	2014
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (1,054,415)	\$ (1,020,109)
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities		
Depreciation	2,958,688	2,861,419
Amortization of other assets	284,685	284,685
Changes in assets and liabilities and deferred outflows of resources		
Accounts receivable, net	142,572	457,392
Accrued unbilled service revenue	34,358	(259,279)
Due from special service area	(216,760)	195,445
Miscellaneous receivable	(112,860)	19,838
Deferred outflows of resources related to pensions	(1,165,518)	-
Accounts payable	2,464	505,392
Accrued sick leave, vacation, retention and wages payable	69,143	7,008
Other post employment benefits payable	27,999	-
Net pension obligation payable	(124,154)	-
Net pension liability	1,427,234	-
Charges collected for others	8,521	203,392
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 2,281,957</b>	<b>\$ 3,255,183</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	\$ 1,252,386	\$ 5,854,916
Accrued construction interest included in IEPA loan payable	\$ -	\$ 79,541

See accompanying notes to financial statements.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of the Water and Sewerage System of DuPage County, Illinois (System) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the System are described below.

#### **REPORTING ENTITY**

The System began operations in 1962 and is an enterprise fund of DuPage County (County). The System, which is operated by the DuPage County Public Works Department, owns and operates sewerage collection and treatment facilities along with water pumping and distribution systems in certain areas of the County. Financial policies and regulations are established and adopted by the passage of a governing ordinance (ordinance). The System consists of an operating fund and multiple bond, interest, and reserve accounts required by ordinances described in Note 5. All intrafund transactions are eliminated.

#### **CHANGES IN ACCOUNTING PRINCIPLES**

In June 2012, the GASB issued statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This standard was implemented effective December 1, 2014.

In November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This standard was implemented effective December 1, 2014.

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The System is presented as an enterprise fund of the County. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

#### ***ASSETS, LIABILITIES AND NET POSITION***

##### ***Cash and Investments***

The System's cash and investments consist of demand deposits. For the statement of cash flows, cash equivalents have original maturities of three months or less from the date of acquisition.

Illinois Statutes authorize the System to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

The System follows the investment policy adopted by the County. That policy follows the state statute for allowable investments. Additionally, the System's restricted cash and cash equivalents must be invested in qualified investments as directed by the revenue bond ordinance relating to the Series 2008A, Series 2008B and Series 2012 Water and Sewerage System Revenue Bonds. Qualified investments shall mean:

- (1) direct obligations of, or obligations the timely payment of which is fully guaranteed by, the United States of America;
- (2) certificates of deposit or time deposits issued by any bank or savings and loan institution and
  - (i) insured by the Federal Deposit Insurance Corporation or
  - (ii) to the extent not insured as described in (i), secured by obligations described in (1) above held by the depository which have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificate or time deposit;
- (3) obligations of the Federal Home Loan Bank, Federal Farm Credit Administration, Federal National Mortgage Association, Federal Intermediate Credit Banks, Bank for Cooperatives or the Federal Land Bank;
- (4) obligations of any state which are rated in either of the two highest rating categories by both Moody's Investors Service and Standard & Poor's Rating Services (or a nationally recognized successor of either);

# **WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**

## **NOTES TO FINANCIAL STATEMENTS** As of and for the Year Ended November 30, 2015

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***ASSETS, LIABILITIES AND NET POSITION (cont.)***

- (5) repurchase agreements extending not more than 30 days with any banks which are members of the Federal Reserve System or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York that are secured by obligations described in (1) above which obligations
  - (i) have a current market value at least equal to 103% of the amount of the repurchase agreement, marked to market weekly and
  - (ii) have been deposited in trust by such banks or dealers with a Federal Reserve Bank or branch for the benefit of the County and the appropriate fund or account as collateral security for such repurchase agreements; and
- (6) obligations of any state or political subdivision or instrumentality of any state which are secured by obligations described in (1) above.

#### ***Receivables/Payables***

Outstanding balances between the System and other funds of the County are reported as due to/from County funds. The System and the County perform services for one another, in some instances without the exchange of cash. A due to/from is set up to track the balance of what is owed by each party. As activity is back and forth, the interfund balance is considered to be current.

The System states accounts receivable at the amounts billed to customers. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

#### ***Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. When both restricted and unrestricted resources are available for use and using restricted resources is appropriate, it is the System's policy to use restricted resources first, then unrestricted resources.

# **WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**

## **NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***ASSETS, LIABILITIES AND NET POSITION (cont.)***

##### ***Capital Assets***

Capital assets purchased, constructed and obtained through federal grants are recorded at cost or estimated historical cost. Major outlays for System plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. The total interest expense incurred by the System during the current fiscal year was \$559,234. Of this amount, none was included as part of capital assets under construction in progress due to the bond proceeds being spent down in the prior year. Certain System plant and sewer systems acquired under agreements providing for connections in lieu of cash are recorded at the value of the connection charges at the time of fulfillment of all prepaid connections due under each applicable agreement. In addition, certain contributed property has been recorded at the donor's cost or engineering estimate, whichever was lower at the time the property contributed was recorded. A minimum capitalization threshold of \$25,000 and an estimated useful life greater than one year has been established for capital asset reporting.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of these assets, generally between 3 and 70 years. Expenditures which significantly extend the lives or expand capacity of the capital assets are capitalized. All other repairs and maintenance are charged to operations currently.

##### ***Accrued Vacation, Sick Leave and Retention***

The System has accrued its estimated liability for compensated absences relating to accrued vacation, sick leave, and the employee retention program for eligible employees as of November 30, 2015. The liability is liquidated from general operating revenues of the System.

##### ***Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Issuance costs are expensed in the period incurred.

#### ***REVENUES AND EXPENSES***

The System distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues of the System is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***Charges for Services***

Billings are rendered and recorded bi-monthly based on metered usage. The System accrues revenues beyond billing dates. Current water and sewerage rates were approved by the Public Works Committee on December 6, 2011 to adjust water and sewer rates effective January 1, 2013. The motion also incorporated water rate changes effective January 1, 2014 and January 1, 2015.

# **WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**

## **NOTES TO FINANCIAL STATEMENTS** As of and for the Year Ended November 30, 2015

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***ASSETS, LIABILITIES AND NET POSITION (cont.)***

##### ***Operating Expenses***

The System accounts for direct sewerage, sewer maintenance, and water system operating expenses separately. Common indirect expenses are allocated to various operating expenses of sewerage, sewer maintenance, and water operations based on the benefits those costs provide. In addition, the System accounts for certain administrative expenses separately.

##### ***Capital Contributions***

Cash and capital assets are contributed to the System from customers, the County, or external parties. The value of property contributed to the System is reported as revenue on the statements of revenues, expenses, and changes in net position.

The System charges new customers a connection fee to connect to the System. Fees collected are recorded as capital contributions on the statements of revenues, expenses, and changes in net position.

##### ***Comparative Data***

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended November 30, 2014, from which such summarized information was derived.

#### ***EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 77, Tax Abatement Disclosures, GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 79, Certain External Investment Pools and Pool Participants, GASB Statement No. 80, Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14, GASB Statement No. 81, Irrevocable Split-Interest Agreements, and GASB Statement No. 82, Pension Issues. Application of these standards may restate portions of these financial statements.



# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### NOTE 2 – CASH AND INVESTMENTS

The System is covered under the County's investment policy, which states that time deposits in excess of FDIC or FSLIC insurable limits must be secured by some sort of collateral to protect public deposits in a single financial institution if it were to default due to poor management or economic factors. All non FDIC or FSLIC financial institutions must fully collateralize deposits.

As of November 30, 2015, cash and cash equivalents at year end consisted of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits with financial institutions	<u>\$ 12,255,699</u>	<u>\$ 11,889,591</u>	Custodial credit
Per statement of net position			
Cash	\$ 9,070,702		
Restricted cash	<u>3,184,997</u>		
Total deposits and investments	<u>\$ 12,255,699</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held at an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

The System maintains separate cash and investment accounts at the same financial institutions utilized by the County. Federal depository insurance applies to all County accounts, and accordingly, the amount of insured funds is not determinable for the System alone. Therefore, coverage for the System may be reduced. Further information about whether County deposits are insured, collateralized, or uncollateralized is available from the County's financial statements.

#### ***Custodial Credit Risk***

#### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to the System.

The System is covered under the County's investment policy, which states that time deposits in excess of FDIC or FSLIC insurable limits must be secured by collateral to protect public deposits in a single financial institution if it were to default due to poor management or economic factors. All non FDIC or FSLIC financial institutions must fully collateralize deposits. Further information about whether County deposits are insured, collateralized, or uncollateralized is available from the County's financial statements.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2015, was as follows:

	Balance Beginning	Additions/ Transfers	Transfers/ Disposal	Balance Ending
Capital assets, not being depreciated				
Land	\$ 1,532,945	\$ -	\$ -	\$ 1,532,945
Land improvements	-	-	-	-
Construction in progress	5,545,218	2,629,826	7,893,825	281,219
Total Capital Assets Not Being Depreciated	7,078,163	2,629,826	7,893,825	1,814,164
Capital assets being depreciated/amortized				
Sewerage treatment plant	86,507,604	2,432,760	271,177	88,669,187
Sewerage systems	70,596,013	127,430	-	70,723,443
Total Sewerage System	157,103,617	2,560,190	271,177	159,392,630
Water pumping facility	9,466,964	4,523,286	20,208	13,970,042
Water supply	16,401,664	573,294	-	16,974,958
Total Water System	25,868,628	5,096,580	20,208	30,945,000
Data processing equipment	364,317	-	12,124	352,193
Other machinery and equipment	923,737	-	152,550	771,187
Autos and trucks	2,555,000	146,303	-	2,701,303
Furniture and office equipment	84,974	-	-	84,974
Total Equipment	3,928,028	146,303	164,674	3,909,657
Water commission buy in	3,397,959	-	-	3,397,959
Water commission meter station	1,054,261	-	-	1,054,261
Total Intangibles	4,452,220	-	-	4,452,220
Total Capital Assets Being Depreciated/Amortized	191,352,493	7,803,073	456,059	198,699,507
Less: Accumulated depreciation/amortization				
Sewerage System	(90,808,020)	(2,436,181)	(151,553)	(93,092,648)
Water System	(10,521,386)	(381,477)	(139,374)	(10,763,489)
Equipment	(2,907,009)	(141,030)	(164,675)	(2,883,364)
Intangibles	(1,690,176)	(284,685)	-	(1,974,861)
Total Accumulated Depreciation/Amortization	(105,926,591)	(3,243,373)	(455,602)	(108,714,362)
Total Capital Assets Being Depreciated/Amortized, Net	85,425,902	4,559,700	457	89,985,145
Net Capital Assets	\$ 92,504,065			\$ 91,799,309

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### **NOTE 4 – RESTRICTED ASSETS – SPECIAL SERVICE AREA ASSESSMENTS RECEIVABLE**

As of November 30, 2015, the System has \$5,187,680 due from the County's special service area funds. The balance related to the reimbursement of costs for the York Township water improvement project. The reimbursement will be repaid in installments through fiscal year 2033 and \$4,934,373 of the reimbursement is due after one year.

### **NOTE 5 – LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended November 30, 2015, was as follows:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds	\$ 13,175,000	\$ --	\$ 1,150,000	\$ 12,025,000	\$ 1,195,000
Other Liabilities:					
IEPA construction loans	4,971,338	-	393,088	4,578,250	228,307
Unamortized debt premium	110,845	-	15,649	95,196	-
Accrued compensated absences	1,724,619	430,253	432,319	1,722,553	201,415
Other post-employment benefit payable	5,945	27,999	-	33,944	-
Net pension liability	1,175,908	1,427,234	-	2,603,142	-
Total Long-Term Obligations	<u>\$ 21,163,655</u>	<u>\$ 1,885,486</u>	<u>\$ 1,991,056</u>	<u>\$ 21,058,085</u>	<u>\$ 1,624,722</u>

### **REVENUE BONDS PAYABLE**

Revenue bonds outstanding at year end are as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 11/30/15
7/23/2008	Refund bonds and construction of plant	1/1/2024	4.5%	\$ 8,250,000	\$ 5,130,000
7/23/2008	Refund bonds and construction of plant	1/1/2024	4.5%	8,250,000	5,120,000
4/25/2012	DuPage Water Commission buy-in	1/1/2022	3%-4%	2,445,000	1,775,000
	Total			<u>\$ 18,945,000</u>	<u>\$ 12,025,000</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### NOTE 5 – LONG-TERM OBLIGATIONS (cont.)

#### REVENUE BONDS PAYABLE (cont.)

##### Future Bond Payments

Fiscal Year	Series 2008A		
	Bond Principal	Interest	Total
2016	\$ 485,000	205,769	690,769
2017	500,000	186,069	686,069
2018	520,000	165,669	685,669
2019	545,000	144,369	689,369
2020	565,000	121,816	686,816
2021-2024	<u>2,515,000</u>	<u>229,268</u>	<u>2,744,268</u>
Totals	\$ <u>5,130,000</u>	\$ <u>1,052,960</u>	\$ <u>6,182,960</u>

Fiscal Year	Series 2008B		
	Bond Principal	Interest	Total
2016	\$ 480,000	205,419	685,419
2017	505,000	185,719	690,719
2018	525,000	165,119	690,119
2019	545,000	143,719	688,719
2020	565,000	121,166	686,166
2021-2024	<u>2,500,000</u>	<u>228,057</u>	<u>2,728,057</u>
Totals	\$ <u>5,120,000</u>	\$ <u>1,049,199</u>	\$ <u>6,169,199</u>

Fiscal Year	Series 2012		
	Bond Principal	Interest	Total
2016	\$ 230,000	60,150	290,150
2017	235,000	52,000	287,000
2018	245,000	43,625	288,625
2019	250,000	34,950	284,950
2020	265,000	25,975	290,975
2021-2024	<u>550,000</u>	<u>22,200</u>	<u>572,200</u>
Totals	\$ <u>1,775,000</u>	\$ <u>238,900</u>	\$ <u>2,013,900</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

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### NOTE 5 – LONG-TERM OBLIGATIONS (cont.)

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#### ***PLEDGED REVENUES***

The System has pledged a portion of future net revenues to repay the revenue bonds issued on July 23, 2008 and April 25, 2012. The bonds are payable solely from the revenues generated by the System and are payable through January 1, 2024. The total principal and interest remaining on the bonds is \$14,366,059. For the current year, principal and interest paid and total net revenues were \$1,664,826 and \$2,578,406, respectively. Annual principal and interest are expected to require approximately 6% of gross revenues.

#### ***WATER AND SEWERAGE SYSTEM REVENUE BOND ORDINANCE***

On July 21, 2008, the County Board adopted a revenue bond ordinance authorizing and providing for the issuance of Water and Sewerage System Revenue Bonds, Series A of 2008 and Series B of 2008. On March 13, 2012, the County Board adopted a revenue bond ordinance authorizing and providing for the issuance of Water and Sewerage System Revenue Bonds, Series 2012. The 2008 and 2012 Ordinances required a "Revenue Fund" and various accounts within that fund to be established. The Ordinances account structure is as follows:

**Operation and Maintenance Account** – An amount sufficient to make the amount then on deposit equal to 1/12<sup>th</sup> of the amount of current expenses budgeted for the current fiscal year.

**First Lien Interest Account** – An amount sufficient to cover interest becoming due on the next succeeding interest payment date on a monthly pro rata basis.

**First Lien Principal Account** – An amount sufficient to cover principal becoming due on the next succeeding principal payment date on a monthly pro rata basis.

**First Lien Bond Reserve Account** – An amount equal to the maximum annual debt service with respect to the 2008A and 2012 Revenue Bonds.

**Second Lien Interest Account** – An amount sufficient to cover interest becoming due on the next succeeding interest payment date on a monthly pro rata basis.

**Second Lien Principal Account** – An amount sufficient to cover principal becoming due on the next succeeding principal payment date on a monthly pro rata basis.

**Second Lien Bond Reserve Account** – An amount equal to the maximum annual debt service with respect to the 2008B Revenue Bonds.

**Subordinated Indebtedness Account** – An amount sufficient to cover interest becoming due on the IEPA construction loan on the next succeeding interest payment date, and an amount sufficient to cover the principal of the loan coming due on the next succeeding principal maturity date.

**Depreciation Account** – An amount equal to the percentage of the Depreciation Funding Requirement as determined by the Superintendent of Public Works whenever the balance in said account is less than the Depreciation Funding Requirement.

**General Account** – All revenues remaining in the Revenue Fund after all required transfers are made to the respective accounts.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

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### NOTE 5 – LONG-TERM OBLIGATIONS (cont.)

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#### *WATER AND SEWERAGE SYSTEM REVENUE BOND ORDINANCE (cont.)*

Deposits held in the Revenue Fund are required to be transferred, when available, to the established accounts in the above order.

At November 30, 2015, all required balances were in accordance with the Ordinance.

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### NOTE 6 – IEPA CONSTRUCTION LOANS

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The System borrowed funds from the Illinois Environmental Protection Agency (IEPA) for sewerage treatment facility improvements. The original principal amount to be repaid under the loan agreement #L17-0795 with the IEPA is \$9,900,000. The loan bears an interest rate of 3.36% per annum and matured on June 1, 2015. The total principal paid in fiscal year 2015 was \$167,607. The IEPA Construction Loan #L17-0795 was paid off in fiscal year 2015.

The System borrowed funds from the Illinois Environmental Protection Agency (IEPA) for the York Township water improvement project. The original principal amount to be repaid under the loan agreement #L17-4161 with the IEPA is \$4,915,421. The loan bears an interest rate of 1.25% per annum and matures on September 29, 2033. The total principal paid in fiscal year 2015 was \$225,480.

Payments due on the IEPA Construction Loan #L17-4161 through maturity are as follows:

<u>Fiscal Year</u>	<u>IEPA Construction Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 228,307	\$ 56,517	\$ 284,824
2017	231,170	53,654	284,824
2018	234,069	50,755	284,824
2019	237,004	47,820	284,824
2020	239,975	44,849	284,824
2021-2025	1,245,775	178,346	1,424,121
2026-2030	1,325,863	98,258	1,424,121
2031-2033	<u>836,087</u>	<u>18,386</u>	<u>854,473</u>
Totals	\$ <u>4,578,250</u>	\$ <u>548,585</u>	\$ <u>5,126,835</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### NOTE 7 – NET POSITION

GASB No. 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

**Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the System's net investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 91,799,309
Less: Capital related debt	
Current portion of capital related IEPA construction loan	228,307
Current portion of capital related revenue bonds	1,195,000
Long-term portion of capital related IEPA construction loans	4,349,943
Long-term portion of capital related revenue bonds	10,830,000
Unamortized debt premium	95,196
Sub-Total	<u>16,698,446</u>
Add: Unspent debt proceeds – water and sewer bond account	<u>2,323</u>
Total Net Investment in Capital Assets	<u>\$ 75,103,186</u>

The following calculation supports the System's net position restricted for debt service:

Total restricted assets	\$ 8,372,677
Unspent debt proceeds – water and sewer bond account	(2,323)
Liabilities payable from restricted assets:	
Accrued interest payable	<u>(215,408)</u>
Total Net Position Restricted for Debt Service	<u>\$ 8,154,946</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

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### NOTE 8 – RISK MANAGEMENT

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The System maintains a managed self-insured automobile and liability risk management program. Under this program, the System retains the first \$2,000,000 of general claim risk per occurrence. An additional insurance policy covers claims in excess of this amount. Liabilities of the program are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An amount for claims incurred but not yet reported has not been accrued in the financial statements at November 30, 2015, due to minimal claims experience over the past three years. There have been no significant reductions in insurance coverage from coverage in the prior years. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

Employees of the System are covered for health benefits and workers' compensation under the DuPage County self-insurance program, reported in an Internal Service Fund of the County. The System is charged a share of the overall program cost, which totaled \$839,808 in fiscal 2015. See the DuPage County Comprehensive Annual Financial Report for additional information.

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### NOTE 9 – DEFINED BENEFIT PENSION PLAN

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#### *ILLINOIS MUNICIPAL RETIREMENT FUND*

The System contributes to the Illinois Municipal Retirement Fund (IMRF) an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois through DuPage County, 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. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

The employees of the System are pooled with the employees of DuPage County for purposes of actuarial valuation. As the System is participating under the County's employer number, IMRF is considered to be a cost-sharing plan for the System.

*Plan Description.* All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, 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 of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 2% for each year thereafter.



# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

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### NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

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#### *ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)*

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at or after age 67 with 10 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 of earnings (average of the highest 96 consecutive months' earnings during the last 10 years, capped at \$106,800) for credited service up to 15 years and 2% for each year thereafter. However, an employee's total pension cannot exceed 75% of their final rate of earnings. If an employee retires after 10 years of service between the ages of 62 and 67, and has less than 30 years of service credit, the pension will be reduced by 1/2% for each month that the employee is under the age of 67. If an employee retires after 10 years of service between the ages of 62 and 67, and has between 30 and 35 years of service credit, the pension will be reduced by the lesser of 1/2% for each month that the employee is under the age of 67 or 1/2% for each month of service credit less than 35 years. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes.

*Contributions.* As set by statute, System employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the System to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The System's actuarially determined contribution rate for calendar year 2014 was 11.61% percent of annual covered payroll. The System also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Fiduciary Net Position.* Detailed information about the IMRF fiduciary net position as of December 31, 2014 is available in the separately issued DuPage County, Illinois Comprehensive Annual Financial Report as of and for the year ended November 30, 2015.

*Net Pension Liability.* At November 30, 2015, the System reported a liability for its proportionate share of the net pension liability that reflected the System's portion of the total net pension liability associated with the County's employer number. The amount recognized by the System as its proportionate share of the net pension liability, the County's share of the net pension liability, and the total net pension liability associated with the Village's employer number were as follows:

System's proportionate share of the collective net pension liability	\$ 2,603,142
County's proportionate share of the collective net pension liability	<u>70,315,392</u>
Total	<u>\$ 72,918,534</u>

The net pension liability was measured as of December 31, 2014. The System's proportion of the net pension liability was based on the System's share of contributions to IMRF for the fiscal year ended November 30, 2015, relative to the total contributions of the System and County during that period. At November 30, 2015, the System's proportion was 3.57%.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

#### ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)

*Summary of Significant Accounting Policies.* For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Actuarial Assumptions.* The assumptions used to measure the total pension liability in the December 31, 2014 annual actuarial valuation included a 7.49% investment rate of return, (b) projected salary increases from 3.75% to 14.50%, including inflation, and (c) inflation of 3.50% and price inflation of 2.75%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition. The tables were last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

*Mortality.* For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Long-Term Expected Real Rate of Return.* The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation	Arithmetic	Geometric
Equities	63.20 %	9.15 %	7.60 %
International equities	2.60 %	9.80 %	7.80 %
Fixed income	23.50 %	3.05 %	3.00 %
Real estate	4.30 %	7.35 %	6.15 %
Alternatives	4.50 %		
Private equity		13.55 %	8.50 %
Hedge funds		5.55 %	5.25 %
Commodities		4.40 %	2.75 %
Cash equivalents	1.90 %	2.25 %	2.25 %

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

#### **ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)**

**Discount Rate.** The discount rate used to measure the total collective pension liability for IMRF was 7.49%. The discount rate calculated using the December 31, 2014 measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that System's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.50% was blended with the index rate of 3.56% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2014 to arrive at a discount rate of 7.49% used to determine the total pension liability. The year ending December 31, 2086 is the last year in the 2015 to 2114 projection period for which projected benefit payments are fully funded.

**Discount Rate Sensitivity.** The following is a sensitivity analysis of the System's proportionate share of the net pension liability / (asset) to changes in the discount rate. The table below presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.49% as well as what the System's proportionate share of the net pension liability / (asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.49%) or 1 percentage point higher (8.49%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
System's proportionate share of the collective net pension liability/(asset)	\$ 6,098,241	\$ 2,603,142	\$ (248,415)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended November 30, 2015, the System recognized pension expense of \$747,394. The System reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 40,672	\$ -
Changes in assumptions	887,411	-
Net difference between projected and actual earnings on pension plan investments	268,153	-
Contributions subsequent to the measurement date	474,868	-
Total	<u>\$ 1,671,104</u>	<u>\$ -</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

### NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

#### *ILLINOIS MUNICIPAL RETIREMENT FUND* (cont.)

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending November 30, 2016. The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$1,196,235) will be recognized in pension expense as follows:

Year Ending December 31	Amount
2015	\$ 485,678
2016	485,678
2017	157,841
2018	67,038
Total	<u>\$ 1,196,235</u>

### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

The County provides limited health-care insurance for certain eligible employees. The Plan provides an explicit premium subsidy to certain employees who meet eligibility conditions, and other coverage to certain employees as a function of their early retirement agreements. The County's annual other postemployment benefit costs are calculated based on the annual required contribution of the employer as determined by an actuary in accordance with parameters of Governmental Accounting Standards Board Statement No. 45. The County's annual required contribution and actual contribution for the past three years was as follows:

	2015	2014	2013
Annual Required Contribution	<u>\$ 1,378,138</u>	<u>\$ 870,187</u>	<u>\$ 870,187</u>
Actual Contribution	<u>\$ 923,780</u>	<u>\$ 762,978</u>	<u>\$ 762,978</u>

The 2015 annual required contribution and actual contribution were estimated based on the prior year actuarial valuation. As of November 30, 2015, the estimated portion of the County's other post employment benefit obligation payable applicable to the System was \$33,944. Please refer to the County's financial statements for additional information concerning the plan and the other postemployment benefit obligation.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2015

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### NOTE 11 – COMMITMENTS AND CONTINGENCIES

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#### *DuPAGE WATER COMMISSION CONTRACT*

The System is a customer of the DuPage Water Commission and has executed a Water Supply Contract with the Commission for a term ending in 2024. Prior to May 1, 2015, the Contract provided that the System pay its proportionate share of “fixed costs” (debt service and capital costs) to the Commission, such obligation being unconditional and irrevocable whether or not water is ever delivered. These costs were billed and payable to the System on an annual basis as water service is rendered.

On March 1, 2015, the System was notified by the DuPage Water Commission that the fixed cost portion of the water rate will be reduced to zero beginning May 1, 2015.

#### *Claims and Judgments*

From time to time, the System is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the System’s legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the System’s financial position or results of operations.

#### *Open Contracts*

The System has signed construction contracts that continue into subsequent years. These contracts are for rehabilitation of the clarifier at the Knollwood water treatment plant and CIPP sanitary sewer lining. The value of service provided and corresponding liability as of November 30, 2015 has been accrued in these financial statements. The value of service to be provided in subsequent fiscal years has not been accrued and is approximately \$688,354.

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### NOTE 12 – CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

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Net position has been restated due to the implementation of GASB Statement No. 68 and GASB Statement No. 71. The restatement is necessary to record the prior year net pension liability as well as deferred outflows of resources related to employer contributions after the measurement date.

	<u>Amount</u>
Adjustment to record the net pension liability as of November 30, 2014	\$ (1,051,754)
Adjustment to record deferred outflows of resources related to pensions as of November 30, 2014	<u>505,586</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ (546,168)</u>

## REQUIRED SUPPLEMENTARY INFORMATION

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## ILLINOIS MUNICIPAL RETIREMENT FUND SCHEDULE OF SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SYSTEM CONTRIBUTIONS Most Recent Fiscal Year

	<u>2015</u>
System's proportion of the net pension liability	3.57%
System's proportionate share of the net pension liability	\$ 2,603,142
County's proportionate share of the net pension liability	<u>70,315,392</u>
Total net pension liability	<u>\$ 72,918,534</u>
Covered-employee payroll	\$ 4,466,442
System's proportionate share of the net pension liability as a percentage of covered payroll	58.28%
Plan fiduciary net position as a percentage of the total pension liability	90.58%
Contractually required contribution	\$ 518,544
Contributions in relation to the contractually required contribution	<u>(515,746)</u>
Contribution deficiency (excess)	<u>\$ 2,798</u>
Contributions as a percentage of covered employee payroll	11.55%

Note: The System implemented GASB 68 in 2015. Information for fiscal years prior to 2015 is not applicable.

### Notes to Schedule:

Amounts reported in 2015 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and a salary increase assumption of 4.4 percent to 16.0 percent including inflation.

## **SUPPLEMENTARY INFORMATION**



# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## COMBINING SCHEDULE OF NET POSITION As of November 30, 2015

	Bond and Interest Accounts	Bond Reserve Accounts	2012 Water Bond Account	Other Accounts	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash					
Operation and maintenance account	\$ -	\$ -	\$ -	\$ 3,746,411	\$ 3,746,411
Depreciation account	-	-	-	3,466,936	3,466,936
Liability insurance account	-	-	-	1,284,454	1,284,454
Employee retention account	-	-	-	322,513	322,513
Workers compensation account	-	-	-	250,388	250,388
Total Cash	-	-	-	9,070,702	9,070,702
Accounts receivable - service	-	-	-	2,132,167	2,132,167
Unbilled service revenue	-	-	-	3,020,257	3,020,257
Due from County	-	-	-	393,110	393,110
Miscellaneous receivable	-	-	-	223,785	223,785
Total Current Assets	-	-	-	14,840,021	14,840,021
<b>RESTRICTED ASSETS</b>					
Cash					
First lien bond principal account	717,258	-	-	-	717,258
First lien bond interest account	139,763	-	-	-	139,763
First lien bond reserve account	-	1,016,127	-	-	1,016,127
Second lien bond principal account	480,449	-	-	-	480,449
Second lien bond interest account	107,549	-	-	-	107,549
Second lien bond reserve account	-	721,528	-	-	721,528
Subordinated indebtedness account	-	-	-	-	-
2012 water bond account	-	-	2,323	-	2,323
Total Restricted Cash	1,445,019	1,737,655	2,323	-	3,184,997
Special service area assessments receivable	-	-	-	5,187,680	5,187,680
Total Restricted Assets	1,445,019	1,737,655	2,323	5,187,680	8,372,677
<b>CAPITAL ASSETS</b>					
Utility Plant in Service					
Land and land improvements	-	-	-	1,532,945	1,532,945
Sewerage system	-	-	-	159,392,630	159,392,630
Accumulated depreciation	-	-	-	(93,092,648)	(93,092,648)
Net Sewerage System	-	-	-	66,299,982	66,299,982
Water system	-	-	-	30,945,000	30,945,000
Accumulated depreciation	-	-	-	(10,763,489)	(10,763,489)
Net Water System	-	-	-	20,181,511	20,181,511
Other property, plant and equipment	-	-	-	3,909,657	3,909,657
Accumulated depreciation	-	-	-	(2,883,364)	(2,883,364)
Net Property, Plant and Equipment	-	-	-	1,026,293	1,026,293
Water commission buy in	-	-	-	3,397,959	3,397,959
Water commission meter station	-	-	-	1,054,261	1,054,261
Accumulated amortization	-	-	-	(1,974,861)	(1,974,861)
Net Intangibles	-	-	-	2,477,359	2,477,359
Total Utility Plant in Service	-	-	-	91,518,090	91,518,090
Construction in progress	-	-	-	281,219	281,219
Total Capital Assets	-	-	-	91,799,309	91,799,309
Total Assets	1,445,019	1,737,655	2,323	111,827,010	115,012,007
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources related to pensions	-	-	-	1,671,104	1,671,104

	Bond and Interest Accounts	Bond Reserve Accounts	2012 Water Bond Account	Other Accounts	Total
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,188,723	\$ 1,188,723
Accrued wages	-	-	-	180,945	180,945
Current accrued sick leave, vacation and retention	-	-	-	201,415	201,415
Charges collected for others	-	-	-	2,037,423	2,037,423
Due to County	-	-	-	1,005,387	1,005,387
Current Liabilities Payable From Restricted Assets					
Accrued interest payable	215,408	-	-	-	215,408
Current maturities of revenue bonds	-	-	-	1,195,000	1,195,000
Current maturities of IEPA construction loans	-	-	-	228,307	228,307
Total Current Liabilities	<u>215,408</u>	<u>-</u>	<u>-</u>	<u>6,037,200</u>	<u>6,252,608</u>
<b>LONG-TERM LIABILITIES</b>					
Noncurrent accrued sick leave, vacation and retention	-	-	-	1,521,138	1,521,138
Revenue bonds	-	-	-	10,830,000	10,830,000
Unamortized debt premium	-	-	-	95,196	95,196
IEPA construction loans	-	-	-	4,349,943	4,349,943
Other post employment benefit payable	-	-	-	33,944	33,944
Net pension liability	-	-	-	2,603,142	2,603,142
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,433,363</u>	<u>19,433,363</u>
Total Liabilities	<u>215,408</u>	<u>-</u>	<u>-</u>	<u>25,470,563</u>	<u>25,685,971</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	-	2,323	75,100,863	75,103,186
Restricted for debt service	1,229,611	1,737,655	-	5,187,680	8,154,946
Unrestricted	-	-	-	7,739,008	7,739,008
TOTAL NET POSITION	<u>\$ 1,229,611</u>	<u>\$ 1,737,655</u>	<u>\$ 2,323</u>	<u>\$ 88,027,551</u>	<u>\$ 90,997,140</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## COMBINING SCHEDULE OF CHANGES IN CASH AND CASH EQUIVALENTS For the Year Ended November 30, 2015

	Operation and Maintenance Account	Bond and Interest Accounts				
		First Lien Principal Account	First Lien Interest Account	Second Lien Principal Account	Second Lien Interest Account	Subordinated Indebtedness Account
<b>CASH RECEIPTS</b>						
Service charges	\$ 21,133,289	\$ -	\$ -	\$ -	\$ -	\$ -
Connection charges	322,535	-	-	-	-	-
Proceeds from IEPA Loan	-	-	-	-	-	-
Interest income	66,913	-	-	-	-	-
Transfers (to) from, net	(4,225,407)	716,400	278,640	480,000	214,400	455,046
Payments from other funds	384,233	-	-	-	-	-
Other, net	1,448,705	-	-	-	-	-
Total Cash Receipts	<u>19,130,268</u>	<u>716,400</u>	<u>278,640</u>	<u>480,000</u>	<u>214,400</u>	<u>455,046</u>
<b>CASH DISBURSEMENTS</b>						
Operating expenses	20,300,037	-	-	-	-	-
Acquisition and construction of capital assets	-	-	-	-	-	-
Principal and interest expense	-	685,000	291,088	465,000	223,738	455,246
Total Cash Disbursements	<u>20,300,037</u>	<u>685,000</u>	<u>291,088</u>	<u>465,000</u>	<u>223,738</u>	<u>455,246</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(1,169,769)	31,400	(12,448)	15,000	(9,338)	(200)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>4,916,180</u>	<u>685,858</u>	<u>152,211</u>	<u>465,449</u>	<u>116,887</u>	<u>200</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,746,411</u>	<u>\$ 717,258</u>	<u>\$ 139,763</u>	<u>\$ 480,449</u>	<u>\$ 107,549</u>	<u>\$ -</u>
<b>CONSISTING OF</b>						
Demand deposits	<u>3,746,411</u>	<u>717,258</u>	<u>139,763</u>	<u>480,449</u>	<u>107,549</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,746,411</u>	<u>\$ 717,258</u>	<u>\$ 139,763</u>	<u>\$ 480,449</u>	<u>\$ 107,549</u>	<u>\$ -</u>

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Bond Reserve Accounts

<u>First Lien Bond Reserve Account</u>	<u>Second Lien Bond Reserve Account</u>	<u>2012 Water Bond Account</u>	<u>Depreciation Account</u>	<u>Liability Insurance Account</u>	<u>Workers' Compensation Account</u>	<u>Employee Retention Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,133,289
-	-	-	-	-	-	-	322,535
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	66,913
-	-	-	1,833,446	125,000	50,000	72,475	-
-	-	-	-	-	-	-	384,233
-	-	-	-	-	-	-	1,448,705
-	-	-	1,833,446	125,000	50,000	72,475	23,355,675
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	20,300,037
-	-	-	2,047,116	-	-	-	2,047,116
-	-	-	-	-	-	-	2,120,072
-	-	-	2,047,116	-	-	-	24,467,225
-	-	-	(213,670)	125,000	50,000	72,475	(1,111,550)
1,016,127	721,528	2,323	3,680,606	1,159,454	200,388	250,038	13,367,249
\$ 1,016,127	\$ 721,528	\$ 2,323	\$ 3,466,936	\$ 1,284,454	\$ 250,388	\$ 322,513	\$ 12,255,699
1,016,127	721,528	2,323	3,466,936	1,284,454	250,388	322,513	12,255,699
\$ 1,016,127	\$ 721,528	\$ 2,323	\$ 3,466,936	\$ 1,284,454	\$ 250,388	\$ 322,513	\$ 12,255,699

## OTHER INFORMATION

## **WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**

### **SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) As of November 30, 2015**

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Property/Boiler	All risk building contents for scheduled amounts at each location; \$100,000 deductible - Flood and earthquake sub limit \$750,000,000 each; \$150,000 deductible	
General Liability, Auto Liability, Auto Property	\$30,000,000 coverage	\$2,000,000 self-insured retention
Employment Practices	\$2,000,000 coverage	\$100,000 self-insured retention
Underground Storage	\$2,000,000 coverage	\$100,000 deductible
Crime Coverage	\$2,000,000 coverage	\$50,000 deductible
Workers' Compensation	Statutory Coverage; self-insured retention \$1,000,000; employer limit of liability \$1,000,000	

**NOTE:** The Ordinance requires that the audit report include a list of all insurance policies held by the County pursuant to the Ordinance. The insurance coverage of the water and sewerage treatment plants and their operations is included in the above coverage of the County, for all County property (exclusive of those for the Health Department, which has separate coverage).

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## REQUIRED INFORMATION FOR CONTINUING DISCLOSURE UNDERTAKING

As of and for the Year Ending November 30, 2015

### Customers

#### Total Metered Sewer and Water Customers

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Metered Sewer Customers	35,454	35,661	35,970	35,251	35,348	35,210	35,465	35,499	35,641	35,289
Metered Water Customers	4,626	4,701	3,148	3,163	3,078	3,111	3,174	3,214	3,273	3,309

#### Top 10 Sewer Customers December 2014 through November 2015

<u>Customer</u>	<u>Annual Total</u>
Willow Lake Apts Multi Unit Housing	\$216,273
Four Lakes Development Multi Unit Housing	210,570
Hinsdale Lake Multi Unit Housing	160,125
Alcatel-Lucent	134,616
EL-AD Windsor Lakes LLC Multi Unit Housing	124,316
Stratford Green Multi Unit Housing	80,964
M&M / Mars Inc.	80,312
Benedictine University	71,584
AMLI Multi Unit Housing	69,197
Aramark Cleanroom Services	66,844

#### Top 10 Water Customers December 2014 through November 2015

<u>Customer</u>	<u>Annual Total</u>
Hinsdale Lake Multi Unit Housing	\$464,975
Willow Lakes Apts Multi Unit Housing	256,873
Stratford Green Multi Unit Housing	231,394
Hinsdale Pt. Condo Assn. Multi Unit Housing	157,324
Waterfall Glen Multi Unit Housing	142,817
Com Ed/Prokarma	42,016
Baum Properties	34,517
Champagne Lodge	33,064
Royce Realty	26,209
Steeple Run Condo Assn. Multi Unit Housing	21,659

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## REQUIRED INFORMATION FOR CONTINUING DISCLOSURE UNDERTAKING

As of and for the Year Ending November 30, 2015

### Consumption Data

	<u>Total Gallons Billed (1,000)</u>									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewer Billed Consumption	4,209	4,181	3,964	3,877	3,826	3,775	4,192	3,766	3,484	3,467
Water Billed Consumption	400	401	368	360	354	351	373	347	340	344

### Rates

#### Sewer Service Rates Effective 1/1/13

Sewer Service Charges per 1,000 gallons	\$ 2.57
Sewer Maintenance Charges per 1,000 gallons	\$ 0.95

The calculation of the 2 month sewer bill for a customer using 8,000 gallons of water per month would be as follows:

Base Charge – Billing	\$ 3.94
Base Charge – Meter Reading	1.84
User Charge	41.12
Sewer Maintenance Charge	15.20
NPDES Fee	0.59
Amount billed to a customer connected to a System maintained Sewer (2 month bill)	<u>\$ 62.69</u>

#### Water Service Rates Effective 1/1/15

Southeast Regional Water Facility (SERWF)  
\$9.40 per 1,000 gallons

North Regional Water Facility (NRWF)  
\$5.87 per 1,000 gallons

Steeple Run  
\$9.40 per 1,000 gallons

Greene Road  
\$9.40 per 1,000 gallons

Glen Ellyn Heights  
\$9.40 per 1,000 gallons

York Center  
\$9.40 per 1,000 gallons



# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## FIVE YEAR SUMMARY OF DEBT SERVICE COVERAGE RATIOS For the Year Ended November 30, 2015

	2010	2011	2012	2013	2014	2015
<b>Debt Coverage Ratios Per Section 22 of 2008A/B Bond Ordinance</b>						
<b>Revenues, exclusive of Connection Fees</b>						
Operating Revenue	18,693,377	19,689,342	21,524,777	22,454,253	22,617,682	22,802,761
Investment Income	82,836	49,528	17,188	14,448	43,201	66,913
<b>Total Revenues as defined</b>	<b>18,776,213</b>	<b>19,738,870</b>	<b>21,541,965</b>	<b>22,468,701</b>	<b>22,660,883</b>	<b>22,869,674</b>
<b>Current Expenses</b>						
Total Operation and Maintenance Expenses	(16,404,316)	(16,763,684)	(17,736,222)	(17,937,274)	(20,491,687)	(20,613,803)
Net Revenues	2,371,897	2,975,186	3,805,743	4,531,427	2,169,196	2,255,871
Sec 22(a) - Cover Current Expenses	Met	Met	Met	Met	Met	Met
Sec 22(b) - Net Revenues >120% of Max Annual Debt Service	Met	Met	Met	Met	Met	Met
- Amount of Net Revenues to Meet	830,153	830,827	1,209,083	1,175,723	1,171,306	1,177,103
Sec 22(c) - Net Revenues > 110% of Max Annual Debt Svc	Met	Met	Met	Met	Met	Met
- Amount of Net Revenues to Meet	1,521,452	1,522,688	1,869,464	1,837,729	1,831,309	1,832,972
Sec 22(d) - Net Revenues 100% all debt	Met	Met	Met	Met	Met	Met
- Amount of Net Revenues to Meet	2,079,289	2,080,413	2,395,664	2,509,226	2,120,073	1,951,162
Debt Coverage Ratios - all Revenue bonds (First/Second Lien)	1.71	2.15	2.24	2.71	1.30	1.35
Debt Coverage Ratio - all Debt	1.14	1.43	1.59	1.81	1.02	1.16
<b>S&amp;P Calculation</b>						
Operating Revenues	18,693,377	19,689,342	21,524,777	22,454,253	22,617,682	22,802,761
Operating Expenses	(16,404,316)	(16,763,684)	(17,736,222)	(17,937,274)	(20,491,687)	(20,613,803)
Connection Charges	215,151	256,528	142,886	434,650	1,184,357	322,535
Investment Income	82,836	49,528	17,188	14,448	43,201	66,913
Non-Operating Income - Premium and Discount Amortization	(43,354)	(40,949)	(29,327)	(213,774)	15,649	
Net Revenue Available for Debt Service	2,543,694	3,190,765	3,919,302	4,752,303	3,369,202	2,578,406
Debt Service						
First Lien - 2008A and 2012	691,794	692,356	1,007,569	979,769	976,088	980,919
Second Lien - 2008B	691,344	691,906	691,944	690,894	688,738	685,419
Subordinated Debt - IEPA	696,151	696,151	696,151	838,563	455,247	284,824
Total Debt:	2,079,289	2,080,413	2,395,664	2,509,226	2,120,073	1,951,162
Debt Coverage Levels - S&P All In	1.22	1.53	1.64	1.89	1.59	1.32
<b>Other Data</b>						
Unrestricted Cash Reserves	7,735,718	7,558,471	7,833,463	7,923,763	10,206,666	9,070,702
Total Cash Reserves	16,496,866	14,391,530	13,719,254	12,577,870	13,367,249	12,255,699
# Days Operating Reserves	367.06	313.35	282.33	255.94	238.10	217.01
Total Metered Sewer Customers	35,348	35,210	35,465	35,499	35,641	35,289
Total Metered Water Customers	3,078	3,111	3,174	3,214	3,273	3,309
Total Customers:	38,426	38,321	38,639	38,713	38,914	38,598
Top 10 Sewer and Water Customers - % of Revenue	N/A	8.23%	9.38%	11.04%	11.27%	11.51%
Sewer:						
Total Sewer Revenues	10,530,783	11,121,110	11,373,330	12,182,176	12,165,558	11,511,401
<b>Sewer Capacity</b>						
<b>Knollwood Plant - Influent/Effluent</b>						
Total Average Daily Flow (mgd)	8.8	8.5	6.9	8.1	8.4	9.5
Peak Daily Flow Inf./Eff. (mgd)	29.20	40.00	21.80	22.10	21.30	29.00
NPDES Permit Expiration Date	4/30/2013	4/30/2013	4/30/2013	4/30/2013	4/30/2013	4/30/2013
<b>Woodridge Plant - Influent</b>						
Total Average Daily Flow (mgd)	10.9	9.9	8.8	10.4	10.5	10.3
Peak Daily Flow Inf. (mgd)	30.70			20.30	20.40	25.90
NPDES Permit Expiration Date	3/31/2011	3/31/2011	3/31/2011	3/31/2011	3/31/2011	8/31/2020
<b>Woodridge Plant - Effluent</b>						
Total Average Daily Flow (mgd)	8.5	10.4	8.0	10.0	10.3	10.1
Peak Daily Flow Eff. (mgd)	28.7		21.4	19.8	20.1	26.2
NPDES Permit Expiration Date	3/31/2011	3/31/2011	3/31/2011	3/31/2011	3/31/2011	8/31/2020
Water:						
Total Water Revenues	5,983,194	6,305,904	7,886,453	7,986,321	8,984,391	8,749,410
Total Water Capacity MG	9.227	9.353	10.817	11.018	11.046	10.169
Total Storage Capacity MG	1.888	1.888	1.923	1.923	2.875	2.875
Average Daily Flow MG	1.110	1.055	1.181	1.134	1.096	1.083
Peak Day Demand	2.531	2.211	2.630	2.959	2.441	2,177
Average Sold	0.975	0.954	1.039	0.968	0.926	0.932

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS  
ON DEBT COVENANTS COMPLIANCE**

To the Honorable Chairman and Members  
of the County Board  
DuPage County, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Water and Sewerage System of DuPage County, Illinois (System) as of November 30, 2015, and have issued our report thereon dated June 28, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that the System was not in compliance with any of the terms, covenants, provisions or conditions of the Revenue Bond Ordinances adopted on August 12, 2003 (amended on July 21, 2008) or adopted on March 13, 2012 insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the DuPage County Board, the Public Works Committee, management of the System, System users, and System Revenue Bondholders, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Baker Tilly Virchow Krause, LLP*

Oak Brook, Illinois  
June 28, 2016