

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

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended November 30, 2012
(With Comparative Totals for November 30, 2011)

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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
DuPage County, Illinois

We have audited the accompanying statement of net assets of the Water and Sewerage System of DuPage County, Illinois (System), an enterprise fund of DuPage County, Illinois, as of November 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information included in the Statement of Net Assets, Statement of Revenues, Expense and Changes in Net Assets, and the Statement of Cash Flows has been derived from the Water and Sewerage System of DuPage County's November 30, 2011 financial statements. In our report dated April 9, 2012, we expressed an unqualified opinion on those statements.

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

As discussed in Note 1, the financial statements present only the Water and Sewerage System of DuPage County and are not intended to present fairly the financial position of DuPage County, Illinois, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Water and Sewerage System of DuPage County, Illinois as of November 30, 2012, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America as they apply to enterprise funds of governmental entities.

In accordance with Government Auditing Standards, we have also issued a report dated April 15, 2013 on our consideration of the Water and Sewerage System of DuPage County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our 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's financial statements. 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole. The other information listed in the accompanying 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
April 15, 2013

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2012**

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, 2012.

- For fiscal year 2012, user charges and other revenues of the System were \$21,684,851 and expenses were \$22,046,858 resulting in total expenses exceeding total revenues by \$362,007. It should be noted that \$3.7 million of the reported expense is related to depreciation and amortization.

- Cash receipts exceeded cash disbursements by \$1,393,902 in the Operation and Maintenance Account.

In 2011, an independent consultant was commissioned to perform a wastewater and water rate study analysis. The purpose of the study was to determine the required rate structure for the System. The study was submitted by the independent consultant and approved by the Public Works Committee in late 2011. As a result of the study, the first in a series of water rate increases took effect beginning with the March 2012 customer bills. In addition, water rates will increase each successive year from 2013 through 2015. The current sewer, sewer maintenance, and base billing rates will remain in effect until January 2013. Beginning with the March 2013 customer bills, these rates will increase one time and remain in effect until the end of 2015. The System expects that the water commission buy-in fee and the National Pollutant Discharge Elimination System (NPDES) fee will not be increased and will remain constant over the next three year period.

The System completed the following construction projects in 2012: Relined and replaced approximately 6,725 feet of sanitary sewer in Itasca and Naperville, replaced the roofs at Knollwood and Marionbrook, rehabilitated the secondary effluent clarifier at Woodridge, replaced the aeration diffusion system in two tanks at Woodridge, replaced the influent bar screens at Knollwood and Nordic, and installed three blowers and the air header at Knollwood. There are a number of large ongoing projects, including the construction of the pressure adjusting stations at Glen Ellyn Heights and York Township, the construction of a water tower and completion of the water system to serve York Township (Special Service Areas), construction of a metering station at Steeple Run,

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2012**

construction of a Vactor Dump Station at Woodridge, replacement of the aeration diffusers at Knollwood, and construction of a water system in the Nelson Highview area.

Overview of the Financial Statements

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

Financial Statements

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

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

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

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

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

The Financial Statements can be found on pages 11 to 15.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2012**

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 16 to 31 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and other information. This information can be found on pages 32 to 39.

Statement of Net Assets

The following is a summary of the System's Statement of Net Assets as of November 30, 2012 and 2011.

Statement of Net Assets Summary

	November 30,	
	2012	2011
Current Assets	\$12,508,933	\$12,075,522
Capital Assets	92,094,041	88,740,802
Restricted and Other Assets	6,198,302	7,214,358
	\$110,801,276	\$108,030,682
Current Liabilities	\$6,579,814	\$4,889,049
Long-term Liabilities	19,709,636	18,267,800
Total Liabilities	26,289,450	23,156,849
Investment in Capital Assets, Net of Related Debt	75,116,586	74,764,812
Restricted for Debt Service	2,858,239	2,329,517
Unrestricted Net Assets	6,537,001	7,779,504
Total Net Assets	\$84,511,826	\$84,873,833

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2012**

When taken together, the decrease in Capital Assets and Restricted and Other Assets is due to depreciation expense charged for the year.

Statement of Revenue and Expenses Summary

**Summary of Revenues and Expenditures
For Fiscal Years 2012 and 2011**

	November 30,	
	2012	2011
Revenues:		
User Charges	\$12,916,474	\$12,228,029
Miscellaneous Income	2,334,515	2,107,376
Administrative Fees	1,132,656	1,148,142
Connection Charges	142,886	256,528
Total Revenue	16,526,531	15,740,075
Pass Through Revenue		
Darien Water Charges	4,672,898	3,832,004
Glen Ellyn Sewer Charges	485,422	425,219
Total Pass Through Revenue	5,158,320	4,257,223
Expenditures:		
Salaries & Employee Benefits	7,085,219	7,113,924
Commodities	1,633,845	1,597,465
Contractual	3,876,726	3,842,805
Depreciation and Amortization	3,726,236	3,788,028
Interest and Other	584,400	473,081
Total Expenditures	16,906,426	16,766,255
Pass Through Expenditures		
Darien Water Payments	4,672,898	3,832,004
Glen Ellyn Sewer Payments	467,534	377,486
Total Pass Through Expenditures	5,140,432	4,209,490
Net Loss	(362,007)	(978,447)

The following is a discussion of the variances between 2012 and 2011.

Revenues

Compared to 2011, user charges for sewerage service increased 2%. The increase is due to an increase in overall consumption for the year due to the drought in 2012.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2012**

Compared to 2011, user charges for water service increased by 26%. A large portion of the increase in user charges is related to an increase in the water rates by over 23% on average. Also, there was an increase in overall consumption for the year due to the drought in 2012.

Miscellaneous income increased by 13%. The System provides construction related services for other departments within the county. The department bills the other departments for salaries plus a multiplier to cover benefits. The department provided less of these services in 2012 compared to 2011 resulting in a decrease in billings to other departments. However, cell tower income increased substantially. The System rents space on its water towers to cell phone companies. During 2012, several towers were inspected and cell phone equipment was upgraded resulting in additional fees. In addition, cell tower lease payments increased an average of 5% over 2011. The System also received grants totaling \$100,000 from York Township to help defray some of the costs of the York Water System currently under construction.

Administrative fees remained relatively constant from 2011 to 2012. Based on recommendations from the 2011 rate study, administrative fees will increase beginning with the March 2013 customer bills from \$5.58 to \$5.78.

New user connection charges decreased 44% in 2012. With the exception of a slight increase in 2011, connection charges had been on the decline since 2005. A decrease in connection charges is a direct result of the sluggish economy and decreased new home starts.

There were no contributions of property during 2012.

Expenses

Salaries and Employee Benefits remained relatively constant in 2012. Although there was a salary increase and an increase in health insurance premiums and pension contributions, The System had several open positions through most of the year resulting in relatively constant Salaries and Employee Benefits expenses. The System anticipates filling a number of open positions in 2013.

Commodities expenditures increased by 2%. The increase is due primarily to an increase in fuel expense due to the rising gasoline and diesel prices.

Contractual expenditures increased by 7%. A large portion of the increase is due to the increase in water rates for the water the System purchases from the DuPage Water Commission. The cost per thousand gallons of water increased from \$2.04 to \$2.73 in January 2012. Another area of increase was repairs and maintenance for vehicles due to an aging fleet. However, there was a decrease in natural gas purchases due to falling prices in 2012.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
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As of and for the Year Ended November 30, 2012**

Interest and Other Expenses increased by 17%. In May 2012, The System sold \$2,445,000 in Revenue Bonds to repay the outstanding loan to the DuPage Water Commission for the buy in fee which is a membership requirement of the commission. The new bonds resulted in an increase in Interest Expense for 2012.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The System's investment in capital assets as of November 30, 2012 is summarized below, net of accumulated depreciation.

Land and Land Improvements	\$ 1,532,945
Sewage System	69,314,929
Water System	11,204,765
Other Property, Plant and Equipment	801,083
Net Intangible Assets	2,843,714
Construction in Progress	<u>6,396,605</u>
Total Net Capital Assets	\$ <u>92,094,041</u>

Total non-contributed additions for 2012 are \$3,523,754; there were no contributed additions for 2012. The total amount of disposed assets in 2012 is \$465,022. Additional information on the System's capital assets can be found in Note 3 of the financial statements.

Long Term Debt

The System has three outstanding Revenue Bond issues and two outstanding loans from the Illinois Environmental Protection Agency. Revenue Bonds were issued in 2008 to advance refund and refinance outstanding bonds from 2003 and also provided \$14.9M in new money to fund its capital improvement program. In 2012, The System issued \$2.445M in Revenue Bonds to repay the outstanding loan to the DuPage Water Commission for the buy in fee which is a membership requirement of the commission. The System also entered into a loan agreement with the Illinois Environmental Protection Agency for the construction of the York Township water system and water tower. The following is a summary of the outstanding long-term debt of the System as of November 30, 2012.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2012**

Series 2008A	\$ 6,480,000
Series 2008B	6,470,000
Series 2012	2,445,000
IEPA Loan (1996)	1,492,535
IEPA Loan (2012)	2,949,226
Accrued absences payable	1,575,330
Other post employment benefit payable	2,838
Net pension obligation payable	<u>124,154</u>
 Total Long Term Debt	 <u>\$ 21,539,083</u>

Additional information on the Systems long term debt can be found in Note 4 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

The current economic conditions, if continued in 2013, will have an impact on connection revenue, interest income and user charges.

The connection revenue forecast for 2013 is rather conservative and is based on local economic conditions. Several residential developments that paid connection charges in previous years have halted construction or the newly constructed units remain vacant. It is expected that as the activity with these developments resumes, new connection fees will begin to increase soon after. Interest income is expected to be at or near 2012 levels which is significantly less than previous years.

User charges may be influenced by several factors, including: 1.) Reduction in consumption due to foreclosures and other impacts from an economic downturn, 2.) Reduction in consumption resulting from water conservation by customers experiencing an increase in water rates, 3.) Increase or reduction in consumption due to climate conditions.

The System will have converted all but one of its well water systems to Lake Michigan water by the end of 2012. This conversion will have an impact on the operational expenditures for the water system as the System has begun to pay for Lake Michigan water for these systems. In addition, the System will incur approximately \$15,000 in costs to decommission existing water plant facilities. The infrastructure will be maintained for emergency/standby sources of water.

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**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2012**

A rate study was done in 2011 to set rates that will allow the System to balance revenue with expenditures over the next four years. User rates for the sewer system were held steady in 2012 and user rates for the water system increased about 20% in 2012. Increases are planned for the sewer and water systems in 2013. The System will consider a meter testing and replacement program and additional system repairs during 2013 to further mitigate water loss.

The System anticipates an increase in retirements from 2013 through 2015. This increase will have a direct impact on cash flows. DuPage County has an employee retention program that provides for a retention payment at retirement for eligible employees. In addition to this retention payment, employees receive a payout for their accrued vacation and sick time earned prior to December 1, 2011. As reported above, the System's accrued absences payable is the total liability for employee's accrued sick time at the end of 2012.

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.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF NET ASSETS As of November 30, 2012 (With Comparative Totals for November 30, 2011)

ASSETS		
	2012	2011
CURRENT ASSETS		
Cash		
Operation and maintenance account	\$ 3,666,321	\$ 2,272,419
Depreciation account	2,983,991	4,278,846
Liability insurance account	1,032,985	907,132
Workers compensation account	150,166	100,074
Total Cash	7,833,463	7,558,471
Accounts receivable - service (net of reserve for uncollectible accounts of \$51)	1,955,553	1,850,253
Unbilled service revenue	2,584,587	2,540,687
Miscellaneous receivable	135,330	126,111
Total Current Assets	12,508,933	12,075,522
RESTRICTED ASSETS		
Cash		
First lien bond principal account	640,808	420,008
First lien bond interest account	167,784	139,885
First lien bond reserve account	1,016,127	721,177
Second lien bond principal account	435,049	420,049
Second lien bond interest account	132,424	139,731
Second lien bond reserve account	721,528	721,528
Subordinated indebtedness account	45	40
2008 and 2012 water and sewer bond account	2,772,026	4,270,641
Total Restricted Assets	5,885,791	6,833,059
CAPITAL ASSETS		
Utility Plant in Service		
Land and land improvements	1,532,945	1,532,945
Sewerage system	155,438,050	152,583,872
Accumulated depreciation	(86,121,121)	(83,604,824)
Net Sewerage System	69,314,929	68,979,048
Water system	21,397,011	21,397,011
Accumulated depreciation	(10,192,246)	(9,818,736)
Net Water System	11,204,766	11,578,275
Other property, plant and equipment	4,025,505	3,818,951
Accumulated depreciation	(3,224,422)	(3,093,363)
Net Other Property, Plant and Equipment	801,083	725,588
Water commission buy in	3,397,959	3,397,959
Water commission meter station	566,561	566,560
Accumulated amortization	(1,120,806)	(880,457)
Net Intangibles	2,843,714	3,084,062
Total Utility Plant in Service	85,697,436	85,899,918
Construction in Progress	6,396,605	2,840,884
Total Capital Assets	92,094,041	88,740,802
OTHER ASSETS		
Due from special service area	83,088	113,421
Unamortized issuance costs	229,423	267,878
Total Other Assets	312,511	381,299
Total Assets	110,801,276	108,030,682

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,851,556	\$ 439,044
Accrued wages	175,851	245,862
Accrued sick leave, vacation and retention - current	215,162	229,147
Charges collected for others	1,701,269	1,494,748
Due to County General Fund, net	624,022	563,530
Current maturities of IEPA construction loan	651,428	630,080
Current maturities of DuPage Water Commission payable	-	213,737
Current Liabilities Payable From Restricted Assets		
Accrued interest payable	255,526	232,901
Current maturities of revenue bonds	1,105,000	840,000
Total Current Liabilities	<u>6,579,814</u>	<u>4,889,049</u>

LONG-TERM LIABILITIES

Accrued sick leave, vacation and retention - noncurrent	1,360,168	1,309,778
Revenue bonds	14,290,000	12,950,000
Unamortized debt premium	142,143	-
IEPA construction loans	3,790,333	1,492,534
DuPage Water Commission payable	-	2,388,158
Other post employment benefit payable	2,838	3,176
Net pension obligation payable	124,154	124,154
Total Long-Term Liabilities	<u>19,709,636</u>	<u>18,267,800</u>

Total Liabilities	<u>26,289,450</u>	<u>23,156,849</u>
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NET ASSETS

Invested in capital assets, net of related debt	75,116,586	74,764,812
Restricted for debt service	2,858,239	2,329,517
Unrestricted	<u>6,537,001</u>	<u>7,779,504</u>

TOTAL NET ASSETS	<u>\$ 84,511,826</u>	<u>\$ 84,873,833</u>
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WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended November 30, 2012

(With Comparative Totals for the Year Ended November 30, 2011)

	Sewer				Total	
	Sewerage	Water	Maintenance	Administration	2012	2011
OPERATING REVENUES						
Sewerage Service Users' Charges						
DuPage system	\$ 8,728,937	\$ -	\$ -	\$ -	\$ 8,728,937	\$ 8,542,750
Other systems	485,422	-	-	-	485,422	425,219
Water Service Users' Charges						
DuPage system	-	2,481,983	-	-	2,481,983	1,970,734
Other systems	-	4,672,898	-	-	4,672,898	3,832,004
Sewer Maintenance Users' Charges	-	-	1,523,718	-	1,523,718	1,539,210
Administrative fees	-	-	-	1,132,656	1,132,656	1,148,142
DuPage Water Commission capital buy-in fee	-	215,120	-	-	215,120	196,017
Penalties	-	-	-	181,836	181,836	175,335
Miscellaneous income	515,884	489,392	-	1,086,931	2,102,207	1,859,931
Total Operating Revenues	9,730,243	7,859,393	1,523,718	2,411,423	21,524,777	19,689,342
OPERATING EXPENSES						
Operation and Maintenance Expenses						
Personnel						
Salaries	2,936,740	602,357	700,159	1,129,855	5,369,111	5,400,579
Employee benefits	943,396	193,833	215,611	363,268	1,716,108	1,713,345
Commodities						
Equipment parts and supplies	520,498	62,694	121,373	71,229	775,794	771,645
Chemicals and gases	432,395	98,210	13,083	314,363	858,051	825,820
Contractual Services						
Professional services	67,776	42,142	9,716	23,152	142,786	116,885
Sludge removal	303,265	-	-	-	303,265	326,689
Natural gas	147,240	12,247	1,207	-	160,694	256,799
Electricity	852,801	78,047	18,548	-	949,398	965,184
Water and sewer	23,811	971,286	-	-	995,097	738,750
Repairs and maintenance	165,036	35,050	16,891	20,684	237,661	191,526
Reimbursements	467,534	4,672,898	-	-	5,140,432	4,208,490
Other contractual	100,649	537,594	179,666	269,918	1,087,827	1,246,972
Total Operation and Maintenance Expenses	6,961,141	7,306,358	1,276,254	2,192,469	17,736,222	16,783,684
Operating income before amortization and depreciation	2,769,102	553,035	247,464	218,954	3,788,555	2,925,658
Amortization of intangibles	-	240,349	-	-	240,349	240,349
Depreciation	3,112,377	373,510	-	-	3,485,887	3,457,682
Total Operating Expenses	10,073,518	7,920,217	1,276,254	2,192,469	21,462,458	20,461,715
Operating Income (Loss)	(343,275)	(60,824)	247,464	218,954	62,319	(772,373)
NONOPERATING REVENUES (EXPENSES)						
Investment income	3,543	-	-	13,645	17,188	49,528
Interest expense on bonds and loans	(319,162)	(122,275)	(113,636)	-	(555,073)	(473,081)
Amortization of bond discount/premium and issuance costs	(26,534)	4,513	(7,306)	-	(29,327)	(40,949)
Loss on disposal of assets	-	-	-	-	-	1,900
Total Nonoperating Revenues (Expenses)	(342,153)	(117,762)	(120,942)	13,645	(567,212)	(462,602)
Income before contributions	(685,428)	(178,586)	126,522	232,599	(504,893)	(1,234,975)
CAPITAL CONTRIBUTIONS - CONNECTION CHARGES	115,826	27,060	-	-	142,886	256,528
CHANGE IN NET ASSETS	\$ (569,602)	\$ (151,526)	\$ 126,522	\$ 232,599	(362,007)	(978,447)
NET ASSETS, Beginning of Year					84,873,833	85,852,280
NET ASSETS - END OF YEAR					\$84,511,826	\$84,873,833

See accompanying notes to financial statements.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF CASH FLOWS For the Year Ended November 30, 2012 (With Comparative Totals for November 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 19,273,370	\$ 17,280,413
Payments to employees for services	(7,119,163)	(7,201,836)
Payments to suppliers for goods and services	(10,252,388)	(9,825,633)
Other revenue	<u>2,123,321</u>	<u>1,964,545</u>
Net Cash Flows From Operating Activities	<u>4,025,140</u>	<u>2,217,489</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment to other funds	<u>60,492</u>	<u>133,948</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	6,900,000
Investment income	<u>17,188</u>	<u>49,528</u>
Net Cash Flows From Investing Activities	<u>17,188</u>	<u>6,949,528</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,749,039)	(2,457,559)
Proceeds from Sale of Revenue Bonds	2,596,271	-
Proceeds from IEPA Loan	2,949,226	-
Principal payments on revenue bonds	(840,000)	(810,000)
Principal payments on IEPA loan	(630,079)	(609,431)
Principal payments on DuPage Water Commission payable	(2,601,895)	(212,649)
Interest payments on bonds and loans	(642,466)	(673,190)
Proceeds from connection charges	<u>142,886</u>	<u>256,528</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(4,775,096)</u>	<u>(4,506,301)</u>
 Net Increase in Cash and Cash Equivalents	 (672,276)	 4,794,664
 CASH AND CASH EQUIVALENTS, Beginning of Year	 <u>14,391,530</u>	 <u>9,596,866</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 13,719,254</u>	 <u>\$ 14,391,530</u>
 CONSISTING OF		
Cash	\$ 7,833,463	\$ 7,558,471
Restricted cash	<u>5,885,791</u>	<u>6,833,059</u>
 CASH AND CASH EQUIVALENTS	 <u>\$ 13,719,254</u>	 <u>\$ 14,391,530</u>

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 62,319	\$ (772,373)
Adjustments to Reconcile Operating Income (loss) to Net Cash From Operating Activities		
Depreciation	3,485,887	3,457,682
Amortization of other assets	240,349	240,349
Changes in assets and liabilities		
Accounts receivable, net	(105,300)	(361,491)
Accrued unbilled service revenue	(43,900)	(187,507)
Due from other governmental units	-	59,200
Due from special service area	30,333	28,570
Miscellaneous receivable	(9,219)	16,844
Accounts payable	192,094	(195,778)
Accrued sick leave, vacation, retention and wages payable	(33,606)	(134,549)
Other post employment benefits payable	(338)	(370)
Net pension obligation payable	-	47,007
Charges collected for others	206,521	19,905
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 4,025,140	\$ 2,217,489

See accompanying notes to financial statements.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

The System began operations in 1962 and is a fund of DuPage County (County). The System, which is operated by the DuPage County Public Works Department, owns and operates sewerage collection and treatment facilities along with water pumping and distribution systems in certain areas of the County. Financial policies and regulations are established and adopted by the passage of a governing ordinance (ordinance). The System consists of an operating fund and multiple bond, interest, and reserve accounts required by ordinances described in Note 4. All intrafund transactions are eliminated.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the System's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Utilities also have the option of following subsequent private-sector guidance subject to this same limitation. The System has elected to follow subsequent private-sector guidance.

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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

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

ASSETS, LIABILITIES AND NET ASSETS

Cash and Investments

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

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

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

- (1) direct obligations of, or obligations the timely payment of which is fully guaranteed by, the United States of America;
- (2) certificates of deposit or time deposits issued by any bank or savings and loan institution and
 - (i) insured by the Federal Deposit Insurance Corporation or
 - (ii) to the extent not insured as described in (i), secured by obligations described in (1) above held by the depository which have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificate or time deposit;
- (3) obligations of the Federal Home Loan Bank, Federal Farm Credit Administration, Federal National Mortgage Association, Federal Intermediate Credit Banks, Bank for Cooperatives or the Federal Land Bank;
- (4) obligations of any state which are rated in either of the two highest rating categories by both Moody's Investors Service and Standard & Poor's Rating Services (or a nationally recognized successor of either);
- (5) repurchase agreements extending not more than 30 days with any banks which are members of the Federal Reserve System or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York that are secured by obligations described in (1) above which obligations
 - (i) have a current market value at least equal to 103% of the amount of the repurchase agreement, marked to market weekly and
 - (ii) have been deposited in trust by such banks or dealers with a Federal Reserve Bank or branch for the benefit of the County and the appropriate fund or account as collateral security for such repurchase agreements; and
- (6) obligations of any state or political subdivision or instrumentality of any state which are secured by obligations described in (1) above.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Receivables/Payables

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

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

Restricted Assets

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

Capital Assets

Capital assets purchased, constructed and obtained through federal grants are recorded at cost or estimated historical cost. Major outlays for System plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. The total interest expense incurred by the System during the current fiscal year was \$665,092. Of this amount, \$110,019 was included as part of capital assets under construction in progress. Certain System plant and sewer systems acquired under agreements providing for connections in lieu of cash are recorded at the value of the connection charges at the time of fulfillment of all prepaid connections due under each applicable agreement. In addition, certain contributed property has been recorded at the donor's cost or engineering estimate, whichever was lower at the time the property contributed was recorded. A minimum capitalization threshold of \$5,000 and an estimated useful life greater than one year has been established for capital asset reporting.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of these assets, generally between 5 and 50 years. Expenditures which significantly extend the lives or expand capacity of the capital assets are capitalized. All other repairs and maintenance are charged to operations currently.

Accrued Vacation, Sick Leave and Retention

The System has accrued its estimated liability for compensated absences relating to accrued vacation, sick leave, and the employee retention program for employees as of November 30, 2012. The liability is liquidated from general operating revenues of the System.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

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

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are reported as deferred charges. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

REVENUES AND EXPENSES

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

Charges for Services

Billings are rendered and recorded bi-monthly based on metered usage. The System accrues revenues beyond billing dates. Current water and sewerage rates were approved by the Public Works Committee on December 6, 2011 to adjust water rates effective January 1, 2012 and sewer rates effective January 1, 2013. The motion also incorporated water rate changes effective January 1, 2014 and January 1, 2015.

Operating Expenses

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

Capital Contributions

Cash and capital assets are contributed to the System from customers, 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 assets.

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 assets.

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, 2011, from which such summarized information was derived.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections – 2012 – amendment of GASB Statement No. 53*; Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND INVESTMENTS

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

As of November 30, 2012, cash and cash equivalents at year end consisted of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits with financial institutions	\$ 13,719,254	\$ 13,458,384	Custodial credit
Per statement of net assets			
Cash	\$ 7,833,463		
Restricted cash	5,885,791		
Total deposits and investments	\$ 13,719,254		

Deposits in each local area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transactions accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in 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.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 2 – CASH AND INVESTMENTS (cont.)

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

Custodial Credit Risk

Deposits

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

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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2012, was as follows:

	Balance Beginning	Additions/ Transfers	Transfers/ Disposal	Balance Ending
Capital assets, not being depreciated				
Land	\$ 1,527,725	\$ -	\$ -	\$ 1,527,725
Land improvements	5,220	-	-	5,220
Construction in progress	2,840,884	6,815,164	3,259,443	6,396,605
Total Capital Assets Not Being Depreciated	<u>4,373,829</u>	<u>6,815,164</u>	<u>3,259,443</u>	<u>7,929,550</u>
Capital assets being depreciated/amortized				
Sewerage treatment plant	83,220,140	2,753,203	407,264	85,566,079
Sewerage systems	69,363,732	506,239	-	69,869,971
Total Sewerage System	<u>152,583,872</u>	<u>3,259,442</u>	<u>407,264</u>	<u>155,436,050</u>
Water pumping facility	8,930,322	-	-	8,930,322
Water supply	12,466,689	-	-	12,466,689
Total Water System	<u>21,397,011</u>	<u>-</u>	<u>-</u>	<u>21,397,011</u>
Data processing equipment	260,864	-	-	260,864
Technical equipment	362,145	10,300	-	372,445
Construction equipment	574,329	14,599	18,772	570,156
Other equipment	331,516	45,735	21,286	355,965
Autos and trucks	2,085,163	193,678	17,700	2,261,141
Furniture and office equipment	204,934	-	-	204,934
Total Equipment	<u>3,818,951</u>	<u>264,312</u>	<u>57,758</u>	<u>4,025,505</u>
Water commission buy in	3,397,959	-	-	3,397,959
Water commission meter station	566,560	-	-	566,560
Total Intangibles	<u>3,964,519</u>	<u>-</u>	<u>-</u>	<u>3,964,519</u>
Total Capital Assets Being Depreciated/Amortized	<u>181,764,353</u>	<u>3,523,754</u>	<u>465,022</u>	<u>184,823,085</u>
Less: Accumulated depreciation/amortization				
Sewerage System	(83,604,824)	(2,923,561)	(407,264)	(86,121,121)
Water System	(9,818,736)	(373,510)	-	(10,192,246)
Equipment	(3,093,363)	(188,816)	(57,758)	(3,224,421)
Intangibles	(880,457)	(240,349)	-	(1,120,806)
Total Accumulated Depreciation/Amortization	<u>(97,397,380)</u>	<u>(3,726,236)</u>	<u>(465,022)</u>	<u>(100,658,594)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>84,366,973</u>	<u>(202,482)</u>	<u>-</u>	<u>84,164,491</u>
Net Capital Assets	<u>\$ 88,740,802</u>			<u>\$ 92,094,041</u>

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 4 – LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended November 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds	\$ 13,790,000	\$ 2,445,000	\$ 840,000	\$ 15,395,000	\$ 1,105,000
Other Liabilities					
IEPA construction loans	2,122,614	2,949,226	630,079	4,441,761	651,428
Unamortized debt premium	267,878	-	38,455	229,423	
DuPage Water Commission payable	2,601,895	-	2,601,895	-	-
Accrued compensated absences	1,538,925	431,673	395,268	1,575,330	215,162
Other post employment benefit payable	3,176	-	338	2,838	-
Net pension obligation payable	124,154	-	-	124,154	-
	\$ 20,448,642	\$ 5,825,899	\$ 4,506,035	\$ 21,768,506	\$ 1,971,590

REVENUE BONDS PAYABLE

On April 25, 2012 the system issued \$2,445,000 in revenue bonds to repay the outstanding loan to the DuPage Water Commission for funds borrowed to finance the attachment to the Commission's infrastructure.

Revenue bonds outstanding at year end are as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 11/30/12
7/23/2008	Refund bonds and construction of plant	1/1/2024	4.5%	\$ 8,250,000	\$ 6,480,000
7/23/2008	Refund bonds and construction of plant	1/1/2024	4.5%	8,250,000	6,470,000
4/25/2012	DuPage Water Commission buy-in	1/1/2022	3%-4%	2,445,000	2,445,000
	Total			\$ 18,945,000	\$ 15,395,000

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

REVENUE BONDS PAYABLE

Future Bond Payments

Fiscal Year	Series 2008A		
	Bond Principal	Interest	Total
2013	\$ 435,000	\$ 257,394	\$ 692,394
2014	450,000	241,344	691,344
2015	465,000	224,188	689,188
2016	485,000	205,769	690,769
2017	500,000	186,069	686,069
2018-2022	2,835,000	601,497	3,436,497
2023-2024	1,310,000	59,625	1,369,625
Totals	<u>\$ 6,480,000</u>	<u>\$ 1,775,886</u>	<u>\$ 8,255,886</u>

Fiscal Year	Series 2008B		
	Bond Principal	Interest	Total
2013	\$ 435,000	\$ 256,944	\$ 691,944
2014	450,000	240,894	690,894
2015	465,000	223,738	688,738
2016	480,000	205,419	685,419
2017	505,000	185,719	690,719
2018-2022	2,830,000	598,772	3,428,772
2023-2024	1,305,000	59,288	1,364,288
Totals	<u>\$ 6,470,000</u>	<u>\$ 1,770,774</u>	<u>\$ 8,240,774</u>

Fiscal Year	Series 2012		
	Bond Principal	Interest	Total
2013	\$ 235,000	\$ 80,175	\$ 315,175
2014	215,000	73,425	288,425
2015	220,000	66,900	286,900
2016	230,000	60,150	290,150
2017	235,000	52,000	287,000
2018-2022	1,310,000	126,750	1,436,750
Totals	<u>\$ 2,445,000</u>	<u>\$ 459,400</u>	<u>\$ 2,904,400</u>

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 4 – LONG-TERM DEBT (cont.)

PLEGGED REVENUES

The System has pledged a portion of future net revenues to repay the revenue bonds issued on July 23, 2008 and April 25, 2012. The bonds are payable solely from the revenues generated by the System and are payable through January 1, 2024. The total principal and interest remaining on the bonds is \$19,401,060. For the current year, principal and interest paid and total net revenues were \$1,399,607 and \$3,948,629 respectively. Annual principal and interest are expected to require approximately 8% of gross revenues.

WATER AND SEWERAGE SYSTEM REVENUE BOND ORDINANCE

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

Operation and Maintenance Account – An amount sufficient to make the amount then on deposit equal to 1/12th 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.

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

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

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

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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 4 – LONG-TERM DEBT (cont.)

WATER AND SEWERAGE SYSTEM REVENUE BOND ORDINANCE (cont.)

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, 2012, all required balances were in accordance with the Ordinance.

NOTE 5 – IEPA CONSTRUCTION LOANS

The System borrowed funds from the Illinois Environmental Protection Agency for sewerage treatment facility improvements. The original principal amount to be repaid under the loan agreement #L17-0795 with the IEPA is \$9,900,000. The loan bears an interest rate of 3.36% per annum and matures on June 1, 2015. The total principal paid in fiscal year 2012 was \$630,079.

The System borrowed funds from the Illinois Environmental Protection Agency for the York Township water improvement project. The original principal amount authorized under the loan agreement #L17-4161 with the IEPA is \$5,163,595. The loan bears an interest rate of 1.25% per annum and matures on January 28, 2033. A repayment schedule has not been finalized as of November 30, 2012. It is expected that this loan will commence payment in July 2013. The amount payable as of November 30, 2012 is \$2,949,226.

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

<u>Fiscal Year</u>	IEPA Construction Loan		
	Principal	Interest	Total
2013	\$ 651,428	\$ 44,724	\$ 696,152
2014	673,500	22,651	696,151
2015	167,607	2,815	170,422
Totals	\$ 1,492,535	\$ 70,190	\$ 1,562,725

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 6 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset 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 assets - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Capital assets, net of accumulated depreciation	\$ 92,094,041
Less: Capital related debt	
Current portion of capital related IEPA construction loan	651,428
Current portion of capital related revenue bonds	1,105,000
Long-term portion of capital related IEPA construction loans	3,790,333
Long-term portion of capital related revenue bonds	14,290,000
Unamortized debt premium	142,143
Noncapital debt	(229,423)
Sub-Total	<u>19,749,481</u>
Add: Unspent debt proceeds – water and sewer bond account	<u>2,772,026</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 75,116,586</u>

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

Total restricted assets	\$ 5,885,791
Unspent debt proceeds – water and sewer bond account	(2,772,026)
Liabilities payable from restricted assets:	
Accrued interest payable	<u>(255,526)</u>
Total Net Assets Restricted for Debt Service	<u>\$ 2,858,239</u>

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 7 – RISK MANAGEMENT

The System maintains a managed self-insured automobile and liability risk management program. Under this program, the System retains the first \$2,000,000 of general claim risk per occurrence. An additional insurance policy covers claims in excess of this amount. Liabilities of the program are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An amount for claims incurred but not yet reported has not been accrued in the financial statements at November 30, 2012, 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 \$728,417 in fiscal 2012. See the DuPage County Comprehensive Annual Financial Report for additional information.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

ILLINOIS MUNICIPAL RETIREMENT FUND

The System, under the sponsorship of the County, contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. The benefits, benefits levels, employee contributions and employer contributions for the plan is governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

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

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

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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 8 – DEFINED BENEFIT PENSION PLAN

ILLINOIS MUNICIPAL RETIREMENT FUND (CONT.)

For 2010 and 2011, IMRF offered members the option of paying less than the annual required contribution. The System elected this option for both years. As such, the System has a net pension obligation at November 30, 2012 of \$124,154. Annual required contributions and the percentage contributed for the current year and each of the preceding two years is as follows:

	2012	2011	2010
Annual Required Contribution	\$ 525,827	\$ 609,469	\$ 586,843
Actual Contribution	\$ 525,827	\$ 562,462	\$ 509,696
Net Pension Obligation	\$ 124,154	\$ 124,154	\$ 77,147
Percent Contributed	100%	92%	87%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

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

	2012	2011	2010
Annual Required Contribution	\$ 584,353	\$ 584,353	\$ 560,289
Actual Contribution	\$ 604,346	\$ 604,346	\$ 511,200

As of November 30, 2012, the estimated portion of the County's other post employment benefit obligation payable applicable to the System was \$2,838, which was a decrease of \$338 from the prior year. Please refer to the County's financial statements for additional information concerning the plan and the other postemployment benefit obligation.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 10 – COMMITMENTS AND CONTINGENCIES

DUPAGE WATER COMMISSION CONTRACT

The System is a customer of the DuPage Water Commission and has executed a Water Supply Contract with the Commission for a term ending in 2024. The Contract provides that the System pay its proportionate share of "fixed costs" (debt service and capital costs) to the Commission, such obligation being unconditional and irrevocable whether or not water is ever delivered. These costs are billed and payable to the System on an annual basis as water service is rendered. The following represents future minimum obligations under the agreement:

<u>Fiscal Year</u>	<u>Amount*</u>
2013	\$ 39,324
2014	39,324
2015	39,324
2016	39,324
2017	39,324
2018-2022	196,620
2023-2024	<u>78,648</u>
Total	<u>\$ 471,888</u>

* These amounts are estimates which have been calculated using the System's calendar year 2010 and 2011 historic usage percentage of .423%. The estimates and usage percentage are subject to change in future years. Estimates for the future years are not currently available; however, the System does not expect the minimum amounts for these years to materially vary from the amounts presented above. Included in the above amounts is a monthly charge for the Southeast Regional Facility that is billed to the City of Darien, but paid for by the System.

Claims and Judgments

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

Open Contracts

The System has signed construction contracts that continue into subsequent years. These contracts are for construction of the York Township water tower and main and sewer relining. The value of service provided and the corresponding liability as of November 30, 2012 has been accrued in these financial statements. The value of service to be provided in subsequent fiscal years has not been accrued and is approximately \$1,707,891.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2012

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to year end, the System issued *Unlimited Ad Valorem* Tax Bonds, Series 2012A for \$1,805,000 for the purpose of financing public improvement projects for Special Service Area Number 35, *Unlimited Ad Valorem* Tax Bonds. The bonds will be repaid through January, 2032 with interest rates from 1.8% to 4.2%. The System has pledged a portion of future net revenues to repay the bonds should the taxpayers default on their obligation to repay the bonds. The System also issued *Unlimited Ad Valorem* Tax Bonds Series 2012C for \$1,500,000 for the purpose of financing public improvement projects for Special Service Area Number 38. The bonds will be repaid through January, 2031 with interest rates from 1.5% to 4.0%.

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SUPPLEMENTARY INFORMATION

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

COMBINING SCHEDULE OF NET ASSETS
As of November 30, 2012

ASSETS	<u>Bond and Interest Accounts</u>	<u>Bond Reserve Accounts</u>	<u>2008 Water and Sewer Bond Account</u>	<u>Other Accounts</u>	<u>Total</u>
CURRENT ASSETS					
Cash and Investments					
Operation and maintenance account	\$ -	\$ -	\$ -	\$ 3,666,321	\$ 3,666,321
Depreciation account	-	-	-	2,983,991	2,983,991
Liability insurance account	-	-	-	1,032,985	1,032,985
Workers compensation account	-	-	-	150,166	150,166
Total Cash and Investments	-	-	-	7,833,463	7,833,463
Accounts receivable - service				1,955,553	1,955,553
Unbilled service revenue	-	-	-	2,584,587	2,584,587
Miscellaneous receivable	-	-	-	135,330	135,330
Total Current Assets	-	-	-	12,508,933	12,508,933
RESTRICTED ASSETS					
Cash and Investments					
First lien bond principal account	640,808	-	-	-	640,808
First lien bond interest account	167,784	-	-	-	167,784
First lien bond reserve account	-	1,016,127	-	-	1,016,127
Second lien bond principal account	435,049	-	-	-	435,049
Second lien bond interest account	132,424	-	-	-	132,424
Second lien bond reserve account	-	721,528	-	-	721,528
Subordinated indebtedness account	45	-	-	-	45
2008 and 2012 water and sewer bond account	-	-	2,772,026	-	2,772,026
Total Restricted Assets	1,376,110	1,737,655	2,772,026	-	5,885,791
CAPITAL ASSETS					
Utility Plant in Service					
Land and land improvements	-	-	-	1,532,945	1,532,945
Sewerage system	-	-	-	155,436,050	155,436,050
Accumulated depreciation	-	-	-	(86,121,121)	(86,121,121)
Net Sewerage System	-	-	-	69,314,929	69,314,929
Water system	-	-	-	21,397,011	21,397,011
Accumulated depreciation	-	-	-	(10,192,246)	(10,192,246)
Net Water System	-	-	-	11,204,765	11,204,765
Other property, plant and equipment	-	-	-	4,025,505	4,025,505
Accumulated depreciation	-	-	-	(3,224,422)	(3,224,422)
Net Property, Plant and Equipment	-	-	-	801,083	801,083
Water commission buy in	-	-	-	3,397,959	3,397,959
Water commission meter station	-	-	-	566,561	566,561
Accumulated amortization	-	-	-	(1,120,806)	(1,120,806)
Net Intangibles	-	-	-	2,843,714	2,843,714
Total Utility Plant in Service	-	-	-	85,697,436	85,697,436
Construction in Progress	-	-	1,925,533	4,471,072	6,396,605
Total Capital Assets	-	-	1,925,533	90,168,508	92,094,041

	Bond and Interest Accounts	Bond Reserve Accounts	2008 Water and Sewer Bond Account	Other Accounts	Total
ASSETS (cont.)					
OTHER ASSETS					
Due from special service area	\$ -	\$ -	\$ -	\$ 83,088	\$ 83,088
Unamortized issuance costs	-	-	-	229,423	229,423
Total Other Assets	-	-	-	312,511	312,511
Total Assets	1,376,110	1,737,655	4,697,559	102,989,952	110,801,276
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	-	-	-	1,851,556	1,851,556
Accrued wages	-	-	-	175,851	175,851
Current accrued sick leave, vacation and retention	-	-	-	215,162	215,162
Charges collected for others	-	-	-	1,701,269	1,701,269
Due to County General Fund, net	-	-	-	624,022	624,022
Current Liabilities Payable From Restricted Assets					
Accrued interest payable	255,526	-	-	-	255,526
Current maturities of revenue bonds	-	-	-	1,105,000	1,105,000
Current maturities of IEPA construction loans	-	-	-	651,428	651,428
Total Current Liabilities	255,526	-	-	6,324,288	6,579,814
LONG-TERM LIABILITIES					
Noncurrent accrued sick leave, vacation and retention	-	-	-	1,360,168	1,360,168
Revenue bonds	-	-	-	14,290,000	14,290,000
Unamortized debt premium	-	-	-	142,143	142,143
IEPA construction loans	-	-	-	3,790,333	3,790,333
Other post employment benefit payable	-	-	-	2,838	2,838
Net pension obligation payable	-	-	-	124,154	124,154
Total Long-Term Liabilities	-	-	-	19,709,636	19,709,636
Total Liabilities	255,526	-	-	26,033,924	26,289,450
NET ASSETS					
Invested in capital assets, net of related debt	-	-	4,697,559	70,419,027	75,116,586
Restricted for debt service	1,120,584	1,737,655	-	-	2,858,239
Unrestricted	-	-	-	6,537,001	6,537,001
TOTAL NET ASSETS	\$ 1,120,584	\$ 1,737,655	\$ 4,697,559	\$ 76,956,028	\$ 84,511,826

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

COMBINING SCHEDULE OF CHANGES IN CASH AND CASH EQUIVALENTS
For the Year Ended November 30, 2012

	Operation and Maintenance Account	Bond and Interest Accounts				Subordinated Indebtedness Account
		First Lien Principal Account	First Lien Interest Account	Second Lien Principal Account	Second Lien Interest Account	
CASH RECEIPTS						
Service charges	\$ 19,273,370	\$ -	\$ -	\$ -	\$ -	\$ -
Connection charges	142,886	-	-	-	-	-
Proceeds from Sale of Revenue Bonds	-	-	-	-	-	-
Proceeds from IEPA Loan	-	-	-	-	-	-
Interest income	9,259	-	-	-	-	-
Transfers (to) from, net	(2,527,247)	640,800	315,600	435,000	264,599	696,156
Other, net	1,957,510	-	-	-	-	-
Total Cash Receipts	<u>18,855,778</u>	<u>640,800</u>	<u>315,600</u>	<u>435,000</u>	<u>264,599</u>	<u>696,156</u>
CASH DISBURSEMENTS						
Operating expenses	17,339,501	-	-	-	-	-
Acquisition and construction of capital assets	126,083	-	-	-	-	-
Principal and interest expense	56,784	420,000	287,701	420,000	271,906	696,151
Payment to other funds	(60,492)	-	-	-	-	-
Total Cash Disbursements	<u>17,461,878</u>	<u>420,000</u>	<u>287,701</u>	<u>420,000</u>	<u>271,906</u>	<u>696,151</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	1,393,902	220,800	27,899	15,000	(7,307)	5
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,272,419</u>	<u>420,008</u>	<u>139,885</u>	<u>420,049</u>	<u>139,731</u>	<u>40</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,666,321</u>	<u>\$ 640,808</u>	<u>\$ 167,784</u>	<u>\$ 435,049</u>	<u>\$ 132,424</u>	<u>\$ 45</u>
CONSISTING OF						
Demand deposits	<u>\$ 3,666,321</u>	<u>\$ 640,808</u>	<u>\$ 167,784</u>	<u>\$ 435,049</u>	<u>\$ 132,424</u>	<u>\$ 45</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,666,321</u>	<u>\$ 640,808</u>	<u>\$ 167,784</u>	<u>\$ 435,049</u>	<u>\$ 132,424</u>	<u>\$ 45</u>

<u>Bond Reserve Accounts</u>						
<u>First Lien</u> <u>Bond Reserve</u> <u>Account</u>	<u>Second Lien</u> <u>Bond Reserve</u> <u>Account</u>	<u>2008 and 2012</u> <u>Water & Sewer</u> <u>Bond Accounts</u>	<u>Depreciation</u> <u>Account</u>	<u>Liability</u> <u>Insurance</u> <u>Account</u>	<u>Workers'</u> <u>Compensation</u> <u>Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,273,370
-	-	-	-	-	-	142,886
-	-	2,596,271	-	-	-	2,596,271
-	-	-	2,949,226	-	-	2,949,226
-	-	3,543	3,533	853	-	17,188
294,950	-	-	(294,950)	125,000	50,092	-
-	-	-	165,811	-	-	2,123,321
<u>294,950</u>	<u>-</u>	<u>2,599,814</u>	<u>2,823,620</u>	<u>125,853</u>	<u>50,092</u>	<u>27,102,262</u>
-	-	32,050	-	-	-	17,371,551
-	-	1,504,481	4,118,475	-	-	5,749,039
-	-	2,561,898	-	-	-	4,714,440
-	-	-	-	-	-	(60,492)
<u>-</u>	<u>-</u>	<u>4,098,429</u>	<u>4,118,475</u>	<u>-</u>	<u>-</u>	<u>27,774,538</u>
294,950	-	(1,498,615)	(1,294,855)	125,853	50,092	(672,276)
<u>721,177</u>	<u>721,528</u>	<u>4,270,641</u>	<u>4,278,846</u>	<u>907,132</u>	<u>100,074</u>	<u>14,391,530</u>
<u>\$ 1,016,127</u>	<u>\$ 721,528</u>	<u>\$ 2,772,026</u>	<u>\$ 2,983,991</u>	<u>\$ 1,032,985</u>	<u>\$ 150,166</u>	<u>\$ 13,719,254</u>
<u>\$ 1,016,127</u>	<u>\$ 721,528</u>	<u>\$ 2,772,026</u>	<u>\$ 2,983,991</u>	<u>\$ 1,032,985</u>	<u>\$ 150,166</u>	<u>\$ 13,719,254</u>
<u>\$ 1,016,127</u>	<u>\$ 721,528</u>	<u>\$ 2,772,026</u>	<u>\$ 2,983,991</u>	<u>\$ 1,032,985</u>	<u>\$ 150,166</u>	<u>\$ 13,719,254</u>

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OTHER INFORMATION

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WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) As of November 30, 2012

Property/Boiler	All risk building contents for scheduled amounts at each location; \$100,000 deductible - Flood and earthquake sub limit \$100,000,000 each; \$500,000 deductible	
General Liability, Auto Liability, Auto Property	\$30,000,000 coverage	\$2,000,000 self-insured retention
Employment Practices	\$2,000,000 coverage	\$100,000 self-insured retention
Underground Storage	\$2,000,000 coverage	\$100,000 deductible
Crime Coverage	\$2,000,000 coverage	\$50,000 deductible
Workers' Compensation	Statutory Coverage; self-insured retention \$1,000,000; employer limit of liability \$1,000,000	

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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

REQUIRED INFORMATION FOR CONTINUING DISCLOSURE UNDERTAKING
As of and for the Year Ending November 30, 2012

Customers

Total Metered Sewer and Water Customers

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Metered Sewer Customers	34,854	35,152	35,175	35,454	35,661	35,970	35,251	35,348	35,210	35,465
Metered Water Customers	4,457	4,490	4,608	4,626	4,701	3,148	3,163	3,078	3,111	3,174

Top 10 Sewer Customers
January 2012 through December 2012

Customer	Annual Total
Four Lakes Development Multi Unit Housing	\$142,191
Lucent Technologies	131,803
Hinsdale Lake Multi Unit Housing	131,366
Aml-i-Building Multi Unit Housing	119,908
EL-AD Windsor Lakes LLC Multi Unit Housing	100,593
M&M / Mars Inc.	90,631
Stratford Green	75,769
Natural Falls Resort Apts. Multi Unit Housing	74,585
Benedictine University	71,822
MC Property Management, Multi Unit Housing	58,399

Top 10 Water Customers
January 2012 through December 2012

Customer	Annual Total
Hinsdale Lk Multi Unit Housing	\$323,428
Stratford Green Multi Unit Housing	184,592
Willow Lke Apts Multi Unit Housing	169,498
Hinsdale Pt. Condo Assn. Multi Unit Housing	122,372
Waterfall Glen Multi Unit Housing	119,756
Champagne Lodge	30,318
River Glen Multi Unit Housing	27,715
Village Oaks Multi Unit Housing	19,284
Arena Development	13,263
Steeple Run Condo Assn. Multi Unit Housing	11,752

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

REQUIRED INFORMATION FOR CONTINUING DISCLOSURE UNDERTAKING As of and for the Year Ending November 30, 2012

Consumption Data

	<u>Total Gallons Billed (1,000)</u>									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sewer Billed Consumption	4,400	4,253	4,781	4,209	4,181	3,964	3,877	3,826	3,775	4,192
Water Billed Consumption	545	543	665	552	552	493	499	491	468	514

Rates

Sewer Service Rates Effective 1/1/13

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

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

Base Charge – Billing	\$	3.94
Base Charge – Meter Reading		1.86
User Charge		41.12
Sewer Maintenance Charge		15.20
NPDES Fee		0.59
Amount billed to a customer connected to a System maintained Sewer (2 month bill)	\$	<u>62.69</u>

Water Service Rates Effective 1/1/13

Southeast Regional Water Facility (SERWF)
\$7.95 per 1,000 gallons

North Regional Water Facility (NRWF)
\$5.18 per 1,000 gallons

Steeple Run
\$7.95 per 1,000 gallons

Greene Road
\$7.95 per 1,000 gallons

Glen Ellyn Heights
\$7.95 per 1,000 gallons

York Center
\$7.95 per 1,000 gallons

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON DEBT COVENANTS COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Water and Sewerage System of DuPage County, Illinois (System) as of November 30, 2012, and have issued our report thereon dated April 15, 2013.

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

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

Baker Tilly Vinchow Krause, LLP

Oak Brook, Illinois
April 15, 2013

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