

**Water and Sewerage System of
DuPage County, Illinois
(An Enterprise Fund of
DuPage County, Illinois)**

Financial Statements and
Supplementary Information

November 30, 2020

Water and Sewerage System of DuPage County, Illinois (An Enterprise Fund of DuPage County, Illinois)

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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, 2020, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020 and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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 the DuPage County, Illinois, as of November 30, 2020, and the changes in financial position or 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.

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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents 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 supplementary information 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 that collectively comprise the Water and Sewerage System of DuPage County, Illinois' financial statements. 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 do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the Water and Sewerage System of DuPage County, Illinois' 2019 financial statements and we expressed an unmodified audit opinion on the respective financial statements in our report dated May 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

Oak Brook, Illinois
August 17, 2021

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020**

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, 2020.

- For fiscal year 2020, user charges and other revenues of the System were \$30,221,266 and expenses were \$27,021,015 resulting in total revenues exceeding total expenses by \$3,200,251. It should be noted that \$3.88 million of the reported expense is related to depreciation and amortization.
- Cash receipts exceeded cash disbursements by \$1,282,868 in the Operation and Maintenance Account.

In late 2018, the System hired an independent consultant to perform a rate study analysis. The purpose of this rate study was to determine the required rate structure for wastewater and water services from 2019 through 2022. The new rate study was approved by the Public Works Committee in January 2019. As a result, sewer user and sewer maintenance rates and base administrative fees increased effective with March 2020 customer bills, with subsequent scheduled increases in 2021 and 2022.

The System completed the following construction project in 2020: belt press rehabilitation at the Woodridge facility.

In 2019, a third-party engineering firm completed a study that identified and prioritized capital improvement needs to the system. This Capital Improvement Plan identified \$119 million of capital expenditures that will be required over approximately a twenty year period. The purpose of these capital expenditures can be categorized into the following main categories:

- Compliance with changing environmental standards being mandated by the EPA in future years for the wastewater industry.
- Updating of capital equipment and facilities that were constructed over 40 years ago.
- Incorporation of capital improvements to reduce operating and maintenance expenses such as energy usage.
- Improved customer service initiatives such as modernization of metering equipment and improved capacity of the sewer system.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020**

Construction in Progress for the Capital Improvement Plan and other projects was \$2,975,473 as of November 30, 2020.

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 12 to 16.

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 34 of this report.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020**

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 35 to 43.

Statement of Net Position

The following is a summary of the System's Statement of Net Position as of November 30, 2020 and 2019.

STATEMENT OF NET POSITION SUMMARY

	November 30,	
	2020	2019
Current Assets	\$ 21,986,357	\$ 17,680,056
Capital Assets	93,023,202	93,351,952
Restricted and Other Assets	5,316,665	5,569,053
 Total Assets	 120,326,224	 116,601,061
 Deferred Outflows of Resources	 1,269,783	 2,988,161
Current Liabilities	8,900,469	7,001,234
Long-term Liabilities	11,993,593	16,079,572
 Total Liabilities	 20,894,062	 23,080,806
 Deferred Inflows of Resources	 1,319,266	 325,988
Net Investment in Capital Assets	84,070,846	82,703,972
Restricted for Debt Service	5,248,649	5,485,069
Unrestricted Net Position	10,063,184	7,993,387
 Total Net Positions	 \$ 99,382,679	 \$ 96,182,428

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020**

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, 2020 and November 30, 2019:

	November 30,	
	2020	2019
Revenues:		
Users' Charges	\$ 17,389,711	\$ 15,420,322
Miscellaneous Income	1,995,817	2,379,775
Administrative Fees	1,366,483	1,282,208
Connection Fees	269,845	254,880
Capital Contributions	1,102,203	1,276,320
Transfers In	804,052	-
Total Revenue	22,928,111	20,613,505
Pass Through Revenue		
Darien Water Charges	6,721,427	6,361,917
Glen Ellyn Sewer Charges	571,728	543,836
Total Pass Through Revenue	7,293,155	6,905,753
Expenses:		
Salaries & Employee Benefits	8,854,290	8,176,641
Commodities	1,460,182	1,423,575
Contractual	5,253,462	5,179,030
Depreciation and Amortization	3,882,849	3,862,059
Interest and Other	269,417	586,976
Total Expenses	19,720,200	19,228,281
Pass Through Expenses		
Darien Water Payments	6,721,427	6,361,917
Glen Ellyn Sewer Payments	579,388	541,803
Total Pass Through Expenses	7,300,815	6,903,720
Change in Net Position	\$ 3,200,251	\$ 1,387,257

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020**

The following is a discussion of the variances between 2020 and 2019.

Revenues

Revenues from user charges for sewerage service and sewer maintenance increased by \$1,526,468 or 11.3%. User charge increases went into effect with March 2020 billing. The user fee increase was 6.1% and the sewer maintenance fee increase was 5.4%. Revenue also increased due to the annualized impact of user charge and fee increases that went into effect in 2019. Usage for sewer service is based on metered water consumption. Volume billed increased by 5.9%. The increase in volume billed was due to a higher metered usage with residential customers due to a combination of remote work and school, coupled with drier weather conditions as compared to the last couple of years.

Revenues from user charges for County water increased 12.3%. Volume billed increased by 7.1%. The balance of the increase was due from higher water rates, 3.9% for customers serviced with Lake Michigan water purchased from the DuPage Water Commission and 6.7% for customers serviced with water pumped from an aquifer and treated at the Northeast Regional Water Facility near Itasca.

Miscellaneous Income decreased by \$383,958 or 16.1%. Penalties were \$199,714 lower as the System temporarily suspended charging penalties for late payments in March 2020. This was coupled from lower investment income due to the low interest rate environment.

Administrative fees increased by \$84,275 from 2020 to 2019. The bi-monthly fee charged to customers for billing and meter reading changed to \$6.44 effective with March 2020 billing.

Transfers in were \$804,052 as the System received reimbursements from the County's Corona Virus Relief Fund (CRF) for unbudgeted operating expenses due to the pandemic.

Capital Contributions decreased by \$174,117 due to the County accepting a lower number of sewer and water lines from developers.

The pass-through revenue from the City of Darien increased \$359,510 or 5.7% due to higher water consumption. The County bills customers and collects water revenue for the City of Darien. The revenue is then remitted to the City of Darien each billing period.

Expenses

Overall Salaries and Employee Benefits increased \$677,649. Salaries increased by \$161,964 due to a cost of living salary increase of 2% in FY2020 coupled with certain union wage rate adjustments. Employee Benefits expenses increased by \$515,685, as medical insurance costs increased due to a combination of rate increases and an increase in the number of employees electing or increasing coverage.

THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020

Commodity expenses increased approximately 2.6% or \$36,607. Equipment parts and supplies increased \$133,677 due to increased maintenance projects at the Woodridge and Knollwood sewer treatment facilities coupled with incremental costs for personal protective equipment, sanitizers and information technology equipment to enable remote work in response to the COVID-19 pandemic. Chemicals and gases expenses decreased by \$97,070 due primarily to lower fuel expense.

Contractual expenses increased \$74,432 or 1.4%. Professional services expense increased by \$150,765 due to engineering and design services for a Supervisory Control and Data Acquisition (SCADA) system. The SCADA projects will enable remote monitoring and operation of wastewater and water treatment facilities. This will minimize employee exposure from various hazards including COVID-19 present in the influent wastewater. Water purchases increased by \$83,617 due to higher customer demand partially offset by a decrease in unaccounted water. These contractual cost increases were partially offset by lower workers' compensation costs and lower energy costs due to successful initiatives to reduce electricity usage.

Other Government Services increased \$397,095. The largest portion of this increase was the result of an increase in reimbursement to the City of Darien for water billing. The County bills customers and collects water revenue for the City of Darien. The revenue is then remitted to the City of Darien each billing period.

Interest and Other Expenses decreased \$317,559. Interest expense decreased by \$39,574 due to a decrease in interest expense on bonds and loans due to a reduction in principal. Loss on asset disposals decreased by \$404,894 primarily due to a loss recognized in FY2019 for the disposal of seven assets that had remaining book value. These decreases were partially offset by Amortization of asset retirement obligation of \$126,910 as the System adopted GASB Statement No. 83. The System recognized an asset retirement obligation (ARO) and related deferred outflow of resources in connection with its obligations to abandon two fuel stations and seal and abandon various water wells at the end of their estimated useful lives in accordance with federal, state and/or local requirements. One fuel station and one water well had remaining useful lives of one year due to their planned abandonment in 2021. The remaining fuel station has an estimated remaining useful life of five years and the remaining water wells have estimated remaining useful lives of fifty years.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020**

CAPITAL ASSETS, OTHER ASSETS AND LONG-TERM DEBT

Capital Assets

The System's investment in capital assets as of November 30, 2020 is summarized below, net of accumulated depreciation.

Land and Land Improvements	\$ 1,559,475
Sewage System	64,008,805
Water System	21,561,553
Other Property, Plant and Equipment	1,863,961
Net Intangible Assets	1,053,935
Construction in Progress	<u>2,975,473</u>
 Total Net Capital Assets	 <u>\$ 93,023,202</u>

Capital asset activity included \$1,709,108 in additions and \$396,948 of disposals. Of the capital asset additions, \$1,102,203 was contributed. Additional information on the System's capital assets can be found in Note 3 of the financial statements.

Other Assets

Other Assets decreased from \$3,688,990 in 2019 to \$3,424,014 in 2020. The decrease was directly related to the receivable for the York Township water tower and metering station that was built with funds from special service areas.

Long Term Debt

The System has two outstanding Revenue Bond issues and one outstanding loan from the Illinois Environmental Protection Agency. In 2012, the System entered into a loan agreement with the Illinois Environmental Protection Agency for the construction of the York Township water system and water tower. In 2012, the System also issued \$2.4 million in Revenue Bonds to repay the outstanding loan to the DuPage Water Commission for the buy in fee that was a membership requirement of the commission. The System issued Revenue Bonds in 2018 to advance refund and refinance outstanding bonds from 2008.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2020**

The following is a summary of the outstanding long-term obligations of the System as of November 30, 2020.

Series 2012	\$ 550,000
Series 2018	4,980,000
IEPA Loan (2012)	3,407,726
Unamortized debt premium	16,953
Accrued sick, vacation and retention payable	1,596,613
Other post employment benefit payable	480,594
Net pension liability	2,652,497
Asset retirement obligation	<u>293,650</u>
 Total Long-Term Liabilities	 <u>\$ 13,978,033</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 primarily supported by user charges and other miscellaneous income. Miscellaneous income includes connection revenue, septic revenue, cell tower leases, and interest income.

In 2020, the System received reimbursements from the County’s CRF fund for certain, incremental expenditures necessary to mitigate the impact of the COVID-19 pandemic. In 2021, the System anticipates additional reimbursements from a special revenue fund for the completion of the SCADA project.

The current economic conditions, if continued in 2021, will have an impact on connection revenue, investment income and user charges. These impacts will differ by category.

The connection revenue forecast for 2021 is conservative and is based on local economic and development conditions. Connection revenues are now projected to decrease compared to 2020. The area served by the System is largely developed with limited land available for new growth.

The impact on user charges will vary. It is anticipated that future, residential customer consumption will be lower than the level experienced in 2020 as schools and businesses reopen. User charges may also be influenced by several other 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, 2020**

Five out of six of the System's water systems were previously converted from 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 initiated in 2018 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 2022. This rate study was completed in early 2019. Effective with March 2021 billing, user rates for the sewer system increased to \$3.53 per thousand gallons and are scheduled to increase to \$3.75 in 2022. Sewer maintenance rates increased to \$1.23 per thousand gallons and are scheduled to increase to \$1.29 in 2022. Administrative fees increased to \$6.78 per bi-monthly bill and are scheduled to increase to \$7.12 in 2020. Effective with March 2021 billing, water rates increased to \$10.51 per thousand gallons and are scheduled to increase to \$10.79 in 2022.

The System plans on utilizing a combination of low interest loans through the IEPA SRF Loan Program, cash reserves, and available grant programs to fund the System's capital improvement projects. Per a County Ordinance adopted in 2019, the System is authorized to make application and borrow funds from the IEPA SRF Loan Program in the aggregate principal amount not to exceed forty million dollars. In February 2021, the System received notification from the IEPA that its first loan application was approved in the amount of \$11,530,990, for a term of 20 years at an annual fixed loan rate of 1.35%. The loan is for rehabilitating the Nordic Park Wastewater Treatment Facility. Construction will start in March 2021 and is anticipated to complete in early 2023.

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@dupageco.org.

Water and Sewerage System of DuPage County, Illinois

Statements of Net Position

November 30, 2020

(With Comparative Totals for November 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash:		
Operation and maintenance account	\$ 5,368,714	\$ 4,085,846
Depreciation account	5,479,081	4,305,457
Liability insurance account	1,909,454	1,784,454
Employee retention account	594,988	544,988
Workers compensation account	500,388	450,388
	<u>13,852,625</u>	<u>11,171,133</u>
Total cash		
Accounts receivable, service, net	3,287,415	2,656,633
Unbilled service revenue	3,765,532	3,545,475
Due from County	805,960	118,396
Miscellaneous receivable	274,825	188,419
	<u>21,986,357</u>	<u>17,680,056</u>
Total current assets		
Restricted Assets		
Cash:		
First lien bond principal account	247,500	242,917
First lien bond interest account	9,167	12,479
First lien bond reserve account	294,950	294,950
Second lien bond principal account	1,100,000	1,077,083
Second lien bond interest account	48,828	60,428
Subordinated indebtedness account	189,883	189,883
2012 water bond account	2,323	2,323
	<u>1,892,651</u>	<u>1,880,063</u>
Total restricted cash		
Special service area assessments receivable	3,424,014	3,688,990
	<u>5,316,665</u>	<u>5,569,053</u>
Total restricted assets		
Capital Assets		
Utility plant in service:		
Land and land improvements	1,559,475	1,559,475
Sewerage system	168,597,362	167,757,064
Accumulated depreciation	(104,588,557)	(101,971,467)
	<u>64,008,805</u>	<u>65,785,597</u>
Net sewerage system		
Water system	34,632,842	34,090,542
Accumulated depreciation	(13,071,289)	(12,550,821)
	<u>21,561,553</u>	<u>21,539,721</u>
Net water system		
Other property, plant and equipment	5,064,068	5,134,506
Accumulated depreciation	(3,200,106)	(3,136,448)
	<u>1,863,962</u>	<u>1,998,058</u>
Net other property, plant and equipment		
Water commission buy in	3,397,959	3,397,959
Water commission meter station	1,054,261	1,054,261
Accumulated amortization	(3,398,286)	(3,113,601)
	<u>1,053,934</u>	<u>1,338,619</u>
Net intangibles		
Total utility plant in service	90,047,729	92,221,470
Construction in Progress	2,975,473	1,130,482
	<u>93,023,202</u>	<u>93,351,952</u>
Total capital assets		
Total assets	<u>120,326,224</u>	<u>116,601,061</u>
Deferred Outflows of Resources		
Related to pensions	995,257	2,954,191
Related to OPEB	107,786	33,970
Related to asset retirement obligations	166,740	-
	<u>1,269,783</u>	<u>2,988,161</u>
Total deferred outflows of resources		

See notes to financial statements

Water and Sewerage System of DuPage County, Illinois

Statements of Net Position

November 30, 2020

(With Comparative Totals for November 30, 2019)

	<u>2020</u>	<u>2019</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,457,444	\$ 1,302,314
Accrued wages	265,944	240,762
Accrued sick leave, vacation and retention, current	271,455	251,677
Charges collected for others	2,741,329	2,285,447
Payroll deductions payable	90,332	75,641
Due to County	65,287	63,757
Unearned revenue	1,230,000	1,020,000
Current Liabilities Payable From Restricted Assets		
Accrued interest payable	65,693	81,661
Current maturities of revenue bonds	1,470,000	1,440,000
Current maturities of IEPA construction loan	242,985	239,975
Total current liabilities	<u>8,900,469</u>	<u>7,001,234</u>
Long-Term Liabilities		
Accrued sick leave, vacation and retention, noncurrent	1,325,158	1,274,584
Revenue bonds	4,060,000	5,530,000
Unamortized debt premium	16,953	32,602
Asset retirement obligations	293,650	-
IEPA construction loans	3,164,741	3,407,726
Total OPEB liability	480,594	398,793
Net pension liability	2,652,497	5,435,867
Total long-term liabilities	<u>11,993,593</u>	<u>16,079,572</u>
Total liabilities	<u>20,894,062</u>	<u>23,080,806</u>
Deferred Inflows of Resources		
Related to pensions	1,304,486	313,109
Related to OPEB	14,780	12,879
Total deferred inflows of resources	<u>1,319,266</u>	<u>325,988</u>
Net Position		
Net investment in capital assets	84,070,846	82,703,972
Restricted for debt service	5,248,649	5,485,069
Unrestricted	10,063,184	7,993,387
Total net position	<u>\$ 99,382,679</u>	<u>\$ 96,182,428</u>

See notes to financial statements

Water and Sewerage System of DuPage County, Illinois

Statements of Revenues, Expenses and Changes in Net Position

Year Ended November 30, 2020

(With Comparative Totals for the Year Ended November 30, 2019)

	Sewerage	Water	Sewer		Total	
			Maintenance	Administration	2020	2019
Operating Revenues						
Sewerage service users' charges:						
DuPage system	\$ 11,425,365	\$ -	\$ -	\$ -	\$ 11,425,365	\$ 10,080,405
Other systems	571,728	-	-	-	571,728	543,836
Water service users' charges:						
DuPage system	-	3,859,915	-	-	3,859,915	3,436,883
Other systems	-	6,721,427	-	-	6,721,427	6,361,917
Sewer maintenance users' charges	-	-	1,837,610	-	1,837,610	1,656,102
Administrative fees	-	-	-	1,366,483	1,366,483	1,282,208
DuPage water commission capital buy-in fee	-	266,821	-	-	266,821	246,932
Penalties	-	-	-	38,647	38,647	238,361
Miscellaneous income	439,656	415,424	-	957,255	1,812,335	1,845,064
Total operating revenues	12,436,749	11,263,587	1,837,610	2,362,385	27,900,331	25,691,708
Operating Expenses						
Operation and maintenance expenses						
Personnel:						
Salaries	3,132,534	1,147,761	949,360	1,088,652	6,318,307	6,156,343
Employee benefits	1,224,332	505,748	378,628	427,275	2,535,983	2,020,298
Commodities:						
Equipment parts and supplies	440,495	220,807	159,104	81,028	901,434	767,757
Chemicals and gases	285,614	38,561	13,285	221,288	558,748	655,818
Contractual services:						
Professional services	168,586	71,412	26,783	37,807	304,588	151,324
Sludge removal	346,194	-	-	-	346,194	338,283
Natural gas	115,291	14,982	2,792	650	133,715	152,869
Electricity	918,961	70,897	20,005	1,338	1,011,201	1,067,244
Water and sewer	9,228	2,120,554	-	-	2,129,782	2,048,352
Repairs and maintenance	162,586	121,854	30,652	12,638	327,730	361,973
Reimbursements	579,388	6,721,427	-	-	7,300,815	6,903,720
Other contractual	384,493	148,640	102,846	364,273	1,000,252	1,058,985
Total operation and maintenance expenses	7,767,702	11,182,643	1,683,455	2,234,949	22,868,749	21,682,966
Operating income before amortization and depreciation	4,669,047	80,944	154,155	127,436	5,031,582	4,008,742
Amortization of intangibles	-	284,685	-	-	284,685	284,685
Depreciation	3,066,157	520,467	-	11,540	3,598,164	3,577,374
Total operating expenses	10,833,859	11,987,795	1,683,455	2,246,489	26,751,598	25,545,025
Operating income (loss)	1,602,890	(724,208)	154,155	115,896	1,148,733	146,683
Nonoperating Revenues (Expenses)						
Investment income	-	-	-	129,187	129,187	280,701
Interest expense on bonds and loans	(83,460)	(80,720)	(22,982)	-	(187,162)	(226,736)
Amortization of bond premium issuance costs	-	-	-	15,649	15,649	15,649
Amortization of asset retirement obligation	(108,990)	(17,920)	-	-	(126,910)	-
Fiscal agent fees	-	-	-	(550)	(550)	(550)
Gain (loss) on disposal of assets	-	-	-	45,204	45,204	(359,690)
Total nonoperating revenues (expenses)	(192,450)	(98,640)	(22,982)	189,490	(124,582)	(290,626)
Income (loss) before contributions and transfers	1,410,440	(822,848)	131,173	305,386	1,024,151	(143,943)
Connection charges	239,012	30,833	-	-	269,845	254,880
Capital contributions	559,903	542,300	-	-	1,102,203	1,276,320
Transfers in	114,382	11,167	-	678,503	804,052	-
Change in net position	\$ 2,323,737	\$ (238,548)	\$ 131,173	\$ 983,889	3,200,251	1,387,257
Net Position, Beginning					96,182,428	94,795,171
Net Position, Ending					\$ 99,382,679	\$ 96,182,428

See notes to financial statements

Water and Sewerage System of DuPage County, Illinois

Statements of Cash Flows

Year Ended November 30, 2020

(With Comparative Totals for November 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Received from customers	\$ 25,237,157	\$ 24,196,799
Payments to employees for services	(8,567,238)	(8,111,128)
Payments to suppliers for goods and services	(13,020,196)	(13,656,609)
Other revenue	<u>2,200,905</u>	<u>2,303,606</u>
Net cash flows from operating activities	<u>5,850,628</u>	<u>4,732,668</u>
Cash Flows From Noncapital Financing Activities		
Payment (to) from other funds	<u>118,019</u>	<u>(515,720)</u>
Cash Flows From Investing Activities		
Investment income	<u>129,186</u>	<u>280,701</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,835,147)	(1,909,063)
Sale of capital assets	45,204	-
Principal payments on revenue bonds	(1,440,000)	(1,415,000)
Principal payments on IEPA loan	(239,975)	(237,004)
Interest payments on bonds and loans	(203,130)	(242,465)
Proceeds from connection charges	269,845	254,880
Paying agent fees	<u>(550)</u>	<u>(550)</u>
Net cash flows from capital and related financing activities	<u>(3,403,753)</u>	<u>(3,549,202)</u>
Net change in cash and cash equivalents	2,694,080	948,447
Cash and Cash Equivalents, Beginning	<u>13,051,196</u>	<u>12,102,749</u>
Cash and Cash Equivalents, Ending	<u>\$ 15,745,276</u>	<u>\$ 13,051,196</u>
Reconciliation to Statements of Net Position		
Cash	\$ 13,852,625	\$ 11,171,133
Restricted cash	<u>1,892,651</u>	<u>1,880,063</u>
Cash and cash equivalents	<u>\$ 15,745,276</u>	<u>\$ 13,051,196</u>

See notes to financial statements

Water and Sewerage System of DuPage County, Illinois

Statements of Cash Flows

Year Ended November 30, 2020

(With Comparative Totals for November 30, 2019)

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities		
Operating income	\$ 1,148,733	\$ 146,683
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	3,598,164	3,577,374
Amortization of other assets	284,685	284,685
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources:		
Accounts receivable	(630,782)	492,010
Accrued unbilled service revenue	(220,057)	(141,855)
Due from special service area	264,976	262,004
Miscellaneous receivable	(86,406)	(13,462)
Deferred outflows of resources related to pensions	1,958,934	(2,258,104)
Deferred outflows of resources related to OPEB	(73,816)	(33,970)
Accounts payable	538,381	7,730
Payroll deductions payable	14,691	(5,505)
Unearned revenue	210,000	210,000
Accrued sick leave, vacation, retention and wages payable	95,534	(36,543)
Net pension liability	(2,783,370)	3,913,324
Total OPEB liability	81,801	42,754
Charges collected for others	455,882	(158,014)
Deferred inflows of resources related to pensions	991,377	(1,555,129)
Deferred inflows of resources related to OPEB	1,901	(1,314)
	<u>\$ 5,850,628</u>	<u>\$ 4,732,668</u>
Noncash Capital and Related Financing Activities		
Capital contributions	<u>\$ 1,102,203</u>	<u>\$ 1,276,320</u>
Net impact of asset retirement obligations	<u>\$ 126,910</u>	<u>\$ -</u>

See notes to financial statements

Water and Sewerage System of DuPage County, Illinois (An Enterprise Fund of DuPage County, Illinois)

Notes to Financial Statements
November 30, 2020

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 5. All intrafund transactions are eliminated.

Changes in Accounting Principles

In November 2016, the GASB issued statement No. 83 - *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable asset retirement obligations (AROs) and requires that recognition occur when the liability is both incurred and reasonably estimable. This standard was implemented December 1, 2019.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources 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

(An Enterprise Fund of DuPage County, Illinois)

Notes to Financial Statements
November 30, 2020

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 2012 and Series 2018 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 percent 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

(An Enterprise Fund of DuPage County, Illinois)

Notes to Financial Statements
November 30, 2020

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.

Unearned Revenue

The System reports unearned revenue in connection with resources that have been received, but not yet earned.

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

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 \$187,162. Of this amount, none was included as part of capital assets under construction in progress due to the bond proceeds being spent down in prior years. 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. Expenditure, which significantly extend the lives or expand capacity of the capital assets are capitalized. All other repairs and maintenance are charged to operations currently.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Water and Sewerage System of DuPage County, Illinois (An Enterprise Fund of DuPage County, Illinois)

Notes to Financial Statements
November 30, 2020

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, 2020. 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 refunding's 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.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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 October 13, 2015 to sewer rates effective January 1, 2018.

On January 8, 2019, water and sewerage rates were approved by the Public Works Committee to adjust sewer rates effective March 1, 2019. The motion also incorporated water and sewer rate changes effective January 1, 2020, January 1, 2021 and January 1, 2022.

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.

Water and Sewerage System of DuPage County, Illinois (An Enterprise Fund of DuPage County, Illinois)

Notes to Financial Statements
November 30, 2020

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, 2019, 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 the following statements:

- *Statement No. 84*, Fiduciary Activities
- *Statement No. 87*, Leases
- *Statement No. 89*, Accounting for Interest Cost Incurred before the End of a Construction Period
- *Statement No. 90*, Majority Equity Interests
- *Statement No. 91*, Conduit Debt Obligations
- *Statement No. 92*, Omnibus
- *Statement No. 93*, Replacement of Interbank Offered Rates
- *Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- *Statement No. 96*, Subscription-Based Information Technology Arrangements
- *Statement No. 97*, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

When they become effective, application of these standards may restate portions of these financial statements.

**Water and Sewerage System of DuPage County, Illinois
(An Enterprise Fund of DuPage County, Illinois)**

Notes to Financial Statements
November 30, 2020

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, 2020, cash and cash equivalents at year-end consisted of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Deposits with financial institutions	<u>\$ 15,745,276</u>	<u>\$ 15,437,035</u>	Custodial credit
Per statement of net position:			
Cash	\$ 13,852,625		
Restricted cash	<u>1,892,651</u>		
Total deposits and investments	<u>\$ 15,745,276</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
(An Enterprise Fund of DuPage County, Illinois)

Notes to Financial Statements
November 30, 2020

3. Capital Assets

Capital asset activity for the year ended November 30, 2020, was as follows:

	<u>Balance Beginning</u>	<u>Additions/ Transfers</u>	<u>Transfers/ Disposal</u>	<u>Balance Ending</u>
Capital assets, not being depreciated:				
Land	\$ 1,559,475	\$ -	\$ -	\$ 1,559,475
Construction in progress	1,130,482	3,554,099	1,709,108	2,975,473
Total capital assets not being depreciated	<u>2,689,957</u>	<u>3,554,099</u>	<u>1,709,108</u>	<u>4,534,948</u>
Capital assets being depreciated/amortized:				
Sewerage treatment plant	93,641,420	481,372	209,081	93,913,711
Sewerage systems	74,115,644	568,007	-	74,683,651
Total sewerage system	<u>167,757,064</u>	<u>1,049,379</u>	<u>209,081</u>	<u>168,597,362</u>
Water pumping facility	15,483,424	-	-	15,483,424
Water supply	18,607,118	542,300	-	19,149,418
Total water system	<u>34,090,542</u>	<u>542,300</u>	<u>-</u>	<u>34,632,842</u>
Data processing equipment	365,817	-	-	365,817
Other machinery and equipment	1,061,809	41,429	-	1,103,238
Autos and trucks	3,591,477	76,000	187,867	3,479,610
Furniture and office equipment	115,403	-	-	115,403
Total equipment	<u>5,134,506</u>	<u>117,429</u>	<u>187,867</u>	<u>5,064,068</u>
Water commission buy in	3,397,959	-	-	3,397,959
Water commission meter station	1,054,261	-	-	1,054,261
Total intangibles	<u>4,452,220</u>	<u>-</u>	<u>-</u>	<u>4,452,220</u>
Total capital assets being depreciated/amortized	<u>211,434,332</u>	<u>1,709,108</u>	<u>396,948</u>	<u>212,746,492</u>
Less accumulated depreciation/amortization:				
Sewerage system	(101,971,467)	(2,826,171)	(209,081)	(104,588,557)
Water system	(12,550,821)	(520,468)	-	(13,071,289)
Equipment	(3,136,448)	(251,525)	(187,867)	(3,200,106)
Intangibles	(3,113,601)	(284,685)	-	(3,398,286)
Total accumulated depreciation/amortization	<u>(120,772,337)</u>	<u>(3,882,849)</u>	<u>(396,948)</u>	<u>(124,258,238)</u>
Total capital assets being depreciated/amortized, net	<u>90,661,995</u>	<u>(2,173,741)</u>	<u>-</u>	<u>88,488,254</u>
Net capital assets	<u>\$ 93,351,952</u>	<u>\$ 1,380,358</u>	<u>\$ 1,709,108</u>	<u>\$ 93,023,202</u>

**Water and Sewerage System of DuPage County, Illinois
(An Enterprise Fund of DuPage County, Illinois)**

Notes to Financial Statements
November 30, 2020

4. Restricted Assets - Special Service Area Assessments Receivable

As of November 30, 2020, the System has \$3,424,014 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 \$3,156,030 of the reimbursement is due after one year.

5. Long-Term Obligations

Long-term obligations activity for the year ended November 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	\$ 6,970,000	\$ -	\$ 1,440,000	\$ 5,530,000	\$ 1,470,000
Other liabilities:					
IEPA construction loans	3,647,701	-	239,975	3,407,726	242,985
Unamortized debt premium	32,602	-	15,649	16,953	-
Accrued compensated absences	1,526,261	457,394	387,042	1,596,613	271,455
Asset retirement obligation	-	293,650	-	293,650	-
Total OPEB liability	398,793	111,253	29,452	480,594	-
Net pension liability	5,435,867	2,858,605	5,641,975	2,652,497	-
 Total long-term obligations	 <u>\$ 18,011,224</u>	 <u>\$ 3,720,902</u>	 <u>\$ 7,754,093</u>	 <u>\$ 13,978,033</u>	 <u>\$ 1,984,440</u>

Revenue Bonds Payable

Revenue bonds outstanding at year-end are as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount November 30, 2020
4/25/2012	DuPage Water Commission buy-in Refund series 2008A and series 2008B	1/1/2022	3 - 4 %	\$ 2,445,000	\$ 550,000
1/23/2018	bonds	1/1/2024	2.4	<u>7,320,000</u>	<u>4,980,000</u>
	Total			<u>\$ 9,765,000</u>	<u>\$ 5,530,000</u>

The outstanding debt related to the Series 2018 Revenue Bonds are direct placement and contain a provision that in an event of default, the unpaid principal amount of the Bond, all interest accrued and unpaid, and all other amounts owing or payable under any other related documents to be immediately due and payable, without presentment, demand, protest or other notice of any kind.

**Water and Sewerage System of DuPage County, Illinois
(An Enterprise Fund of DuPage County, Illinois)**

Notes to Financial Statements
November 30, 2020

Future Bond Payments

	Series 2012		
	Bond Principal	Interest	Total
Fiscal year:			
2021	\$ 270,000	\$ 16,600	\$ 286,600
2022	280,000	5,600	285,600
Total	<u>\$ 550,000</u>	<u>\$ 22,200</u>	<u>\$ 572,200</u>
	Series 2018		
	Bond Principal	Interest	Total
Fiscal year:			
2021	\$ 1,200,000	\$ 104,332	\$ 1,304,332
2022	1,230,000	75,390	1,305,390
2023	1,260,000	45,734	1,305,734
2024	1,290,000	15,364	1,305,364
Total	<u>\$ 4,980,000</u>	<u>\$ 240,820</u>	<u>\$ 5,220,820</u>

Pledged Revenues

The System has pledged a portion of future net revenues to repay the revenue bonds issued on April 25, 2012 and January 23, 2018. 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 \$5,793,020. For the current year, principal and interest paid and total net revenues were \$1,598,593 and \$5,031,582, respectively. Annual principal and interest are expected to require approximately 3% of gross revenues.

Water and Sewerage System Revenue Bond Ordinance

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. On November 28, 2017, the County Board adopted a revenue bond ordinance authorizing and providing for the issuance of Water and Sewer System Refunding Bonds, Series 2018. The 2012 and 2018 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 1/12th 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.

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First Lien Bond Reserve Account - An amount equal to the maximum annual debt service with respect to the 2012 and 2018 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.

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.

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

At November 30, 2020, all required balances were in accordance with the Ordinances.

6. IEPA Construction Loans

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 percent per annum and matures on September 29, 2033. The total principal paid in fiscal year 2020 was \$239,975.

The outstanding IEPA loans are direct borrowings and contain a provision that in an event of default, the IEPA shall pursue the collection of the amounts past due, the outstanding loan balance and relating costs by any other reasonable means provided by the law.

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

	IEPA Construction Loan		
	Principal	Interest	Total
Fiscal year:			
2021	\$ 242,985	\$ 41,840	\$ 284,825
2022	246,031	38,793	284,824
2023	249,116	35,708	284,824
2024	252,240	32,584	284,824
2025	255,403	29,421	284,824
2026-2030	1,325,863	98,258	1,424,121
2031-2033	836,088	18,384	854,472
Total	<u>\$ 3,407,726</u>	<u>\$ 294,988</u>	<u>\$ 3,702,714</u>

Water and Sewerage System of DuPage County, Illinois
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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	\$ 93,023,202
Less Capital related debt:	
Current portion of capital related IEPA construction loan	242,985
Current portion of capital related revenue bonds	1,470,000
Long-term portion of capital related IEPA construction loans	3,164,741
Long-term portion of capital related revenue bonds	4,060,000
Unamortized debt premium	<u>16,953</u>
Subtotal	<u>8,954,679</u>
Add unspent debt proceeds, water and sewer bond account	<u>2,323</u>
Total net investment in capital assets	<u><u>\$ 84,070,846</u></u>

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

Total restricted assets	\$ 5,316,665
Unspent debt proceeds, water and sewer bond account	(2,323)
Liabilities payable from restricted assets:	<u>(65,693)</u>
Accrued interest payable	
Total net position restricted for debt service	<u><u>\$ 5,248,649</u></u>

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8. 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, 2020, 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 \$939,078 in fiscal 2020. See the DuPage County Comprehensive Annual Financial Report for additional information.

9. Defined Benefit Pension Plan

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 percent 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 percent for each year thereafter.

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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 percent 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 percent for each year thereafter. However, an employee's total pension cannot exceed 75 percent 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 .5 percent 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 .5 percent for each month that the employee is under the age of 67 or .5 percent 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 percent 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 2019 was 10.03 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, 2019 is available in the separately issued DuPage County, Illinois Comprehensive Annual Financial Report as of and for the year ended November 30, 2020.

Net Pension Liability

At November 30, 2020, 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 County's employer number were as follows:

System's proportionate share of collective net pension liability	\$ 2,652,497
County's proportionate share of collective net pension liability	<u>74,701,668</u>
Total	<u>\$ 77,354,165</u>

The net pension liability was measured as of December 31, 2019. 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, 2020, relative to the total contributions of the System and County during that period. At November 30, 2020, the System's proportion was 3.43 percent.

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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 pension, 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, 2019 annual actuarial valuation included a 7.25 percent investment rate of return, (b) projected salary increases from 3.35 percent to 14.25 percent, including inflation and (c) price inflation of 2.50 percent. 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 2017 valuation pursuant to an experience study of the period 2014-2016.

Mortality

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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	Allocations	Arithmetic	Geometric
Equities	37.00 %	7.05 %	5.75 %
International equities	18.00	8.10	6.50
Fixed income	28.00	3.70	3.25
Real estate	9.00	6.35	5.20
Alternatives:	7.00		
Private equity		11.30	7.60
Commodities		4.65	3.60
Cash equivalents	1.00	1.85	1.85

**Water and Sewerage System of DuPage County, Illinois
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Discount Rate

The discount rate used to measure the total collective pension liability for IMRF was 7.25 percent. The discount rate calculated using the December 31, 2018 measurement date was 7.25 percent. 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 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 7.25 percent was blended with the index rate of 2.75 percent for tax-exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2019 to arrive at a discount rate of 7.25 percent used to determine the total pension liability. The year ending December 31, 2118 is the last year in the 2020 to 2119 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 7.25 percent 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 (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
System's proportionate share of the collective net pension liability (asset)	\$ 6,526,729	\$ 2,652,497	\$ (527,195)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended November 30, 2020, the System recognized pension expense of \$745,872. The System reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 240,467	\$ -
Changes in assumptions	238,603	42,544
Net difference between projected and actual earnings on pension plan investments	-	1,261,942
Contributions subsequent to measurement date	516,187	-
Total	<u>\$ 995,257</u>	<u>\$ 1,304,486</u>

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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, 2021. The remaining amounts reported as deferred outflows and inflows of resources related to pensions of \$(825,416) will be recognized in pension expense as follows:

Years ending November 30:	
2021	\$ (4,486)
2022	(324,909)
2023	113,756
2024	<u>(609,777)</u>
Total	<u>\$ (825,416)</u>

10. Other Postemployment benefits

The System provides postemployment health insurance benefits for retired employees through a cost-sharing defined benefit plan administered by the County.

Plan Description

The System provides postemployment health insurance benefits for retired employees through a cost-sharing defined benefit plan administered by the County. The System's cost-sharing defined benefit OPEB plan, the Retiree Health Insurance Plan, provides group health insurance plan coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. The plan is funded on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Contributions and Benefits Provided

The System provides continued health insurance coverage at the active employee rate to all eligible employees in accordance with ILCS, which creates an OPEB for retirees, commonly referred to as an implicit rate subsidy. To be eligible for benefits, an employee must qualify for retirement under the County and System's retirement plans. For System employees, upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the coverage is secondary to Medicare. Retired employees are required to pay 100 percent of the premiums for such coverage.

Total OPEB Liability

At November 30, 2020, the System reported a liability for its proportionate share of the total OPEB liability of \$480,594. The liability was measured as of November 30, 2020, and was determined by an actuarial valuation as of December 1, 2020. The System's proportion of the total OPEB liability was based on the System's share of OPEB cost, as determined by the independent actuary, for the measurement year ended November 30, 2020. At November 30, 2020, the System's proportion was 3.51 percent.

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Actuarial Assumptions and Other Inputs

The total OPEB liability in the November 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Payroll increases	2.00%
Health care participation rate	30% participation with 40% electing spouse coverage
Healthcare cost trend rates	Initial rate of (0.00)% for HMO, increasing to the ultimate trend rate of 5.00% in 2022
Retirees' share of benefit related costs	Initial rate of 3.50% for PPO, increasing to the ultimate trend rate of 6.00% in 2022

The discount rate was based on the November 25, 2020 Bond Buyer 20-Bond Index, as published by the Federal Reserve.

Mortality rates were based on the Sex Distinct Raw Rates as Developed in the RP-2014, with blue-collar adjustment. These rates are improved generationally using MP-2017 Improvement rates.

The actuarial assumptions used in the November 30, 2020 valuation were based on the results of an actuarial experience study conducted by the independent actuary.

Discount Rate

At November 30, 2020, the discount rate used to measure the total OPEB liability was a blended rate of 2.13 percent, which was a change from the November 30, 2019 rate of 2.77 percent. Since the plan is financed on a pay-as-you-go basis, the discount rate is based on the high quality 20-year tax-exempt general obligation bond index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the System, as well as what the System's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	<u>1% Decrease (1.13%)</u>	<u>Discount Rate (2.13%)</u>	<u>1% Increase (3.13%)</u>
Total OPEB liability	\$ 525,602	\$ 480,594	\$ 440,330

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the System, as well as what the System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (varies for HMO and PPO) or 1-percentage-point higher (varies for HMO and PPO) than the current healthcare cost trend rates:

	<u>1% Decrease (Varies)</u>	<u>Healthcare Cost Trend Rates (Varies)</u>	<u>1% Increase (Varies)</u>
Total OPEB liability	\$ 429,048	\$ 480,594	\$ 541,620

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended November 30, 2020, the System recognized OPEB expense of \$33,036. The System reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 77,307	\$ -
Change in assumptions	<u>30,479</u>	<u>14,780</u>
Total	<u>\$ 107,786</u>	<u>\$ 14,780</u>

The amounts reported as deferred inflows of resources related to OPEB \$93,006 will be recognized in OPEB expense as follows:

Years ending November 30:	
2021	\$ 9,558
2022	9,558
2023	9,558
2024	9,558
2025	9,558
Thereafter	<u>45,216</u>
Total	<u>\$ 93,006</u>

11. Commitments and Contingencies

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 various improvements throughout the System. The value of service provided and the corresponding liability as of November 30, 2020 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 \$4,591,333.

REQUIRED SUPPLEMENTARY INFORMATION

Water and Sewerage System of DuPage County, Illinois

Schedule of the Systems Proportionate Share of the Net Pension Liability and System Contributions - Illinois Municipal Retirement Fund

Most Recent Six Fiscal Years

Year Ended November 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
System's proportion of the net pension liability	3.43%	3.46%	3.49%	3.10%	3.10%	3.57%
System's proportionate share of the net pension liability	\$ 2,652,497	\$ 5,435,867	\$ 1,522,543	\$ 3,746,008	\$ 3,666,995	\$ 2,603,142
County's proportionate share of the net pension liability	<u>74,701,668</u>	<u>151,607,633</u>	<u>42,062,527</u>	<u>117,209,453</u>	<u>114,626,018</u>	<u>70,315,392</u>
Total net pension liability	<u>\$ 77,354,165</u>	<u>\$ 157,043,500</u>	<u>\$ 43,585,070</u>	<u>\$ 120,955,461</u>	<u>\$ 118,293,013</u>	<u>\$ 72,918,534</u>
Covered payroll	\$ 4,595,125	\$ 4,582,817	\$ 4,562,894	\$ 3,947,656	\$ 3,932,215	\$ 4,466,442
System's proportionate share of the net pension liability as a percentage of covered payroll	57.72%	118.61%	33.37%	94.89%	93.26%	58.28%
Plan fiduciary net position as a percentage of the total pension liability	91.90%	82.92%	94.93%	85.72%	85.43%	90.58%
Contractually required contribution	\$ 461,810	\$ 554,521	\$ 536,140	\$ 485,262	\$ 444,340	\$ 518,544
Contributions in relation to the contractually required contribution	<u>(461,030)</u>	<u>(553,264)</u>	<u>(535,209)</u>	<u>(489,525)</u>	<u>(444,153)</u>	<u>(515,746)</u>
Contribution deficiency (excess)	<u>\$ 780</u>	<u>\$ 1,257</u>	<u>\$ 931</u>	<u>\$ (4,263)</u>	<u>\$ 188</u>	<u>\$ 2,798</u>
Contributions as a percentage of covered payroll	10.03%	12.07%	11.73%	12.40%	11.30%	11.55%

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

Water and Sewerage System of DuPage County, Illinois

Schedule of the Systems Proportionate Share of the Total OPEB Liability

Most Recent Three Fiscal Years

Year Ended November 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
System's proportion of the total OPEB liability	3.51%	3.46%	3.36%
System's proportionate share of the total OPEB liability	\$ 480,594	\$ 398,793	\$ 356,039
Covered payroll	\$ 6,230,621	\$ 6,062,164	\$ 5,915,829
System's proportionate share of the total OPEB liability as a percentage of covered payroll	7.71%	6.58%	6.02%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Note: The system implemented GASB 75 in 2018. Information for fiscal years prior to 2018 is not applicable.

Key Assumptions

Long-term expected rate of return	0.00%
Municipal bond index	2.13%
Discount rate	2.13%
Payroll increases	2.00%
Healthcare cost trend rates, HMO initial	5.00%
Healthcare cost trend rates, HMO ultimate	5.00%
Healthcare cost trend rates, PPO initial	6.00%
Healthcare cost trend rates, PPO ultimate	6.00%
Mortality	RP-2014 study, improved using MP-2016 improvement rates

SUPPLEMENTARY INFORMATION

Water and Sewerage System of DuPage County, Illinois

 Combining Schedule of Net Position
 Year Ended November 30, 2020

	Bond and Interest Accounts	Bond Reserve Accounts	2012 Water Bond Account	Other Accounts	Total
Assets					
Current Assets					
Cash:					
Operation and maintenance account	\$ -	\$ -	\$ -	\$ 5,368,714	\$ 5,368,714
Depreciation account	-	-	-	5,479,081	5,479,081
Liability insurance account	-	-	-	1,909,454	1,909,454
Employee retention account	-	-	-	594,988	594,988
Workers compensation account	-	-	-	500,388	500,388
Total cash	-	-	-	13,852,625	13,852,625
Accounts receivable, service, net	-	-	-	3,287,415	3,287,415
Unbilled service revenue	-	-	-	3,765,532	3,765,532
Due from County	-	-	-	805,960	805,960
Miscellaneous receivable	-	-	-	274,825	274,825
Total current assets	-	-	-	21,986,357	21,986,357
Restricted Assets					
Cash:					
First lien bond principal account	247,500	-	-	-	247,500
First lien bond interest account	9,167	-	-	-	9,167
First lien bond reserve account	-	294,950	-	-	294,950
Second lien bond principal account	1,100,000	-	-	-	1,100,000
Second lien bond interest account	48,828	-	-	-	48,828
Subordinated indebtedness account	189,883	-	-	-	189,883
2012 water bond account	-	-	2,323	-	2,323
Total restricted cash	1,595,378	294,950	2,323	-	1,892,651
Special service area assessments receivable	-	-	-	3,424,014	3,424,014
Total restricted assets	1,595,378	294,950	2,323	3,424,014	5,316,665
Capital Assets					
Utility plant in service:					
Land and land improvements	-	-	-	1,559,475	1,559,475
Sewerage system	-	-	-	168,597,362	168,597,362
Accumulated depreciation	-	-	-	(104,588,557)	(104,588,557)
Net sewerage system	-	-	-	64,008,805	64,008,805
Water system	-	-	-	34,632,842	34,632,842
Accumulated depreciation	-	-	-	(13,071,289)	(13,071,289)
Net water system	-	-	-	21,561,553	21,561,553
Other property, plant and equipment	-	-	-	5,064,068	5,064,068
Accumulated depreciation	-	-	-	(3,200,106)	(3,200,106)
Net property, plant and equipment	-	-	-	1,863,962	1,863,962
Water commission buy in	-	-	-	3,397,959	3,397,959
Water commission meter station	-	-	-	1,054,261	1,054,261
Accumulated amortization	-	-	-	(3,398,286)	(3,398,286)
Net intangibles	-	-	-	1,053,934	1,053,934
Total utility plant in service	-	-	-	90,047,729	90,047,729
Construction in progress	-	-	-	2,975,473	2,975,473
Total capital assets	-	-	-	93,023,202	93,023,202
Total assets	1,595,378	294,950	2,323	118,433,573	120,326,224
Deferred Outflows of Resources					
Related to pensions	-	-	-	995,257	995,257
Related to OPEB	-	-	-	107,786	107,786
Related to asset retirement obligations	-	-	-	166,740	166,740
Total deferred outflows of resources	-	-	-	1,269,783	1,269,783

Water and Sewerage System of DuPage County, Illinois

 Combining Schedule of Net Position
 Year Ended November 30, 2020

	Bond and Interest Accounts	Bond Reserve Accounts	2012 Water Bond Account	Other Accounts	Total
Liabilities					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,457,444	\$ 2,457,444
Accrued wages	-	-	-	265,944	265,944
Current accrued sick leave, vacation and retention	-	-	-	271,455	271,455
Charges collected for others	-	-	-	2,741,329	2,741,329
Payroll deductions payable	-	-	-	90,332	90,332
Due to County	-	-	-	65,287	65,287
Unearned revenue	-	-	-	1,230,000	1,230,000
Current Liabilities Payable From Restricted Assets					
Accrued interest payable	65,693	-	-	-	65,693
Current maturities of revenue bonds	-	-	-	1,470,000	1,470,000
Current maturities of IEPA construction loans	-	-	-	242,985	242,985
Total current liabilities	<u>65,693</u>	<u>-</u>	<u>-</u>	<u>8,834,776</u>	<u>8,900,469</u>
Long-Term Liabilities					
Noncurrent accrued sick leave, vacation and retention	-	-	-	1,325,158	1,325,158
Revenue bonds	-	-	-	4,060,000	4,060,000
Unamortized debt premium	-	-	-	16,953	16,953
Asset retirement obligations	-	-	-	293,650	293,650
IEPA construction loans	-	-	-	3,164,741	3,164,741
Other post employment benefit payable	-	-	-	480,594	480,594
Net pension liability	-	-	-	2,652,497	2,652,497
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,993,593</u>	<u>11,993,593</u>
Total liabilities	<u>65,693</u>	<u>-</u>	<u>-</u>	<u>20,828,369</u>	<u>20,894,062</u>
Deferred Inflows of Resources					
Related to pensions	-	-	-	1,304,486	1,304,486
Related to OPEB	-	-	-	14,780	14,780
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,319,266</u>	<u>1,319,266</u>
Net Position					
Net investment in capital assets	-	-	2,323	84,068,523	84,070,846
Restricted for debt service	1,529,685	294,950	-	3,424,014	5,248,649
Unrestricted	-	-	-	10,063,184	10,063,184
Total net position	<u>\$ 1,529,685</u>	<u>\$ 294,950</u>	<u>\$ 2,323</u>	<u>\$ 97,555,721</u>	<u>\$ 99,382,679</u>

Water and Sewerage System of DuPage County, Illinois

Combining Schedule of Changes in Cash and Cash Equivalents
 Year Ended November 30, 2020

Operation and Maintenance Account	Bond and Interest Accounts					Bond Reserve Accounts			2012 Water Bond Account	Depreciation Account	Liability Insurance Account	Workers' Compensation Account	Employee Retention Account	Total
	First Lien Principal Account	First Lien Interest Account	Second Lien Principal Account	Second Lien Interest Account	Subordinated Indebtedness Account	First Lien Bond Reserve Account	Second Lien Bond Reserve Account							
Cash Receipts														
Service charges	\$25,237,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$25,237,157
Connection charges	269,845	-	-	-	-	-	-	-	-	-	-	-	-	269,845
Interest income	129,186	-	-	-	-	-	-	-	-	-	-	-	-	129,186
Sale of capital assets	45,204	-	-	-	-	-	-	-	-	-	-	-	-	45,204
Transfers (to) from, net	(5,129,464)	269,583	22,663	1,197,917	120,706	284,824	-	-	3,008,771	125,000	50,000	50,000	-	
Payments from other funds	118,019	-	-	-	-	-	-	-	-	-	-	-	-	118,019
Other, net	2,200,905	-	-	-	-	-	-	-	-	-	-	-	-	2,200,905
Total cash receipts	22,870,852	269,583	22,663	1,197,917	120,706	284,824	-	-	-	3,008,771	125,000	50,000	50,000	28,000,316
Cash Disbursements														
Operating expenses	21,587,434	-	-	-	-	-	-	-	-	-	-	-	-	21,587,434
Acquisition and construction of capital assets	-	-	-	-	-	-	-	-	1,835,147	-	-	-	-	1,835,147
Principal, interest and fees expense	550	265,000	25,975	1,175,000	132,306	284,824	-	-	-	-	-	-	-	1,883,655
Total cash disbursements	21,587,984	265,000	25,975	1,175,000	132,306	284,824	-	-	-	1,835,147	-	-	-	25,306,236
Excess (deficiency) of cash receipts over cash disbursements	1,282,868	4,583	(3,312)	22,917	(11,600)	-	-	-	1,173,624	125,000	50,000	50,000	-	2,694,080
Cash and Cash Equivalents, Beginning	4,085,846	242,917	12,479	1,077,083	60,428	189,883	294,950	-	2,323	4,305,457	1,784,454	450,388	544,988	13,051,196
Cash and Cash Equivalents, Ending	\$ 5,368,714	\$ 247,500	\$ 9,167	\$ 1,100,000	\$ 48,828	\$ 189,883	\$ 294,950	\$ -	\$ 2,323	\$ 5,479,081	\$ 1,909,454	\$ 500,388	\$ 594,988	\$15,745,276
Consisting of:														
Demand deposits	\$ 5,368,714	\$ 247,500	\$ 9,167	\$ 1,100,000	\$ 48,828	\$ 189,883	\$ 294,950	\$ -	\$ 2,323	\$ 5,479,081	\$ 1,909,454	\$ 500,388	\$ 594,988	\$15,745,276
Cash and Cash Equivalents, Ending	\$ 5,368,714	\$ 247,500	\$ 9,167	\$ 1,100,000	\$ 48,828	\$ 189,883	\$ 294,950	\$ -	\$ 2,323	\$ 5,479,081	\$ 1,909,454	\$ 500,388	\$ 594,988	\$15,745,276

OTHER INFORMATION

Water and Sewerage System of DuPage County, Illinois

Schedule of Insurance Coverage
 Year Ended November 30, 2020
 (Unaudited)

Property/Boiler	All risk building contents for scheduled amounts at each location; \$500,000 deductible - Flood and earthquake sub limit \$750,000,000 each; \$150,000 deductible	
General liability, auto liability, auto property	\$25,000,000 coverage	\$2,000,000 self-insured retention
Employments practices	\$2,000,000 coverage	\$250,000 self-insured retention
Underground storage	\$2,000,000 coverage	\$100,000 deductible for tanks 1989 and newer, \$250,000 deductible for tanks 1988 and older
Crime coverage	\$2,000,000 coverage	\$50,000 deductible
Network security and privacy	\$3,000,000 coverage	\$250,000 deductible
Workers' compensation	Statutory Coverage; self-insured retention \$2,000,000; employer limit of liability \$2,000,000	

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 Certain Continuing Disclosures
Year Ended November 30, 2020

Customers

	Total Metered Sewer and Water Customers									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Metered sewer customers	35,210	35,465	35,499	35,641	35,289	35,963	36,122	36,301	36,471	36,529
Metered water customers	3,111	3,174	3,214	3,273	3,309	3,324	3,340	3,703	3,719	3,739

Top 10 Sewer Customers December 2019 Through November 2020

Customer	Annual Total
Four Lakes Development	\$ 248,049
Willow Lake Lombard LLC /Globetrotters Inter INC	232,751
Hinsdale Lk/Laramar	220,249
EL-AD Windsor Lakes LLC	168,496
Alcatel-Lucent	132,673
Farmingdale Condos	24,801
M&M/accounts payable	118,739
Stratford Green	104,875
Wilson Danada LLC	92,634
Aramark cleanroom services	85,123

Top 10 Water Customers December 2019 Through November 2020

Customer	Annual Total
Hinsdale Lk/Laramar	\$ 541,663
Willow Lake Lombard LLC/ Globetrotters Inter INC	289,311
Stratford Green	257,688
Waterfall Glen Condominium Association	172,609
Hinsdale Pt Condo Assoc	171,869
Royce Apartments	58,551
Champagne Lodge/Robert Hansen	41,613
Riverglen Condo Asso/ Baum Prop Mgmt	32,708
Royce Realty	31,661
Buchanan Energy LLC	23,229

Water and Sewerage System of DuPage County, Illinois

Required Information for Certain Continuing Disclosures
Year Ended November 30, 2020

Consumption Data

	Total Gallons Billed (Millions)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sewer billed volume	3,775	4,192	3,766	3,484	3,467	3,395	3,648	3,498	3,386	3,584
Water billed consumption	351	373	347	340	344	339	350	340	358	383

Rates

Sewer Service Rates Effective January 1, 2020

Sewer service charges per 1,000 gallons	\$ 3.32
Sewer maintenance charges per 1,000 gallons	1.17

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	\$ 4.39
Base charge, meter reading	2.05
User charge	53.12
Sewer maintenance charge	<u>18.72</u>

Amount billed to a customer connected to system maintained sewer (2 month bill)	<u><u>\$ 78.28</u></u>
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Water Service Rates Effective January 1, 2020

Southeast Regional Water Facility (SERWF)
\$10.23 per 1,000 gallons

North Regional Water Facility (NRWF)
\$6.67 per 1,000 gallons

Steeple Run
\$10.23 per 1,000 gallons

Greene Road
\$10.23 per 1,000 gallons

Glen Ellyn Heights
\$10.23 per 1,000 gallons

York Center
\$10.23 per 1,000 gallons

Water and Sewerage of DuPage County, Illinois

Five Year Summary of Debt Service Coverage Ratios
Year Ended November 30, 2020

	2016	2017	2018	2019	2020
Debt Coverage Ratios Per Section 17 of Series 2018 Bond Ordinance					
Revenues, Exclusive of Connection Fees					
Operating Revenue	\$ 23,947,678	\$ 25,418,267	\$ 25,454,707	\$ 25,691,708	\$ 27,900,331
Investment Income	56,517	53,654	65,417	280,701	129,187
Total revenues as defined	24,004,195	25,471,921	25,520,124	25,972,409	28,029,518
Current Expenses					
Total operation and maintenance expenses	(21,341,781)	(22,161,166)	(22,326,711)	(21,682,966)	(22,868,749)
Net revenues	2,662,414	3,310,755	3,193,413	4,289,443	5,160,769
Sec 22(a) - Cover current expenses	Met	Met	Met	Met	Met
Sec 22(b) - Net revenues >120% of max annual debt service	Met	Met	Met	Met	Met
- Amount of net revenues to meet	1,167,683	1,169,153	341,940	349,170	343,920
Sec 22(c) - Net revenues > 110% of max annual debt svc	Met	Met	Met	Met	Met
- Amount of net revenues to meet	1,830,167	1,830,854	1,771,481	1,758,452	1,750,025
Sec 22(d) - Net Revenues 100% all debt	Met	Met	Met	Met	Met
- Amount of net revenues to meet	1,948,612	1,949,237	1,895,261	1,883,417	1,875,756
Debt coverage ratios, all revenue bonds (first/second lien)	1.60	1.99	1.98	2.68	3.24
Debt coverage ratio, all debt	1.37	1.70	1.68	2.28	2.75
Standard and Poor's Calculation					
Operating revenues	23,947,678	25,418,267	25,454,707	25,691,708	27,900,331
Operating expenses	(21,341,781)	(22,161,166)	(22,326,711)	(21,682,966)	(22,868,749)
Connection charges	968,966	587,635	343,265	254,880	269,845
Investment income	56,517	53,654	65,417	280,701	129,187
Nonoperating income, premium and discount amortization	15,649	15,649	15,649	15,649	15,649
Net revenue available for debt service	3,647,029	3,914,039	3,552,327	4,559,972	5,446,263
Debt Service					
First lien, 2008A and 2012	973,069	974,294	284,950	290,975	286,600
Second lien, 2008B and 2018	690,719	690,119	1,325,487	1,307,618	1,304,332
Subordinated debt, IEPA	284,824	284,824	284,824	284,824	284,824
Total debt	1,948,612	1,949,237	1,895,261	1,883,417	1,875,756
Debt coverage levels, S&P all in	1.87	2.01	1.87	2.42	2.90
Other Data					
Unrestricted cash reserves	\$ 8,755,469	\$ 8,559,527	\$ 10,229,213	\$ 11,082,364	\$ 13,852,625
Total cash reserves	11,960,200	11,790,070	12,102,749	13,051,196	15,745,276
# Days operating reserves	204.55	194.19	197.86	219.70	251.30
Total metered sewer customers	35,963	36,122	36,301	36,471	36,529
Total metered water customers	3,324	3,340	3,703	3,719	3,739
Total customers	39,287	39,462	40,004	40,190	40,268
Top 10 sewer and water customers, % of revenue	11.45%	10.79%	11.02%	11.37%	11.29%
Sewer:					
Total sewer revenues	12,194,038	12,594,202	12,387,504	12,853,267	13,780,539
Sewer Capacity					
Knollwood Plant, Influent/Effluent					
Total average daily flow (mgd)	8.4	7.6	7.6	8.9	7.8
Peak daily flow inf./eff. (mgd)	28.2	29.6	29.7	28.6	33.9
NPDES permit expiration date	8/31/20	8/31/20	8/31/20	8/31/20	8/31/20
Woodridge Plant, Influent					
Total average daily flow (mgd)	10.5	10.2	10.6	12.1	10.0
Peak daily flow inf. (mgd)	25.6	29.3	29.1	29.2	30.3
NPDES permit expiration date	8/31/20	8/31/20	8/31/20	8/31/20	8/31/20
Woodridge Plant, Effluent					
Total average daily flow (mgd)	10.3	9.6	9.1	10.7	8.6
Peak daily flow eff. (mgd)	25.2	38.4	30.5	34.1	34.9
NPDES permit expiration date	8/31/20	8/31/20	8/31/20	8/31/20	8/31/20
Water:					
Total water revenues	\$ 10,225,388	\$ 10,787,416	\$ 10,737,805	\$ 10,486,165	\$ 11,294,420
Total water capacity mg	10.488	9.112	11.500	11.638	11.752
Total storage capacity mg	2.875	2.875	2.875	2.875	2.875
Average daily flow mg	1.078	1.099	1.155	1.321	1.215
Peak day demand	2.073	2.757	2.773	2.919	2.947
Average sold	0.934	0.948	0.946	0.974	1.039

OTHER INFORMATION

Report of Independent Public Accounts on Debt Covenants Compliance

To the Honorable Chairman and Members of the County Board
Water and Sewerage System of DuPage County, Illinois
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, 2020 and have issued our report thereon dated August 17, 2021.

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 March 13, 2012 or adopted on November 28, 2017 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 US, LLP

Oak Brook, Illinois
August 17, 2021