DuPage Water Commission

Financial Audit and Compliance Examination
April 30, 2005

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

DuPage Water Commission

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DuPage Water Commission

Commission Officials
Year Ended April 30, 2005

General Manager	Mr. Robert L. Martin
Financial Administrator	Mr. Richard Skiba (through June 13, 2004) Ms. Cheryl Pattelli (June 14, 2004 through March 24, 2005) Mr. R. Max Richter (effective June 7, 2005)
Staff Attorney	Ms. Maureen Crowley

Commission administrative offices are located at:

600 East Butterfield Road
Elmhurst, IL 60126

DU PAGE WATER COMMISSION

600 E. BUTTERFIELD ROAD ◦ ELMHURST, IL ◦ 60126-4642
(630) 834-0100 ◦ FAX: (630) 834-0120

July 27, 2005

McGladrey & Pullen, LLP
Certified Public Accountants
20 North Martingale Road, Suite 500
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Commission. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the year ended April 30, 2005. Based on this evaluation, we assert that during the year ended April 30, 2005, the Commission has materially complied with the assertions below.

A. Whether the Commission is maintaining effective accounting control over revenues, obligations, expenses, assets and liabilities.

B. Whether the records, books and accounts of the Commission adequately record its financial and fiscal operations and provide a basis for review of accountability by external auditors.

C. Whether key financial, statistical, and program data produced by the Commission provide useful information for review of accountability regarding service efforts and accomplishments.

Yours very truly,

DuPage Water Commission

Robert Martin, General Manager

R. Max Richter, Financial Administrator

Maureen Crowley, Staff Attorney

DuPage Water Commission

Compliance Report
Summary
Year Ended April 30, 2005

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Auditor's Reports

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

Number of	*This Report*	*Prior Report*
Findings	2	3
Repeated findings	2	N/A
Prior recommendations implemented or not repeated	1	N/A

Details of findings are presented in a separately tabbed report section.

Schedule of Findings

Item No.	Page	Description
		Findings – *Government Auditing Standards*
05 - 1	9	Accounting Software
05 - 2	10	Capital Assets
		Prior Findings Not Repeated – State Compliance
05 - 3	12	Inadequate Segregation of Duties

Exit Conference

Commission management waived having an exit conference in a letter dated August 16, 2005. Responses to the recommendations were provided by Robert L. Martin in a letter dated August 10, 2005.

McGladrey & Pullen
Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information For State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the DuPage Water Commission's (Commission) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended April 30, 2005. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

A. Whether the Commission is maintaining effective accounting control over revenues, obligations, expenses, assets and liabilities.

B. Whether the records, books and accounts of the Commission adequately record its financial and fiscal operations and provide a basis for review of accountability by external auditors.

C. Whether key financial, statistical, and program data produced by the Commission provide useful information for review of accountability regarding service efforts and accomplishments.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the aforementioned requirements during the year ended April 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 05 – 1 and 05 – 2.

There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

Internal Control

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Commission's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 05 – 1 and 05 – 2.

There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the DuPage Water Commission (Commission) as of April 30, 2005, and for the year then ended as listed in the table of contents, and have issued our report thereon dated July 27, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Commission's basic financial statements for the year ended April 30, 2004. In our report dated June 29, 2004, we expressed an unqualified opinion on the basic financial statements. In our opinion, the April 30, 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited", is fairly stated in all material respects in relation to the basic financial statements for the year ended April 30, 2004 taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the DuPage Water Board of Commissioners and Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
July 27, 2005

McGladrey & Pullen
Certified Public Accountants

Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With ***Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the DuPage Water Commission (Commission), as of and for the year ended April 30, 2005, and have issued our report thereon dated July 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 05 – 1 and 05 – 2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the DuPage Water Board of Commissioners and Commission management and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
July 27, 2005

Finding 05 – 1 Accounting Software

The Commission's accounting system needs improvement.

In the prior year, it was noted that the Commission had created a series of linked electronic spreadsheets using Microsoft Excel, which functioned as its accounting system. The Commission's daily activity is manually entered as journal entries into these spreadsheets. Although the linked spreadsheets are capable of producing reports such as a trial balance, general ledger, and financial statements, they still do not constitute an adequate accounting system. In the current year, the Commission has purchased software, but has not yet implemented many of the program functions.

Good internal controls necessitate the need for an adequate accounting system. Although this type of system has certain advantages, i.e., it is economical to operate and is flexible, it also has serious weaknesses in terms of maintaining an adequate system of internal control. Management has the ability to manipulate the data. The biggest risk is the potential to add erroneous data, delete or modify historical data, or create unsubstantiated journal entries. In addition, within the current system, a formula change or error could be made and go undetected/uncorrected.

Commission management stated that they have purchased a commercial accounting software package for specific use of all accounting and financial reporting functions. However, due to the changes in management, all of the functions have not been implemented.

In order to minimize the risks associated with the system of linked electronic spreadsheets, the Commission should install their new commercial accounting software package. The accounting software package can be designed to produce all of the necessary financial information as well as process payments. The accounting software package has the added advantage of having built-in controls, which limit user access, provide edits and cross checks, and limit the ability to delete and alter information. (Finding Code No. 05 –1, 04 – 1)

Recommendation

We recommend the Commission install all of the functions of the new accounting software package to improve the reliability and internal control over the Commission's accounting system.

Commission Response

We are in full agreement with your recommendation. We have implemented the accounts payable and payroll portion of the accounting and finance systems. The remaining functions will be implemented in the current fiscal year.

Finding 05 – 2 Capital Assets

The Commission needs to improve internal controls and accountability for capital assets.

The Commission does not have detailed capital asset records and there is not an adequate segregation of duties in accounting for capital assets. The Commission has $447 million in capital assets, $12 million of which are moveable capital assets. During the audit we noted the following:

- The Commission maintains records of the historical cost of capital assets by pools (similar assets constructed or purchased at once), but does not maintain records of the individual capital asset items within the pools. Furthermore, the cost pools are depreciated over the estimated lives of the pool, versus individual asset life. The Commission purchased a new accounting software package in the current fiscal year, but has not implemented the capital assets functions of the new software program.
- The individual assigned the duty of conducting the physical inventory of capital assets also reconciles the capital asset inventory records.

Good internal controls would require the Commission to maintain detailed capital asset records and to segregate the duties of conducting the inventory of capital assets and maintaining capital asset records.

There are several issues associated with not having detailed capital asset records. First, without individual capital asset records it is very difficult to accurately account for deletions and replacements. When a deletion occurs, accurate records are not available in order to determine the amount of historical cost and accumulated depreciation that will need to be removed from the accounting records. Second, without specific identification of costs and accumulated depreciation by asset, the Commission could be misstating future earnings with inaccurate calculations of depreciation expense caused by these deletions. Third, without identification of specific capital assets, it is nearly impossible to maintain control over the existence of capital items (i.e., test counts of capital asset inventory). If a capital asset were removed from the Commission, it could go undetected by management. The lack of an adequate segregation of duties in accounting for capital assets increases the risk of misappropriation or erroneous reporting of capital assets.

According to Commission personnel, they have purchased a commercial accounting software package for specific use of all accounting and financial reporting functions. However, due to the changes in management, all of the functions including the capital asset function have not been implemented. Commission management stated that they were unaware that a segregation of duties weakness existed in the accounting for capital assets. (Finding Code No. 05 – 2, 04 – 2)

Finding 05 – 2 Capital Assets (Continued)

Recommendation

We recommend that the Commission install the new accounting software, and continue to recommend that they conduct a full physical inventory of capital assets, research the historical cost, acquisition date, and accumulated depreciation, and maintain the information, in detail, on an ongoing basis. We also recommend that the person maintaining the capital asset records and adjusting the general ledger should be different from the person conducting the physical inventory.

Commission Response

We agree with this finding. An inventory of assets will be conducted and will be maintained on the fixed asset system with applicable data for depreciation. Capital asset responsibilities have been segregated.

Finding 05 – 3 Inadequate Segregation of Duties

Previously, the Commission has an inadequate segregation of duties in its cash disbursement area. Checks were written (typed) by the receptionist for payment of vendor invoices. The Financial Administrator and General Manager were responsible for signing and approving the checks. The accountant was responsible for recording the checks into the accounts payable excel spreadsheet. After approval, the checks were returned to the receptionist to be mailed. In addition, the receptionist prepared the monthly bank reconciliation, which was reviewed by the Financial Administrator. (Finding Code No. 04-3).

During the current year the Commission purchased accounts payable software. As a result, the receptionist no longer prepares the checks, which has strengthened internal controls.

Financial Statement Report
Summary
Year Ended April 30, 2005

The audit of the accompanying basic financial statements of the DuPage Water Commission (Commission) was performed by McGladrey & Pullen, LLP, as special assistant auditors for the Auditor General, State of Illinois.

Based on their audit, the auditors expressed an unqualified opinion on the Commission's basic financial statements.

McGladrey & Pullen
Certified Public Accountants

Independent Auditors' Report

Honorable William G. Holland
Auditor General, State of Illinois
and
Honorable Chairman and
Members of the Board of Commissioners
DuPage Water Commission

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the DuPage Water Commission (Commission) as of April 30, 2005, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of April 30, 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 27, 2005 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, which includes Management's Discussion and Analysis on pages 16 through 22 and pension related information on pages 44 and 45 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on budget comparison listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the terms, covenants, provisions or conditions of Article X of the Revenue Bond Ordinance of 1987, Article II of the Water Refunding Bond Ordinance of 1993, and Article II of the Water Refunding Bond Ordinance of 2003, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

McGladrey & Pullen, LLP

Schaumburg, Illinois
July 27, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the DuPage Water Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ending April 30, 2005.

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of the following components: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows and Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Commission's net assets changed during the most recent fiscal year. Both the statement of net assets and the statement of activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies.

The Statement of Cash Flows provides information on the Commission's gross sources and uses of cash during the fiscal year.

The Notes to the Financial Statements generally provide more detailed information about the Commissions assets, liabilities, net assets and operations, as well as summarize the Commissions significant accounting policies.

FINANCIAL OPERATIONS SUMMARY

With revenues of $88.6 million and expenses totaling $68.4 million, the Commission's net assets increased by $20.2 million in fiscal year 2004-05 to $326.1 million. Restricted net assets and net assets invested in property, plant and equipment were $31.6 million and $213.5 million respectively.

FINANCIAL ANALYSIS

Changes in Net Assets. The table below presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. All significant dollar changes have been explained.

The decrease in total cash and investments can be attributed to the $15 million payment to DuPage County. State of Illinois Public Act 93-0226 adopted July 22, 2003 requires a $75 million transfer of Commission Funds to DuPage County over a five-year period. Additionally, funds set aside to retire the current portion of general obligation bonds and the related interest expense, were reported as unrestricted net assets in fiscal year 2004, but are shown as restricted in fiscal year 2005 ($13 million in investments less $10.2 million in liabilities) because the investments are held by a trustee exclusively for the next due principal and interest payment.

The increase in current accounts receivable is due to sales taxes in the improved economy.

Long term loan receivables increased because of long-term water quality loans given to customer utilities of the Commission. Certain areas in DuPage County have been affected by contaminated well water and the loans provided a financial means for these communities to provide water to areas that were affected by the contamination. These loans will be discussed in further detail in the “Other Financial Information” section below.

Net capital assets represent the total of assets capitalized less accumulated depreciation. Investment in new construction increased by $13.6 million, reduced by $20.7 million in water mains that were placed into service during the fiscal year resulting in a net decrease in construction in progress of $7.1 million. Net depreciable capital assets increased by $14.4 million, which includes the $20.7 million of water mains placed into service plus $.4 million of other additions, less depreciation of $6.7 million.

The Commission originally financed and constructed the Lexington Pump Station and the tunnel that connects Lexington to the Central Park Pumping Station for the City of Chicago. The City of Chicago agreed to pay the Commission back through a 20% reduction in water costs (Deferred Water Supply Contract Costs) paid by the Commission. Deferred Water Supply Contract Costs declined because the City of Chicago has substantially paid for these facilities. It is anticipated that the balance will be realized during fiscal year 2006.

Amounts payable to DuPage County decreased by $15 million due to the payment to DuPage County in accordance with State of Illinois Public Act 93-0226. Bonds payable declined because of bond payments made during the fiscal year. This also reduced accrued interest payable.

Net assets invested in capital assets, net of related debt increased $31.3 million from the prior year due to a net increase in capital related assets of $3.6 million (land and construction in progress, net capital assets and deferred water supply contracts), a decrease in noncurrent bonds payable of $18.5 million used to finance capital assets and a reclass of $9.3 million in current general obligation bonds attributed to capital assets in fiscal year 2004 that are payable from restricted assets in fiscal year 2005.

Restricted net assets increased by $3.0 million over the prior year due mainly to the reporting of $13 million in investments held by a trustee for payment of the current portion of the general obligations bonds offset by $10.2 million which represents the current portion of general obligation bonds and interest payable. For more information see Note 7 (c), in the notes to the financial statements.

Unrestricted net assets decreased by $14.1 million mainly due to the reclassification of items between restricted and unrestricted, as discussed above.

A comparative summary of the changes in net assets is presented on the following page.

COMPARATIVE SUMMARY OF CHANGES IN NET ASSETS
For Fiscal Years Ending April 30

	2005	2004	INCREASE (DECREASE)	% CHANGE
Assets				
Current:				
Unrestricted cash and investments	$ 107,525,058	$ 140,652,433	$ (33,127,375)	-23.6%
Restricted investments	42,506,096	32,435,274	10,070,822	31.0%
Receivables	14,529,958	13,372,964	1,156,994	8.7%
Other assets	703,766	759,503	(55,737)	-7.3%
Noncurrent:				
Restricted investments	16,328,752	15,951,929	376,823	2.4%
Long term loan receivable	6,075,247	3,971,700	2,103,547	53.0%
Land and construction in progress	26,978,938	34,081,125	(7,102,187)	-20.8%
Capital assets, net of accumulated depreciation	357,001,682	342,581,409	14,420,273	4.2%
Deferred water supply contract cost	868,166	4,611,512	(3,743,346)	-81.2%
Total assets	572,517,663	588,417,849	(15,900,186)	-2.7%
Liabilities				
Current:				
Payables and accrued liabilities	5,907,703	5,522,462	385,241	7.0%
Due to DuPage County	15,000,000	15,000,000	-	N/A
Bonds payable	17,605,000	19,615,000	(2,010,000)	-10.2%
Accrued interest	3,770,494	4,581,570	(811,076)	-17.7%
Deferred revenue	2,855,126	2,996,733	(141,607)	-4.7%
Noncurrent:				
Due to DuPage County	30,000,000	45,000,000	(15,000,000)	-33.3%
Bonds payable	171,314,672	189,849,875	(18,535,203)	-9.8%
Total liabilities	246,452,995	282,565,640	(36,112,645)	-12.8%
Net Assets				
Invested in capital assets, net	213,534,114	182,164,171	31,369,943	17.2%
Restricted	31,551,651	28,571,862	2,979,789	10.4%
Unrestricted	80,978,903	95,116,176	(14,137,273)	-14.9%
Total net assets	$ 326,064,668	$ 305,852,209	$ 20,212,459	6.6%

Revenues and Expenses. The table which follows presents a comparative summary of revenues and expenses. The most significant source of revenues for the Commission continues to be from water sales. Water sales for fiscal year 2005 were 30.4 billion gallons versus 30.8 billion gallons last fiscal year. There were no major new customers and the average charter customer water rate was $1.65 per 1,000 gallons (for fiscal year 2004 and 2005).

The national economic slow down has eased and sales tax receipts rose substantially in fiscal year 2005. Sales tax revenues have been sufficient to fund all system capital improvements and the statutory payment to the county as well as providing an alternative funding source for debt service. Sales taxes were used to make all general obligation bond payments in fiscal year 2005. In addition, $7.1 million of sales tax funds were used to reduce the customers' fixed cost payments for fiscal year 2005 by 50%. This practice started in fiscal year 1998 and has continued through fiscal year 2005.

Statement 31 of the Governmental Accounting Standards Board requires investments be reported at fair market value. The fair value of investments at April 30, 2005 decreased by $1.1 million from last year. Investment income increased $.5 million because interest income increased by $1.6 million offsetting the $1.1 million decline in fair value.

All Other Revenues are derived mainly from construction reimbursements for additional metering and emergency connection facilities. Most of the work on these projects occurred last fiscal year. No new projects were started in fiscal year 2005.

Water distribution costs remain the highest expense in the Commission's operations. Water distribution costs decreased $2.3 million mainly due to lower water consumption and pipeline repairs which were much higher last year because of the blow-off valve repair projects.

Personnel service costs increased over last year due to a $2.6 million payment to IMRF for prior pension costs. The decrease in bond interest is due to the $2.9 million one-time call premium cost on the 1993 revenue bonds retired in September 2003 and the reduction of outstanding bond principal.

State of Illinois Public Act 93-0226 adopted July 22, 2003 requires a $75 million transfer of Commission Funds to DuPage County over a five-year period. The first $15 million payment was made August 2003. The entire amount was recorded as an accounting liability for fiscal year 2004. The payment to the new IMRF pension plan was a one-time payment to assist employees in converting to the new plan.

The change in net assets increased by $83.1 million from fiscal year 2004 to fiscal year 2005 mainly due to the one time expense (special item) incurred during fiscal year 2004 in which the Commission was required to transfer $75 million in funds to DuPage County, and the $1.4 million payment to the new IMRF pension plan (special item), as discussed above. In addition, the Commission received $2.8 million more in sales tax during fiscal year 2005 than the prior fiscal year. Lastly, operating expenses decreased by 6%.

COMPARATIVE SUMMARY OF REVENUES AND EXPENSES
For Fiscal Years Ending April 30

	2005	2004	INCREASE (DECREASE)	% CHANGE
Revenues				
Operating:				
Water sales - all categories	$ 51,399,278	$ 52,185,352	$ (786,074)	-1.5%
Other	6,393	102,058	(95,665)	-93.7%
Nonoperating:				
Sales tax	34,384,906	31,620,982	2,763,924	8.7%
Investment income	2,856,461	2,321,233	535,228	23.1%
Total revenues	88,647,038	86,229,625	2,417,413	2.8%
Expenses				
Operating:				
Water supply costs	45,018,872	47,362,242	(2,343,370)	-4.9%
Depreciation	6,668,013	6,399,758	268,255	4.2%
Personnel services	5,355,811	2,983,406	2,372,405	79.5%
All other expenses	2,129,165	2,218,243	(89,078)	-4.0%
Nonoperating:				
Bond interest	9,262,718	13,810,147	(4,547,429)	-32.9%
Total expenses	68,434,579	72,773,796	(4,339,217)	-6.0%
Net change before special items	20,212,459	13,455,829	6,756,630	50.2%
Special items				
Payment to DuPage County	-	(75,000,000)	75,000,000	-100.0%
Payments for defined benefit pension plan	-	(1,381,301)	1,381,301	-100.0%
Change in net assets	20,212,459	(62,925,472)	83,137,931	-132.1%
Net assets May 1	305,852,209	368,777,681	(62,925,472)	-17.1%
Net assets April 30	$ 326,064,668	$ 305,852,209	$ 20,212,459	6.6%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Commission's capital assets before depreciation totaled $463.2 million in fiscal year 2005. This represents an increase of $14 million over last year, mainly in water main and delivery facilities.

COMPARATIVE SUMMARY OF CHANGES IN CAPITAL ASSETS, NET
For Fiscal Years Ending April 30

	2005	2004	INCREASE (DECREASE)	% CHANGE
Land and permanent easements	$ 11,158,482	$ 11,158,482	$ -	0.0%
Construction in progress	15,820,456	22,922,643	(7,102,187)	-31.0%
Water mains	297,302,675	280,703,518	16,599,157	5.9%
Buildings and other structures	56,289,332	58,333,033	(2,043,701)	-3.5%
Pumping equipment	2,912,997	3,090,868	(177,871)	-5.8%
Office furniture and equipment	250,184	196,722	53,462	27.2%
Vehicles and other equipment	246,494	257,268	(10,774)	-4.2%
Total capital assets, net	$ 383,980,620	$ 376,662,534	$ 7,318,086	1.9%

Detailed information about the Commission's capital assets is presented in the Notes to the Financial Statements.

Debt Administration. All scheduled bond payments through May 1, 2005 were made on time. Requirements of the revenue bond ordinance have also been met, in full, as of fiscal year end. Principal reductions of $9.3 million in general obligation debt and $10.4 million in revenue bond debt were achieved through annual payments. On April 30, 2005, remaining general obligation bond and revenue bond principal outstanding was $66.2 million and $125.6 million, respectively. General obligation bond principal and interest payments continue to be 100% funded through the Commission's sales tax proceeds. Property taxes for the bond payments have been abated annually since 1986.

COMPARATIVE SUMMARY OF CHANGES IN OUTSTANDING BONDED DEBT
For Fiscal Years Ending April 30

	2005	2004	INCREASE (DECREASE)	% CHANGE
General obligation bonds	$ 66,205,000	$ 75,465,000	$ (9,260,000)	-12.3%
Water revenue bonds	125,640,000	135,995,000	(10,355,000)	-7.6%
Total outstanding bonded debt	$ 191,845,000	$ 211,460,000	$ (19,615,000)	-9.3%

Detailed information about the Commission's debt is presented in the Notes to the Financial Statements.

INVESTMENT PORTFOLIO

The Commission's investment portfolio totaled $165 million. At the end of the fiscal year, the portfolio was earning 3.17% based on market yield and 2.87% based on original purchase price. The benchmark yield adopted by the Commission was 2.76%.

Commission funds were invested as follows at April 30, 2005: United States Treasury obligations (13.8%), United States Agency obligations (40.8%), the Illinois Funds Investment Pool (28.7%), Certificates of Deposits (16.0%) and government money market funds (0.6%).

OTHER FINANCIAL INFORMATION

On July 22, 2003, the Illinois Governor signed into law Public Act (PA) 93-0226. This Act impacts certain DuPage Water Commission procedures and contracts as well as provides a one-time $75 million grant from the Commission to DuPage County payable over a five-year period. The Act also limits the Commission's average charter customer water rate to be no greater than $1.65 per 1,000 gallons until April 30, 2008. This rate is expected to be sufficient to meet all Commission obligations and complete all currently planned capital projects.

The Commission joined with the County of DuPage and the municipalities within the county to solve a water quality issue involving unincorporated areas not presently receiving a Lake Michigan water supply. As a wholesale distributor of Lake Michigan water, the Commission is not able to directly address this issue. However, the Commission agreed to make long-term, low-interest loans available to customer municipalities, retailers of Lake Michigan water, to extend their systems to serve county areas having water quality issues.

The full extent of this contamination is unknown at this time. However, the Commission's commitment to provide loans totaling not more than $10 million toward mitigating the problem over the next five fiscal years will not effect its current financial operations. While these long-term low-interest loans may reduce the Commission's investment income, the Commission's long-term rate stabilization and five-year capital improvement programs will not be adversely affected because funds were segregated for this purpose at the time the resolution was passed.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the DuPage Water Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to R. Max Richter, Financial Administrator, DuPage Water Commission, 600 E. Butterfield Road, Elmhurst, IL 60126-4642, (630) 834-0100. E-mail requests should be sent to *richter@dpwc.org.*

DuPage Water Commission

Statement of Net Assets
April 30, 2005

Assets

Current:	
Cash	$ 1,091,795
Investments	106,433,263
Restricted investments (Note 7)	42,506,096
Receivables	
Water sales	5,161,351
Accrued interest	1,115,401
Sales tax	8,142,168
Other	111,038
Inventory	167,080
Prepaid expenses and deposits	536,686
Total current assets	165,264,878
Noncurrent:	
Restricted investments (Note 7)	16,328,752
Long-term loans receivable (Note 4)	6,075,247
Land and construction in progress	26,978,938
Other capital assets, net of accumulation depreciation of $79,193,212 (Note 5)	357,001,682
Deferred water supply contract costs	868,166
Total noncurrent assets	407,252,785
Total assets	$ 572,517,663

See Notes to Financial Statements.

(Continued)

DuPage Water Commission

Statement of Net Assets (Continued)
April 30, 2005

Liabilities

Current:	
Due to DuPage County	$ 15,000,000
Deferred revenue	2,855,126
Total current liabilities	17,855,126
Current liabilities payable from restricted assets:	
Accounts payable	3,935,911
Accrued liabilities	514,245
Compensated absences	123,391
Contract retentions	1,334,156
Revenue bonds payable - current (Note 7)	7,880,000
General obligation bonds payable - current (Note 7)	9,725,000
Accrued interest payable	3,770,494
Total current liabilities payable from restricted assets	27,283,197
Noncurrent:	
Due to DuPage County	30,000,000
Revenue bonds payable - noncurrent, net (Note 7)	114,020,870
General obligation bonds payable - noncurrent, net (Note 7)	57,293,802
Total noncurrent liabilities	201,314,672
Total liabilities	246,452,995

Net Assets

Invested in capital assets, net of related debt	213,534,114
Restricted for bond ordinances and sales tax resolution (Note 8)	31,551,651
Unrestricted	80,978,903
Total net assets	$ 326,064,668

See Notes to Financial Statements.

DuPage Water Commission

Statement of Revenues, Expenses and
Changes in Net Assets
Year Ended April 30, 2005

Operating revenues	
Water sales	
Operations and maintenance costs	$ 43,486,319
Fixed costs	7,143,969
Customer differential	768,990
Other income	6,393
Total operating revenues	51,405,671
Operating expenses	
Water supply costs	45,018,872
Depreciation	6,668,013
Personal services	5,355,811
Insurance	946,298
Professional and contractual services	1,023,829
Administrative costs	156,004
Land and right of way	3,034
Total operating expenses	59,171,861
Operating loss	(7,766,190)
Nonoperating revenues (expenses)	
Sales tax	34,384,906
Investment income	2,856,461
Interest and other charges	(9,262,718)
Net nonoperating revenues	27,978,649
Change in net assets	20,212,459
Net assets, May 1, 2004	305,852,209
Net assets, April 30, 2005	$ 326,064,668

See Notes to Financial Statements.

DuPage Water Commission

Statement of Cash Flows
Year Ended April 30, 2005

Cash flows from operating activities	
Cash received from customers	$ 51,211,036
Other cash receipts	148,781
Cash payments for water supply	(40,978,242)
Cash payments for personal services	(5,343,620)
Cash payments for insurance	(857,153)
Cash payments for professional and contractual services	(981,470)
Cash payments for administrative costs	(156,004)
Cash payments for right of way	(3,034)
Net cash provided by operating activities	3,040,294
Cash flows from non capital financing activities	
Cash paid to DuPage County	(15,000,000)
Cash received from sales taxes	33,443,738
Net cash provided by non capital financing activities	18,443,738
Cash flows from capital and related financing activities	
Interest paid on revenue bonds	(6,702,409)
Interest paid on general obligation bonds	(3,371,386)
Principal paid on revenue bonds	(10,794,439)
Principal paid on general obligation bonds	(9,750,764)
Construction of capital assets	(13,550,920)
Capital outlay	(435,178)
Net cash used in capital and related financing activities	(44,605,096)
Cash flows from investing activities	
Interest on investments	2,544,881
Proceeds from investments maturing	188,212,833
Payments for investments purchased	(165,268,111)
Loans paid to members	(2,103,547)
Net cash provided by investing activities	23,386,056
Net increase in cash	264,992
Cash, May 1, 2004	826,803
Cash, April 30, 2005	$ 1,091,795

See Notes to Financial Statements.

DuPage Water Commission

Statement of Cash Flows - Continued
Year Ended April 30, 2005

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	$ (7,766,190)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	6,668,013
Increase in water sales accounts receivable	(46,634)
Decrease in other receivables	142,388
Decrease in prepaid expenses and deposits	55,737
Decrease in deferred water supply contract costs	3,743,346
Decrease in deferred revenue	(141,607)
Increase in accounts payable	297,284
Decrease in accrued liabilities and compensated absences	(6,203)
Increase in contract retentions	94,160
Total adjustments	10,806,484
Net cash provided by operating activities	$ 3,040,294

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

(a) Reporting Entity

The DuPage Water Commission (Commission) is a county water commission, body politic and corporate, political subdivision and unit of local government, in DuPage County, Illinois, existing and operating under the Water Commission Act of 1985 (70 ILCS 3720), effective July 30, 1985, as amended (the "1985 Commission Act"). The Commission declared the official start of operations on May 1, 1992.

The DuPage Water Commission Board consists of 13 Board members. Seven of the Board members are appointed by the DuPage County Board Chairman with the advice and consent of the County Board. One of these appointees is designated as chairman of the Commission. The other six Board members are appointed by vote of the mayors of municipalities within the DuPage County districts.

The purpose and objectives of the Commission are:

a. To provide water to municipalities and other customers within DuPage County.

b. To plan, construct, acquire, develop, operate, maintain and/or contract for facilities for receiving, storing and transmitting water from Lake Michigan for the principal use and mutual benefit of the municipalities and other customers.

c. To provide adequate supplies of such water on an economical and efficient basis for the municipalities and other customers.

d. To provide a forum for discussion, study, development and implementation of recommendations of mutual interest regarding water distribution and supply facilities within DuPage County.

The primary authority to designate management, influence operations, formulate budgets and set water rates rests with the Commission Board. Significant matters that require Board action include setting water rates, borrowing funds, amending the Chicago Water Supply contract or Commission bylaws and employing the general manager and professional contractors. These significant matters must carry a majority vote of all commissioners, which majority must contain at least one-third of the DuPage County appointed Board members and 40% of the municipality appointed Board members. Neither DuPage County nor the municipalities within DuPage County have the ability to significantly influence operations; therefore, the Commission is not included in any other governmental reporting entity. All activities of the Commission are reported in a single enterprise fund. The Commission does not have any component units.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission is accounted for as a proprietary fund type (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with water system operations are included on the statement of net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or prepaid amounts have been utilized. Water revenue is recognized when the water is delivered. Sales tax revenue is recognized at the time of the related sale.

Deferred revenues represent payments from non-charter customers for Customer Differential revenues. These deferred revenues will be amortized on a straight-line basis through April 30, 2024. Customer differentials represent payments for connecting to the Commission's System as well as fixed costs charged to subsequent customers to cover costs which would have been paid by subsequent customers if they had been Charter Customers.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Commission's principal ongoing operations.

The Commission applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs").

(c) Cash

Cash consists principally of deposits held in banks. For purposes of the cash flow statement, the Commission reports all certificates of deposit (CD's), investments in investment pools, money market funds and securities as investments.

(d) Investments

The Commission reports investments at their fair value as of year-end. The net appreciation or depreciation in the fair value of investments is included as interest on investments in the statement of revenues, expenses and changes in net assets.

(e) Accounts Receivable

Customer receivables are recorded as receivables and revenues at their original invoice amount. Management regularly reviews the customer receivable accounts and has deemed no allowance for uncollectible accounts necessary as of April 30, 2005. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 40 days.

(f) Restricted Investments

Restricted investments represent those assets which are required to be held separately from other Commission investments as mandated by the revenue bond indentures, or Commission Board resolutions. Current portions relate to funds held for revenue bond operating and maintenance costs as well as funds that will be liquidated during the subsequent fiscal year (generally for principal and interest then due), and assets held by trustees for retirement of general obligation bond principal and interest maturing in the next fiscal year. All other investments are considered noncurrent and are generally held until the bonds mature.

Note 1. Summary of Significant Accounting Policies (Continued)

(g) Inventory and Prepaid Items

Inventories are accounted for at cost, using the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(h) Capital Assets

Capital assets, which include the Commission's waterworks system, land, buildings, furniture, equipment and vehicles are reported at cost. The Commission capitalizes all capital assets with an initial individual cost or value greater than or equal to $5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is included as part of the capitalized value of the asset constructed or improved. There was no interest cost capitalized by the Commission during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset	Life
Water mains	80 years
Buildings and other structures	40 years
Pumping equipment	30 years
Office furniture and equipment	3-10 years
Vehicles and other equipment	5-25 years

(i) Bond Discount / Premium, Issuance Expense and Losses on Defeasance

Bond discounts, premiums and issuance costs have been deferred and are being amortized as an element of interest expense over the lives of the related bonds. Bonds payable are reported net of the applicable premium or discount. Losses on defeasance related to the outstanding General Obligation Bonds and Water Refunding Revenue Bonds have been deferred and are being amortized as an element of interest expense over the shorter of the lives of the old or new bonds.

(j) Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation pay benefits and unused current calendar year personal days. There is no liability for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission. All vacation and personal day pay is accrued when incurred and is considered current.

Note 1. Summary of Significant Accounting Policies (Continued)

(k) Net Assets

The Statement of Net Assets presents the Commission's assets and liabilities with the difference reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

It is the Commission's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(l) Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Note 2. Budgets

In April 2004, the Commission adopted the annual management budget in the amount of $65,711,577 for operating costs, $9,262,719 for interest retirements and $19,355,000 for capital outlay for the fiscal year ended April 30, 2005. An appropriation ordinance is adopted annually to supplement the Commission's management budget. Total Commission expenditures did not exceed the appropriation ordinance, which is the legal spending authority for the Commission.

Note 3. Deposits and Investments

The following is a summary of the Commission's cash and investments (including restricted cash and investments):

(a) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission's policy is to fully collateralize all deposits above FDIC insurance limits, with the collateral held in safekeeping by an independent third party. Collateral may not be released without the permission of Commission management. As of April 30, 2005, none of the Commission's deposits were exposed to custodial credit risk.

Certificates of deposit totaling $26,514,320 are reported as investments in the Statement of Net Assets.

Note 3. Deposits and Investments (Continued)

(b) Investments

As of April 30, 2005, the Commission had the following investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1-5
U.S. treasury notes	$ 22,792,805	$ 22,792,805	$ -
U.S. agencies - FHLMC	30,134,376	10,021,876	20,112,500
U.S. agencies - FHLB	32,200,985	7,388,485	24,812,500
U.S. agencies - FMCDN	4,990,350	4,990,350	-
Illinois Funds investment pool	47,583,925	47,583,925	-
Money market funds	1,051,350	1,051,350	-
Total	$ 138,753,791	$ 93,828,791	$ 44,925,000

The Illinois Funds Investment Pool is not registered with the SEC. The Pool is sponsored by the Treasurer of the State of Illinois, in accordance with State law. The fair value of the position in the Pool is the same as the value of the Pool shares.

Interest Rate Risk – The Commission's investment policy does not limit the Commission's investment portfolio to specific maturities. All investments carry a fixed rate of interest.

Credit Risk - The Commission's investment policy limits investments of the Commission's funds to the following: (a) direct or fully guaranteed obligations of the U.S. government; (b) fully guaranteed obligations of certain U.S. federally chartered agencies; (c) interest-bearing demand or time deposits in banks and savings and loan associations; (d) short-term obligations of U.S. corporations with assets exceeding $500,000,000 and with a rating of AAA1, 2 or 3; (e) money market mutual funds whose portfolio consists solely of U.S. Government obligations; (f) the Illinois Funds Investment Pool of the State of Illinois; (g) repurchase agreements; and (h) state or local government obligations rated AAA or AA. The Revenue Bond Ordinance restricts funds held in the Interest and Principal accounts of the Water Fund to only investments in (a) as described above. The Revenue Bond Ordinance also restricts funds held in the Debt Service Reserve Account in the Water Fund to only investments in (a) and (b), as described above. The FHLMC, FHLB and FMCDN securities, and the money market funds are not rated. The Illinois Funds Investment Pool has been rated AAAm by Standard & Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury notes and U.S. agency securities are held by the Commission's agent in the Commission's name. The Illinois Funds Investment Pool and the Money Market funds are not subject to custodial credit risk. The Commission's investment policy does not address custodial credit risk for investments.

Note 3. Deposits and Investments (Continued)

(b) Investments

Concentration of Credit Risk – The Commission places no limit on the amount the Commission may invest in any one issuer. More than five percent (5%) of the Commission's investments are in various U.S. Agency securities and the Illinois Funds Investment Pool. Investments, other than U.S. government securities, that exceed 5% of total investments are as follows:

Investment	Percentage of Total
FHLMC	22%
FHLB	23%

Note 4. Loans Receivable

On April 25, 2002, the Commission approved a motion for a proposed agreement to make long-term, low-interest loans available to Charter Customer municipalities for the purpose of providing financing under certain circumstances to future customers who presently live in areas of DuPage County not presently served by the Commission. Two intergovernmental agreements with charter customers were made during fiscal year 2004. Loans are to be repaid in 13 installments, commencing in 2010 and continuing through 2023. Each of the principal installments shall be determined as of the last day of the month preceding the annual payment date in any given year by dividing the unpaid principal balance by the number of annual installments of principal remaining to be paid during the term of the loan. Interest at a rate of 2% per annum shall be paid annually until the principal balance of the loan has been paid in full. As of April 30, 2005, notes totaling $1,287,247 and $4,788,000 are due from members.

Note 5. Capital Assets

A summary of changes in capital assets is as follows:

	Balance May 1	Increases	Decreases	Balance April 30
Capital assets not being depreciated				
Land and permanent easements	$ 11,158,482	$ -	$ -	$ 11,158,482
Construction in progress	22,922,643	13,550,921	(20,653,108)	15,820,456
Total capital assets not being depreciated	34,081,125	13,550,921	(20,653,108)	26,978,938
Other capital assets				
Water mains	323,027,123	20,896,547	-	343,923,670
Buildings and other structures	81,383,190	-	(2,008)	81,381,182
Pumping equipment	5,225,286	-	-	5,225,286
Office furniture and equipment	4,985,075	149,856	-	5,134,931
Vehicles and other equipment	485,934	43,891	-	529,825
Total other capital assets at historical cost	415,106,608	21,090,294	(2,008)	436,194,894
Less acccumulated depreciation for				
Water mains	(42,323,605)	(4,297,390)	-	(46,620,995)
Buildings and other structures	(23,050,157)	(2,041,693)	-	(25,091,850)
Pumping equipment	(2,134,418)	(177,871)	-	(2,312,289)
Office furniture and equipment	(4,788,353)	(96,394)	-	(4,884,747)
Vehicles and other equipment	(228,666)	(54,665)	-	(283,331)
Total accumulated depreciation	(72,525,199)	(6,668,013)	-	(79,193,212)
Other capital assets, net	342,581,409	14,422,281	(2,008)	357,001,682
Capital assets, net	$ 376,662,534	$ 27,973,202	$ (20,655,116)	$ 383,980,620

Note 6. Water Contract with the City of Chicago

The Commission has entered into a 40-year contract (from March 19, 1984) with the City of Chicago, Illinois (the "Chicago Contract"), under which Chicago has agreed to supply all of the Commission's water requirements, up to 1.7 times the year's annual average day amount (which is a quantity adequate to meet the customers' projected needs), with water of such quality as will meet or exceed applicable standards of the state and federal governments. The Chicago Contract provides that the cost of water to the Commission shall be equal to the rate fixed for large quantities of water furnished through meters to consumers inside Chicago furnished by Chicago through meters.

The Commission is obligated to purchase a minimum amount of water; such minimum is 50% of the aggregate Illinois Department of Natural Resources allocations. In fiscal 2005, the Commission purchased 31.2 billion gallons of water from the City of Chicago; such purchases equaling 92.1% of the aggregate Illinois Department of Natural Resources allocations.

As a part of the Chicago Contract, the Commission agreed to construct and then sell to Chicago certain interconnection facilities, including the Chicago (Lexington) Pumping Station. The interconnection facilities connect Chicago's water system with the Commission's transmission system. Chicago is paying for the interconnection facilities through a credit of 20% of the net charges for water furnished to the Commission. The cost of the interconnection facilities is shown on the balance sheet as Deferred Water Supply Contract Costs and is being amortized over the life of the contract. The unamortized balance as of April 30, 2005 is $868,166.

Note 7. Long-Term Obligations Payable

A schedule of changes in long-term obligations payable is as follows:

	Balance May 1	Issuances	Retirements	Balance April 30	Due Within One Year
Compensated absences	$ 136,502	123,391	$ 136,502	$ 123,391	$ 123,391
General obligation bonds*	75,465,000	-	9,260,000	66,205,000	9,725,000
Revenue bonds**	135,995,000	-	10,355,000	125,640,000	7,880,000
Total	$ 211,596,502	$ 123,391	$ 19,751,502	$ 191,968,391	$ 17,728,391

	Balance April 30	Due Within One Year
* General obligation bonds		
Principal	$ 66,205,000	$ 9,725,000
Unamortized premium	1,817,835	-
Unamortized loss on refunding	(1,004,033)	-
Total general obligation bonds	$ 67,018,802	$ 9,725,000
** Revenue bonds		
Principal	$ 125,640,000	$ 7,880,000
Unamortized premium	6,155,238	-
Unamortized loss on refunding	(9,894,368)	-
Total revenue bonds	$ 121,900,870	$ 7,880,000

Note 7. Long-Term Obligations Payable (Continued)

(a) General Obligation Bonds:

The Commission issues bonds to purchase and construct capital assets. The Commission has issued $93,970,000 general obligation refunding bonds, series 2001. Principal is due in annual installments of $1,295,000 to $12,465,000; interest at 5.0% to 5.25% through maturity on March 1, 2011. As of April 30, 2005, $66,205,000 principal was outstanding on these bonds. The Commission intends to retire these bonds with annual sales tax proceeds. The series 2001 bonds are general obligations of the Commission secured by the full faith and credit of the Commission and payable, as to both principal and interest, from ad valorem taxes levied against all taxable property within the territory of the Commission. The Commission issued ordinance No. O-2-05, abating the ad valorem taxes on this debt and has set aside, with a trustee, $12,991,431 of sales tax proceeds to be used to service the debt as it becomes due during fiscal year 2006. The $12,991,431 is reported as restricted investments on the Statement of Net Assets.

Payments due on the general obligation bonds through maturity are as follows:

Fiscal Year Ending April 30	Interest	Principal	Total
2006	$ 3,399,150	$ 9,725,000	$ 13,124,150
2007	2,912,900	10,205,000	13,117,900
2008	2,402,650	10,715,000	13,117,650
2009	1,866,900	11,250,000	13,116,900
2010	1,276,275	11,845,000	13,121,275
2011	654,413	12,465,000	13,119,413
Total	$ 12,512,288	$ 66,205,000	$ 78,717,288

(b) Revenue Bonds

In August 2003, the Commission issued $135,995,000 Revenue Refunding Bonds, Series 2003. Principal is due in annual installments of $7,880,000 to $13,575,000; interest at 3.0% to 5.25% through maturity on May 1, 2016. The Series 2003 revenue bonds have an average interest rate of 3.98% and were issued to refund $145,655,000 of outstanding Revenue Bonds, Series 1993 with an average interest rate of 5.3%. As a result, the Series 1993 bonds were retired and the liability for the debt has been removed from the Commission's books.

As of April 30, 2005, $125,640,000 principal remained outstanding on the Series 2003 bonds. In addition, the bonds are subject to certain terms and conditions contained in the "Master Revenue Bond Ordinance" (the Ordinance), which was created when the Commission initially issued Revenue Bonds, Series 1987. See Note 7 (c). Substantially all revenue generated from Commission operations are pledged to retire these bonds.

Note 7. Long-Term Obligations Payable (Continued)

(b) Revenue Bonds (Continued)

Payments due on the revenue bonds through maturity are as follows:

Fiscal Year Ending April 30	Interest	Principal	Total
2006	$ 6,210,937	$ 7,880,000	$ 14,090,937
2007	5,807,062	8,275,000	14,082,062
2008	5,382,937	8,690,000	14,072,937
2009	4,937,563	9,125,000	14,062,563
2010	4,469,938	9,580,000	14,049,938
2011-2015	14,414,825	43,360,000	57,774,825
2016-2017	1,407,656	38,730,000	40,137,656
Total	$ 42,630,918	$ 125,640,000	$ 168,270,918

(c) Revenue Bond Ordinance

On January 15, 1987, the Commission adopted a master revenue bond ordinance (the "Ordinance") authorizing the issuance of Water Revenue Bonds, Series 1987, for the purpose of financing a portion of the construction of the water supply system.

The Ordinance required the establishment of funds designated as "Water Fund," "Revenue Bond Construction Fund," "Special Redemption Fund" and "Rebate Fund" (the "Arbitrage Rebate Fund") and various accounts within the Water Enterprise Fund designated as "Operation and Maintenance Account," "Interest Account," "Principal Account," "Debt Service Reserve Account," "Operation and Maintenance Reserve Account," "Depreciation Account" and "General Account."

Revenues held or collected from ownership and operation of the system are deposited in the Water Fund. Monies deposited in the Water Fund are required to be transferred to the extent available within the following accounts of the Water Fund in the indicated order:

Operation and Maintenance Account – An amount sufficient to make the amount then on deposit sufficient to pay operation and maintenance costs for the month of deposit and the next succeeding month.

Interest Account – Monthly one-sixth of the amount sufficient to cover interest becoming due on the bonds on the next succeeding semiannual interest payment date.

Principal Account – Monthly one-twelfth of the amount sufficient to cover principal of the bonds coming due on the next succeeding principal maturity date.

Debt Service Reserve Account – An amount equal to the maximum annual debt service requirement less the amount of any applicable surety bond coverage.

Note 7. Long-Term Obligations Payable (Continued)

(c) Revenue Bond Ordinance (Continued)

Operation and Maintenance Reserve Account – An amount equal to one-sixth of an amount equal to two months of the budgeted annual operation and maintenance costs until such reserve equals two months of the annual operation and maintenance costs.

Depreciation Account – Monthly amounts of at least $175,000. Any amounts in excess of the required minimum balance of $5,000,000 may be transferred to the general account of the Water Fund by resolution of the Commission Board.

General Account – All revenues remaining in the Water Fund after all required transfers are made to the respective accounts will be transferred to this account.

The Ordinance requires that the Interest Account, the Principal Account and the Debt Service Reserve Account be held by the Trustee. All other accounts are held by the Commission.

The Ordinance provides for the creation of the Special Redemption Fund to be held by the Trustee to account for issuance proceeds and condemnation awards to the extent not used to repair or replace the system and any other Commission-designated transfer. These monies may be used for debt service purposes. This fund was not active in fiscal 2005.

The Ordinance created the Arbitrage Rebate Fund to be held by the Trustee to maintain the tax-exempt status of the interest paid on the bonds. Beginning in fiscal 1988, an account was established and funds were transferred to segregate funds deemed necessary to maintain the tax-exempt status of the revenue bonds. Investment earnings of the Interest, Principal and Debt Service Reserve Account is used for the purpose of funding amounts set aside in the Arbitrage Rebate Fund.

During fiscal 2005, all required transfers were made and account balances were sufficient to meet Ordinance requirements. In accordance with the Commission's revenue bond ordinance, the Commission maintains accounts for the Revenue Bond Construction Fund, the Special Redemption Fund and the Arbitrage Rebate Fund, but these funds are presently inactive.

The Commission also issued a resolution restricting certain surplus funds for the payment of the revenue bonds. Resolution R-14-04 restricts $7,144,469 in surplus funds within the sales tax sub-account to permit the reduction of the fixed cost revenue requirements adopted by Ordinance O-7-02 pursuant to Ordinances O-1-87, O-8-93 and O-9-03.

Note 7. Long-Term Obligations Payable (Continued)

(c) Revenue Bond Ordinance (Continued)

Restricted investments related to the various revenue bond ordinances at April 30, 2005 are as follows:

Sales tax restricted for fixed cost payments	$ 7,144,469
Amount held by trustee for payment of general obligation bonds and interest	12,991,431
Operation and maintenance account	11,476,800
Interest account	3,204,078
Principal account	7,880,125
Operation and maintenance reserve account	11,137,945
Depreciation reserve account	5,000,000
Total restricted investments	$ 58,834,848
Reported as	
Current	$ 42,506,096
Noncurrent	16,328,752
	$ 58,834,848

Note 8. Restricted Net Assets

The Commission has the following restricted net assets:

Restricted Net Assets:	
Restricted assets:	
Investments - per various bond ordinances (Note 7(c))	$ 58,834,848
Less current liabilities payable from restricted assets:	
Revenue bonds:	
Operations and maintenance account:	
Accounts payable	3,935,911
Accrued liabilities	514,245
Compensated absences	123,391
Contract retentions	1,334,156
Principal account:	
Principal payable (due May 1, 2005)	7,880,000
Interest account:	
Interest payable (due May 1, 2005)	3,203,969
General obligation bonds:	
Principal payable (due March 1, 2006)	9,725,000
Interest payable (due March 1, 2006)	566,525
Total liabilities payable from restricted assets	27,283,197
Restricted net assets	$ 31,551,651

Note 9. Unrestricted Net Assets

The Commission adopted Resolution R-14-04 on April 7, 2004. This resolution made the following “designations and assignments” of the Commission's unrestricted net assets balance:

Designated for Operations:	
Designated and assigned to the Construction Reserve within the Sales Tax subaccount of the General Account of the Water Fund	$ 14,971,963
Designated and assigned a water rate stabilization reserve in the General Account of the Water Fund to reduce fluctuations in rates charged to customers in future years	43,769,940
Designated and assigned for emergency repairs and other contingencies	12,300,000
Total designated for operations	71,041,903
Designated Non-Operating:	
Designated for areas affected by contaminated well water pursuant the intergovernmental agreement, R-32-02	9,937,000
Total non-operating designation	9,937,000
Total unrestricted net assets - designated	$ 80,978,903

Note 10. Payment to DuPage County

The Governor of the State of Illinois has signed into law Public Act 93-0226 which amends the Water Commission Act of 1985. Public Act 93-0226 enacted changes concerning the appointment of the chairman of the Commission as well as required the Commission to transfer $75,000,000 to the DuPage County Board. The transfer was recorded as an expense (special item) in full in the Statement of Revenues, Expenses and Changes in Net Assets, during the prior fiscal year. The transfer of funds is to occur on or before July 1 of each year beginning in July 2003, $15,000,000 per year, for a period of five years. As of April 30, 2005, a liability of $45,000,000 remains in the Statement of Net Assets.

Note 11. Commitments and Contingent Liabilities

As of April 30, 2005, the Commission's remaining commitment on contracts for future construction total approximately $7.1 million. No future financing is required. The Commission has certain other contingent liabilities resulting from litigation, claims and commitments incident to the ordinary course of business. It is the Commission's opinion that final resolution of such contingencies will not materially affect the financial position of the Commission.

Note 12. Major Customer

During fiscal year 2005, approximately $6 million, or 20% of water sales revenue in the Water Fund was realized from the City of Naperville, the Commission's largest customer.

Note 13. Employee Retirement Plan

(a) Plan Description

The Commission contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. 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 (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois State Statute.

The Commission does not issue stand-alone financial reports for its participation in IMRF. However, IMRF issues a publicly available report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

(b) Funding Policy

Participating employees are required to contribute 4.5% of their annual salary to IMRF. The Commission is required to contribute the remaining amounts necessary to fund the benefits of its own employees in the System, using the actuarial basis specified by state statute (entry age normal); for calendar 2004 the rate was 10.40%. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

Note 13. Employee Retirement Plan (Continued)

(b) Funding Policy

For calendar year 2004, the Commission's annual pension cost of $199,607 was equal to the Commission's required and actual contributions. The required contributions were determined as part of the December 31, 2002 actuarial valuation.

(c) Significant Actuarial Assumptions

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations dated December 31, 2004. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	Entry Age Normal
Method Used to Determine Actuarial Value of Assets	Five-Year Smoothed Market Value
Amortization Method and period	Level Percentage of Projected Payroll-Closed Basis –31 Years
Significant Actuarial Assumptions	
(a) Rate of Return on Investment of Present and Future Assets	7.50% compounded annually
(b) Projected Salary Increases - Attributable to Inflation	4.00% compounded annually
(c) Additional Projected Salary Increases - Attributable to Seniority/Merit	0.4% to 11.6%
(d) Postretirement Benefit Increases	3.00%

(d) Trend Information

For calendar year 2004, the Commission’s annual pension cost, required contribution and amount contributed were $199,607. For calendar year 2003, the Commission’s annual pension cost, required contribution and amount contributed were $302,762. There was no pension benefit obligation for either year. This was the second year the Commission participated in IMRF.

Note 14. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Commission’s employees. These risks, along with medical claims for employees and retirees, are provided for through insurance purchased from private insurance companies.

There have been no reductions in the Commission’s insurance coverage for any of its programs since the prior fiscal year. Settlements have not exceeded insurance coverage during the current year or prior three fiscal years.

Note 15. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement No. 42 - "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This Statement establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The Commission is required to implement this Statement for the year ending April 30, 2006.

Statement No. 45 -"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. This Statement will become effective for year ending April 30, 2009.

Statement No. 46 - "Net Assets Restricted by Legislation, an Amendment of GASB Statement No. 34," clarifies the definition of "legally enforceable enabling legislation" as established in GASB Statement No. 34, and requires the government to separately disclose the portion of net assets that is restricted by enabling legislation. This Statement will become effective for year ending April 30, 2007.

Statement No. 47 - " Accounting for Termination Benefits," establishes accounting standards for voluntary and involuntary termination benefits, including termination benefits provided through a defined benefit other post employment benefit plan (OPEB). For those termination benefits provided through a defined benefit OPEB plan, this Statement must be implemented concurrently with Statement No. 45. For all other termination benefits, this Statement will become effective for year ending April 30, 2007.

Management has not yet completed its assessment of these Statements, however, they are not expected to have a material effect on the overall financial statement presentation for the Commission.

DuPage Water Commission

Illinois Municipal Retirement Fund

Required Supplementary Information
Analysis of Funding Progress
April 30, 2005

Calendar Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll ((b - a) / c)
2003	$ 1,697,497	$ 4,302,689	$ 2,605,192	39.45 %	$ 1,763,159	147.76 %
2004	1,470,339	3,045,051	1,574,712	48.29	1,919,298	82.05

The DuPage Water Commission began participating in the Illinois Municipal Retirement Fund during fiscal year 2004.

DuPage Water Commission

Illinois Municipal Retirement Fund

Required Supplementary Information
Employer Contributions
April 30, 2005

Calendar Year	Annual Required Contribution	Percentage Contributed
2003	$ 302,762	100.00 %
2004	199,607	100.00

The DuPage Water Commission began participating in the Illinois Municipal Retirement Fund during fiscal year 2004.

Dupage Water Commission

Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
Year Ended April 30, 2005

	Actual	Budget	Variance Positive (Negative)
Operating revenues			
Water sales			
Operations and maintenance costs	$ 43,486,319	$ 47,065,418	$ (3,579,099)
Fixed costs	7,143,969	7,143,969	-
Customer differential	768,990	745,556	23,434
Other income	6,393	6,300	93
Total operating revenues	51,405,671	54,961,243	(3,555,572)
Operating expenses			
Water supply costs	45,018,872	49,479,642	4,460,770
Depreciation	6,668,013	6,969,232	301,219
Personal services	5,355,811	5,604,604	248,793
Insurance	946,298	2,095,778	1,149,480
Professional and contractual services	1,023,829	1,384,835	361,006
Administrative costs	156,004	172,491	16,487
Land and right of way	3,034	4,995	1,961
Total operating expenses	59,171,861	65,711,577	6,539,716
Operating loss	(7,766,190)	(10,750,334)	2,984,144
Nonoperating revenues (expenses)			
Sales tax	34,384,906	32,113,126	2,271,780
Investment income	2,856,461	3,600,000	(743,539)
Interest and other charges	(9,262,718)	(9,262,719)	1
Net nonoperating revenues	27,978,649	26,450,407	1,528,242
Change in net assets	20,212,459	15,700,073	4,512,386
Net assets, May 1, 2004	305,852,209	305,852,209	-
Net assets, April 30, 2005	$ 326,064,668	$ 321,552,282	$ 4,512,386

Summary

Supplementary information for State compliance purposes presented in this section of the report includes the following:

Analysis of Operations:

- Commission Functions and Planning Program
- Average Number of Employees
- Cost Statistics, Service Efforts and Accomplishments (Unaudited)

The auditor's report that covers the Supplementary Information for State Compliance Purposes presented in this section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Commission Functions Description

The DuPage Water Commission (Commission) is a county water commission, body politic and corporate, political subdivision and unit of local government, in DuPage County, Illinois, existing and operating under the Water Commission Act of 1985 (70 ILCS 3720), effective July 30, 1985, as amended (the "1985 Commission Act"). The Commission declared the official start of operations on May 1, 1992.

The DuPage Water Commission Board consists of 13 Board members. Seven of the Board members are appointed by the DuPage County Board Chairman with the advice and consent of the County Board. One of these appointees is designated as chairman of the Commission. The other six Board members are appointed by vote of the mayors of municipalities within the DuPage County districts.

The purpose and objectives of the Commission are:

a. To provide water to municipalities and other customers within DuPage County.

b. To plan, construct, acquire, develop, operate, maintain and/or contract for facilities for receiving, storing and transmitting water from Lake Michigan for the principal use and mutual benefit of the municipalities and other customers.

c. To provide adequate supplies of such water on an economical and efficient basis for the municipalities and other customers.

d. To provide a forum for discussion, study, development and implementation of recommendations of mutual interest regarding water distribution and supply facilities within DuPage County.

The primary authority to designate management, influence operations, formulate budgets and set water rates rests with the Commission Board. Significant matters that require Board action include setting water rates, borrowing funds, amending the Chicago Water Supply contract or Commission bylaws and employing the general manager and professional contractors. These significant matters must carry a majority vote of all commissioners, which majority must contain at least one-third of the DuPage County appointed Board members and 40% of the municipality appointed Board members. Neither DuPage County nor the municipalities within DuPage County have the ability to significantly influence operations; therefore, the Commission is not included in any other governmental reporting entity. In addition, the Commission does not have any component units.

Budget Preparation

An appropriation ordinance is adopted annually to supplement the Commission's management budget. Total Commission expenditures did not exceed the appropriation ordinance, which is the legal spending authority for the Commission.

Capital Improvement Plan

In accordance with Commission policy, the Commission adopted a Capital Improvement Plan, which is reviewed annual and evaluated by the Commission with each new budget cycle. This annual document is based on the Commission's anticipated needs for normal operations, emergency operations and improvements to the system. Included in the plan is a 15-year projection of revenues, expenses and net assets. The proposed capital plan is included in the projection summary. The plan is divided into several sections – distribution system improvements, Lexington pump station improvements, and standpipe improvements. Capital outlay is funded by sales tax revenues, and major non-recurring maintenance is funded by water rates on a fiscal year basis.

Auditors' Assessment

The Commission's planning process has been found to be adequate to satisfy statutory responsibilities.

General Manager:

Robert L. Martin
DuPage Water Commission
600 E. Butterfield Road
Elmhurst, IL 60126

Average Number of Employees
For the Years Ended April 30, 2005 and 2004

The following analyses were developed through analysis of headcount schedules.

	2005	2004
Administrative	6	6
Operations	19	15
Pipeline	9	7
Total	34	28

Cost Statistics, Service Efforts and Accomplishments (Unaudited)
Year Ended April 30, 2005

CUSTOMER USAGE

CUSTOMER	FY2005 TOTAL (1,000 GAL)(1)	% OF TOTAL	ALLOCATION (1000 GAL)	% OF ALLOCATION	2005 ALLOCATION (MGD)	2004 ALLOCATION (MGD)
ADDISON	1,362,044	4.48%	1,650,561	82.52%	4.561	4.494
ARGONNE NAT'L LAB	186,155	0.61%	276,670	67.28%	0.758	0.758
BENSENVILLE	875,072	2.88%	984,840	88.85%	2.704	2.694
BLOOMINGDALE	925,225	3.04%	1,013,767	91.27%	2.803	2.759
CAROL STREAM	1,402,392	4.61%	1,639,399	85.54%	4.531	4.463
CLARENDON HILLS	287,458	0.95%	260,280	110.44%	0.716	0.711
DARIEN	773,876	2.54%	1,008,493	76.74%	2.781	2.750
DOWNERS GROVE	2,177,726	7.16%	2,477,463	87.90%	6.823	6.762
ELMHURST	1,575,913	5.18%	1,706,327	92.36%	4.683	4.669
GLEN ELLYN	1,012,061	3.33%	1,072,510	94.36%	2.950	2.930
GLENDALE HEIGHTS	942,189	3.10%	1,105,889	85.20%	3.049	3.016
HINSDALE	947,699	3.12%	967,803	97.92%	2.655	2.649
IAWC-ARROWHEAD	59,053	0.19%	71,540	82.55%	0.196	0.196
IAWC-COUNTRY CLUB	34,595	0.11%	42,705	81.01%	0.117	0.117
IAWC-DU PAGE/LISLE	175,605	0.58%	218,270	80.45%	0.598	0.598
IAWC-LIBERTY RIDGE						
EAST	10,885	0.04%	18,403	59.15%	0.051	0.050
WEST	103,885	0.34%	126,325	82.24%	0.349	0.344
IAWC-LOMBARD HEIGHTS	25,165	0.08%	26,280	95.76%	0.072	0.072
IAWC-VALLEY VIEW	235,899	0.78%	255,500	92.33%	0.700	0.700
ITASCA	547,328	1.80%	639,196	85.63%	1.764	1.742
LISLE	1,015,130	3.34%	1,168,645	86.86%	3.225	3.185
LOMBARD	1,535,551	5.05%	1,784,577	86.05%	4.909	4.875
NAPERVILLE	6,061,237	19.93%	7,312,590	82.89%	20.534	19.674
OAK BROOK	1,355,387	4.46%	1,502,397	90.21%	4.133	4.104
OAKBROOK TERRACE	49,576	0.16%	79,817	62.11%	0.221	0.217
ROSELLE	749,958	2.47%	809,509	92.64%	2.237	2.204
VILLA PARK	696,544	2.29%	770,703	90.38%	2.115	2.109
WESTMONT	948,613	3.12%	1,050,116	90.33%	2.884	2.872
WHEATON	1,910,757	6.28%	2,134,529	89.52%	5.873	5.830
WILLOWBROOK	411,481	1.35%	485,378	84.78%	1.342	1.321
WINFIELD	326,802	1.07%	408,387	80.02%	1.127	1.113
WOOD DALE	547,703	1.80%	600,530	91.20%	1.654	1.639
WOODRIDGE	1,141,049	3.75%	1,155,232	98.77%	3.208	3.134
TOTAL	30,410,013	100%	34,248,943	89.89%	93.373	94.751

(1) Includes meter adjustment billings.

WATER SALES ACCOUNTABILITY

AVERAGE GALLONS SOLD TO CUSTOMERS PER DAY 83,375,699

						(Per 100 Gallons)	
MONTH	SALES TO CUSTOMERS (GALLONS) (1)	PURCHASES FROM CHICAGO (GALLONS)	GALLONS BILLED %	BILLINGS TO CUSTOMERS	BILLINGS FROM CHICAGO	AVERAGE RATE SOLD	AVERAGE RATE PURCHASED
May-04	2,600,130,000	2,676,783,908	97.14%	$ 3,718,186	$ 3,370,071	$ 0.14300	$ 0.12590
Jun-04	2,721,721,000	2,789,008,356	97.59%	3,892,372	3,511,362	0.14301	0.12590
Jul-04	3,133,397,000	3,223,301,033	97.21%	4,480,758	4,058,136	0.14300	0.12590
Aug-04	3,007,144,000	3,085,674,758	97.45%	4,301,191	3,884,865	0.14303	0.12590
Sep-04	3,009,009,000	3,091,578,157	97.33%	4,302,883	3,892,297	0.14300	0.12590
Oct-04	2,514,175,000	2,570,762,145	97.80%	3,615,488	3,236,590	0.14380	0.12590
Nov-04	2,184,341,000	2,240,388,753	97.50%	3,123,608	2,820,649	0.14300	0.12590
Dec-04	2,303,926,000	2,355,411,517	97.81%	3,294,614	2,965,463	0.14300	0.12590
Jan-05	2,343,046,000	2,403,180,116	97.50%	3,350,556	3,119,328	0.14300	0.12980
Feb-05	2,062,639,000	2,109,867,797	97.76%	2,949,574	2,738,608	0.14300	0.12980
Mar-05	2,262,071,000	2,317,844,242	97.59%	3,234,762	3,008,605	0.14300	0.12980
Apr-05	2,290,531,000	2,351,076,764	97.42%	3,275,458	3,051,698	0.14300	0.12980
TOTALS	30,432,130,000	31,214,877,546	97.49%	$ 43,539,448	$ 39,657,670	$ 0.14307	$ 0.12705

(1) Includes emergency contract customer Schaumburg. Does not include meter adjustments billings.