

**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, 2019
(With Comparative Totals for November 30, 2018)

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, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewerage System of DuPage County, Illinois as of November 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of 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 DuPage County, Illinois, as of November 30, 2019 and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The financial information listed as supplementary information in the table of contents for the year ended November 30, 2019 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as supplementary information in the table of contents for the year ended November 30, 2019 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

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

Prior-Year Comparative Information

We have previously audited the Water and Sewerage System of DuPage County, Illinois' 2018 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated May 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
May 13, 2020

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2019**

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, 2019.

- For fiscal year 2019, user charges and other revenues of the System were \$27,519,258 and expenses were \$26,132,001 resulting in total revenues exceeding total expenses by \$1,387,257. It should be noted that \$3.86 million of the reported expense is related to depreciation and amortization.
- Cash disbursements exceeded cash receipts by \$779,320 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 May 2019 customer bills, with subsequent scheduled increases in 2020, 2021 and 2022.

The System completed the following construction projects in 2019: bar screen replacement at the Knollwood facility and relined approximately 9,300 feet of sewer pipe.

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 the next twenty years. 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.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2019**

- Improved customer service initiatives such as modernization of metering equipment and improved capacity of the sewer system.

Construction in Progress for Capital Improvement Plan and other projects was \$1,130,482 as of November 30, 2019.

Overview of the Financial Statements

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

Financial Statements

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

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

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

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

The accounts of the System are organized on the basis of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Because the System provides water delivery and sewage treatment and recovers these costs through user fees and charges, the System's funds are accounted for as an enterprise fund type of the proprietary fund group. The Financial Statements can be found on pages 13 to 17.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2019**

Notes to Financial Statements

The Notes provide additional information that is essential to a full understanding of the financial data provided in the Financial Statements. The Notes to the Financial Statements can be found on pages 18 to 38 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 39 to 49.

Statement of Net Position

The following is a summary of the System's Statement of Net Position as of November 30, 2019 and 2018.

Statement of Net Position Summary

	November 30,	
	2019	2018
Current Assets	\$17,680,056	\$17,034,030
Capital Assets	93,351,952	94,405,063
Restricted and Other Assets	5,569,053	5,824,530
Total Assets	116,601,061	117,263,623
Deferred Outflows of Resources Related to Pensions	2,954,191	696,087
Deferred Outflows of Resources Related to OPEB	33,970	-
Current Liabilities	7,001,234	7,399,837
Long-term Liabilities	16,079,572	13,882,271
Total Liabilities	23,080,806	21,282,108
Deferred Inflows of Resources Related to Pensions	313,109	1,868,238
Deferred Inflows of Resources Related to OPEB	12,879	14,193
Net Investment in Capital Assets	82,703,972	82,089,431
Restricted for Debt Service	5,485,069	5,724,817
Unrestricted Net Position	7,993,387	6,980,923
Total Net Positions	\$96,182,428	\$94,795,171

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2019**

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, 2019 and November 30, 2018:

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION SUMMARY

	November 30,	
	2019	2018
Revenues:		
Users' Charges	\$ 15,420,322	\$ 14,763,052
Miscellaneous Income	2,379,775	2,427,792
Administrative Fees	1,282,208	1,204,993
Connection Fees	254,880	343,265
Capital Contributions	1,276,320	2,633,468
Special Item	-	1,745,740
Total Revenue	20,613,505	23,118,310
Pass Through Revenue		
Darien Water Charges	6,361,917	6,595,997
Glen Ellyn Sewer Charges	543,836	543,939
Total Pass Through Revenue	6,905,753	7,139,936
Expenses:		
Salaries & Employee Benefits	8,176,641	8,834,129
Commodities	1,423,575	1,526,175
Contractual	5,179,030	4,834,501
Depreciation and Amortization	3,862,059	3,552,048
Interest and Other	586,976	382,431
Total Expenses	19,228,281	19,129,284
Pass Through Expenses		
Darien Water Payments	6,361,917	6,595,997
Glen Ellyn Sewer Payments	541,803	535,909
Total Pass Through Expenses	6,903,720	7,131,906
Change in Net Position	\$ 1,387,257	\$ 3,997,056

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2019**

The following is a discussion of the variances between 2019 and 2018.

Revenues

Revenues from user charges for sewerage service and sewer maintenance increased by \$513,313 or 4.36%. User charge increases went into effect with May 2019 billing. The user fee increase was 6.83% and the sewer maintenance fee increase was 5.71%. Volume billed decreased by 3.2%. The decrease in volume billed was attributable to the unusually high levels of rain the service area experienced during 2019.

Revenues from user charges for County water decreased 1.0%. There was no increase in water rates in 2019. The decrease in revenue was due to a decrease in water consumption.

Miscellaneous Income decreased \$48,017 or 2.0%. The most significant item in 2018 was a one-time charge for \$145,303 to the Highland Hills Sanitary District for labor and other costs related to the water system consolidation. There was no such charge in 2019. The System maintains two fueling stations for its use, use of other County departments and local municipalities. Revenue for fuel charges to other departments and municipalities was relatively flat compared to the prior year. The System takes in vacuum waste from other municipalities. Vactor revenue decreased \$22,670 from the prior year. The System accepts discharges of Septic waste. Septic revenue increased \$56,625 or 22.2% due primarily to an increase in volume. The System also generates revenue from the rental of space on water towers to cell phone service providers. Water tower rent increased \$9,895 or 3.0%.

Administrative fees increased by \$77,215 from 2019 to 2018. The bi-monthly fee charged to customers for billing and meter reading changed to \$6.10 effective March 2019.

Connection fees decreased approximately \$88,385. The System collected fees for 58 sewer connection permits in 2019, with an average fee of \$4,650 compared to 55 connection permits in 2018, with an average fee of \$6,344.

Capital Contributions decreased by \$1,357,148 due to the County accepting a lower number of sewer and water lines from developers.

The pass-through revenue from the City of Darien decreased approximately \$234,080 due to lower 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 decreased \$657,488 or 7.4%. Salaries increased by \$200,884 due to a cost of living salary increase of 2% in FY2019. This increase was offset by a net Employee Benefits expense decrease of \$858,372 due to lower Pension expense accruals.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2019**

Commodity expenses decreased approximately 6.7% or \$102,600.

Auto/machinery/equipment parts decreased \$81,500 due to a decrease in the number of in-house maintenance projects at the Woodridge and Knollwood sewer treatment facilities. Fuel expense decreased \$27,780 due to decreased System usage and usage by other departments and municipalities.

Contractual expenses increased \$344,529 or 7.1%. Water purchases increased \$112,375 or 5.84% due to a rate increase of \$0.03 per thousand gallons beginning in May 2019. This was coupled with an increased in unaccounted water due in part to aging water meters that have slowed down over time and will be replaced as part of the initiative to modernize metering equipment. Workers Compensation Insurance decreased \$24,825 due to decreased cost of claims. Repair & Maintenance Facilities increased \$74,324. This was due to the painting of structural steel influent distributor boxes and air backwash piping costing \$67,500. Repair & Maintenance Other Equipment increased \$37,747. This was due to a phone system upgrade and rodder replacement. Dues and Memberships increased \$78,366. This was due to the membership of the DuPage River Salt Creek workgroup and an increase in project identification through this membership. Increase in postal charges of \$57,310 due to the timing of funding the postal permit account for the mailing of utility bills.

Other Government Services decreased \$228,186. The largest portion of this decrease was the result of a decrease 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 increased \$204,545. Interest expense decreased by \$62,000 due to a decrease in interest expense on bonds and loans due to a reduction in principal. The loss of disposal of assets increased by \$266,064. Seven assets with remaining book value were disposed in 2019 compared with only one asset with remaining book value was disposed in 2018.

**THE WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended November 30, 2019**

CAPITAL ASSETS, OTHER ASSETS AND LONG-TERM DEBT

Capital Assets

The System's investment in capital assets as of November 30, 2019 is summarized below, net of accumulated depreciation.

Land and Land Improvements	\$ 1,559,475
Sewage System	65,785,597
Water System	21,539,721
Other Property, Plant and Equipment	1,998,058
Net Intangible Assets	1,338,619
Construction in Progress	<u>1,130,482</u>
 Total Net Capital Assets	 <u>\$ 93,351,952</u>

Capital asset activity included \$2,552,089 in additions and \$1,380,450.82 of disposals. Of the capital asset additions, \$1,276,320 was contributed. Of the contributed assets \$100,000 was from the acquisition of land from the Highland Hills Sanitary District. Additional information on the System's capital assets can be found in Note 3 of the financial statements.

Other Assets

Other Assets decreased from \$3,950,994 in 2018 to \$3,688,990 in 2019. 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, 2019**

The following is a summary of the outstanding long-term obligations of the System as of November 30, 2019.

Series 2012	\$ 815,000
Series 2018	6,155,000
IEPA Loan (2012)	3,647,701
Unamortized debt premium	32,602
Accrued sick, vacation and retention payable	1,526,261
Other post employment benefit payable	398,793
Net pension liability	<u>5,435,867</u>
 Total Long Term Debt	 \$ <u>18,011,224</u>

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

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

The COVID-19 crisis and related economic impact will have an impact on connection revenue, investment income and user charges in 2020. These impacts will differ by category.

The connection revenue forecast for 2020 is conservative and is based on local economic and development conditions. Connection revenues are now projected to decrease compared to 2019 due to the current economic uncertainty. The area served by the System is also largely developed with limited land available for new growth.

It is anticipated that investment income will decrease due to lower interest rate environment.

The impact on user charges will vary. It is anticipated that there will be declines with business users. These may be offset by increases with residential users as a result of “stay-at-home” orders. 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, 2019**

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 May 2019 billing, user rates for the sewer system increased to \$3.13 per thousand gallons and will subsequently increase approximately 6% per year through 2022. Sewer maintenance rates increased to \$1.11 per thousand gallons and will increase approximately 5% per year through 2022. Administrative fees increased to \$6.10 per bi-monthly bill and will increase approximately 5% per year through 2022. Effective with March 2020 billing, water rates increased to \$10.23 per thousand gallons with subsequent increases of approximately 3% in 2021 and 2022. The System continued to audit water meters with questionable readings. If the meter was found to be defective it was replaced and the System will continue to audit water meters in areas where water loss was high. In 2019, a meter replacement capitalization project was created to replace aging meters. In addition, the System is testing automated meter reading in its smaller water systems.

The System anticipates retirement payouts in 2020 to be similar to those in 2019. Retirements directly affect cash flows for the department. DuPage County has an employee retention program that provides for a retention payment at retirement for eligible employees. In addition to this retention payment, employees receive a payout for their accrued vacation and sick time accrued prior to December 1, 2011.

REQUESTS FOR INFORMATION

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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF NET POSITION
As of November 30, 2019
(With Comparative Totals for November 30, 2018)

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash		
Operation and maintenance account	\$ 4,085,846	\$ 4,865,166
Depreciation account	4,305,457	2,809,217
Liability insurance account	1,784,454	1,659,454
Employee retention account	544,988	494,988
Workers compensation account	450,388	400,388
Total Cash	11,171,133	10,229,213
Accounts receivable - service, net	2,656,633	3,148,643
Unbilled service revenue	3,545,475	3,403,620
Due from County	118,396	77,597
Miscellaneous receivable	188,419	174,957
Total Current Assets	17,680,056	17,034,030
RESTRICTED ASSETS		
Cash		
First lien bond principal account	242,917	229,167
First lien bond interest account	12,479	16,646
First lien bond reserve account	294,950	294,950
Second lien bond principal account	1,077,083	1,067,917
Second lien bond interest account	60,428	72,651
Subordinated indebtedness account	189,883	189,882
2012 water bond account	2,323	2,323
Total Restricted Cash	1,880,063	1,873,536
Special service area assessments receivable	3,688,990	3,950,994
Total Restricted Assets	5,569,053	5,824,530
CAPITAL ASSETS		
Utility Plant in Service		
Land and land improvements	1,559,475	1,459,475
Sewerage system	167,757,064	167,448,798
Accumulated depreciation	(101,971,467)	(99,991,598)
Net Sewerage System	65,785,597	67,457,200
Water system	34,090,542	33,834,742
Accumulated depreciation	(12,550,821)	(12,008,532)
Net Water System	21,539,721	21,826,210
Other property, plant and equipment	5,134,506	4,626,933
Accumulated depreciation	(3,136,448)	(3,101,992)
Net Other Property, Plant and Equipment	1,998,058	1,524,941
Water commission buy in	3,397,959	3,397,959
Water commission meter station	1,054,261	1,054,261
Accumulated amortization	(3,113,601)	(2,828,916)
Net Intangibles	1,338,619	1,623,304
Total Utility Plant in Service	92,221,470	93,891,130
Construction in Progress	1,130,482	513,933
Total Capital Assets	93,351,952	94,405,063
Total Assets	116,601,061	117,263,623
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	2,954,191	696,087
Deferred outflows of resources related to OPEB	33,970	-
Total deferred outflows of resources	2,988,161	696,087

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF NET POSITION
As of November 30, 2019
(With Comparative Totals for November 30, 2018)

LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,302,314	\$ 1,311,328
Accrued wages	240,762	261,978
Accrued sick leave, vacation and retention - current	251,677	203,850
Charges collected for others	2,285,447	2,443,461
Payroll deductions payable	75,641	81,146
Due to County	63,757	538,680
Unearned revenue	1,020,000	810,000
Current Liabilities Payable From Restricted Assets		
Accrued interest payable	81,661	97,390
Current maturities of revenue bonds	1,440,000	1,415,000
Current maturities of IEPA construction loan	239,975	237,004
Total Current Liabilities	<u>7,001,234</u>	<u>7,399,837</u>
LONG-TERM LIABILITIES		
Accrued sick leave, vacation and retention - noncurrent	1,274,584	1,337,738
Revenue bonds	5,530,000	6,970,000
Unamortized debt premium	32,602	48,250
IEPA construction loans	3,407,726	3,647,701
Total OPEB liability	398,793	356,039
Net pension liability	5,435,867	1,522,543
Total Long-Term Liabilities	<u>16,079,572</u>	<u>13,882,271</u>
 Total Liabilities	 <u>23,080,806</u>	 <u>21,282,108</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	313,109	1,868,238
Deferred inflows of resources related to OPEB	12,879	14,193
 Total deferred inflows of resources	 <u>325,988</u>	 <u>1,882,431</u>
NET POSITION		
Net investment in capital assets	82,703,972	82,089,431
Restricted for debt service	5,485,069	5,724,817
Unrestricted	7,993,387	6,980,923
 TOTAL NET POSITION	 <u>\$ 96,182,428</u>	 <u>\$ 94,795,171</u>

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 For the Year Ended November 30, 2019
 (With Comparative Totals for the Year Ended November 30, 2018)

	Sewer				Total	
	Sewerage	Water	Maintenance	Administration	2019	2018
OPERATING REVENUES						
Sewerage Service Users' Charges						
DuPage system	\$ 10,080,405	\$ -	\$ -	\$ -	\$ 10,080,405	\$ 9,636,444
Other systems	543,836	-	-	-	543,836	543,939
Water Service Users' Charges						
DuPage system	-	3,436,883	-	-	3,436,883	3,302,645
Other systems	-	6,361,917	-	-	6,361,917	6,595,997
Sewer Maintenance Users' Charges						
Administrative fees	-	-	1,656,102	-	1,656,102	1,586,647
DuPage Water Commission capital buy-in fee	-	246,932	-	1,282,208	1,282,208	1,204,993
Penalties	-	-	-	238,361	238,361	216,175
Miscellaneous income	370,873	387,604	-	1,086,587	1,845,064	2,130,551
Total Operating Revenues	<u>10,995,114</u>	<u>10,433,336</u>	<u>1,656,102</u>	<u>2,607,156</u>	<u>25,691,708</u>	<u>25,454,707</u>
OPERATING EXPENSES						
Operation and Maintenance Expenses						
Personnel						
Salaries	3,044,978	1,068,244	927,250	1,115,871	6,156,343	5,955,459
Employee benefits	974,652	355,997	306,852	382,797	2,020,298	2,878,670
Commodities						
Equipment parts and supplies	364,865	230,738	116,006	56,148	767,757	840,792
Chemicals and gases	309,068	45,984	17,257	283,509	655,818	685,383
Contractual Services						
Professional services	71,747	31,687	3,526	44,364	151,324	131,865
Sludge removal	338,283	-	-	-	338,283	326,928
Natural gas	128,021	20,537	3,366	945	152,869	159,532
Electricity	980,673	70,625	18,735	(2,789)	1,067,244	1,125,126
Water and sewer	11,415	2,036,937	-	-	2,048,352	1,933,675
Repairs and maintenance	209,827	108,632	27,691	15,823	361,973	190,665
Reimbursements	541,803	6,361,917	-	-	6,903,720	7,131,906
Other contractual	451,564	176,166	135,324	295,931	1,058,985	966,710
Total Operation and Maintenance Expenses	<u>7,426,896</u>	<u>10,507,464</u>	<u>1,556,007</u>	<u>2,192,599</u>	<u>21,682,966</u>	<u>22,326,711</u>
Operating income before amortization and depreciation	3,568,218	(74,128)	100,095	414,557	4,008,742	3,127,996
Amortization of intangibles	-	284,685	-	-	284,685	284,685
Depreciation	3,023,545	542,289	-	11,540	3,577,374	3,267,363
Total Operating Expenses	<u>10,450,441</u>	<u>11,334,438</u>	<u>1,556,007</u>	<u>2,204,139</u>	<u>25,545,025</u>	<u>25,878,759</u>
Operating Income (Loss)	544,673	(901,102)	100,095	403,017	146,683	(424,052)
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	280,701	280,701	65,417
Interest expense on bonds and loans	(102,211)	(96,380)	(28,145)	-	(226,736)	(288,255)
Amortization of bond premium issuance costs	-	-	-	15,649	15,649	15,649
Fiscal agent fees	-	-	-	(550)	(550)	(550)
Gain (loss) on disposal of assets	(66,473)	-	(293,217)	-	(359,690)	(93,626)
Total Nonoperating Revenues (Expenses)	<u>(168,684)</u>	<u>(96,380)</u>	<u>(321,362)</u>	<u>295,800</u>	<u>(290,626)</u>	<u>(301,365)</u>
Income (Loss) before contributions and special item	375,989	(997,482)	(221,267)	698,817	(143,943)	(725,417)
CONNECTION CHARGES	202,051	52,829	-	-	254,880	343,265
CAPITAL CONTRIBUTIONS	920,520	355,800	-	-	1,276,320	2,633,468
SPECIAL ITEM - TRANSFER OF OPERATIONS	-	-	-	-	-	1,745,740
CHANGE IN NET POSITION	\$ 1,498,560	\$ (588,853)	\$ (221,267)	\$ 698,817	1,387,257	3,997,056
NET POSITION, Beginning of Year					94,795,171	91,116,059
Cumulative effect of a Change in Accounting Principle					-	(317,944)
NET POSITION - END OF YEAR					\$ 96,182,428	\$ 94,795,171

See accompanying notes to financial statements.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF CASH FLOWS For the Year Ended November 30, 2019 (With Comparative Totals for November 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 24,196,799	\$ 23,427,197
Payments to employees for services	(8,111,128)	(7,970,988)
Payments to suppliers for goods and services	(13,656,609)	(13,481,926)
Other revenue	2,303,606	3,086,871
Net Cash Flows From Operating Activities	4,732,668	5,061,154
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment (to) from other funds	(515,720)	170,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	280,701	65,417
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds	-	7,320,000
Acquisition and construction of capital assets	(1,909,063)	(3,521,693)
Principal payments on revenue bonds	(1,415,000)	(1,290,000)
Principal refunding payments of 2008 series bonds	-	(7,235,000)
Principal payments on IEPA loan	(237,004)	(234,069)
Interest payments on bonds and loans	(242,465)	(366,171)
Proceeds from connection charges	254,880	343,265
Paying agent fees	(550)	(550)
Net Cash Flows From Capital and Related Financing Activities	(3,549,202)	(4,984,218)
Net Change in Cash and Cash Equivalents	948,447	312,679
CASH AND CASH EQUIVALENTS, Beginning of Year	12,102,749	11,790,070
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,051,196	\$ 12,102,749
RECONCILIATION TO STATEMENTS OF NET POSITION		
Cash	\$ 11,171,133	\$ 10,229,213
Restricted cash	1,880,063	1,873,536
CASH AND CASH EQUIVALENTS	\$ 13,051,196	\$ 12,102,749

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

STATEMENTS OF CASH FLOWS For the Year Ended November 30, 2019 (With Comparative Totals for November 30, 2018)

	2019	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 146,683	\$ (424,052)
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities		
Depreciation	3,577,374	3,267,363
Amortization of other assets	284,685	284,685
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources		
Accounts receivable	492,010	(20,766)
Accrued unbilled service revenue	(141,855)	123,807
Due from special service area	262,004	727,209
Miscellaneous receivable	(13,462)	19,111
Deferred outflows of resources related to pensions	(2,258,104)	1,087,236
Deferred outflows of resources related to OPEB	(33,970)	-
Accounts payable	7,730	91,783
Payroll deductions payable	(5,505)	16,640
Unearned revenue	210,000	210,000
Accrued sick leave, vacation, retention and wages payable	(36,543)	179,330
Net pension liability	3,913,324	(2,223,465)
Total OPEB liability	42,754	(18,525)
Charges collected for others	(158,014)	(81,127)
Deferred inflows of resources related to pensions	(1,555,129)	1,807,732
Deferred inflows of resources related to OPEB	(1,314)	14,193
	\$ 4,732,668	\$ 5,061,154
NET CASH FLOWS FROM OPERATING ACTIVITIES		
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Highland Hills Sanitary District	\$ -	\$ 1,745,450
Capital contributions	\$ 1,276,320	\$ 2,633,468

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

CHANGES IN ACCOUNTING PRINCIPLES

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented December 1, 2018.

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

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended November 30, 2019

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

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% 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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

- (6) obligations of any state or political subdivision or instrumentality of any state which are secured by obligations described in (1) above.

Receivables/Payables

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

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

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 resources first, then unrestricted resources.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

Capital Assets

Capital assets purchased, constructed and obtained through federal grants are recorded at cost or estimated historical cost. Major outlays for System plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. The total interest expense incurred by the System during the current fiscal year was \$226,736. 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. 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.

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.

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, 2019. 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.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

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

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.

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, 2018, 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, 2019

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 the following statements:

- Statement No. 83, *Certain Asset Retirement Obligations*
- 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*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years. Application of these standards may restate portions of these financial statements.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

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, 2019, cash and cash equivalents at year end consisted of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits with financial institutions	<u>\$ 13,051,196</u>	<u>\$ 12,780,656</u>	Custodial credit
Per statement of net position			
Cash	\$ 11,171,133		
Restricted cash	<u>1,880,063</u>		
Total deposits and investments	<u>\$ 13,051,196</u>		

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

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

Custodial Credit Risk

Deposits

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

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

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2019, was as follows:

	Balance Beginning	Additions/ Transfers	Transfers/ Disposal	Balance Ending
Capital assets, not being depreciated				
Land	\$ 1,459,475	\$ 100,000	\$ -	\$ 1,559,475
Construction in progress	513,933	3,168,639	2,552,090	1,130,482
Total Capital Assets Not Being Depreciated	<u>1,973,408</u>	<u>3,268,639</u>	<u>2,552,090</u>	<u>2,689,957</u>
Capital assets being depreciated/amortized				
Sewerage treatment plant	93,896,302	366,535	621,417	93,641,420
Sewerage systems	73,552,496	1,149,290	586,142	74,115,644
Total Sewerage System	<u>167,448,798</u>	<u>1,515,825</u>	<u>1,207,559</u>	<u>167,757,064</u>
Water pumping facility	15,483,424	-	-	15,483,424
Water supply	18,351,318	255,800	-	18,607,118
Total Water System	<u>33,834,742</u>	<u>255,800</u>	<u>-</u>	<u>34,090,542</u>
Data processing equipment	338,717	27,100	-	365,817
Other machinery and equipment	691,715	378,694	8,600	1,061,809
Autos and trucks	3,481,098	274,671	164,292	3,591,477
Furniture and office equipment	115,403	-	-	115,403
Total Equipment	<u>4,626,933</u>	<u>680,465</u>	<u>172,892</u>	<u>5,134,506</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>210,362,693</u>	<u>2,452,090</u>	<u>1,380,451</u>	<u>211,434,332</u>
Less: Accumulated depreciation/amortization				
Sewerage System	(99,991,598)	(2,839,177)	(859,308)	(101,971,467)
Water System	(12,008,532)	(542,289)	-	(12,550,821)
Equipment	(3,101,992)	(195,908)	(161,452)	(3,136,448)
Intangibles	(2,828,916)	(284,685)	-	(3,113,601)
Total Accumulated Depreciation/Amortization	<u>(117,931,038)</u>	<u>(3,862,059)</u>	<u>(1,020,760)</u>	<u>(120,772,337)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>92,431,655</u>	<u>(1,409,969)</u>	<u>359,691</u>	<u>90,661,995</u>
Net Capital Assets	<u>\$ 94,405,063</u>	<u>\$ 1,858,670</u>	<u>\$ 2,911,781</u>	<u>\$ 93,351,952</u>

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 4 – RESTRICTED ASSETS – SPECIAL SERVICE AREA ASSESSMENTS RECEIVABLE

As of November 30, 2019, the System has \$3,688,990 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 \$3,424,015 of the reimbursement is due after one year.

NOTE 5 – LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended November 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds	\$ 8,385,000	\$ -	\$ 1,415,000	\$ 6,970,000	\$ 1,440,000
Other Liabilities:					
IEPA construction loans	3,884,705	-	237,004	3,647,701	239,975
Unamortized debt premium	48,250	-	15,648	32,602	-
Accrued compensated absences	1,541,588	449,572	464,899	1,526,261	251,677
Total OPEB liability	356,039	74,061	31,307	398,793	-
Net pension liability	1,522,543	5,180,799	1,267,475	5,435,867	-
 Total Long-Term Obligations	\$ 15,738,125	\$ 5,704,432	\$ 3,431,333	\$ 18,011,224	\$ 1,931,652

REVENUE BONDS PAYABLE

Revenue bonds outstanding at year-end are as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 11/30/19
4/25/2012	DuPage Water Commission buy-in Refund series 2008A and series	1/1/2022	3%-4%	\$ 2,445,000	\$ 815,000
1/23/2018	2008B bonds	1/1/2024	2.4%	7,320,000	6,155,000
 Total				\$ 9,765,000	\$ 6,970,000

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

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended November 30, 2019

NOTE 5 – LONG-TERM OBLIGATIONS (cont.)

REVENUE BONDS PAYABLE (cont.)

Future Bond Payments

Fiscal Year	Series 2012		
	Bond Principal	Interest	Total
2020	\$ 265,000	\$ 25,975	\$ 290,975
2021	270,000	16,000	286,600
2022	280,000	5,600	285,600
	\$ 815,000	\$ 48,175	\$ 863,175
	Series 2018		
Fiscal Year	Bond Principal	Interest	Total
2020	\$ 1,175,000	\$ 132,618	\$ 1,307,618
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
Totals	\$ 6,155,000	\$ 373,438	\$ 6,528,438

PLEGGED 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 \$7,391,613. For the current year, principal and interest paid and total net revenues were \$1,609,645 and \$4,008,742, respectively. Annual principal and interest are expected to require approximately 3% of gross revenues.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended November 30, 2019

NOTE 5 – LONG-TERM OBLIGATIONS (CONT.)

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.

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.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended November 30, 2019

NOTE 5 – LONG-TERM OBLIGATIONS (cont.)

WATER AND SEWERAGE SYSTEM REVENUE BOND ORDINANCE (cont.)

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

At November 30, 2019, all required balances were in accordance with the Ordinances.

NOTE 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% per annum and matures on September 29, 2033. The total principal paid in fiscal year 2019 was \$237,004.

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:

<u>Fiscal Year</u>	IEPA Construction Loan		
	Principal	Interest	Total
2020	\$ 239,975	\$ 44,849	\$ 284,824
2021	242,985	41,840	284,824
2022	246,031	38,793	284,825
2023	249,116	35,708	284,824
2024-2028	1,293,228	130,893	1,424,121
2029-2033	1,376,366	47,755	1,424,121
Totals	\$ 3,647,701	\$ 339,838	\$ 3,987,539

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 7 – NET POSITION

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

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

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

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

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

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

Capital assets, net of accumulated depreciation	\$ 93,351,952
Less: Capital related debt	
Current portion of capital related IEPA construction loan	239,975
Current portion of capital related revenue bonds	1,440,000
Long-term portion of capital related IEPA construction loans	3,407,726
Long-term portion of capital related revenue bonds	5,530,000
Unamortized debt premium	32,602
Sub-Total	<u>10,650,303</u>
Add: Unspent debt proceeds – water and sewer bond account	<u>2,323</u>
Total Net Investment in Capital Assets	<u>\$ 82,703,972</u>

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

Total restricted assets	\$ 5,569,053
Unspent debt proceeds – water and sewer bond account	(2,323)
Liabilities payable from restricted assets:	
Accrued interest payable	<u>(81,661)</u>
Total Net Position Restricted for Debt Service	<u>\$ 5,485,069</u>

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 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, 2019, 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 \$850,771 in fiscal 2019. See the DuPage County Comprehensive Annual Financial Report for additional information.

NOTE 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% of their final rate of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 2% for each year thereafter.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 96 consecutive months' earnings during the last 10 years, capped at \$106,800) for credited service up to 15 years and 2% for each year thereafter. However, an employee's total pension cannot exceed 75% of their final rate of earnings. If an employee retires after 10 years of service between the ages of 62 and 67, and has less than 30 years of service credit, the pension will be reduced by 1/2% for each month that the employee is under the age of 67. If an employee retires after 10 years of service between the ages of 62 and 67, and has between 30 and 35 years of service credit, the pension will be reduced by the lesser of 1/2% for each month that the employee is under the age of 67 or 1/2% for each month of service credit less than 35 years. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes.

Contributions. As set by statute, System employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the System to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The System's actuarially determined contribution rate for calendar year 2018 was 12.07% 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, 2018 is available in the separately issued DuPage County, Illinois Comprehensive Annual Financial Report as of and for the year ended November 30, 2019.

Net Pension Liability. At November 30, 2019, 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	\$	5,435,867
County's proportionate share of the collective net pension liability		<u>151,607,633</u>
Total	\$	<u>157,043,500</u>

The net pension liability was measured as of December 31, 2018. 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, 2019, relative to the total contributions of the System and County during that period. At November 30, 2019, the System's proportion was 3.46%.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)

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

Actuarial Assumptions. The assumptions used to measure the total pension liability in the December 31, 2018 annual actuarial valuation included a 7.25% investment rate of return, (b) projected salary increases from 3.39% to 14.25%, including inflation, and (c) price inflation of 2.50%. 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 non-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 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 non-disabled 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	Allocation	Arithmetic	Geometric
Equities	37.00 %	8.50 %	7.15 %
International equities	18.00 %	9.20 %	7.25 %
Fixed income	28.00 %	3.75 %	3.75 %
Real estate	9.00 %	7.30 %	6.25 %
Alternatives	7.00 %		
Private equity		12.40 %	8.50 %
Hedge funds		5.75 %	5.50 %
Commodities		4.75 %	3.20 %
Cash equivalents	1.00 %	2.50 %	2.50 %

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended November 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)

Discount Rate. The discount rate used to measure the total collective pension liability for IMRF was 7.25%. The discount rate calculated using the December 31, 2017 measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that System 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% was blended with the index rate of 3.71% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2018 to arrive at a discount rate of 7.25 used to determine the total pension liability. The year ending December 31, 2117 is the last year in the 2019 to 2118 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% 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%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
System's proportionate share of the collective net pension liability/(asset)	\$ 9,232,695	\$ 5,435,867	\$ 2,329,142

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended November 30, 2019, the System recognized pension expense of \$597,988. The System reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 220,493	\$ -
Changes in assumptions	537,253	313,109
Net difference between projected and actual earnings on pension plan investments	1,768,037	-
Contributions subsequent to the measurement date	428,408	-
Total	\$ 2,954,191	\$ 313,109

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLAN (cont.)

ILLINOIS MUNICIPAL RETIREMENT FUND (cont.)

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending November 30, 2020. The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$2,212,674) will be recognized in pension expense as follows:

<u>Year Ending November 30</u>	<u>Amount</u>
2020	\$ 749,670
2021	517,097
2022	215,549
2023	<u>730,358</u>
Total	<u>\$ 2,212,674</u>

NOTE 8 – 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% of the premiums for such coverage.

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (CONT.)

Total OPEB Liability. At November 30, 2019, the System reported a liability for its proportionate share of the total OPEB liability of \$398,793. The liability was measured as of November 30, 2019, and was determined by an actuarial valuation as of December 1, 2017. 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, 2019. At November 30, 2019, the System's proportion was 3.46%.

Actuarial assumptions and other inputs. The total OPEB liability in the November 30, 2019 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 (0.51)% for HMO, increasing to the ultimate trend rate of 5.00% in 2019
Retirees' share of benefit-related costs	100%
	Initial rate of 3.40% for PPO, increasing to the ultimate trend rate of 5.00% in 2025

The discount rate was based on the November 29, 2019 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, 2019 valuation were based on the results of an actuarial experience study conducted by the independent actuary.

Discount Rate. At November 30, 2019, the discount rate used to measure the total OPEB liability was a blended rate of 2.77%, which was a change from the November 30, 2018 rate of 4.22%. 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 (1.77 percent) or 1-percentage-point higher (3.77 percent) than the current discount rate:

	1% Decrease (1.77%)	Discount Rate (2.77%)	1% Increase (3.77%)
Total OPEB liability	\$ 427,364	\$ 398,793	\$ 372,154

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2019

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (CONT.)

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:

	1% Decrease (varies)	Healthcare Cost Trend Rates (varies)	1% Increase (varies)
Total OPEB liability	\$ 356,224	\$ 398,793	\$ 448,578

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB. For the year ended November 30, 2019, the System recognized OPEB expense of \$28,321. The System reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 33,970	\$ 12,879
Total	\$ 33,970	\$ 12,879

The amounts reported as deferred inflows of resources related to OPEB (\$21,091) will be recognized in OPEB expense as follows:

Year Ending November 30	Amount
2020	\$ 2,277
2021	2,277
2022	2,277
2023	2,277
2024	2,277
Thereafter	9,706
Total	\$ 21,091

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended November 30, 2019

NOTE 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, 2019 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 \$1,876,524.

REQUIRED SUPPLEMENTARY INFORMATION

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

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

	<u>2019</u>	<u>2018</u>	<u>November 30, 2017</u>	<u>2016</u>	<u>2015</u>
System's proportion of the net pension liability	3.46%	3.49%	3.10%	3.10%	3.57%
System's proportionate share of the net pension liability	\$ 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>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>\$ 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	\$ 4,582,817	\$ 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	118.61%	33.37%	94.89%	93.26%	58.28%
Plan fiduciary net position as a percentage of the total pension liability	82.92%	94.93%	85.72%	85.43%	90.58%
Contractually required contribution	\$ 554,521	\$ 536,140	\$ 485,262	\$ 444,340	\$ 518,544
Contributions in relation to the contractually required contribution	<u>(553,264)</u>	<u>(535,209)</u>	<u>(489,525)</u>	<u>(444,153)</u>	<u>(515,746)</u>
Contribution deficiency (excess)	<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	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

RETIREE HEALTH INSURANCE PLAN SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY Two Most Recent Fiscal Years

	2019	2018
System's proportion of the total OPEB liability	3.46%	3.36%
System's proportionate share of the total OPEB liability	\$ 398,793	\$ 356,039
Covered payroll	\$ 6,062,164	\$ 5,915,829
System's proportionate share of the total OPEB liability as a percentage of covered payroll	6.58%	6.02%
Plan fiduciary net position as a percentage of the total OPEB liability	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	2.77%	
Discount rate	2.77%	
Payroll increases	2.00%	
Healthcare cost trend rates - HMO initial	-0.51%	
Healthcare cost trend rates - HMO ultimate	5.00%	
Healthcare cost trend rates - PPO initial	3.40%	
Healthcare cost trend rates - PPO ultimate	5.00%	
Mortality		RP-2014 study, improved using MP-2017 Improvement Rates

SUPPLEMENTARY INFORMATION

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

COMBINING SCHEDULE OF NET POSITION
As of November 30, 2019

ASSETS	Bond and Interest Accounts	Bond Reserve Accounts	2012 Water Bond Account	Other Accounts	Total
CURRENT ASSETS					
Cash					
Operation and maintenance account	\$ -	\$ -	\$ -	\$ 4,085,846	\$ 4,085,846
Depreciation account	-	-	-	4,305,457	4,305,457
Liability insurance account	-	-	-	1,784,454	1,784,454
Employee retention account	-	-	-	544,988	544,988
Workers compensation account	-	-	-	450,388	450,388
Total Cash	-	-	-	11,171,133	11,171,133
Accounts receivable - service, net	-	-	-	2,656,633	2,656,633
Unbilled service revenue	-	-	-	3,545,475	3,545,475
Due from County	-	-	-	118,396	118,396
Miscellaneous receivable	-	-	-	188,419	188,419
Total Current Assets	-	-	-	17,680,056	17,680,056
RESTRICTED ASSETS					
Cash					
First lien bond principal account	242,917	-	-	-	242,917
First lien bond interest account	12,479	-	-	-	12,479
First lien bond reserve account	-	294,950	-	-	294,950
Second lien bond principal account	1,077,083	-	-	-	1,077,083
Second lien bond interest account	60,428	-	-	-	60,428
Subordinated indebtedness account	189,883	-	-	-	189,883
2012 water bond account	-	-	2,323	-	2,323
Total Restricted Cash	1,582,790	294,950	2,323	-	1,880,063
Special service area assessments receivable	-	-	-	3,688,990	3,688,990
Total Restricted Assets	1,582,790	294,950	2,323	3,688,990	5,569,053
CAPITAL ASSETS					
Utility Plant in Service					
Land and land improvements	-	-	-	1,559,475	1,559,475
Sewerage system	-	-	-	167,757,064	167,757,064
Accumulated depreciation	-	-	-	(101,971,467)	(101,971,467)
Net Sewerage System	-	-	-	65,785,597	65,785,597
Water system	-	-	-	34,090,542	34,090,542
Accumulated depreciation	-	-	-	(12,550,821)	(12,550,821)
Net Water System	-	-	-	21,539,721	21,539,721
Other property, plant and equipment	-	-	-	5,134,506	5,134,506
Accumulated depreciation	-	-	-	(3,136,448)	(3,136,448)
Net Property, Plant and Equipment	-	-	-	1,998,058	1,998,058
Water commission buy in	-	-	-	3,397,959	3,397,959
Water commission meter station	-	-	-	1,054,261	1,054,261
Accumulated amortization	-	-	-	(3,113,601)	(3,113,601)
Net Intangibles	-	-	-	1,338,619	1,338,619
Total Utility Plant in Service	-	-	-	92,221,470	92,221,470
Construction in progress	-	-	-	1,130,482	1,130,482
Total Capital Assets	-	-	-	93,351,952	93,351,952
Total Assets	1,582,790	294,950	2,323	114,720,998	116,601,061
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions	-	-	-	2,954,191	2,954,191
Deferred outflows of resources related to OPEB	-	-	-	33,970	33,970
Total Deferred Outflows of Resources	-	-	-	2,988,161	2,988,161

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

COMBINING SCHEDULE OF NET POSITION
As of November 30, 2019

	Bond and Interest Accounts	Bond Reserve Accounts	2012 Water Bond Account	Other Accounts	Total
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,302,314	\$ 1,302,314
Accrued wages	-	-	-	240,762	240,762
Current accrued sick leave, vacation and retention	-	-	-	251,677	251,677
Charges collected for others	-	-	-	2,285,447	2,285,447
Payroll deductions payable	-	-	-	75,641	75,641
Due to County	-	-	-	63,757	63,757
Unearned revenue	-	-	-	1,020,000	1,020,000
Current Liabilities Payable From Restricted Assets					
Accrued interest payable	81,661	-	-	-	81,661
Current maturities of revenue bonds	-	-	-	1,440,000	1,440,000
Current maturities of IEPA construction loans	-	-	-	239,975	239,975
Total Current Liabilities	<u>81,661</u>	<u>-</u>	<u>-</u>	<u>6,919,573</u>	<u>7,001,234</u>
LONG-TERM LIABILITIES					
Noncurrent accrued sick leave, vacation and retention	-	-	-	1,274,584	1,274,584
Revenue bonds	-	-	-	5,530,000	5,530,000
Unamortized debt premium	-	-	-	32,602	32,602
IEPA construction loans	-	-	-	3,407,726	3,407,726
Other post employment benefit payable	-	-	-	398,793	398,793
Net pension liability	-	-	-	5,435,867	5,435,867
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,079,572</u>	<u>16,079,572</u>
Total Liabilities	<u>81,661</u>	<u>-</u>	<u>-</u>	<u>22,999,145</u>	<u>23,080,806</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	-	-	-	313,109	313,109
Deferred inflows of resources related to OPEB	-	-	-	12,879	12,879
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,988</u>	<u>325,988</u>
NET POSITION					
Net investment in capital assets	-	-	2,323	82,701,649	82,703,972
Restricted for debt service	1,501,129	294,950	-	3,688,990	5,485,069
Unrestricted	-	-	-	7,993,387	7,993,387
TOTAL NET POSITION	<u>\$ 1,501,129</u>	<u>\$ 294,950</u>	<u>\$ 2,323</u>	<u>\$ 94,384,026</u>	<u>\$ 96,182,428</u>

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

COMBINING SCHEDULE OF CHANGES IN CASH AND CASH EQUIVALENTS
For the Year Ended November 30, 2019

	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	\$ 24,196,799	\$ -	\$ -	\$ -	\$ -	\$ -
Connection charges	254,880	-	-	-	-	-
Interest income	280,701	-	-	-	-	-
Transfers (to) from, net	(5,531,299)	263,750	30,783	1,174,166	147,472	284,825
Payments from other funds	(515,720)	-	-	-	-	-
Other, net	2,303,606	-	-	-	-	-
Total Cash Receipts	<u>20,988,967</u>	<u>263,750</u>	<u>30,783</u>	<u>1,174,166</u>	<u>147,472</u>	<u>284,825</u>
CASH DISBURSEMENTS						
Operating expenses	21,767,737	-	-	-	-	-
Acquisition and construction of capital assets	-	-	-	-	-	-
Principal, interest and fees expense	550	250,000	34,950	1,165,000	159,695	284,824
Total Cash Disbursements	<u>21,768,287</u>	<u>250,000</u>	<u>34,950</u>	<u>1,165,000</u>	<u>159,695</u>	<u>284,824</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(779,320)	13,750	(4,167)	9,166	(12,223)	1
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>4,865,166</u>	<u>229,167</u>	<u>16,646</u>	<u>1,067,917</u>	<u>72,651</u>	<u>189,882</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,085,846</u>	<u>\$ 242,917</u>	<u>\$ 12,479</u>	<u>\$ 1,077,083</u>	<u>\$ 60,428</u>	<u>\$ 189,883</u>
CONSISTING OF						
Demand deposits	<u>\$ 4,085,846</u>	<u>\$ 242,917</u>	<u>\$ 12,479</u>	<u>\$ 1,077,083</u>	<u>\$ 60,428</u>	<u>\$ 189,883</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,085,846</u>	<u>\$ 242,917</u>	<u>\$ 12,479</u>	<u>\$ 1,077,083</u>	<u>\$ 60,428</u>	<u>\$ 189,883</u>

<u>Bond Reserve Accounts</u>							
<u>First Lien Bond Reserve Account</u>	<u>Second Lien Bond Reserve Account</u>	<u>2012 Water Bond Account</u>	<u>Depreciation Account</u>	<u>Liability Insurance Account</u>	<u>Workers' Compensation Account</u>	<u>Employee Retention Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,196,799
-	-	-	-	-	-	-	254,880
-	-	-	-	-	-	-	280,701
-	-	-	3,405,303	125,000	50,000	50,000	-
-	-	-	-	-	-	-	(515,720)
-	-	-	-	-	-	-	2,303,606
-	-	-	3,405,303	125,000	50,000	50,000	26,520,266
-	-	-	-	-	-	-	21,767,737
-	-	-	1,909,063	-	-	-	1,909,063
-	-	-	-	-	-	-	1,895,019
-	-	-	1,909,063	-	-	-	25,571,819
-	-	-	1,496,240	125,000	50,000	50,000	948,447
294,950	-	2,323	2,809,217	1,659,454	400,388	494,988	12,102,749
<u>\$ 294,950</u>	<u>\$ -</u>	<u>\$ 2,323</u>	<u>\$ 4,305,457</u>	<u>\$ 1,784,454</u>	<u>\$ 450,388</u>	<u>\$ 544,988</u>	<u>\$ 13,051,196</u>
<u>\$ 294,950</u>	<u>\$ -</u>	<u>\$ 2,323</u>	<u>\$ 4,305,457</u>	<u>\$ 1,784,454</u>	<u>\$ 450,388</u>	<u>\$ 544,988</u>	<u>\$ 13,051,196</u>
<u>\$ 294,950</u>	<u>\$ -</u>	<u>\$ 2,323</u>	<u>\$ 4,305,457</u>	<u>\$ 1,784,454</u>	<u>\$ 450,388</u>	<u>\$ 544,988</u>	<u>\$ 13,051,196</u>

OTHER INFORMATION

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) As of November 30, 2019

Property/Boiler	All risk building contents for scheduled amounts at each location; \$100,000 deductible - Flood and earthquake sub limit \$750,000,000 each; \$150,000 deductible	
General Liability, Auto Liability, Auto Property	\$25,000,000 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 for tanks 1984 and newer \$250,000 deductible for tanks 1983 and older
Crime Coverage	\$2,000,000 coverage	\$50,000 deductible
Network Security & Privacy	\$3,000,000 coverage	\$50,000 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 As of and for the Year Ending November 30, 2019

Customers

Total Metered Sewer and Water Customers

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Metered Sewer Customers	35,348	35,210	35,465	35,499	35,641	35,289	35,963	36,122	36,301	36,471
Metered Water Customers	3,078	3,111	3,174	3,214	3,273	3,309	3,324	3,340	3,703	3,719

Top 10 Sewer Customers
December 2018 through November 2019

<u>Customer</u>	<u>Annual Total</u>
Willow Lake Lombard LLC / Globertrotters Inter Inc	\$218,869
Four Lakes Development	217,257
Hinsdale Lake / Laramar	208,817
EL-AD Windsor Lakes LLC	143,170
Farmingdale Condos	131,002
Alcatel-Lucent	127,975
M&M / Accounts Payable	109,793
Morton Arboretum	102,240
Stratford Green	89,913
Wilson Danada LLC	78,123

Top 10 Water Customers
December 2018 through November 2019

<u>Customer</u>	<u>Annual Total</u>
Hinsdale Lake / Laramar	\$531,730
Willow Lake Lombard LLC / Globertrotters Inter Inc	267,399
Stratford Green	229,290
Hinsdale Pt Condo Association	157,081
Waterfall Glen Condominium Association	156,468
Champagne Lodge / Robert Hansen	39,463
Royce Realty/Accts Payable	37,760
Riverglen Condo Asso/ Baum Prop Mgmnt	34,173
Royce Apartments	22,747
Highland Manor Motel	17,450

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

REQUIRED INFORMATION FOR CERTAIN CONTINUING DISCLOSURES As of and for the Year Ending November 30, 2019

Consumption Data

	<u>Total Gallons Billed (millions)</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Sewer Billed Volume	3,826	3,775	4,192	3,766	3,484	3,467	3,395	3,648	3,498	3,386
Water Billed Consumption	354	351	373	347	340	344	339	350	340	358

Rates

Sewer Service Rates Effective 3/1/19

Sewer Service Charges per 1,000 gallons	\$ 3.13
Sewer Maintenance Charges per 1,000 gallons	\$ 1.11

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	\$ 4.16
Base Charge – Meter Reading	1.94
User Charge	50.08
Sewer Maintenance Charge	<u>17.76</u>
Amount billed to a customer connected to a System maintained Sewer (2 month bill)	<u>\$ 73.94</u>

Water Service Rates Effective 1/1/18

Southeast Regional Water Facility (SERWF)
\$9.85 per 1,000 gallons

North Regional Water Facility (NRWF)
\$6.25 per 1,000 gallons

Steeple Run
\$9.85 per 1,000 gallons

Greene Road
\$9.85 per 1,000 gallons

Glen Ellyn Heights
\$9.85 per 1,000 gallons

York Center
\$9.85 per 1,000 gallons

WATER AND SEWERAGE SYSTEM OF DUPAGE COUNTY, ILLINOIS

FIVE YEAR SUMMARY OF DEBT SERVICE COVERAGE RATIOS
For the Year Ended November 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt Coverage Ratios Per Section 17 of Series 2018 Bond Ordinance					
Revenues, exclusive of Connection Fees					
Operating Revenue	22,802,761	23,947,678	25,418,267	25,454,707	25,691,708
Investment Income	66,913	56,517	53,654	65,417	280,701
Total Revenues as defined	<u>22,869,674</u>	<u>24,004,195</u>	<u>25,471,921</u>	<u>25,520,124</u>	<u>25,972,409</u>
Current Expenses					
Total Operation and Maintenance Expenses	<u>(20,613,803)</u>	<u>(21,341,781)</u>	<u>(22,161,166)</u>	<u>(22,326,711)</u>	<u>(21,682,966)</u>
Net Revenues	<u>2,255,871</u>	<u>2,662,414</u>	<u>3,310,755</u>	<u>3,193,413</u>	<u>4,289,443</u>
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	<u>1,177,103</u>	<u>1,167,683</u>	<u>1,169,153</u>	<u>341,940</u>	<u>349,170</u>
Sec 22(c) - Net Revenues > 110% of Max Annual Debt Svc	Met	Met	Met	Met	Met
- Amount of Net Revenues to Meet	<u>1,832,972</u>	<u>1,830,167</u>	<u>1,830,854</u>	<u>1,771,481</u>	<u>1,758,452</u>
Sec 22(d) - Net Revenues 100% all debt	Met	Met	Met	Met	Met
- Amount of Net Revenues to Meet	<u>1,951,162</u>	<u>1,948,612</u>	<u>1,949,237</u>	<u>1,895,261</u>	<u>1,883,417</u>
Debt Coverage Ratios - all Revenue bonds (First/Second Lien)	<u>1.35</u>	<u>1.60</u>	<u>1.99</u>	<u>1.98</u>	<u>2.68</u>
Debt Coverage Ratio - all Debt	<u>1.16</u>	<u>1.37</u>	<u>1.70</u>	<u>1.68</u>	<u>2.28</u>
 Standard & Poors Calculation					
Operating Revenues	22,802,761	23,947,678	25,418,267	25,454,707	25,691,708
Operating Expenses	(20,613,803)	(21,341,781)	(22,161,166)	(22,326,711)	(21,682,966)
Connection Charges	322,535	968,966	587,635	343,265	254,880
Investment Income	66,913	56,517	53,654	65,417	280,701
Non-Operating Income - Premium and Discount Amortization	-	15,649	15,649	15,649	15,649
Net Revenue Available for Debt Service	2,578,406	3,647,029	3,914,039	3,552,327	4,559,972
Debt Service					
First Lien - 2008A and 2012	980,919	973,069	974,294	284,950	290,975
Second Lien - 2008B and 2018	685,419	690,719	690,119	1,325,487	1,307,618
Subordinated Debt - IEPA	<u>284,824</u>	<u>284,824</u>	<u>284,824</u>	<u>284,824</u>	<u>284,824</u>
Total Debt:	1,951,162	1,948,612	1,949,237	1,895,261	1,883,417
Debt Coverage Levels - S&P All In	1.32	1.87	2.01	1.87	2.42
 Other Data					
Unrestricted Cash Reserves	9,070,702	8,755,469	8,559,527	10,229,213	11,082,364
Total Cash Reserves	12,255,699	11,960,200	11,790,070	12,102,749	13,051,196
# Days Operating Reserves	217.01	204.55	194.19	197.86	219.70
Total Metered Sewer Customers	35,289	35,963	36,122	36,301	36,471
Total Metered Water Customers	<u>3,309</u>	<u>3,324</u>	<u>3,340</u>	<u>3,703</u>	<u>3,719</u>
Total Customers:	38,598	39,287	39,462	40,004	40,190
Top 10 Sewer and Water Customers - % of Revenue	11.51%	11.45%	10.79%	11.02%	11.37%
Sewer:					
Total Sewer Revenues	11,511,401	12,194,038	12,594,202	12,387,504	12,853,267
Sewer Capacity					
Knollwood Plant - Influent/Effluent					
Total Average Daily Flow (mgd)	9.5	8.4	7.6	7.6	8.9
Peak Daily Flow Inf./Eff. (mgd)	29.00	28.20	29.60	29.70	28.60
NPDES Permit Expiration Date	4/30/2013	8/31/2020	8/31/2020	8/31/2020	8/31/2020
Woodridge Plant - Influent					
Total Average Daily Flow (mgd)	10.3	10.5	10.2	10.6	12.1
Peak Daily Flow Inf. (mgd)	25.90	25.60	29.30	29.10	29.20
NPDES Permit Expiration Date	8/31/2020	8/31/2020	8/31/2020	8/31/2020	8/31/2020
Woodridge Plant - Effluent					
Total Average Daily Flow (mgd)	10.1	10.3	9.6	9.1	10.7
Peak Daily Flow Eff. (mgd)	26.2	25.2	38.4	30.5	34.10
NPDES Permit Expiration Date	8/31/2020	8/31/2020	8/31/2020	8/31/2020	8/31/2020
Water:					
Total Water Revenues	8,749,410	10,225,388	10,787,416	10,737,805	10,486,165
Total Water Capacity MG	10.169	10.488	9.112	11.500	11.638
Total Storage Capacity MG	2.875	2.875	2.875	2.875	2.875
Average Daily Flow MG	1.083	1.078	1.099	1.155	1.321
Peak Day Demand	2.177	2.073	2.757	2.773	2.919
Average Sold	0.932	0.934	0.948	0.946	0.974

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
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, 2019, and have issued our report thereon dated May 13, 2020.

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 Virchow Krause, LLP

Oak Brook, Illinois
May 13, 2020