

**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, 2013  
(With Comparative Totals for November 30, 2012)

# **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, 2013

---

Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 11
Financial Statements	
Statements of Net Position	12 – 13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15 – 16
Notes to Financial Statements	17 – 31
Supplementary Information	
Combining Schedule of Net Position	32 – 33
Combining Schedule of Changes in Cash and Cash Equivalents	34 – 35
Other Information	
Schedule of Insurance Coverage	36
Required Information For Continuing Disclosure Undertaking	37 – 38
Report of Independent Public Accountants on Debt Covenants Compliance	39

## 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 the DuPage County, Illinois, as of and for the year ended November 30, 2013, 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, 2013, 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, and do not purport to, and do not present fairly the financial position of DuPage County, Illinois, as of November 30, 2013 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 the Note 1, the Water and Sewerage System of DuPage County, Illinois adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, both effective December 1, 2012. Our opinion is not modified with respect to these matters.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

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, 2013 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, 2013 is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions 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

We have previously audited the Water and Sewerage System of DuPage County, Illinois' 2012 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated April 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Baker Tilly Vinchow Krause, LLP*

Oak Brook, Illinois  
May 9, 2014

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2013**

---

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, 2013.

- For fiscal year 2013, user charges and other revenues of the System were \$24,338,306 and expenses were \$22,488,672 resulting in total revenues exceeding total expenses by \$1,849,634. It should be noted that \$3.8 million of the reported expense is related to depreciation and amortization.
- Cash disbursements exceeded cash receipts by \$348,242 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 and they will increase in 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. The System expects that the water commission buy-in fee and the National Pollutant Discharge Elimination System (NPDES) fee will not be increased and will remain constant over the next three year period. In 2014, the System will hire an independent consultant to perform another rate study analysis. The purpose of the study will be to determine the required rate structure for wastewater and water services from 2016 through 2019.

The System completed the following construction projects in 2013: Construction of the water metering station at Steeple Run, rehabilitated the fuel pumping stations at the Woodridge and Knollwood wastewater treatment plants, replaced an electrical feeder line at Woodridge, replaced the siding on the Marionbrook facility, built a water system for the Nelson Highview area (Special Service Area), replaced the aeration diffuser system at Knollwood, and painted and rehabilitated five of the System's six water towers. There are a number of large ongoing projects, including the construction of a water tower, water system and metering station to serve York Township (Special Service Areas), rehabilitation of the biosolid and salt storage facility at Woodridge, construction of a

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2013**

---

Vactor Dump Station at Woodridge, paint and rehabilitate the System's sixth water tower in Glen Ellyn Heights, rehabilitate the Nordic and Seminole sewer systems, rehabilitate the air main system at Knollwood, and complete the grit screw rehabilitation project at Woodridge.

**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 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 and liabilities, with the difference between the two 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 present 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., uncollected water sales and amounts due to vendors).

Since 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 12 to 16.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2013**

---

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 17 to 31 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 32 to 38.

**Statement of Net Position**

The following is a summary of the System's Statement of Net Position as of November 30, 2013 and 2012.

**Statement of Net Position Summary**

	November 30,	
	2013	2012
Current Assets	\$13,753,889	\$12,508,933
Capital Assets	93,196,393	92,094,041
Restricted and Other Assets	4,704,991	6,198,302
	<u>\$111,655,273</u>	<u>\$110,801,276</u>
Current Liabilities	\$5,996,477	\$6,579,814
Long-term Liabilities	19,297,336	19,709,636
	<u>25,293,813</u>	<u>26,289,450</u>
Net Investment in Capital Assets	\$75,261,628	\$75,116,586
Restricted for Debt Service	2,908,933	2,858,239
Unrestricted Net Position	8,190,899	6,537,001
	<u>\$86,361,460</u>	<u>\$84,511,826</u>



**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2013**

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

The follow 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, 2013 and November 30, 2012

**Statements of Revenues, Expenses, and Changes  
in Net Position Summary**

	November 30,	
	2013	2012
Revenues:		
Users' Charges	\$13,832,232	\$12,916,474
Miscellaneous Income	2,293,251	2,334,515
Administrative Fees	1,159,035	1,132,656
Connection Fees	434,650	142,886
Capital Contributions	1,434,955	0
Total Revenue	19,154,123	16,526,531
Pass Through Revenue		
Darien Water Charges	\$4,671,477	\$4,672,898
Glen Ellyn Sewer Charges	512,706	485,422
Total Pass Through Revenue	5,184,183	5,158,320
Expenditures:		
Salaries & Employee Benefits	\$ 7,445,382	\$7,085,219
Commodities	1,429,586	1,633,845
Contractual	3,898,466	3,876,726
Depreciation and Amortization	3,791,406	3,726,236
Interest and Other	759,992	584,400
Total Expenditures	17,324,832	16,906,426
Pass Through Expenditures		
Darien Water Payments	\$4,671,477	\$4,672,898
Glen Ellyn Sewer Payments	492,363	467,534
Total Pass Through Expenditures	5,163,840	5,140,432
Change in Net Position	\$1,849,634	\$(362,007)

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2013**

---

The following is a discussion of the variances between 2013 and 2012.

**Revenues**

User charges for sewerage service increased 7.3% over 2012. The increase is a combination of a 15.7% increase in the user rate and a 10% decrease in consumption from 2012 to 2013. The consumption in 2013 was lower than it had been in 2012 due to the drought conditions the region experienced in 2012. Compared to 2012, user charges for water service increased by 7.6%. The increase is a combination of a 13.7% increase in the water rates and a 4.9% decrease in consumption from 2012 to 2013. Consumption in 2013 was lower than it was in 2012 due to the drought conditions the region experienced in 2012.

Miscellaneous income was relatively flat. The System reported a decrease in revenues derived from septic haulers. In addition, there was a decrease in revenues derived from rental of space on water towers to cell phone companies. One of the lessees upgraded its equipment and no longer needed the tower space. However, the System reported an increase in the revenues derived from other County departments for construction related services. The department bills the other departments for salaries plus a multiplier to cover the benefits. The department provided more of these services in 2013 compared to 2012.

Administrative fees increased 2.3% from 2012 to 2013. In March 2013, the bi-monthly fee charged to customers for billing and meter reading increased 3.6% from \$5.58 to \$5.78. Revenues from fees related to meter reading decreased by 2.3%. In May 2013, the County entered into an agreement to purchase meter reads from one of the municipalities for which it had previously provided meter reads.

New user connection charges increased 204% in 2013. As the economy improves, there has been an increase in the number of new home starts and business start-ups. In addition, the System added new customers in the York Township and Nelson Highview areas at the end of 2013.

In 2013, contributed revenue consisted of acceptance of the water system that was constructed in the Nelson Highview Special Service Area #38 and capital expenses related to the Lakes of Royce Renaissance Special Service Area #35 (York Township water tower and water system). The cost to construct the Nelson Highview system was \$1,336,795.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**As of and for the Year Ended November 30, 2013**

---

**Expenses**

Salaries and Employee Benefits increased 5.1% in 2013. Non-union and union employees received a salary increase of 2%. Union contracts for Local 150 and 399 were settled in early 2013. The contracts provided for creation of new position classifications, position reclassifications, minimum salaries for each bargaining unit position, and retroactive pay. The Local 399 contract expires on November 30, 2014 and the Local 150 contract expires on November 30, 2015. Although employee health insurance premiums increased, the system experienced a less than 1% decline in health insurance expenses due to an increase in the employee's share of the premium. As a result of the increase in salaries and an increase in the required employer's share of pension contributions, Social Security and pension expenses rose 10.5%. The System had several open positions throughout most of 2013. The System anticipates filling a number of open positions in 2014.

Commodities expenditures decreased by 12.5%. The System purchased fewer plant and maintenance repair parts for the Woodridge and Knollwood facilities. In addition, expenses for sewer maintenance small value equipment, system parts, and restorations decreased significantly from 2012 to 2013. Fuel expenses remained relatively constant.

Contractual expenditures remained constant from 2012 to 2013. Natural gas and electricity charges were down, but water charges were up due to the increase in water rates for purchased water. The cost per thousand gallons of water purchased increased from \$2.73 in January 2012 to \$3.32 in January 2013.

Interest and Other Expenses increased due to the early implementation of GASB 65 requiring Unamortized Bond Issuance Costs of \$193,552 to be expensed.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The System's investment in capital assets as of November 30, 2013 is summarized below, net of accumulated depreciation.

Land and Land Improvements	\$ 1,532,945
Sewage System	67,394,941
Water System	13,418,332
Other Property, Plant and Equipment	880,470
Net Intangible Assets	3,046,729
Construction in Progress	<u>6,922,976</u>
 Total Net Capital Assets	 <u>\$ 93,196,393</u>

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2013**

---

Capital asset activity included \$4,432,274 in additions and \$777,927 of disposals. Of the capital asset additions, \$1,434,955 was contributed. Additional information on the System's capital assets can be found in Note 3 of the financial statements.

**Long Term Debt**

The System has three outstanding Revenue Bond issues and two outstanding loans 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 following is a summary of the outstanding long-term obligations of the System as of November 30, 2013.

Series 2008A	\$ 6,045,000
Series 2008B	6,035,000
Series 2012	2,210,000
IEPA Loan (1996)	841,107
IEPA Loan (2012)	4,182,437
Unamortized debt premium	126,494
Accrued absences payable	1,718,271
Other post employment benefit payable	5,945
Net pension obligation payable	<u>124,154</u>
 Total Long Term Debt	 <u><u>\$ 21,288,408</u></u>

Additional information on the System's long term debt can be found in Note 4 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 2014, will have an impact on connection revenue, interest income and user charges.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
As of and for the Year Ended November 30, 2013**

---

The connection revenue forecast for 2014 is conservative and is based on local economic conditions. It is anticipated that the increase in connection revenues experienced in 2013 will continue in 2014. The local economy has begun to 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 2013 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.

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 2011 to set rates. The purpose of the study was to allow the System to balance revenues with expenditures through 2015. In 2013, user rates for the sewer system were increased 15.77%, sewer maintenance rates were increased 10.47% and administrative fees were increased by 3.60%. The System continued to replace water meters in areas where water loss was high. It also performed additional system repairs during 2013 to mitigate water loss.

The System anticipates an increase in retirements from 2014 through 2016. 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 Manager 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, 2013 (With Comparative Totals for November 30, 2012)

<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	2013	2012
Cash		
Operation and maintenance account	\$ 3,318,079	\$ 3,666,321
Depreciation account	3,421,387	2,983,991
Liability insurance account	1,033,986	1,032,985
Workers compensation account	150,311	150,166
Total Cash	7,923,763	7,833,463
Accounts receivable - service (net of reserve for uncollectible accounts of \$594)	2,732,131	1,955,553
Unbilled service revenue	2,795,336	2,584,587
Due from County	171,896	-
Miscellaneous receivable	130,763	135,330
Total Current Assets	13,753,889	12,508,933
<b>RESTRICTED ASSETS</b>		
Cash		
First lien bond principal account	665,658	640,808
First lien bond interest account	169,740	167,784
First lien bond reserve account	1,016,127	1,016,127
Second lien bond principal account	450,449	435,049
Second lien bond interest account	125,281	132,424
Second lien bond reserve account	721,528	721,528
Subordinated indebtedness account	51	45
2008 and 2012 water and sewer bond account	1,505,273	2,772,026
Total Restricted Assets	4,654,107	5,885,791
<b>CAPITAL ASSETS</b>		
Utility Plant in Service		
Land and land improvements	1,532,945	1,532,945
Sewerage system	155,994,015	155,436,050
Accumulated depreciation	(88,599,074)	(86,121,121)
Net Sewerage System	67,394,941	69,314,929
Water system	23,853,211	21,397,011
Accumulated depreciation	(10,434,879)	(10,192,246)
Net Water System	13,418,332	11,204,765
Other property, plant and equipment	4,177,986	4,025,505
Accumulated depreciation	(3,297,516)	(3,224,422)
Net Other Property, Plant and Equipment	880,470	801,083
Water commission buy in	3,397,959	3,397,959
Water commission meter station	1,054,261	566,561
Accumulated amortization	(1,405,491)	(1,120,806)
Net Intangibles	3,046,729	2,843,714
Total Utility Plant in Service	86,273,417	85,697,436
Construction in Progress	6,922,976	6,396,605
Total Capital Assets	93,196,393	92,094,041
<b>OTHER ASSETS</b>		
Due from special service area	50,884	83,088
Unamortized issuance costs	-	229,423
Total Other Assets	50,884	312,511
Total Assets	\$ 111,655,273	\$ 110,801,276

---

**LIABILITIES AND NET POSITION****CURRENT LIABILITIES**

Accounts payable	\$ 1,830,918	\$ 1,851,556
Accrued wages	109,076	175,851
Accrued sick leave, vacation and retention - current	202,572	215,162
Charges collected for others	1,825,510	1,701,269
Due to County	-	624,022
Current maturities of IEPA construction loan	673,500	651,428
Current Liabilities Payable From Restricted Assets		
Accrued interest payable	239,901	255,526
Current maturities of revenue bonds	<u>1,115,000</u>	<u>1,105,000</u>
Total Current Liabilities	<u>5,996,477</u>	<u>6,579,814</u>

**LONG-TERM LIABILITIES**

Accrued sick leave, vacation and retention - noncurrent	1,515,699	1,360,168
Revenue bonds	13,175,000	14,290,000
Unamortized debt premium	126,494	142,143
IEPA construction loans	4,350,044	3,790,333
Other post employment benefit payable	5,945	2,838
Net pension obligation payable	<u>124,154</u>	<u>124,154</u>
Total Long-Term Liabilities	<u>19,297,336</u>	<u>19,709,636</u>

Total Liabilities	<u>25,293,813</u>	<u>26,289,450</u>
-------------------	-------------------	-------------------

**NET POSITON**

Net investment in capital assets	75,261,628	75,116,586
Restricted for debt service	2,908,933	2,858,239
Unrestricted	<u>8,190,899</u>	<u>6,537,001</u>

<b>TOTAL NET POSITION</b>	<u>\$ 86,361,460</u>	<u>\$ 84,511,826</u>
---------------------------	----------------------	----------------------

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

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

For the Year Ended November 30, 2013

(With Comparative Totals for the Year Ended November 30, 2012)

	Sewerage	Water	Sewer Maintenance	Administration	Total	
					2013	2012
<b>OPERATING REVENUES</b>						
Sewerage Service Users' Charges						
DuPage system	\$ 9,363,187	\$ -	\$ -	\$ -	\$ 9,363,187	\$ 8,728,937
Other systems	512,706	-	-	-	512,706	485,422
Water Service Users' Charges						
DuPage system	-	2,671,367	-	-	2,671,367	2,481,983
Other systems	-	4,671,477	-	-	4,671,477	4,672,898
Sewer Maintenance Users' Charges	-	-	1,604,037	-	1,604,037	1,523,718
Administrative fees	-	-	-	1,159,035	1,159,035	1,132,656
DuPage Water Commission capital buy-in fee	-	239,955	-	-	239,955	215,120
Penalties	-	-	-	193,641	193,641	181,836
Miscellaneous income	331,149	324,622	13,291	1,369,786	2,038,848	2,102,207
Total Operating Revenues	<u>10,207,042</u>	<u>7,907,421</u>	<u>1,617,328</u>	<u>2,722,462</u>	<u>22,454,253</u>	<u>21,524,777</u>
<b>OPERATING EXPENSES</b>						
Operation and Maintenance Expenses						
Personnel						
Salaries	2,768,839	857,147	693,935	1,309,784	5,629,705	5,369,111
Employee benefits	917,507	284,016	229,962	384,192	1,815,677	1,716,108
Commodities						
Equipment parts and supplies	414,727	95,408	94,177	38,266	642,578	775,794
Chemicals and gases	448,516	52,813	15,986	269,693	787,008	858,051
Contractual Services						
Professional services	57,251	43,587	11,801	22,709	135,348	142,786
Sludge removal	281,463	-	-	-	281,463	303,265
Natural gas	210,275	19,515	1,574	-	231,364	160,694
Electricity	929,573	62,668	15,373	-	1,007,614	949,396
Water and sewer	18,791	1,312,759	-	-	1,331,550	995,097
Repairs and maintenance	142,368	21,788	23,685	11,606	199,447	237,661
Reimbursements	489,624	4,671,477	-	2,739	5,163,840	5,140,432
Other contractual	276,039	156,814	67,110	211,717	711,680	1,087,827
Total Operation and Maintenance Expenses	<u>6,954,973</u>	<u>7,577,992</u>	<u>1,153,603</u>	<u>2,250,706</u>	<u>17,937,274</u>	<u>17,736,222</u>
Operating income before amortization and depreciation	3,252,069	329,429	463,725	471,756	4,516,979	3,788,555
Amortization of intangibles	-	284,685	-	-	284,685	240,349
Depreciation	3,139,124	367,597	-	-	3,506,721	3,485,887
Total Operating Expenses	<u>10,094,097</u>	<u>8,230,274</u>	<u>1,153,603</u>	<u>2,250,706</u>	<u>21,728,680</u>	<u>21,462,458</u>
Operating Income (Loss)	<u>112,945</u>	<u>(322,853)</u>	<u>463,725</u>	<u>471,756</u>	<u>725,573</u>	<u>62,319</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	2,056	-	-	12,392	14,448	17,188
Interest expense on bonds and loans	(310,415)	(131,053)	(103,811)	-	(545,279)	(555,073)
Amortization of bond premium						
issuance costs	(158,302)	(11,882)	(43,590)	-	(213,774)	(29,327)
Loss on disposal of assets	(939)	-	-	-	(939)	-
Total Nonoperating Revenues (Expenses)	<u>(467,600)</u>	<u>(142,935)</u>	<u>(147,401)</u>	<u>12,392</u>	<u>(745,544)</u>	<u>(567,212)</u>
Income (Loss) before contributions	(354,655)	(465,788)	316,324	484,148	(19,971)	(504,893)
CONNECTION CHARGES	355,750	78,900	-	-	434,650	142,886
CAPITAL CONTRIBUTIONS	1,434,955	-	-	-	1,434,955	-
CHANGE IN NET POSITION	<u>\$ 1,436,050</u>	<u>\$ (386,888)</u>	<u>\$ 316,324</u>	<u>\$ 484,148</u>	<u>1,849,634</u>	<u>(362,007)</u>
NET POSITION, Beginning of Year					84,511,826	84,873,833
NET POSITION - END OF YEAR					<u>\$ 86,361,460</u>	<u>\$ 84,511,826</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, 2013 (With Comparative Totals for November 30, 2012)

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 19,428,078	\$ 19,273,370
Payments to employees for services	(7,366,109)	(7,119,163)
Payments to suppliers for goods and services	(10,543,233)	(10,252,388)
Other revenue	2,075,619	2,123,321
Net Cash Flows From Operating Activities	<u>3,594,355</u>	<u>4,025,140</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payment to other funds	<u>(577,625)</u>	<u>60,492</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>14,448</u>	<u>17,188</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(3,444,761)	(5,749,039)
Proceeds from sale of revenue bonds	-	2,596,271
Proceeds from IEPA Loan	1,233,211	2,949,226
Principal payments on revenue bonds	(1,105,000)	(840,000)
Principal payments on IEPA loan	(651,428)	(630,079)
Principal payments on DuPage Water Commission payable	-	(2,601,895)
Interest payments on bonds and loans	(639,234)	(642,466)
Proceeds from connection charges	434,650	142,886
Net Cash Flows From Capital and Related Financing Activities	<u>(4,172,562)</u>	<u>(4,775,096)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(1,141,384)	(672,276)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>13,719,254</u>	<u>14,391,530</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 12,577,870</u>	<u>\$ 13,719,254</u>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION</b>		
Cash	\$ 7,923,763	\$ 7,833,463
Restricted cash	<u>4,654,107</u>	<u>5,885,791</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 12,577,870</u>	<u>\$ 13,719,254</u>

	2013	2012
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 725,573	\$ 62,319
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities		
Depreciation	3,506,721	3,485,887
Amortization of other assets	284,685	240,349
Changes in assets and liabilities		
Accounts receivable, net	(776,578)	(105,300)
Accrued unbilled service revenue	(210,749)	(43,900)
Due from special service area	32,204	30,333
Miscellaneous receivable	4,567	(9,219)
Accounts payable	(175,582)	192,094
Accrued sick leave, vacation, retention and wages payable	76,166	(33,606)
Other post employment benefits payable	3,107	(338)
Charges collected for others	124,241	206,521
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 3,594,355</b>	<b>\$ 4,025,140</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	\$ 1,434,955	\$ -

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, 2013

---

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

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 4. All intrafund transactions are eliminated.

#### ***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

In June 2011, the GASB issued statement No. 63 – Financial Reporting of Deferred Outflows of Revenues, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements which are distinct from assets and liabilities. The System implemented this standard effective December 1, 2012.

In March 2012, the GASB issued statement No. 65 - Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective December 1, 2012.

#### ***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.

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.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013

---

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

---

#### ***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);
- (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.

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

## **NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013**

---

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

---

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

##### ***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.

##### ***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 \$623,610. Of this amount, \$78,331 was included as part of capital assets under construction in progress. 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 \$5,000 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 5 and 100 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, 2013. The liability is liquidated from general operating revenues of the System.

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

## **NOTES TO FINANCIAL STATEMENTS** As of and for the Year Ended November 30, 2013

---

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

---

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

##### ***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.

##### ***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, 2012, from which such summarized information was derived.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013

---

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

---

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity. Omnibus*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

---

### 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, 2013, cash and cash equivalents at year end consisted of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits with financial institutions	<u>\$ 12,577,870</u>	<u>\$ 12,522,357</u>	Custodial credit
Per statement of net position			
Cash	\$ 7,923,763		
Restricted cash	<u>4,654,107</u>		
Total deposits and investments	<u>\$ 12,577,870</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.

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

## **NOTES TO FINANCIAL STATEMENTS** As of and for the Year Ended November 30, 2013

---

### **NOTE 2 – CASH AND INVESTMENTS (cont.)**

---

#### ***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, 2013

### NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2013, was as follows:

	Balance Beginning	Additions/ Transfers	Transfers/ Disposal	Balance Ending
Capital assets, not being depreciated				
Land	\$ 1,527,725	\$ -	\$ -	\$ 1,527,725
Land improvements	5,220	-	-	5,220
Construction in progress	6,396,605	4,958,645	4,432,274	6,922,976
Total Capital Assets Not Being Depreciated	<u>7,929,550</u>	<u>4,958,645</u>	<u>4,432,274</u>	<u>8,455,921</u>
Capital assets being depreciated/amortized				
Sewerage treatment plant	85,566,079	772,272	489,958	85,848,393
Sewerage systems	69,869,971	275,651	-	70,145,622
Total Sewerage System	<u>155,436,050</u>	<u>1,047,923</u>	<u>489,958</u>	<u>155,994,015</u>
Water pumping facility	8,930,322	1,197,839	124,963	10,003,198
Water supply	12,466,689	1,383,324	-	13,850,013
Total Water System	<u>21,397,011</u>	<u>2,581,163</u>	<u>124,963</u>	<u>23,853,211</u>
Data processing equipment	260,864	-	-	260,864
Technical equipment	372,445	57,207	46,513	383,139
Construction equipment	570,156	71,933	-	642,089
Other equipment	355,965	-	-	355,965
Autos and trucks	2,261,141	186,347	115,314	2,332,174
Furniture and office equipment	204,934	-	1,179	203,755
Total Equipment	<u>4,025,505</u>	<u>315,487</u>	<u>163,006</u>	<u>4,177,986</u>
Water commission buy in	3,397,959	-	-	3,397,959
Water commission meter station	566,560	487,701	-	1,054,261
Total Intangibles	<u>3,964,519</u>	<u>487,701</u>	<u>-</u>	<u>4,452,220</u>
Total Capital Assets Being Depreciated/Amortized	<u>184,823,085</u>	<u>4,432,274</u>	<u>777,927</u>	<u>188,477,432</u>
Less: Accumulated depreciation/amortization				
Sewerage System	(86,121,121)	(2,966,971)	(489,018)	(88,599,074)
Water System	(10,192,246)	(367,597)	(124,964)	(10,434,879)
Equipment	(3,224,421)	(236,100)	(163,005)	(3,297,516)
Intangibles	(1,120,806)	(284,685)	-	(1,405,491)
Total Accumulated Depreciation/Amortization	<u>(100,658,594)</u>	<u>(3,855,353)</u>	<u>(776,987)</u>	<u>(103,736,960)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>84,164,491</u>	<u>576,921</u>	<u>940</u>	<u>84,740,472</u>
Net Capital Assets	<u>\$ 92,094,041</u>			<u>\$ 93,196,393</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013

### NOTE 3 – CAPITAL ASSETS (cont.)

Depreciation/amortization expense on the statement of revenues, expenses and changes in net position differs from additions/transfers of accumulated depreciation on the previous page due to \$63,947 in accumulated depreciation transferred into the System from the County.

### NOTE 4 – LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended November 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds	\$ 15,395,000	\$ -	\$ 1,105,000	\$ 14,290,000	\$ 1,115,000
Other Liabilities:					
IEPA construction loans	4,441,761	1,233,211	651,428	5,023,544	673,500
Unamortized debt premium	142,143	-	15,649	126,494	-
Accrued compensated absences	1,575,330	427,191	284,250	1,718,271	202,572
Other post-employment benefit payable	2,838	3,107	-	5,945	-
Net pension obligation payable	124,154	-	-	124,154	-
Total Long-Term Obligations	<u>\$ 21,681,226</u>	<u>\$ 1,663,509</u>	<u>\$ 2,056,327</u>	<u>\$ 21,288,408</u>	<u>\$ 1,991,072</u>

#### REVENUE BONDS PAYABLE

Revenue bonds outstanding at year end are as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 11/30/13
7/23/2008	Refund bonds and construction of plant	1/1/2024	4.5%	\$ 8,250,000	\$ 6,045,000
7/23/2008	Refund bonds and construction of plant	1/1/2024	4.5%	8,250,000	6,035,000
4/25/2012	DuPage Water Commission buy-in	1/1/2022	3%-4%	2,445,000	2,210,000
Total				<u>\$ 18,945,000</u>	<u>\$ 14,290,000</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013

### NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

#### REVENUE BONDS PAYABLE (cont.)

##### Future Bond Payments

Fiscal Year	Series 2008A		
	Bond Principal	Interest	Total
2014	\$ 450,000	\$ 241,344	\$ 691,344
2015	465,000	224,188	689,188
2016	485,000	205,769	690,769
2017	500,000	186,069	686,069
2018	520,000	165,669	685,669
2019-2023	2,955,000	480,378	3,435,378
2024	670,000	15,075	685,075
Totals	<u>\$ 6,045,000</u>	<u>\$ 1,518,492</u>	<u>\$ 7,563,492</u>

Fiscal Year	Series 2008B		
	Bond Principal	Interest	Total
2014	\$ 450,000	\$ 240,894	\$ 690,894
2015	465,000	223,738	688,738
2016	480,000	205,419	685,419
2017	505,000	185,719	690,719
2018	525,000	165,119	690,119
2019-2023	2,945,000	477,979	3,422,979
2024	665,000	14,963	679,963
Totals	<u>\$ 6,035,000</u>	<u>\$ 1,513,831</u>	<u>\$ 7,548,831</u>

Fiscal Year	Series 2012		
	Bond Principal	Interest	Total
2014	\$ 215,000	\$ 73,425	\$ 288,425
2015	220,000	66,900	286,900
2016	230,000	60,150	290,150
2017	235,000	52,000	287,000
2018	245,000	43,625	288,625
2019-2022	1,065,000	83,125	1,148,125
Totals	<u>\$ 2,210,000</u>	<u>\$ 379,225</u>	<u>\$ 2,589,225</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013

---

### NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

---

#### ***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 \$17,701,548. For the current year, principal and interest paid and total net revenues were \$1,699,513 and \$4,966,077 respectively. Annual principal and interest are expected to require approximately 7% 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, 2013

---

### NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

---

#### *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, 2013, all required balances were in accordance with the Ordinance.

---

### NOTE 5 – IEPA CONSTRUCTION LOANS

---

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 matures on June 1, 2015. The total principal paid in fiscal year 2013 was \$651,428.

The System borrowed funds from the Illinois Environmental Protection Agency (IEPA) for the York Township water improvement project. The original principal amount authorized under the loan agreement #L17-4161 with the IEPA is \$5,163,595. The loan bears an interest rate of 1.25% per annum and matures on January 28, 2033. A repayment schedule has not been finalized as of November 30, 2013. It is expected that this loan will commence payment in July 2014. The amount payable as of November 30, 2013 is \$4,182,437.

Payments due on the IEPA Construction Loan #L17-0795 through maturity are as follows:

<u>Fiscal Year</u>	<u>IEPA Construction Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 673,500	\$ 22,651	\$ 696,151
2015	<u>167,607</u>	<u>2,816</u>	<u>170,423</u>
Totals	<u>\$ 841,107</u>	<u>\$ 25,467</u>	<u>\$ 866,574</u>

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013

### NOTE 6 – 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	\$ 93,196,393
Less: Capital related debt	
Current portion of capital related IEPA construction loan	673,500
Current portion of capital related revenue bonds	1,115,000
Long-term portion of capital related IEPA construction loans	4,350,044
Long-term portion of capital related revenue bonds	13,175,000
Unamortized debt premium	126,494
Sub-Total	<u>19,440,038</u>
Add: Unspent debt proceeds – water and sewer bond account	<u>1,505,273</u>
Total Net Investment in Capital Assets	<u>\$ 75,261,628</u>

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

Total restricted assets	\$ 4,654,107
Unspent debt proceeds – water and sewer bond account	(1,505,273)
Liabilities payable from restricted assets:	
Accrued interest payable	<u>(239,901)</u>
Total Net Position Restricted for Debt Service	<u>\$ 2,908,933</u>

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

## **NOTES TO FINANCIAL STATEMENTS** As of and for the Year Ended November 30, 2013

---

### **NOTE 7 – RISK MANAGEMENT**

---

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, 2013, 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 \$770,183 in fiscal 2013. See the DuPage County Comprehensive Annual Financial Report for additional information.

---

### **NOTE 8 – DEFINED BENEFIT PENSION PLAN**

---

#### ***ILLINOIS MUNICIPAL RETIREMENT FUND***

The System, under the sponsorship of the County, contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. The benefits, benefits levels, employee contributions and employer contributions for the plan is governed by Illinois Compiled Statutes and 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.

Although IMRF is an agent multiple-employer pension plan, the System's participation through the County is considered to be that of a cost sharing, multiple-employer pension plan.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Public Act 96-0889 created a second tier for IMRF's Regular Plan. Effective January 1, 2011, IMRF assigns a benefit tier to a member when he or she is enrolled in IMRF. The tier is determined by the member's first IMRF participation date. If the member first participated in IMRF before January 1, 2011, they participate in Regular Tier 1. If the member first participated in IMRF on or after January 1, 2011, they participate in Regular Tier 2.

For Regular Tier 1, pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate (average of the highest 48 consecutive months earnings during the last 10 years) of earnings for each year of credited service up to 15 years and 2% for each year thereafter. For Regular Tier 2, pension benefits vest after ten years of service. Participating members who retire at or after age 67 with 10 years of service, or age 62 with 35 years of service are entitled to an annual retirement benefit as described above. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes. Participating members are required to contribute 4.5% of their annual salary to IMRF. A separate actuarial valuation for System employees is not performed. Actuarial information regarding IMRF is presented in the County's Comprehensive Annual Financial Report.

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2013

---

### NOTE 8 – DEFINED BENEFIT PENSION PLAN

---

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

For 2010 and 2011, IMRF offered members the option of paying less than the annual required contribution. The System elected this option for both years. As such, the System has a net pension obligation at November 30, 2013 of \$124,154. Annual required contributions and the percentage contributed for the current year and each of the preceding two years is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contribution	\$ 453,142	\$ 410,944	\$ 481,817
Actual Contribution	\$ 453,142	\$ 410,944	\$ 444,655
Net Pension Obligation	\$ 124,154	\$ 124,154	\$ 124,154
Percent Contributed	100%	100%	92%

---

### NOTE 9 – 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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contribution	<u>\$ 870,187</u>	<u>\$ 584,353</u>	<u>\$ 584,353</u>
Actual Contribution	<u>\$ 762,978</u>	<u>\$ 604,346</u>	<u>\$ 604,346</u>

As of November 30, 2013, the estimated portion of the County's other post employment benefit obligation payable applicable to the System was \$5,945, which was an increase of \$3,107 from the prior year. 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, 2013

---

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

---

#### ***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. The Contract provides 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 are billed and payable to the System on an annual basis as water service is rendered. The following represents future minimum obligations under the agreement:

<u>Fiscal Year</u>	<u>Amount*</u>
2014	\$ 101,044
2015	101,044
2016	101,044
2017	101,044
2018	101,044
2019-2023	505,220
2024	<u>101,044</u>
Total	<u>\$ 1,111,484</u>

\* These amounts are estimates which have been calculated using the System’s calendar year 2011 and 2012 historic usage percentage of 1.424 %. The estimates and usage percentage are subject to change in future years. Estimates for the future years are not currently available; however, the System does not expect the minimum amounts for these years to materially vary from the amounts presented above. Included in the above amounts is a monthly charge for the Southeast Regional Facility that is billed to the City of Darien, but paid for by the System.

#### ***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 the York Township water system improvements, Vactor Receiving Station improvements, water tower painting and rehab biosolid storage. The value of service provided and the corresponding liability as of November 30, 2013 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 \$1,228,866.

## **SUPPLEMENTARY INFORMATION**

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## COMBINING SCHEDULE OF NET POSITION As of November 30, 2013

	Bond and Interest Accounts	Bond Reserve Accounts	2008 Water and Sewer Bond Account	Other Accounts	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Investments					
Operation and maintenance account	\$ -	\$ -	\$ -	\$ 3,318,079	\$ 3,318,079
Depreciation account	-	-	-	3,421,387	3,421,387
Liability insurance account	-	-	-	1,033,986	1,033,986
Workers compensation account	-	-	-	150,311	150,311
Total Cash and Investments	-	-	-	7,923,763	7,923,763
Accounts receivable - service				2,732,131	2,732,131
Unbilled service revenue	-	-	-	2,795,336	2,795,336
Due to County, net	-	-	-	171,896	171,896
Miscellaneous receivable	-	-	-	130,763	130,763
Total Current Assets	-	-	-	13,753,889	13,753,889
<b>RESTRICTED ASSETS</b>					
Cash and Investments					
First lien bond principal account	665,658	-	-	-	665,658
First lien bond interest account	169,740	-	-	-	169,740
First lien bond reserve account	-	1,016,127	-	-	1,016,127
Second lien bond principal account	450,449	-	-	-	450,449
Second lien bond interest account	125,281	-	-	-	125,281
Second lien bond reserve account	-	721,528	-	-	721,528
Subordinated indebtedness account	51	-	-	-	51
2008 and 2012 water and sewer bond account	-	-	1,505,273	-	1,505,273
Total Restricted Assets	1,411,179	1,737,655	1,505,273	-	4,654,107
<b>CAPITAL ASSETS</b>					
Utility Plant in Service					
Land and land improvements	-	-	-	1,532,945	1,532,945
Sewerage system	-	-	-	155,994,015	155,994,015
Accumulated depreciation	-	-	-	(88,599,074)	(88,599,074)
Net Sewerage System	-	-	-	67,394,941	67,394,941
Water system	-	-	-	23,853,211	23,853,211
Accumulated depreciation	-	-	-	(10,434,879)	(10,434,879)
Net Water System	-	-	-	13,418,332	13,418,332
Other property, plant and equipment	-	-	-	4,177,986	4,177,986
Accumulated depreciation	-	-	-	(3,297,516)	(3,297,516)
Net Property, Plant and Equipment	-	-	-	880,470	880,470
Water commission buy in	-	-	-	3,397,959	3,397,959
Water commission meter station	-	-	-	1,054,261	1,054,261
Accumulated amortization	-	-	-	(1,405,491)	(1,405,491)
Net Intangibles	-	-	-	3,046,729	3,046,729
Total Utility Plant in Service	-	-	-	86,273,417	86,273,417
Construction in Progress	-	-	1,238,996	5,683,980	6,922,976
Total Capital Assets	-	-	1,238,996	91,957,397	93,196,393

	Bond and Interest Accounts	Bond Reserve Accounts	2008 Water and Sewer Bond Account	Other Accounts	Total
<b>ASSETS (cont.)</b>					
<b>OTHER ASSETS</b>					
Due from special service area	\$ -	\$ -	\$ -	\$ 50,884	\$ 50,884
Total Other Assets	-	-	-	50,884	50,884
 Total Assets	 1,411,179	 1,737,655	 2,744,269	 105,762,170	 111,655,273
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	-	-	-	1,830,918	1,830,918
Accrued wages	-	-	-	109,076	109,076
Current accrued sick leave, vacation and retention	-	-	-	202,572	202,572
Charges collected for others	-	-	-	1,825,510	1,825,510
Current Liabilities Payable From Restricted Assets					
Accrued interest payable	239,901	-	-	-	239,901
Current maturities of revenue bonds	-	-	-	1,115,000	1,115,000
Current maturities of IEPA construction loans	-	-	-	673,500	673,500
Total Current Liabilities	239,901	-	-	5,756,576	5,996,477
<b>LONG-TERM LIABILITIES</b>					
Noncurrent accrued sick leave, vacation and retention	-	-	-	1,515,699	1,515,699
Revenue bonds	-	-	-	13,175,000	13,175,000
Unamortized debt premium	-	-	-	126,494	126,494
IEPA construction loans	-	-	-	4,350,044	4,350,044
Other post employment benefit payable	-	-	-	5,945	5,945
Net pension obligation payable	-	-	-	124,154	124,154
Total Long-Term Liabilities	-	-	-	19,297,336	19,297,336
 Total Liabilities	 239,901	 -	 -	 25,053,912	 25,293,813
<b>NET POSITION</b>					
Net investment in capital assets	-	-	2,744,269	72,517,359	75,261,628
Restricted for debt service	1,171,278	1,737,655	-	-	2,908,933
Unrestricted	-	-	-	8,190,899	8,190,899
 <b>TOTAL NET POSITION</b>	 \$ 1,171,278	 \$ 1,737,655	 \$ 2,744,269	 \$ 80,708,258	 \$ 86,361,460

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## COMBINING SCHEDULE OF CHANGES IN CASH AND CASH EQUIVALENTS For the Year Ended November 30, 2013

	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	\$ 19,428,078	\$ -	\$ -	\$ -	\$ -	\$ -
Connection charges	434,650	-	-	-	-	-
Proceeds from IEPA Loan	-	-	-	-	-	-
Interest income	8,314	-	-	-	-	-
Transfers (to) from, net	(3,760,731)	694,850	339,525	450,400	249,800	696,156
Other, net	2,075,619	-	-	-	-	-
Total Cash Receipts	<u>18,185,930</u>	<u>694,850</u>	<u>339,525</u>	<u>450,400</u>	<u>249,800</u>	<u>696,156</u>
<b>CASH DISBURSEMENTS</b>						
Operating expenses	17,909,342	-	-	-	-	-
Acquisition and construction of capital assets	47,205	-	-	-	-	-
Principal and interest expense	-	670,000	337,569	435,000	256,943	696,150
Payment to other funds	577,625	-	-	-	-	-
Total Cash Disbursements	<u>18,534,172</u>	<u>670,000</u>	<u>337,569</u>	<u>435,000</u>	<u>256,943</u>	<u>696,150</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(348,242)	24,850	1,956	15,400	(7,143)	6
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,666,321</u>	<u>640,808</u>	<u>167,784</u>	<u>435,049</u>	<u>132,424</u>	<u>45</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,318,079</u>	<u>\$ 665,658</u>	<u>\$ 169,740</u>	<u>\$ 450,449</u>	<u>\$ 125,281</u>	<u>\$ 51</u>
<b>CONSISTING OF</b>						
Demand deposits	<u>\$ 3,318,079</u>	<u>\$ 665,658</u>	<u>\$ 169,740</u>	<u>\$ 450,449</u>	<u>\$ 125,281</u>	<u>\$ 51</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,318,079</u>	<u>\$ 665,658</u>	<u>\$ 169,740</u>	<u>\$ 450,449</u>	<u>\$ 125,281</u>	<u>\$ 51</u>

---

Bond Reserve Accounts

<u>First Lien Bond Reserve Account</u>	<u>Second Lien Bond Reserve Account</u>	<u>2008 and 2012 Water &amp; Sewer Bond Accounts</u>	<u>Depreciation Account</u>	<u>Liability Insurance Account</u>	<u>Workers' Compensation Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,428,078
-	-	-	-	-	-	434,650
-	-	-	1,233,211	-	-	1,233,211
-	-	2,056	2,932	1,001	145	14,448
-	-	-	1,330,000	-	-	-
-	-	-	-	-	-	2,075,619
-	-	2,056	2,566,143	1,001	145	23,186,006
-	-	-	-	-	-	17,909,342
-	-	1,268,809	2,128,747	-	-	3,444,761
-	-	-	-	-	-	2,395,662
-	-	-	-	-	-	577,625
-	-	1,268,809	2,128,747	-	-	24,327,390
-	-	(1,266,753)	437,396	1,001	145	(1,141,384)
<u>1,016,127</u>	<u>721,528</u>	<u>2,772,026</u>	<u>2,983,991</u>	<u>1,032,985</u>	<u>150,166</u>	<u>13,719,254</u>
<u>\$ 1,016,127</u>	<u>\$ 721,528</u>	<u>\$ 1,505,273</u>	<u>\$ 3,421,387</u>	<u>\$ 1,033,986</u>	<u>\$ 150,311</u>	<u>\$ 12,577,870</u>
<u>\$ 1,016,127</u>	<u>\$ 721,528</u>	<u>\$ 1,505,273</u>	<u>\$ 3,421,387</u>	<u>\$ 1,033,986</u>	<u>\$ 150,311</u>	<u>\$ 12,577,870</u>
<u>\$ 1,016,127</u>	<u>\$ 721,528</u>	<u>\$ 1,505,273</u>	<u>\$ 3,421,387</u>	<u>\$ 1,033,986</u>	<u>\$ 150,311</u>	<u>\$ 12,577,870</u>

## OTHER INFORMATION

## WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

### SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) As of November 30, 2013

---

Property/Boiler	All risk building contents for scheduled amounts at each location; \$100,000 deductible - Flood and earthquake sub limit \$100,000,000 each; \$500,000 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, 2013

### Customers

#### Total Metered Sewer and Water Customers

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Metered Sewer Customers	35,152	35,175	35,454	35,661	35,970	35,251	35,348	35,210	35,465	35,499
Metered Water Customers	4,490	4,608	4,626	4,701	3,148	3,163	3,078	3,111	3,174	3,214

#### Top 10 Sewer Customers December 2012 through November 2013

<u>Customer</u>	<u>Annual Total</u>
Willow Lake Apts Multi Unit Housing (Globetrotters)	\$ 209,221
Four Lakes Development Multi Unit Housing	159,511
Hinsdale Lake Multi Unit Housing	151,603
Lucent Technologies	136,061
Amli-Building Multi Unit Housing	133,462
Benedictine University	128,764
EL-AD Windsor Lakes LLC Multi Unit Housing	104,809
Stratford Green	87,564
M&M / Mars Inc.	84,806
Natural Falls Resort Apts. Multi Unit Housing	80,910

#### Top 10 Water Customers December 2012 through November 2013

<u>Customer</u>	<u>Annual Total</u>
Hinsdale Lake Multi Unit Housing	\$ 382,259
Willow Lake Apts Multi Unit Housing	220,421
Stratford Green Multi Unit Housing	215,764
Hinsdale Pt. Condo Assn. Multi Unit Housing	137,706
Waterfall Glen Multi Unit Housing	134,752
River Glen Multi Unit Housing	34,376
Champagne Lodge	27,077
Steeple Run Condo Assn. Multi Unit Housing	18,987
Villas @ The Oaks Condo Assn	15,841
M&R Printing Equipment Inc	15,558

# WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

## REQUIRED INFORMATION FOR CONTINUING DISCLOSURE UNDERTAKING

As of and for the Year Ending November 30, 2013

### Consumption Data

	<u>Total Gallons Billed (1,000)</u>									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sewer Billed Consumption	4,253	4,781	4,209	4,181	3,964	3,877	3,826	3,775	4,192	3,766
Water Billed Consumption	543	636	400	401	368	360	354	351	373	347

### 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 1/1/14

Southeast Regional Water Facility (SERWF)  
\$8.83 per 1,000 gallons

North Regional Water Facility (NRWF)  
\$5.53 per 1,000 gallons

Steeple Run  
\$8.83 per 1,000 gallons

Greene Road  
\$8.83 per 1,000 gallons

Glen Ellyn Heights  
\$8.83 per 1,000 gallons

York Center  
\$8.83 per 1,000 gallons

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, 2013, and have issued our report thereon dated May 9, 2014.

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  
May 9, 2014