COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

Chicago, Illinois

For the Year Ended
December 31, 2011

Finance Department
JACQUELINE TORRES, Clerk/Director of Finance

Incorporated May 29, 1889

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INTRODUCTORY SECTION

The Blue Island Park District was honored at the Metropolitan Water Reclamation District of Greater Chicago's annual Field Day for its continuous commitment to incorporate biosolids in routine turf maintenance. The Field Day presented information on the use of biosolids as a fertilizer and a soil builder as well as the 2011 Chicago Metro Biosolids User Awards. Pictured (L to R) are Dr. Albert Cox, MWRD Supervising Environmental Soil Scientist, John Spizzarri, John Murphy, Vice President of the Blue Island Park District, Chris Sobczak and Dr. Tom Granato, MWRD Director of Monitoring and Research.

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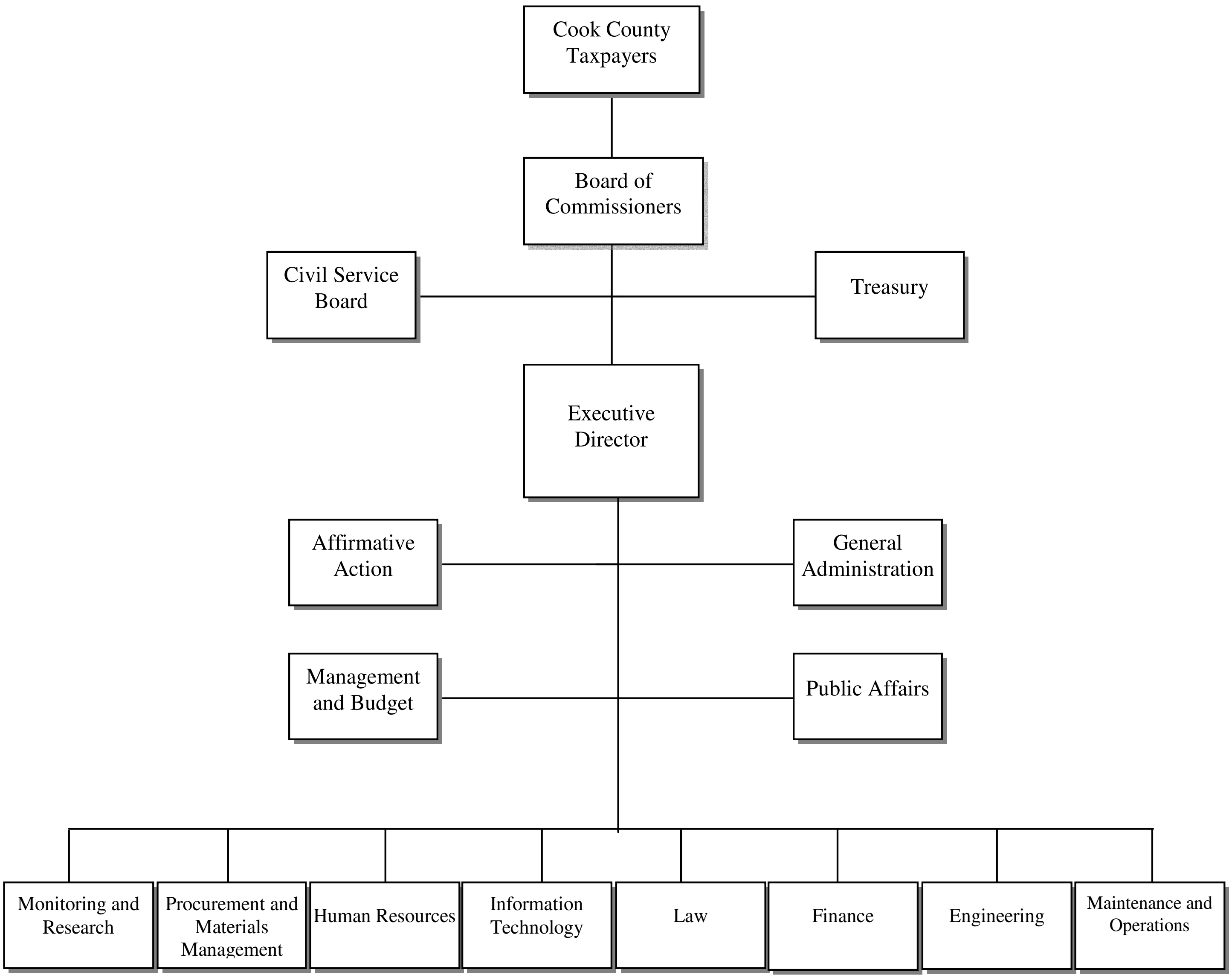
Metropolitan Water Reclamation District of Greater Chicago

Board of Commissioners and Principal Officers

Main Office
100 East Erie Street
Chicago, Illinois 60611

Metropolitan Water Reclamation District of Greater Chicago

Organization Chart



2,071 Budgeted
Positions in 2011

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

Terrence J. O'Brien
President
312.751.5700 f: 312.751.5670

April 23, 2012

To the Citizens of the Metropolitan Water Reclamation District of Greater Chicago and to the Financial Community:

The District is the leading environmental agency in Cook County. The nine-member elected Board of Commissioners has ensured the responsible management of the organization. The staff has ensured that the limited resources are managed in a way that maintains excellence in performance. Excellence in service delivery is non-negotiable. Maintaining facilities and ensuring responsible utility management is at the heart of everything we do. It is important for the District to be recognized for the outstanding contributions we make to the Cook County community.

The District has not escaped the current economic issues that exist across the country. We are facing economic issues on multiple fronts. For the past few years, it has been a challenge to maintain the Corporate Fund undesignated fund balance at the Board of Commissioners' policy level. The Capital Improvement Program (CIP) has been operating at a spending rate that is not sustainable for the utility. The pension program is in need of a greater funding level in order to ensure the retirement benefits promised to employees are delivered. These issues must be addressed without compromising our commitment to excellence.

Strategic Business Plan

The District continues to face many challenges in the days ahead. We will face them in the same manner that has made us the most respected water reclamation district in the country. In order to focus the organization as a whole on these issues, the District team has put together a District-wide Strategic Business Plan. We believe the plan will guide the organization into the future and allow us to face our challenges on the road to continued success. The goals and strategies that have been developed will be measured and evaluated annually to ensure we stay on track. Looking forward, we need to stabilize our financial situation, develop our employees to become our future leaders, improve our public image, and maintain our focus on being the environmental leader in Cook County.

The District has long been the protector of our water resources. Yet, in today's current environment, it is important for the District to lead sustainable efforts in every arena. We must focus on our carbon footprint and take efforts to reduce energy usage and seek out clean energy options. We must ensure that we institute sustainable practices in our everyday business. We must explore green infrastructure options for flood control and stormwater management. We must embrace advancing technology and learn to minimize our use of paper products. As the leading environmental organization, we must look at all aspects of the environment in every aspect of our business.

A strategic business plan has been prepared to map out the goals for the next several years that will ensure the District's success in meeting these challenges and utilizing these opportunities to improve our environment. The District's vision statement "Improving Our Environment" captures where we are headed and what we need to accomplish in the next five years. When pondering the vision statement, the Executive Team has developed a vision that addresses four areas of focus.

- **Finances** - The District is committed to improving our financial environment. In the past four years, expenditures have exceeded revenue in the aggregate capped tax levy. In addition, the District's Capital Improvement Program (CIP) is spending at an unsustainable rate under the tax cap restrictions relative to the issuance of limited bonds. The District recognizes the negative impact both these issues can have if action is not taken to improve our financial environment.
- **Employees** – The District recognizes its employees as our greatest asset and is committed to improving our employee environment. The District recognizes the ongoing need to attract, retain, and develop a high-quality workforce reflective of the diversity of our region. In addition, the District is committed to providing a safe work

environment, adequate tools and resources, and opportunities for mentoring, development, and growth. The District expects all of its employees to strive for excellence in everything they do.

- **Public** – The District is experiencing undeserved negative criticism from the public. The District has done more for the environment in the Chicago region than any other organization in the area. This story needs to be told and the District needs to improve its public image and be recognized as the environmental leader that it is in the area.
- **Natural Environment** – The District is committed to sustainable environmental stewardship and will seek to continuously improve the air, land, and water environment of the region. We will maintain, and where possible, improve the quality of water in watercourses, improve air quality in and around our facilities, and recover resources from our processes.

Disinfection of Chicago Area Water Ways

The District is facing a Consent Decree concerning the long-term control plan for combined sewer overflow compliance. There are new regulations requiring expansion of infrastructure and operations that the District will need to finance and implement. The Cook County community continues to raise its expectations of the Chicago Area Waterway System (CAWS) as a recreational development opportunity. With the completion of the stormwater watershed plans, the District is moving into design and construction projects that will further relieve flooding throughout its service area. The District will enhance sustainability of its operations and facilitate development of green infrastructure in the region.

Capital Projects

With the planned construction of new facilities that will require significant amounts of new energy, aggressive conservation efforts and alternative energy generation have been pursued at existing facilities to minimize the impact. In this forecast, increased energy costs are evident and balanced against reduced consumption as we realize the benefits of these modernization projects. In 2011, the District conducted its first reverse auction to procure electricity and realized a savings of almost $10 million for each of the next two years. In addition, our current conservation efforts have resulted in a savings of $1.6 million.

Deferral of capital maintenance has been a recent tactic to balance the budget; however, this strategy is not sustainable. Equipment must be maintained or failures may result that are expensive to address. This cycle causes a spiraling effect and may balance a budget, but will result in higher costs in the future. Add to this the need to address disinfection and nutrient removal as the push for improved water quality continues throughout the country, and the need for developing a CIP prioritization process becomes paramount. A prioritization plan has been developed and implemented for the 2012 budget. The plan takes on an accelerated schedule for disinfection, addresses priority plant upgrades, and makes room for nutrient removal processes that will improve water quality in the CAWS.

The cooperative approach by the Engineering, Maintenance and Operations, and Monitoring and Research departments in prioritizing projects not only accomplishes these goals, but also ensures that the District has capital to invest in infrastructure well into the future. This effort puts the District in the driver's seat and ensures the continuance of excellent service to Cook County residents.

Carbon footprint, climate change, and providing a sustainable environment are at the forefront of the world stage. The District must embrace these values and recognize that the community is looking for leadership from Cook County's number one environmental organization. Although these issues are not "the core" function of the District, we need to provide leadership in these areas to ensure a sustainable future. Green Infrastructure and the development of the CAWS for recreational opportunities are two of the issues at the center stage of discussion, and the District should be front and center ensuring all interests are considered. No organization can stand alone in these issues. Instead, we must work together as a community in dedicated partnerships to address these world issues. Partnerships working in concert with developing responsible sustainable practices throughout our utility will allow us to take the lead in Cook County.

In concluding, the District is committed to continued excellence in protecting the water environment for the citizens of Cook County.

Respectfully submitted,

Terrence J. O'Brien
President

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Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards

1975-2010
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting/Comprehensive Annual Financial Report

1993-2010
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting Award for Retirement Fund's Comprehensive Annual Financial Report

1985-2011
Government Finance Officers Association of the United States and Canada
Award for Distinguished Budget Presentation

2007-2010
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting Award for the Retiree Health Care Trust Fund's Comprehensive Annual Financial Report

Individual Year Awards (partial listing)

2005
National Institute of Government Purchasing
Certificate of Achievement for Excellence in Public Procurement

National Purchasing Institute
Achievement of Excellence in Procurement

Illinois Safety Council and Greater Chicago Safety Council
Safe Driving Award - District Wide

2006
Illinois Safety Council and Greater Chicago Safety Council
Health and Safety Award

National Institute of Government Purchasing
Outstanding Agency Accreditation Achievement Award

National Purchasing Institute
Achievement of Excellence in Procurement

2007
Chicago Wilderness and United States Environmental Protection Agency
Conservation and Native Landscape Award for Native Prairie Restoration At the Lemont and North Side Water Reclamation Plants

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewerage Agencies
NACWA Award for Compliance with National Pollutant Discharge Elimination System - Platinum Award For 16 concurrent years of full compliance for the Calumet Water Reclamation Plant and For 11 concurrent years of full compliance for the Stickney and Lemont Water Reclamation Plants

NACWA Award for Full Compliance with National Pollutant Discharge Elimination System-Gold Award For the John Egan, James Kirie and North Water Reclamation Plants

2008
Illinois Water Environment Association
Best Technical Presentation Award: Concerns about Endocrine Disrupting Chemicals in Land Applied Biosolids Media Hype or Reality?

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewage Agencies
National Environmental Achievement Award in Public Information & Education - Education Program category for "Mission Possible: Educating People to Promote Beneficial Use of Biosolids

Individual Year Awards (continued)

2008 (continued)

NACWA Award for Compliance with National Pollutant Discharge Elimination System, Platinum Award for 17 concurrent years of full compliance for Calumet Water Reclamation Plant and Platinum Award for 12 concurrent years of full compliance for Stickney and Lemont Water Reclamation Plants

NACWA Award for Full Compliance with National Pollutant Discharge Elimination System, Gold Award for John E. Egan, Hanover Park, James C. Kirie and North Side Water Reclamation Plants

NACWA Award for Full Compliance with National Pollutant Discharge Elimination System, Platinum Award for Stickney, Calumet and Lemont Water Reclamation Plants

National Biosolids Partnership (Water Environment Federation and National Association of Clean Water Agencies)
Certificate of Achievement for meeting all the requirements for admittance and certification to the National Biosolids Partnership Environmental Management System Program

The Waterfront Center
Excellence on the Waterfront Award for Sidestream Elevated Pool Aeration Project

United States Environmental Protection Agency
Exemplary Biosolids Management Award - First Place in the Public Acceptance Category

2009

Chicago Southland Convention and Visitor Bureau
Hospitality Award of Merit for outstanding work on behalf of the Calumet-Sag Trail

National Association of Government Defined Contribution Administrators
Leadership Recognition Award of Distinction for National Save for Retirement Week Campaign

2010

American Academy of Environmental Engineers
Excellence in Environmental Engineering Honor Award in Research for the Microbial Risk Assessment for Recreational Use of the Chicago Area Waterways

American Council of Engineering Companies of Illinois
Special Achievement Award for the Calumet Isolation Chamber

Illinois Society of Professional Engineers
Chicagoland Excellence in Engineering Project Award, Mechanical Division, for the Calumet Central Boiler Facility

Illinois Water Environment Association
Best Technical Presentation Award: Protozoa as Indicators of Activated Sludge Treatment System Conditions

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewage Agencies
NACWA Award for Compliance with National Pollutant Discharge Elimination System, Platinum Award for 19 concurrent years of full compliance for Calumet Water Reclamation Plant and Platinum Award for 14 concurrent years of full compliance for Stickney and Lemont Water Reclamation Plants

NACWA Award for Full Compliance with National Pollutant Discharge Elimination System, Gold Award for Hanover Park Water Reclamation Plant

NACWA Award for Full Compliance with National Pollutant Discharge Elimination System, Platinum Award for John E. Egan, James C. Kirie, North Side, Stickney, Calumet and Lemont Water Reclamation Plants

2011

Water Environment Federation
Thomas E. Kunetz, Assistant Director of Engineering, is a recipient of the Water Environment Federation's Fellows Recognition Program, which honors professional achievements, stature, and contributions to the water profession

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Water Reclamation District of Greater Chicago Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

Jacqueline Torres
Clerk/Director of Finance
312.751.6500 f: 312.894.1104 jacqueline.torres@mwrd.org

April 23, 2012

To the Citizens of the Metropolitan Water Reclamation District of Greater Chicago and to the Financial Community:

The Comprehensive Annual Financial Report (CAFR), of which this transmittal letter is a component, has been prepared in accordance with Chapter 70, Illinois Compiled Statutes, Act 2605/5.13 for the fiscal year ended December 31, 2011. The Statutes require that the Clerk/Director of Finance prepare and publish the financial statements and any other data necessary to reflect the true financial condition and operations of the Metropolitan Water Reclamation District of Greater Chicago, (the "District,") within six months of the close of each fiscal year.

The CAFR's basic financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) in the United States of America, promulgated by the Governmental Accounting Standards Board (GASB). In accordance with Chapter 70, ILCS 2605/5.12, of the Illinois Compiled Statutes, the District's basic financial statements for the period ended December 31, 2011, have been subject to an audit by independent accountants. The unqualified opinion of Baker Tilly Virchow Krause, LLP, has been included in the Financial Section of this report.

District's management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management has established a comprehensive internal control structure designed to compile sufficient reliable information for the preparation of the District's financial statements. District management and its Internal Audit staff periodically evaluate the internal control structure.

Both the investment community and the taxpayers rely on the CAFR for basic information about the District, its past performance, current financial condition, future plans, and service. Financial data and the facts contained herein create an indispensable profile for potential bond investors. Taxpayers can, with full confidence, assess the level, efficiency, and effectiveness of the services provided and the related costs.

GAAP requires that management provide a narrative introduction, overview, and an analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report.

MISSION STATEMENT

The District will protect the health and safety of the public in its service area, protect the quality of the water supply source (Lake Michigan), improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages, and manage water as a vital resource for its service area.

BACKGROUND

The District was originally organized as the Sanitary District of Chicago in 1889 under an act of the Illinois General Assembly. The enabling act was in direct response to a typhoid and cholera epidemic. The District reversed the flow of the Chicago and Calumet River systems to divert contaminated water from Lake Michigan so it could be diluted as it flowed downstream into the Mississippi River. Subsequently, the District built collection treatment facilities to treat sewage in an environmentally effective manner.

The District operates primarily within the boundaries of Cook County. Although the District exercises no direct control over wastewater collection and transmission systems maintained by cities, towns, and villages in Cook County, it does control municipal sewer construction by permits in suburban Cook County. Furthermore, the District provides the main sewer lines for the collection of wastewater from local sewer systems together with the treatment and disposal thereof. Combined sewage and stormwater runoff is stored, treated, and released using District facilities. The District owns and operates seven water reclamation plants (WRP) and 22 pumping stations that treat an average of 1.2 billion gallons of wastewater each day. The Central (Stickney) WRP is the largest plant in the world. The District controls approximately 76.1 miles of navigable waterways that serve as headwaters of the Illinois waterway system. Stringent federal and state standards require that the District's wastewater treatment processes keep the waterways free of pollution. The District monitors industries in Cook County to assure that hazardous substances not suitable for a sewer are disposed of in an environmentally responsible way that complies with applicable laws.

The multi-award winning Metropolitan Water Reclamation District of Greater Chicago is headed by the Board of Commissioners who determine its policies. (Seated L to R) Vice President Barbara J. McGowan, President Terrence J. O'Brien, Chairman of Finance Cynthia M. Santos. (Standing L to R) Michael A. Alvarez, Debra Shore, Kathleen Therese Meany, Patricia Horton, Frank Avila, Mariyana T. Spyropoulos.

REPORTING ENTITY

The District is governed by a nine-member Board of Commissioners, elected at large for six-year terms. The terms are staggered so that three Commissioners are elected every two years. The Executive Director, who is appointed by the Commissioners, manages and controls all District operations, and serves as the Chief Executive Officer.

The District is a separate legal entity sharing an overlapping tax base with the City of Chicago, the Chicago Board of Education, the Chicago School Finance Authority, the County of Cook, the Cook County Forest Preserve District, the Chicago Park District, the Chicago Public Building Commission, the Cook County Community College District #508, and various municipalities and school districts outside the City of Chicago but within the District's boundaries. However, these governments do not meet the established criteria for inclusion in the reporting entity and are therefore excluded.

MAJOR INITIATIVES

Intercepting Sewers

In order to collect wastewater from local sewer systems for conveyance to its water reclamation plants, the District has constructed approximately 559 miles of intercepting sewers and force mains. These intercepting sewers range in size from 12 inches to 27 feet in diameter. A continuing inspection program and lining of deteriorated sewers ensure a high service level on existing sewers.

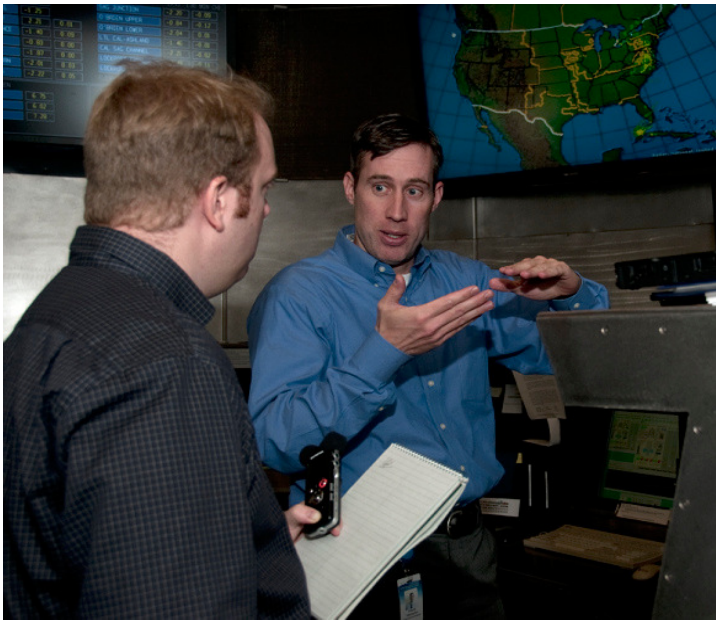
The expected construction cost over the next five years for the sewer program is $92 million. This money will primarily be used in the rehabilitation of deteriorated District interceptors.

Water Reclamation Plant (WRP) Expansions and Improvements

The District has a total secondary treatment capacity of approximately 2 billion gallons per day. To ensure that the District continues to provide high quality service in the future, master planning studies for the major treatment plants, Calumet, Central (Stickney), and North Side have been completed. The studies were undertaken to determine the future needs of each plant and to establish a long range plan for each facility that will improve the air and water environment. Over the next five years, approximately $615 million in construction projects will be awarded.

Biosolids Management

The District collects biosolids from wastewater treatment. The effective dewatering and drying of these biosolids is a major District undertaking. As discussed in the Notes to Basic Financial Statements (Note 14), the District's Board of Commissioners authorized the District to enter into a long-term contract to build and operate a 150 dry ton per day biosolids processing facility at the Central (Stickney) WRP. The facility has been operational since July of 2010.



MWRD Supervising Civil Engineer Ed Staudacher provides information about the Chicago Area Waterway System in the Main Office Building Control Room.

MWRD Monitoring and Research staff from the Aquatic Ecology and Water Quality section are conducting electro-fishing and sampling work on the Chicago River in downtown Chicago.

MWRD Senior Civil Engineer and Small Streams Management Program Manager Brian Levy, at a project site in Maywood, discusses the methods employed by his crews to secure and remove debris from a large waterway.

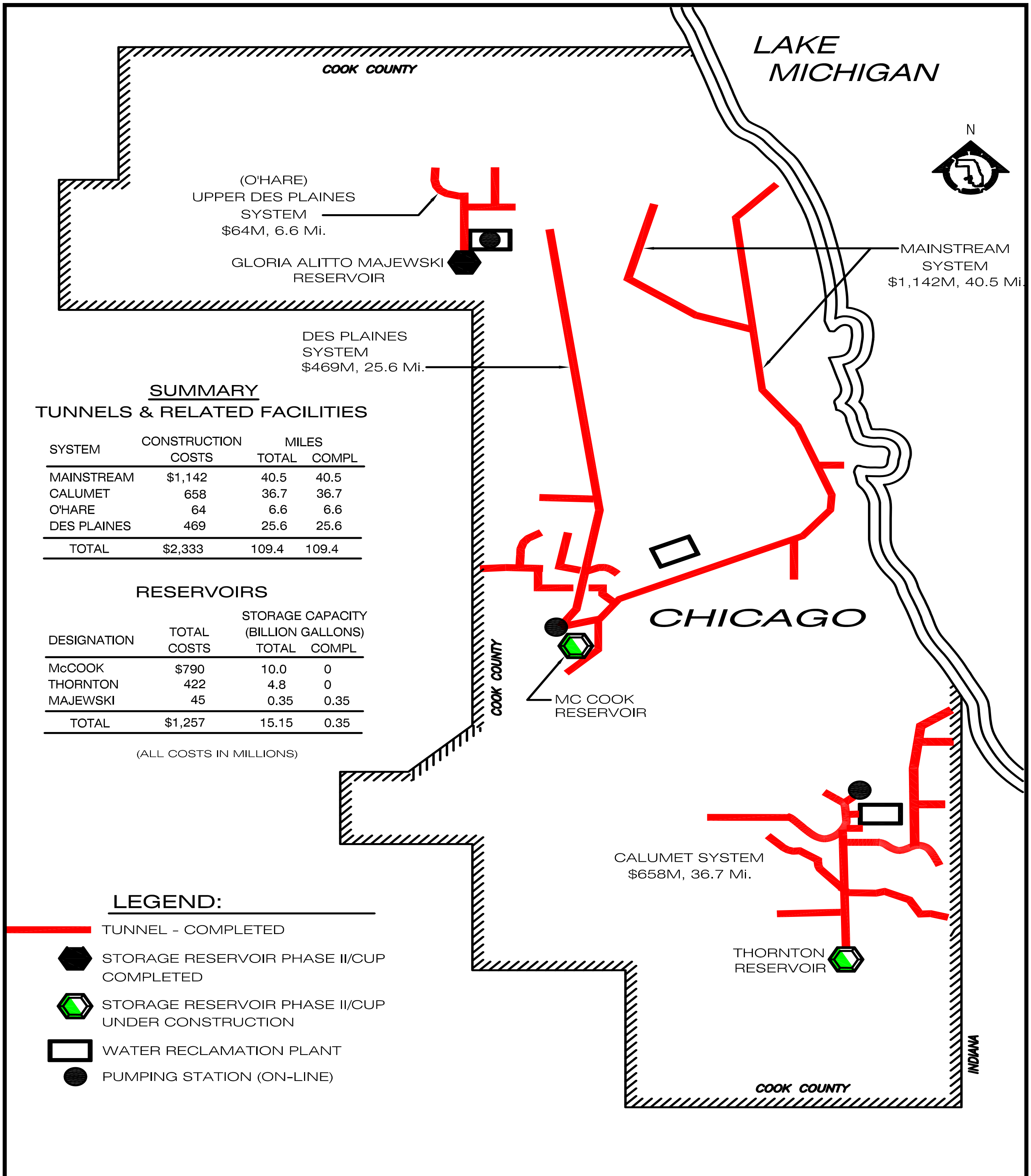
Atifa Nariwala (right), a 9th grader from College Preparatory School of America in Lombard, was one of the MWRD 2011 Science Fair winners. She discussed her experiment titled "Bottled Water vs. Tap Water" with Commissioner Patricia Horton in the MWRD Board Room on June 2, 2011.

Tunnel and Reservoir Plan – Phase I

The District's Board of Commissioners adopted the Tunnel and Reservoir Plan (TARP) in 1972 as a comprehensive pollution and flood control program for its 375 square mile combined sewer area. This area comprises 52 communities, including the City of Chicago. The primary goals of TARP are as follows: protect Lake Michigan, the area's primary source of drinking water from polluted backflows; clean up the area's waterways; and provide an outlet for floodwater and rainfall runoff by capturing wastewater before it enters streams and rivers from within the District's service area. TARP Phase I is composed of four tunnel systems that store polluted sewer overflows during wet weather. All 109.4 miles of Phase I tunnels have been constructed and are operational and the entire system has an approximate construction cost of $2.33 billion. TARP, by providing an outlet for floodwater and rainfall runoff and by capturing wastewater before it enters streams and rivers, is having a remarkable impact on the water quality in Chicago's rivers, including the quality of life for residents and visitors to the Chicagoland area. Marked visible improvement in water quality of local rivers has increased recreational use and tourism, and has spurred real estate development of riverside hotels, restaurants, promenades, marinas, and apartment buildings.

Tunnel and Reservoir Plan – Phase II

Phase II is the flood control segment of TARP and consists of three storage reservoirs to serve as outlets for combined sewer overflows (CSO's). The three reservoirs – Gloria Alitto Majewski, Thornton, and McCook – will provide 15.2 billion combined gallons of storage for CSO's that otherwise would spill into local waterways, degrading the water quality, and causing flooding. The District has executed Project Cooperation Agreements (PCAs) with the Army Corps of Engineers, (the Corps), to construct all three reservoirs. However, the District has assumed responsibility for the design and construction of the Thornton Composite Reservoir from the Corps, and is seeking reimbursement of the federal cost sharing portion of the reservoir. The combined construction and land rights cost for all three reservoirs is estimated at $1.257 billion, with the Corps and the District providing approximately $729 million and $528 million, respectively. The Gloria Alitto Majewski Reservoir, the smallest of the three, was completed in 1998 at a cost of $45 million. Engineering design and construction for McCook and Thornton reservoirs are currently underway.



SUMMARY
TUNNELS & RELATED FACILITIES

SYSTEM	CONSTRUCTION COSTS	MILES TOTAL	MILES COMPL
MAINSTREAM	$1,142	40.5	40.5
CALUMET	658	36.7	36.7
O'HARE	64	6.6	6.6
DES PLAINES	469	25.6	25.6
TOTAL	$2,333	109.4	109.4

RESERVOIRS

DESIGNATION	TOTAL COSTS	STORAGE CAPACITY (BILLION GALLONS) TOTAL	STORAGE CAPACITY (BILLION GALLONS) COMPL
McCOOK	$790	10.0	0
THORNTON	422	4.8	0
MAJEWSKI	45	0.35	0.35
TOTAL	$1,257	15.15	0.35

(ALL COSTS IN MILLIONS)

TUNNEL and RESERVOIR PLAN
PROJECT STATUS

Some construction contracts for the McCook Reservoir have been completed and others are currently in progress. The overburden removal for the McCook Reservoir has been substantially completed and mining began in March 2008. Mining of the North lobe of the Thornton Composite Reservoir began in 1998 and is on schedule to be completed in 2013. The Composite Reservoir will then be completed by 2015. The accompanying exhibit on page 19 shows the status and components of both phases of TARP.

Stormwater Management

The District has completed all six Detailed Watershed Plans (DWP), as the final two, the North Branch of the Chicago River and the Lower Des Plaines River watersheds, were finalized in early 2011. A total of 33 DWP identified capital improvement projects located throughout Cook County are in various stages of preliminary engineering and final design; nineteen of these projects will address critical streambank erosion and fourteen projects will address regional overbank flooding. Prior to completion of the DWPs, the District looked to fund flood control projects approved for funding by state and federal agencies such as the U.S. Army Corp of Engineers (Corps) and the Illinois Department of Natural Resources/Office of Water Resources. One such project, the Heritage Park Flood Control Facility, will provide the required storage for the Corps' Levee 37 project. Final design of this project, which consists of a series of storage facilities to capture 49 million gallons of stormwater, will conclude at the end of 2011; construction is expected to begin in early 2012. The goal of the draft Watershed Management Ordinance (WMO) is to establish uniform, minimum stormwater regulations throughout Cook County. As a result of comments submitted during the public review period in 2009, the District initiated an Economic Impact Study (EIS). The EIS is being conducted in two phases: an engineering analysis and economic analysis. The engineering analysis phase was completed in 2011; the economic analysis is currently underway and is expected to be completed in 2012.

Replacement and Maintenance of Facilities

Many of the District's plants and interceptor sewers were placed in service over 50 years ago. In order to maintain continuous operations, the District has initiated a Master Plan to replace physically deteriorating facilities through rehabilitation, alteration or expansion. The cost for the Master Plan improvements is estimated to average $60 million per year over the course of the next five years.

The District has established a continuing Interceptor Inspection and Rehabilitation Program (IIRP) for the 559 miles of intercepting sewers and force mains it owns and operates. The IIRP is designed to identify and initiate action to make necessary repairs and rehabilitate aging sewers. As discussed in the MD&A, condition assessments required under the modified approach alert management as to the need for maintenance and preservation projects for its infrastructure assets.

Means of Financing

The primary source of financing for construction projects is through the sale of Capital Improvement bonds. Additional funding is provided for qualified construction projects through the State Revolving Fund (SRF). The Water Quality Act Amendment of 1987 authorized the creation of State Revolving Funds. The Fund administered by the State of Illinois, provides loans to municipal agencies for their wastewater construction programs. These loans carry interest rates which are below general rates available in the municipal bond market. The SRF loans are repaid through issuance of IEPA Series Capital Improvement bonds, whose interest rates match the SRF loan rates. When available, federal and state grants may also provide partial funding of construction projects.

BUDGET PROCESS

The Board of Commissioners is required to adopt an annual budget by no later than the close of the previous fiscal year. This annual budget serves as the foundation for the Metropolitan Water Reclamation District's financial planning and control. Annual budgets are prepared for the General Corporate, Construction, Capital Improvements Bond Fund, Stormwater, and Debt Service Fund.

BUDGET PROCESS (continued)

The District utilizes an on-line, real-time computer system to provide budget control at the line item level for the General Corporate, Construction, and Stormwater Management Funds, at the fund level for the Debt Service Fund, and at the line item class level for the Capital Improvements Bond Fund. All budget-relevant transactions are tested for the sufficiency of available appropriation before any obligations resulting from purchase requisitions, purchase orders, or contracts are formally recognized, or payments resulting from payroll or other expenditures are released.

ECONOMIC BASE OUTLOOK

The District's service area is sizeable, encompassing 98% of the assessed valuation of Cook County. The equalized assessed valuation of the District has experienced a 7.0% average growth rate over the last ten years and the current equalized assessed valuation of $166,918,065,845 is 4.4% lower than the previous year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels.

COMMITMENT TO SUSTAINABILITY

The District is committed to developing initiatives that promote sustainability, which is to meet the needs of the present without compromising the ability of future generations to meet their own needs. The Triple Bottom Line approach aids to capture and expand the spectrum of values and criteria for measuring organizational success through sound economic, environmental and social decisions when appropriate. A core value of this evaluation is the concept of sustainability.

The District's strategy is to engage stakeholders to continue in its core mission to protect the quality of the water supply source and manage water as a vital resource while establishing goals and objectives to reduce the consumption of energy and resources used in carrying out its mission. Listed below are the District's major sustainable initiatives:

Financial Sustainability Initiatives

- Increase automation and consolidate staff to reduce future HR expense footprint.
- Evaluate business practices to maximize User Charge and Land Rental revenues and reduce program cost.
- Engage in full cost pricing and perform triple bottom line analysis for all engineering process system alternatives evaluations.
- Maintain reserve funds that allow flexibility and protection in a volatile financial environment.
- Internal audit and procedural review that ensures the integrity of financial information.
- Provide cost effective counsel, representation, litigation and real estate administrative services.
- Incorporate long-term budgetary planning.

Environmental Sustainability Initiatives

- Develop a topsoil product from the District's biosolids that will reduce mining of natural soils to supply the urban topsoil market.
- Continue to evaluate test installations of green infrastructure such as permeable pavement and sustainable streetscape to reduce stormwater inflow into the District's collection system, reduce energy utilization and improve water quality. Currently, a side-by-side test is in place for evaluation of the long-term consequences of permeable concrete, permeable asphalt, and paver blocks.
- Initiated biogas utilization studies at Stickney and Calumet WRPs to determine energy, economic, and environmental value of utilizing digester gas in various forms. Preparing an RFP to solicit biogas utilization proposals from outside parties.
- Initiate construction of the Heritage Park Flood Control Facility, which will provide necessary compensatory storage for the USACE's Levee 37 project along the Des Plaines River. The design utilizes sustainable elements such as native plantings, bioswales, natural streambank stabilization, and the addition of a riparian buffer.

COMMITMENT TO SUSTAINABILITY (continued)

Environmental Sustainability Initiatives (continued)

- Engineering developed an internal design guidance document for all new buildings constructed by the District. It establishes as a design criteria all of the LEED© credits that are applicable to the industrial-type buildings constructed at District facilities.
- Development of rain gardens, where applicable, rain gutters from new building roofs and road gutters are directed to rain gardens or local landscaping, instead of into the plant drain.
- Contractors are now required to recycle construction and demolition debris.
- Ensure tenants do not contaminate land and continue remediation efforts to clean-up legacy pollutants from former tenants.
- Research renewable energies.
- Increase electronic filings and communications in lieu of paper and postal services to reduce future carbon footprint.
- Reduce District's vehicle fleet to reduce future carbon footprint.
- Review alternatives for recovery of phosphorus from side streams and its beneficial reuse.
- Energy efficient lighting and premium efficiency motors are now standard requirements on all new contracts.
- Intermediate sized blowers are being installed at Stickney and Calumet WRPs to enable turning off large blowers during certain times of the year, thus reducing electricity consumption.
- Experimenting with a thermal recovery system at the Kirie WRP to determine if it is practical to heat and cool the administration building using effluent water as the heat source/sink.

Infrastructure Sustainability Initiatives

- Continual improvement and maintenance of an Asset Management System.
- Engineering has budgeted for twenty streambank stabilization projects and fifteen flood control projects for 2012. The District will utilize sustainable bio-engineered solutions, such as geolifts, rock vanes, and natural channel design, instead of traditional hard armoring for streambank stabilization projects wherever practicable. Wetland and habitat restoration, as well as other sustainable bioengineering measures, will be incorporated into the flood control projects where practicable.
- Utilize newer trenchless rehabilitation technologies and materials to reline deteriorated sewers and manholes; the amount of infiltration into the sewers is reduced. By keeping groundwater out of the sewer, it is allowed to recharge the local aquifers, rather than enter the sewer system and cause capacity limitations and additional expenditures to unnecessarily treat the flow at our water reclamation plants. These methods of sewer rehabilitation generally extend the service life of existing sewers by an additional 50 to 100 years, with minimal disruption to their surroundings.
- Employ e-learning for technical engineering and mandatory employee training.

FINANCIAL POLICIES

The Board of Commissioners amended the following:

General Corporate Fund

- Corporate Fund total fund balance as of January 1 of each budget year is to be kept between 12% and 15% of appropriations. The fund balance may be maintained by not fully appropriating prior year fund balances. This level of fund balance will ensure the District's ability to maintain all operations even in the event of unanticipated revenue shortfalls and provide time to adjust budget and operations.

- Corporate Working Cash Fund must be sufficient to finance 95% of the full annual expenditure of the Corporate Fund. This will be financed through transfers of surpluses from the Construction Working Cash Fund, direct tax levies, tax levy financed debt (Working Cash Bonds) and transfers of accumulated interest from other funds. This level of fund balance will continue financing the Corporate Fund in the event of the typical and extraordinary delays in second installment real estate tax collections.

FINANCIAL POLICIES (continued)

General Corporate Fund (continued)

- It is the intent of the Board of Commissioners to fund the Reserve Claim Fund to the maximum level permitted by statute, or 0.05% of the Equalized Assessed Valuation, whichever is economically feasible. This will be financed through tax levies at the maximum 0.5 cents per $100 of equalized assessed valuation when economically feasible and prudent. This level of funding will protect the District in the event of catastrophic failure of District operational infrastructure or other claims. As the District is primarily self-insured, adequate reserves are critical.

The District will appropriate funds from the unassigned fund balance for emergencies as well as for other requirements that the District believes to be in its best interest. In the event that any of these specific component objectives cannot be met, the Executive Director will report this fact and the underlying causes to the Board of Commissioners with a plan to bring the fund balances back into compliance with policy within a two-year period. In order to maintain relevance, this policy will be reviewed every three years following adoption or sooner at the discretion of the Executive Director.

Stormwater Management Fund
The maximum property tax levy of 5 cents per $100 of equalized assessed valuation for the Stormwater Management Fund shall be allocated at a maximum 2 cents per $100 of equalized assessed valuation to fund operations and maintenance and a maximum of 3 cents per $100 of equalized assessed valuation to fund direct cash outflows for capital and capital expenditures and the interest and the redemption of general obligation bond issues for capital projects.

Bond Redemption and Interest Funds Investment Income (Debt Service Fund)
Fund balances in the Bond Redemption and Interest Funds that might accumulate due to investment income will be identified and used to abate Bond and Interest property tax levies or for other corporate purposes. These abatements appropriately reduce property tax levies by the amount earned on invested balances above what is necessary for paying principal and interest due over the following 12 months, while still maintaining appropriate fund balances and when not required for other corporate purposes. This policy and the subsequent tax abatements will assist in compliance with the Board of Commissioners' overall tax levy policy (not to exceed a 5% increase over prior year not including the Stormwater Management Fund tax levy).

Abatement of Interest Rate Subsidies from Build American Bond Issuances
Interest reimbursement payments related to taxes levied for Build America Bond issuances will be presented to the Board of Commissioners for approval to abate, to be used for any lawful corporate purpose, or a combination thereof as determined as part of the annual budget process. Such abatement or alternative lawful use of the funds will be presented to the Board of Commissioners for approval prior to any abatement or use of reimbursement funds.

Capital Improvements Bond Fund Accumulated Income
Revenues that have accumulated in the Capital Improvements Bond Fund (CIBF) from investment income, grants, or State Revolving Fund revenues will primarily be used for capital projects. Capital projects are generally in the CIBF; however, capital projects in the Construction or Corporate Funds of critical importance may be financed by transfers from this revenue source. These funds may be transferred to the Bond Redemption and Interest Funds to be used to abate property taxes, or may be used for other corporate needs as necessary.

Committed Fund Balance
The District's commissioners shall establish, modify, or rescind a fund balance commitment by formal action of the Board of Commissioners.

Assigned Fund Balances
The Executive Director may assign amounts of fund balances to a specific purpose.

FINANCIAL POLICIES (continued)

Accounting Policies of Fund Balance

The General Corporate Fund is a combination of the Corporate, Working Cash, and Reserve Claim Funds. In the General Corporate Fund, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, followed by committed amounts, and then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized. In governmental funds other than the General Corporate Fund, the District considers restricted amounts to have been spent last. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District will first utilize assigned amounts, followed by committed amounts, and then restricted amounts.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Water Reclamation District of Greater Chicago for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. This was the 36th consecutive year that the Metropolitan Water Reclamation District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District has been presented with the award for Distinguished Budget Presentation by the GFOA for the annual budget for the year beginning January 1, 2011. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, financial plan, communications medium, and operations guide. The award, which is valid for a one year period only, has been received for 27 consecutive years.

ACKNOWLEDGMENTS

Preparation of this report reflects the combined efforts of the dedicated professional personnel of the Operating and Support Departments. Their expertise, enthusiasm, and unswerving focus on excellence are gratefully acknowledged. The Board of Commissioners and the general citizenry, in our opinion, may fully rely on the 2011 Comprehensive Annual Financial Report as a fair and accurate presentation, in all material aspects, of the financial position and operational results of the Metropolitan Water Reclamation District of Greater Chicago.

Respectfully submitted,

Jacqueline Torres
Clerk/Director of Finance

Matthew Glavas
Comptroller

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago
100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

April 23, 2012

STATEMENT OF RESPONSIBILITY

To the Citizens of the Metropolitan Water Reclamation District of Greater Chicago and to the Financial Community:

The Board of Commissioners and management of the Metropolitan Water Reclamation District of Greater Chicago assume full responsibility in presenting financial statements that are free from any material misstatements, and are complete and fairly presented in accordance with accounting principles generally accepted in the United States of America. To this end, the undersigned hereby state and attest, having reviewed these financial statements, to the best of their knowledge:

- The statements fairly present the financial position and changes in financial position of the Metropolitan Water Reclamation District of Greater Chicago, and its component units, for the fiscal year ended December 31, 2011, in accordance with accounting principles generally accepted in the United States of America;
- The statements contain no untrue statement of material facts; and
- There are no omissions of material fact(s).

Terrence J. O'Brien
President

David St. Pierre
Executive Director

Jacqueline Torres
Clerk/Director of Finance

Matthew Glavas
Comptroller

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II.
FINANCIAL SECTION

The MWRD implemented a solar panel system at its Egan Water Reclamation Plant (WRP) in Schaumburg using grant funding from the Illinois Department of Commerce and Economic Opportunity (DCEO) and a donation from the City of Chicago. The 45 panel system is installed on the rooftop of the Egan WRP and will produce enough energy to heat 42 gallons of water per hour, 24-hours per day, every day of the year.

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BAKER TILLY

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Honorable President
and Members of the Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (District), Illinois, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Water Reclamation District Pension Trust Fund which represents 87%, 90%, and 37%, respectively, of the assets, equity and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon dated April 12, 2012 has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Metropolitan Water Reclamation District Pension Trust Fund, is based on the report of the other auditors. The District's financial statements include partial prior year comparative information. Such information does not include notes to the basic financial statements which are required to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2010 from which such partial information was derived.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2011, and the respective changes in financial position and the budgetary comparison for the General Corporate Fund 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 our report dated April 23, 2012 on our consideration of the District'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.

To the Honorable President
and Members of the Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules as well as the other financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
April 23, 2012

The Metropolitan Water Reclamation District of Greater Chicago (the "District") is providing Management's Discussion and Analysis (MD&A) to assist the readers in understanding the financial information presented in this report. The MD&A includes a discussion of the basic financial statements and their relationship to each other. It also offers an analysis of the District's financial activities at both the government-wide and fund levels, based on known facts, and compares the current year's results with the prior years. A budgetary analysis of the District's General Corporate Fund is provided, as well as an analysis of capital assets and debt activity. Finally, the MD&A concludes with a discussion of issues that are expected to be significant to the District's finances.

The MD&A should be read in conjunction with the Clerk/Director of Finance's letter of transmittal and the basic financial statements.

2011 FINANCIAL HIGHLIGHTS

- The District ended the 2011 fiscal year with assets exceeding liabilities by $5,085,058,000. The primary reason was due to the District's positive balance of $4,506,544,000 in investment in capital assets, net of related debt.
- The District's total net assets increased by $57,142,000 in 2011. The main reason for the increase is the collection of property taxes that were previously reserved.
- The District's combined fund balances for its governmental funds at December 31, 2011 totaled $1,048,159,000, an increase of $323,919,000 from the prior year, as a result of the issuance of new general obligation debt.
- The District's total long-term liabilities increased by $509,728,000 in 2011, due mainly to the increase in bond payable, net in the amount of $538,413,000.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements include both a short and long-term view of its financial activities. The focus is on both the District as a whole (government-wide) and on major individual funds. The District's basic financial statements include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements. In addition to the basic financial statements, the financial section of this report includes Required Supplementary Information (RSI) and Combining and Individual Fund Statements and Schedules.

Government-wide financial statements. The government-wide financial statements are provided to give readers a long-term overview of the District's finances, similar to a private-sector business. Government-wide statements consist of the Statements of Net Position and Statements of Activities, and are prepared using the accrual basis of accounting and the economic resources (long-term) measurement focus. They include all the District's governmental activities; there are no business-type activities. The fiduciary funds' resources are restricted for employee pensions and other post employment benefits, and are not available to support the operations of the District. Therefore, the fiduciary funds are not reported in the government-wide financial statements.

The Statements of Net Position report the financial position of the District as a whole, presenting all the assets and liabilities (including capital assets and long-term obligations), with the difference between the assets and liabilities representing net position. The increase or decrease in net position over time can serve as a useful indicator of whether the financial position of the District is improving or declining.

The Statements of Activities report the operating results of the District as a whole, presenting all revenues and expenses of the District as well as the change in net position. The Statements of Activities include revenues earned in the current fiscal year that will be received in future years, and expenses incurred for the current year that will be paid in future years (e.g., revenue for uncollected taxes and expenses for accumulated, but unused, compensated absences.) Revenues are segregated by general revenues and program revenues. General revenues include taxes, interest on investments, and all other revenues not classified as program revenues. Program revenues include charges for services (i.e., user charges, land rentals, fees, forfeitures, and penalties) and capital grants. Depreciation for depreciable capital assets is recorded as an expense in this statement.

Fund financial statements. The District uses fund accounting to demonstrate compliance with finance-related legal requirements. For this purpose, a fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives.

The fund financial statements include information segregated by the District's governmental funds and its fiduciary funds. The governmental funds are used to account for the day-to-day activities of the District, while the fiduciary funds account for employee pensions (Pension Trust Fund) and other post employment benefits (OPEB Trust Fund). The Governmental Funds Balance Sheets and Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balances focus the reader's attention on the short-term financial position and results of operations, respectively, using the modified accrual basis of accounting. They also include a budgetary statement for the General Corporate Fund that compares the original and final budget amounts to actual results. This statement is provided to demonstrate compliance with the budget.

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report the net position available for future pension and OPEB benefits and the change in net position, respectively. The fiduciary financial statements utilize the accrual basis of accounting, similar to that used for the government-wide financial statements.

Reconciliation of governmental fund financial statements to government-wide financial statements. Because the short-term focus of governmental fund financial statements is narrower than the long-term government-wide financial statement focus, reconciliations are required to explain the differences between the fund and government-wide financial statements. As a special purpose government, the District has elected to present the reconciliation by combining the presentation of the governmental fund statements with the government-wide statements. The Governmental Funds Balance Sheets are reconciled to the Statements of Net Position in a combined financial statement presentation (Exhibit A-1). Likewise, the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances are reconciled to the Statements of Activities in a combined financial statement presentation (Exhibit A-2).

Notes to the basic financial statements. The basic financial statements include notes to the financial statements that provide additional disclosure, to more fully explain the financial data provided in the basic financial statements.

KEY FINANCIAL COMPARISONS

Property taxes. The primary source of revenue for the District is ad valorem property taxes. All District funds, with the exception of the District's Capital Improvements Bond Fund, derive their revenues primarily from property taxes. In 2011, total property tax revenues increased by $97,338,000 in the District's statement of changes in net position. This was primarily due to the collection of property taxes that were previously reserved. The District also experienced a slight increase in tax levies in 2010, which impacted 2011 collections.

User Charges. The District imposes user charges on industrial and commercial customers for treating their wastewater. These charges are based on the volume and strength of their effluent and are billed on a monthly basis. In 2011, total user charge revenues increased by $8,036,000 due to increased loadings from large industrial and commercial users.

Construction costs. The District currently has a five year capital project plan that details current and upcoming construction projects. Once the project is approved and the funding is in place, the contract is awarded and the work begins. In 2011 construction costs decreased by $20,707,000 as a result of fewer large construction contracts being awarded.

Employee costs. The District's employee related expenditures are the largest single cost of the corporate fund comprising 60.7% of the total outlays for 2011. Employee costs are comprised of regular pay, overtime and health care premiums. In 2011 the total budgeted positions were 2071 and some were left vacant and later eliminated in the 2012 budget which contains 1,922 positions. Employee costs decreased in the current year $10,217,000 from the prior year.

Energy costs. A significant amount of the expenditures of the District represents energy costs, mainly electricity and gas. The District currently purchases electricity for its major facilities from a provider at a fixed rate. In 2011, energy costs in the General Corporate Fund's governmental fund financial statements decreased by $1,927,000 due to conservation efforts and results of a reverse electricity auction that lowered the overall cost of electricity.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31, 2011 and 2010, is presented in the following schedule (in thousands of dollars):

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 1,561,368	$ 1,235,997	$ 325,371	26.3 %
Capital assets	6,641,541	6,406,300	235,241	3.7
Total assets	8,202,909	7,642,297	560,612	7.3
Liabilities:				
Current liabilities	154,402	160,660	(6,258)	(3.9)
Long-term liabilities	2,963,449	2,453,721	509,728	20.8
Total liabilities	3,117,851	2,614,381	503,470	19.3
Net Position:				
Invested in capital assets, net of related debt	4,506,544	4,492,811	13,733	0.3
Restricted	631,991	632,039	(48)	(0.0)
Unrestricted (Deficit)	(53,477)	(96,934)	43,457	44.8
Total net position	$ 5,085,058	$ 5,027,916	$ 57,142	1.1 %

The previous schedule reports that the District's net position totaled $5,085,058 at December 31, 2011, which represents the amount by which the District's assets exceed its liabilities. The largest portion of the position, $4,506,544,000, represents the cost of the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets total $631,991,000 and represent resources that are subject to external or legal restrictions as to how they may be spent, such as federal grants or state loans, capital bond proceeds, or tax levies for working cash, and debt service. The remaining portion of unrestricted net position, is a ($53,477,000) deficit, which represents the net position that has no external restriction as to use or purpose.

A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2011 and 2010, is presented in the following schedule (in thousands of dollars):

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
General Revenues:				
Taxes	$ 543,737	$ 448,902	$ 94,835	21.1 %
Interest	13,156	9,119	4,037	44.3
Other	19,548	15,020	4,528	30.1
Program Revenues:				
User charges	57,469	49,433	8,036	16.3
Land rentals	12,161	10,040	2,121	21.1
Fees, forfeits, and penalties	3,279	2,731	548	20.1)
Capital grants	17,218	17,156	62	0.4
Total revenues	666,568	552,401	114,167	20.7
Expenses				
Board of Commissioners	3,348	3,627	(279)	(7.7)
General Administration	14,844	15,767	(923)	(5.9)
Monitoring and Research	25,221	28,450	(3,229)	(11.3)
Procurement and Materials Management	6,928	6,447	481	7.5
Human Resources	47,683	46,882	801	1.7
Information Technology	14,423	16,127	(1,704)	(10.6)
Law	7,151	8,132	(981)	(12.1)
Finance	2,962	3,189	(227)	(7.1)
Engineering	4,028	6,245	(2,217)	(35.5)
Maintenance and Operations	178,438	191,090	(12,652)	(6.6)
Pension costs	70,331	62,996	7,335	11.6
OPEB Trust Fund costs	10,251	24,540	(14,289)	(58.2)
Claims and judgments	25,488	9,134	16,354	179.0
Construction costs	84,240	104,947	(20,707)	(19.7)
Loss on disposal of capital assets	95	381	(286)	(75.1)
Unallocated depreciation	12,235	11,428	807	7.1
Interest	101,760	95,382	6,378	6.7
Total expenses	609,426	634,764	(25,338)	(4.0)
Increase (decrease) in net position	57,142	(82,363)	139,505	169.4
Total net position, beginning of year	5,027,916	5,110,279	(82,363)	(1.6)
Total net position, end of year	$ 5,085,058	$ 5,027,916	$ 57,142	1.1 %

Total revenues increased by $114,167,000 in 2011, or 20.7% from the prior year. The major reasons for the variances are detailed under "Key Financial Comparisons" on pages 32-33. Other variances in revenues are the result of:

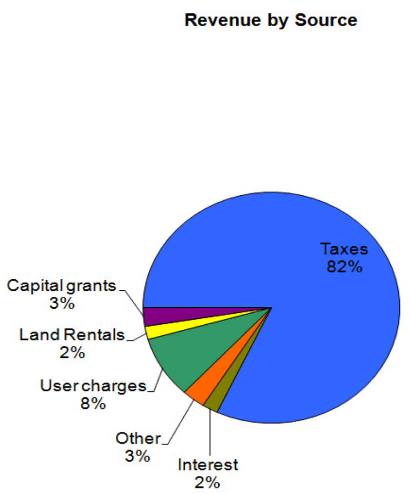
- An increase in funds available for investment accounts for increased interest income in 2011.
- New and renegotiated lease agreements, reflecting prevailing market rates, account for the increase in land rental revenue.

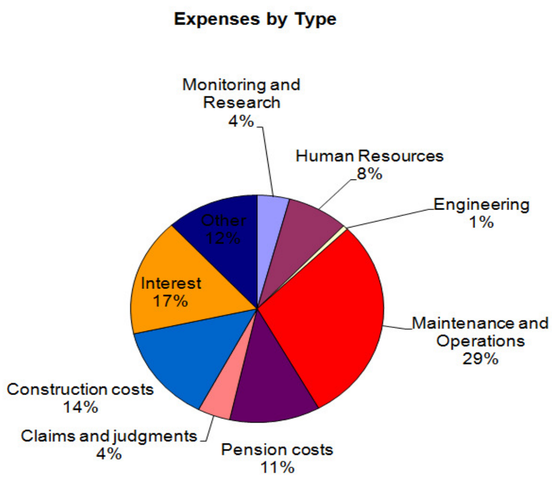
Total expenses decreased by $25,338,000 in 2011, or 4.0% from the prior year. The major reasons for the variances are detailed under “Key Financial Comparisons” on page 32-33. Other variances in expenses are the result of:

- Decreases in construction resulted in lower land acquisition and easement expenses in 2011.

- Maintenance and Operations Department expenditures were reduced due to lower than expected rehabilitation, overhaul and preventative maintenance costs.

The following percentage charts show the major sources of revenue and expenses for the year ended December 31, 2011:





ANALYSIS OF DISTRICT’S GOVERNMENTAL FUND FINANCIAL STATEMENTS

As previously discussed, the focus of the District’s governmental funds is on short-term inflows, outflows, and currently available resources. The emphasis in the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the governmental fund financial statements. For 2011, the District reports four major funds and two non-major funds. The four major governmental funds are the General Corporate Fund, the Construction Fund, the Capital Improvements Bond Fund, and the Debt Service Fund. The non-major governmental funds are the Special Revenue Retirement Fund and the Capital Projects Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of $1,048,159,000, an increase of $323,919,000 or 44.7%, from 2010. The increase is a result of expenditures exceeding revenues by $191,653,000 offset by net financing sources of $515,572,000. A total of $38,922,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled $1,105,462,000 and the remaining deficit of $96,225,000 was unassigned.

The General Corporate Fund is the principal operating fund of the District and it includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund’s fund balance at the end of the current fiscal year totaled $285,095,000. The fund balance represented 92.2% of the General Corporate Fund expenditures, a good indication of the fund’s liquidity. The total fund balance for the General Corporate Fund increased by $80,311,000 in the current year as a result of revenues exceeding expenditures. The District’s General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note 1b on pages 55-56.

The General Corporate Fund ended the year with an unassigned fund balance deficit of $96,225,000 due to the required reserve claims restriction, nonspendable inventories, restricted working cash, as well as revenues exceeding expenditures.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2011 and 2010, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

	2011		2010			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Revenues:						
Property taxes	$ 259,076	67.9 %	$ 216,984	66.7 %	$ 42,092	19.4 %
Personal property replacement tax	27,119	7.1	31,433	9.7	(4,314)	(13.7)
Total tax revenue	286,195	75.0	248,417	76.4	37,778	15.2
Interest on investments	4,061	1.1	2,558	0.8	1,503	58.8
Land sales	2,326	0.6	3,045	0.9	(719)	(23.6)
Tax increment financing distributions	12,715	3.3	6,818	2.1	5,897	86.5
Claims and damage settlements	1,298	0.4	285	0.1	1,013	355.4
Federal Grants	103	0.0	51	0.0	52	18.2
Miscellaneous	3,148	0.8	3,425	1.0	(277)	(8.1)
User charges	57,169	15.0	49,133	15.1	8,036	16.4
Land rentals	12,161	3.2	10,040	3.1	2,121	21.1
Fees, forfeits, and penalties	2,311	0.6	1,707	0.5	604	35.4
Total revenues	$ 381,487	100.0 %	$ 325,479	100.0 %	$ 56,008	17.2 %

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, and rental income. In 2011, General Corporate Fund revenues totaled $381,487,000, an increase of $56,008,000, or 17.2%, from 2010. The major variances in revenues are previously explained under "Key Financial Comparisons" on pages 32-33.

A comparative analysis of the General Corporate Fund expenditures by object class is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Expenditures Schedule

	2011		2010			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Expenditures:						
Employee cost	$ 187,816	60.7 %	$ 198,033	59.8 %	$ (10,217)	(5.2)%
Energy cost	46,992	15.2	48,919	14.7	(1,927)	(3.9)
Chemicals	6,067	2.0	6,858	2.1	(791)	(11.5)
Solids disposal	9,082	2.9	10,590	3.2	(1,508)	(14.2)
Repair to structures/equipment	15,978	5.2	22,517	6.8	(6,539)	(29.0)
Materials, parts & supplies	12,665	4.1	13,023	3.9	(358)	(2.7)
Machinery & equipment	780	0.3	2,548	0.8	(1,768)	(69.4)
Claims and judgments	6,923	2.2	6,728	2.0	195	2.9
All other	22,873	7.4	22,155	6.7	718	3.2
Total expenditures	$ 309,176	100.0 %	$ 331,371	100.0 %	$ (22,195)	(6.7)%

In 2011, General Corporate Fund expenditures totaled $309,176,000, an overall decrease of $22,195,000, or 6.7%, under 2010 expenditures. Employee and energy costs were the two largest expenditure components of the General Corporate Fund in 2011, accounting for 75.9% of total expenditures versus 74.6% in 2010.

- Employee costs, which include salaries and wages, health insurance, and training, decreased by $10,217,000 in 2011. The majority of the decrease can be attributed to fewer employees and lower health costs.

- Repairs of structures and equipment decreased by $6,539,000 in 2011, due to scheduling fewer repairs for District facilities.

- Purchases of machinery and equipment were $1,768,000 lower in 2011 because of decreases in expenditures for vehicles, equipment in labs and process facilities, and computer software.

- Expenditures for all other categories decreased by $3,671,000 in 2011 mainly as a result of a decrease in consulting and contractual services.

Other Major Funds. The District's Debt Service Fund accounts for property tax revenues and interest earnings used for the payment of principal and interest on bonded debt. The Debt Service Fund's fund balance at the end of the current fiscal year totaled $137,217,000. The fund balance represented 88.2% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by $26,162,000 in the current year, which represents the amount revenues exceeded debt service costs. The decrease in the interest on bonds was primarily due to early redemption of callable bonds in 2011.

The Construction Fund and Capital Improvements Bond Fund are capital projects funds used by the District for the construction and preservation of capital facilities. The Construction Fund's resources are primarily from property taxes, while the Capital Improvements Bond Fund's resources are bond proceeds, government grants, and state revolving loans.

The fund balance of the Construction Fund at the end of the current fiscal year totaled $33,454,000 including restricted working cash of $21,611,000. The fund balance for the Construction Fund decreased by $871,000 due to an increase in construction costs in 2011.

The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled $536,840,000. This amount will provide resources for the 2012 construction program. The fund balance represented 165.6% of the fund's expenditures. The fund balance increase of $205,125,000 in the current year was a result of expenditures exceeding revenues by $310,700,000, offset by net other financing sources of $515,825,000, which is comprised of $78,481,000 in state revolving fund loan proceeds and the issuance of $400,000,000 in general obligation debt. Revenues increased by $1,517,000 due to higher investment income, while expenditures decreased by $145,408,000 due to fewer construction projects being awarded.

GENERAL CORPORATE FUND BUDGET ANALYSIS

The General Corporate Fund budget includes the budgetary accounts of the Corporate Fund and Reserve Claim divisions. A comparison of the 2011 original budget to the final amended budget and actual results for the General Corporate Fund is presented in the basic financial statements (Exhibit A-3). A comparison of the General Corporate Fund's 2011 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

A condensed summary of the 2011 General Corporate Fund budget is presented in the following schedule (in thousands of dollars):

	Budget		Actual	Actual Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property and personal property replacement taxes	$ 267,576	$ 267,576	$ 267,947	$ 371
Adjustment for working cash borrowing	(4,851)	(4,851)	(4,851)	-
Adjustment for estimated tax collections	-	-	(2,270)	(2,270)
Tax revenue available for current operations	262,725	262,725	260,826	(1,899)
User charges	41,000	41,000	48,314	7,314
Interest on investments	1,600	1,600	3,188	1,588
Tax increment financing distributions	925	925	16,959	16,034
Equity Transfer from capital imp. bond fund	8,000	8,000	8,000	-
Land rentals	11,500	11,500	12,399	899
Other	3,469	3,469	9,415	5,946
Total revenues	329,219	329,219	359,101	29,882
Operating expenditures:				
Board of Commissioners	3,841	3,841	3,344	497
General Administration	16,117	16,117	14,326	1,791
Monitoring and Research	26,405	26,405	24,482	1,923
Procurement and Materials Management	8,869	8,869	7,970	899
Human Resources	54,824	54,824	47,695	7,129
Information Technology	17,548	17,548	13,603	3,945
Law	7,262	7,262	7,165	97
Finance	3,321	3,321	2,965	356
Engineering	7,124	7,124	2,981	4,143
Maintenance and Operations	195,782	195,782	176,213	19,569
Claims and judgments	60,000	60,000	6,923	53,077
Total expenditures	401,093	401,093	307,667	93,426
Revenues over (under) expenditures	(71,874)	(71,874)	51,434	123,308
Fund balance at beginning of year	91,714	91,714	133,947	42,233
Net assets available for future use	(19,840)	(19,840)	-	19,840
Fund balance at beginning of year as adjusted	71,874	71,874	133,947	62,073
Fund balance at end of the year	$ -	$ -	$ 185,381	$ 185,381

Actual revenues on a budgetary basis for 2011 in the General Corporate Fund totaled $359,101,000 or $29,882,000 more than budgeted revenues, an 8.3% variation. Property taxes and personal property replacement taxes were $1,899,000 less than the budget because of the adjustment for estimated tax collections over and above the working cash borrowings. User charge receipts were $7,314,000 more than the budget due to higher user charge rates and larger customer base. Interest on investments had a $1,588,000 positive variance over budget because of the increase in interest rates earned on investments in 2011. Land rentals were $899,000 more than the budget due the rental market starting to improve. All other revenues had a $21,890,000 positive variance because of better-than-expected results for land sales, fines, and revenues from tax increment financing districts.

The 2011 General Corporate Fund final appropriation of $401,093,000 did not change from the original amount. Actual budgetary expenditures totaled $307,667,000, or 76.7%, of the total appropriation. The $93,426,000 excess of appropriations over actual expenditures was primarily due to claims and judgments being $53,077,000 less than appropriations. This is consistent with the Board of Commissioners' policy to accumulate sufficient reserves for payment of future claims without exposing the District to financial risk that could curtail normal operations. Expenditures for the Maintenance & Operations Department were $19,569,000 below appropriations, mainly because of variances for electricity, chemicals, waste disposal costs, repairs, and repair parts. The large variance in the Human Resources budget is attributed to the reduction in health care costs. Management controls placed on staffing and other appropriation accounts also contributed to the total variance.

CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2011, amounted to $6,641,541,000. Reportable capital assets, net of accumulated depreciation, for 2011 as compared to 2010 are as follows (in thousands of dollars):

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 129,495	$ 129,960	$ (465)	(0.4)%
Permanent easements	1,330	1,330	-	-
Buildings	8,095	8,280	(185)	(2.2)
Machinery and equipment	31,197	34,427	(3,230)	(9.4)
Computer software	2,916	1,383	1,533	100.0
Depreciable infrastructure	1,719,699	1,731,320	(11,621)	(0.7)
Modified infrastructure	3,505,052	3,412,516	92,536	2.7
Construction in progress	1,243,757	1,087,084	156,673	14.4
Total	$ 6,641,541	$ 6,406,300	$ 235,241	3.7 %

Significant capital asset changes during the current fiscal year included the following:

- Total capital asset additions exceeded retirements and depreciation by $235,241,000 in 2011.
- Construction in progress increased by $156,673,000 from 2010 to 2011 due to the ongoing construction of infrastructure projects. Major projects in 2011 include the Stickney Sludge Thickening Facilities for $56,264,000, the Calumet TARP Inlet/Outlet Tunnels for $30,278,000, the McCook Reservoir for $23,394,000, the Calumet Tollway Dam for $22,334,000, and ongoing work on the 39th Street Conduit Rehabilitation Phase 1 Project for $21,441,000. Other notable projects include the Calumet Primary Settling Tanks for $17,433,000, the Stickney Westside Imhoff Battery A and Skimming Tank Demolition for $16,499,000 and Thornton Reservoir, Final Reservoir Preparation for $13,359,000.

In addition to the above, commitments totaling $557,911,236 remain outstanding for ongoing construction projects. Additional disclosure on construction commitments can be found in Note 9 to the basic financial statements.

Modified approach. The District's infrastructure assets include interceptor sewers, wastewater treatment basins, waterway assets (such as reservoirs and aeration stations,) and deep tunnels, drop shafts and regulating elements making up a pollution and flood control program called TARP. The District is using the modified approach to report its infrastructure assets, with the exception of the TARP deep tunnels and drop shafts, which are depreciated. The District elected the modified approach to: a) clearly convey to the taxpayers the District's efforts to maintain infrastructure assets at or above an established condition level; b) provide and codify a process to coordinate construction projects between the Engineering and Maintenance and Operations **d**epartments; c) readily highlight infrastructure assets that need significant repair/rehabilitation/replacement under a construction project; and d) provide additional evaluative information to bond rating agencies so that the District's bond rating is maintained at the highest level

The Kirie, Hanover, Egan, Central (Stickney), North Side, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Kirie networks had additional condition assessments completed in 2005, 2008 and 2011. The Hanover network had additional condition assessments completed in 2006 and 2009. The Central (Stickney) and Waterways network had additional condition assessments completed in 2008 and 2011. The Calumet and Lemont networks had second conditional assessments completed in 2009. The Egan and North Side networks had additional condition assessments in 2007 and 2010 (see further discussion of the modified approach in the Required Supplementary Information Section).

As noted in the Required Supplementary Information, the condition ratings for eligible infrastructure assets compare favorably with the District's target level of acceptable or better. In addition, there are no significant differences between the estimated maintenance and preservation costs and the actual costs. Additional disclosure on the District's capital assets and modified approach can be found in the Notes 1.k. and 6 to the basic financial statements and in the Required Supplementary Information section.

DEBT ACTIVITY

Long-term Debt. The District's long-term liabilities as of December 31, 2011, totaled $ 2,963,449,000. The breakdown of this debt and changes from 2010 to 2011 are as follows (in thousands of dollars):

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	$ 2,529,954	$ 1,991,541	$ 538,413	27.0 %
Bond anticipation notes	108,008	196,225	(88,217)	(45.0)
Claims payable	59,857	41,292	18,565	45.0
Compensated absences	28,784	29,860	(1,076)	(3.6)
Capital lease	51,784	53,688	(1,904)	(3.5)
Net OPEB obligation	76,580	66,329	10,251	15.5
Net Pension liability	108,482	74,786	33,696	45.1
Total	$ 2,963,449	$ 2,453,721	$ 509,728	20.8 %

Significant changes in long-term liabilities during the current fiscal year included the following:

- Bonds payable, net, increased by $538,413,000 in 2011 as a result of the issuance of debt.
- Bond anticipation notes decreased by $88,217,000 in 2011 as a result of the issuance of $78,481,000 in notes and the conversion of $166,698,000 from bond anticipation notes to bonds.
- Claims payable increased by $18,565,000 due to increases in general and construction claims.
- Compensated absences decreased by $1,076,000 a result of more termination payouts and reduction in the sick payout.
- Capital leases decreased by $1,904,000 due to principal payments in 2011.

- Net OPEB obligations increased by $10,251,000 mainly due to changes in actuarial assumptions.

- Net Pension liabilities increased by $33,696,000 as a result of changes in actuarial assumptions.

The District's general obligation bonds have the following long and short-term ratings:

Moody's Investors Service	Aaa and VMIG 1
Standard & Poor's Corporation	AAA and A-1+
Fitch, Inc.	AAA and F1+

Debt Limits and Borrowing Authority. Various applicable sections of the Illinois Compiled Statutes establish the following limitations relative to the District's debt:

Effective October 1, 1997, the District may fund up to 100% of the aggregate total of the estimated amount of taxes levied or to be levied for corporate purposes, plus the General Corporate Fund portion of the personal property replacement tax, through borrowing from the Corporate Working Cash Fund and issuance of tax anticipation notes or warrants. The policy of the District currently is to fund up to 95%. The provisions also pertain to the Construction and Construction Working Cash Funds.

The amount of the District's debt may not exceed 5.75% of the last published equalized assessed valuation of taxable real estate within the District, which was $166,918,065,845 for the 2010 property tax levy. At December 31, 2011, the District's statutory debt limit of $9,597,789,000 exceeded the applicable net debt amount of $2,668,548,000 by $6,929,241,000.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Starting in 2003, bonds may be issued during any budget year in an amount not to exceed $150 million ($100 million in prior years), plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is not applicable to obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, commonly known as "Build America Bonds". Bonds authorized and unissued were $200,000,000 for the budget year ended December 31, 2011.

The District has non-referendum bonding authority until the year 2024. When the Property Tax Extension Limitation Law was made applicable to Cook County, the legislature recognized that the completion of the Tunnel and Reservoir Plan (TARP) was such a high priority that it exempted TARP bonds from tax cap limits. In 2010, the Local Government Debt Reform Act was amended. The District's debt service extension base for the 2011 levy year is $147,610,159 (the "Debt Service Extension Base"), which can be increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The Property Tax Extension Limitation Law has been amended so that the issuance of bonds by the District to construct TARP will not reduce the District's ability to issue limited bonds for other major capital projects. The amount of outstanding non-referendum Capital Improvement Bonds may not exceed 3.35% of the last known equalized assessed valuation of taxable property within the District. At December 31, 2011, the District's outstanding capital improvement and refunding bonds (excluding bonds treated as outstanding State Revolving Fund bonds) of $1,925,250,000 did not exceed the limitation of $5,591,755,000.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2011, are indicated in the following schedule (in millions of dollars):

Capital Improvement and Refunding Bonds
Outstanding and Remaining Authorization

Year of Issue	Total	Capital Improvement	Refunding
2002	34	34	-
2006	509	112	397
2007	382	-	382
2009	600	600	-
2011	400	400	-
Total bonds outstanding at December 31, 2011	1,925	$ 1,146	$ 779
Remaining bond authorization at December 31, 2011	3,667		
Total bond authorization at December 31, 2011	$ 5,592		

The amount of non-referendum Corporate Working Cash Fund bonds, when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax. At December 31, 2011, the District's remaining Corporate Working Cash Fund bond authorization is $364,444,000.

Additional information on the District's debt can be found in Note 11 to the basic financial statements and Exhibits I-10 through I-12 of the Statistical Section.

ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT

The equalized assessed valuation of the District has experienced a 7.0% average growth rate over the last ten years although the current equalized assessed valuation of $166,918,065,845 is 4.3% lower than the previous year. The Cook County Assessor's office is in the process of gauging the impact of housing price declines and foreclosures on property values, which may result in decreased valuations in the next reassessment. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and economically diverse geographical areas of Cook County. While the area's economy held up longer than other areas of the country, the recession is now significantly impacting the area. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division decreased to a seasonally adjusted rate of 9.5% for 2011 from 10.2% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have rebounded in 2011 and this trend is expected to continue through most, if not all, of 2013.

Corporate Fund. The Corporate Fund is the District's general operating fund and includes appropriation requests for all the day-to-day operational costs anticipated for 2012. The total appropriation for the Corporate Fund in 2012 is $339.4 million, a decrease of $1.6 million, or 0.5 percent from 2011. The appropriation has decreased since 2010 to both maintain the fund balance at policy level and to provide adequate resources in the other operating funds.

The 2012 tax levy for the Corporate Fund is $237.2 million, a decrease of $11.3 million or 4.6 percent compared to the 2011 adjusted Budget. It is the District's intent to maintain the fund balance, or net assets appropriable for the Corporate Fund in the $41 to $51 million range. This fund balance level balances the competing imperatives of minimizing the annual levy and providing for unexpected shortfalls in revenues. Continuing through 2012, economically sensitive non-property tax revenues are expected to remain stagnant based on forecasted local and national economic indicators.

Property taxes and user charges are the primary funding sources for the District's Corporate Fund. Illinois law limits the tax rate of this fund to 41 cents per $100 of equalized assessed valuation. The estimated tax rate for the Corporate Fund in 2012 is 14.21 cents. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to their sewage discharges, in excess of property taxes collected. The major categories of payers: chemical manufacturers, food processors, and government services are generally expected to maintain their recent level of discharges.

Capital Program, Construction Fund, and Capital Improvements Bond Fund. The District's overall Capital Program includes 2012 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately $2.6 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non–structural improvements, and which cannot be removed without, in some way, impairing the facility or structure.

Projects under construction have been presented and authorized in previous Budgets and are recognized in the annual Budget as both outstanding liabilities in the Capital Improvements Bond Fund, and as re-appropriations in the Construction Fund. Future projects, not yet appropriated, are included in the Annual Budget to present a comprehensive picture of the District's Capital program. These future projects will be requested for appropriation subject to their priority, design, and available funding.

The District utilizes two funds for its Capital program, the Construction Fund and the Capital Improvements Bond Fund. The Construction Fund is utilized as a "pay as you go" capital rehabilitation and modernization program. Capital projects are financed by a tax levy sufficient to pay for project costs as they are constructed. As the District replaces, rehabilitates, and modernizes aged and less effective infrastructure, capital projects are assigned to the Corporate, Construction, or Capital Improvements Bond Fund based on the nature of the project, dollar magnitude, and useful life of the improvement. The Construction Fund is used for operations related projects, where the useful life of the improvement is less than 20 years or when the values are less than $0.5 million dollars.

The Capital Improvements Bond Fund, the District's other capital fund, includes major capital infrastructure projects whose useful lives extend beyond 20 years, and which will be financed by long-term debt, Federal and State grants, and State Revolving Fund loans.

The 1995 Tax Extension Limitation Law (Tax Cap), and subsequent amendments to the bill, dramatically impacted the methods of financing the Capital Improvements Bond Fund. The original legislation required, in general, that all new debt be approved by referendum. However, an exemption for projects initiated before October 1, 1991 was granted to the District to enable completion of the Tunnel and Reservoir Plan (TARP). The bill was later amended to establish a "debt extension base," which allowed local governments, with non-referendum authority, to continue to issue non-referendum debt in terms of "limited bonds," as long as their annual debt service levies did not exceed 1994 levels. This law was further amended in 1997 to exclude TARP project debt from this debt service extension base. The passage of legislation in 1997 allowing for expanded authority to issue "limited bonds" by excluding pre-existing TARP projects provides additional financing flexibility to proceed with our capital program. In 2009, a further modification to the law allows the debt extension base to increase annually by the Consumer Price Index or five percent, whichever is less. These changes allow the District to effectively utilize "limited bonds" as a source of financing.

Construction Fund. The Construction Fund appropriation for 2012 totals $33.8 million, an increase of $16.1 million or 90.8 percent from the 2011 adjusted Budget.

Beginning in 2002, the budgeting of Engineering staff working on Capital projects was split between the Construction Fund and the Capital Improvements Bond Fund. For 2012, 21 positions are budgeted in the Construction Fund and 196 positions are budgeted in the Capital Improvements Bond Fund. Directly budgeting staff and personnel-related costs such as healthcare in the several funds avoids complicated interfund reimbursement procedures and accounting with no negative financial impact. The distribution of positions between the funds is re-evaluated annually to reflect current projects.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to Tax Cap limitation. The 2012 tax levy planned for the Construction Fund is $20.4 million, an increase of $15.6 million or 325.4 percent from 2011.

Capital Improvements Bond Fund. The 2012 appropriation for the Capital Improvements Bond Fund is $305.5 million, a decrease of $79.5 million, or 20.7 percent from 2011. The appropriation is based on the scheduled award of $177.0 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2012 with estimated award values consist of two plant expansion and improvement projects at $10.4 million; four collection projects at $38.7 million; 16 facilities replacement projects at $104.9 million; and one TARP project at $23.0 million.

The decrease in appropriation for the Capital Improvements Bond Fund of $79.5 million reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also carried forward from the prior year.

The remaining $128.5 million appropriation for this Fund will provide for salaries, studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative, and exhibits detailing our entire Capital program, is provided in the Capital Budget (Section V), of this Budget document.

Other Post-Employment Benefits (OPEB) Trust. The District provides subsidized health care benefits for its retirees. The Government Accounting Standards Board (GASB) pronouncement 45 requires reporting of the future liability for maintaining these benefits in the Comprehensive Annual Financial Report (CAFR).

The Board adopted staff's policy recommendation on July 13, 2006, to establish an irrevocable trust for funding the future liability with the following operating parameters:

- 50 percent funded level target;
- 50 years to reach funding level;
- An initial investment mixture of 50 percent equities and 50 percent bonds with a maximum limit of 65 percent equities that allows for investment growth.

The policy adopted by the District is cautious by design, and will provide ample opportunity for adjustment as experience is gained. Future direction may also be changed significantly by national health care policies and programs.

In 2006, the District proposed state legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 26, 2007. Since inception, the District has budgeted and transferred a total of $50 million into the OPEB trust fund. The District contributed $3 million in 2011 to reach that goal. Total net position was $54,996,000 as of December 31, 2011. The accumulated unfunded OPEB obligation was estimated at approximately $340 million at December 31, 2011 and $478 million at December 31, 2010.

Organized Labor. The District has six collective bargaining agreements that cover fifteen unions and include approximately 830 of the District's employees for purposes of determining wages and benefits. Three-year successor agreements were negotiated with all bargaining units in 2011 and will expire in 2014.

Retirement Fund. In 2008, the state legislature granted authority that would allow the Board of Commissioners to transfer interest earned on any moneys to the MWRD Retirement Fund.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is intended to provide a general summary of the District's finances to interested parties, and to demonstrate the District's accountability over the resources it receives. Please feel free to contact the Clerk/Director of Finance or Comptroller at the Metropolitan Water Reclamation District of Greater Chicago, 100 E. Erie Street, Chicago, Illinois 60611-2803, (312) 751-6500, if additional information is needed.

BASIC FINANCIAL STATEMENTS

Exhibit A-1
Governmental Funds Balance Sheets/Statements of Net Position

Year ended December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2011	General Corporate Fund 2010	Debt Service Fund 2011	Debt Service Fund 2010	Capital Improvements Bond Fund 2011	Capital Improvements Bond Fund 2010
Assets						
Cash	$ 6,209	$ 8,020	$ 221	$ 12	$ 15,764	$ 33,497
Certificates of deposit (note 4)	17,457	18,060	2,505	6,382	33,766	63,550
Investments (note 4)	215,735	145,691	111,618	82,316	505,219	230,919
Taxes receivable, net (note 5)	243,084	233,683	163,708	155,155	-	-
Other receivables, net (note 5)	12,721	7,339	1,001	1,001	41,338	70,088
Due from other funds (note 12)	904	1,135	-	-	-	-
Inventories	38,922	38,924	-	-	-	-
Restricted cash - real estate escrow	1,967	1,815	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	$ 536,999	$ 454,667	$ 279,053	$ 244,866	$ 596,087	$ 398,054
Liabilities, Fund Balances / Net Position						
Liabilities:						
Deferred tax revenue (note 5)	$ 212,630	$ 201,879	$ 140,835	$ 132,810	$ -	$ -
Other deferred/unearned revenue (note 5)	2,546	2,213	1,001	1,001	-	-
Accounts payable and other liabilities (note 5)	36,728	45,791	-	-	58,543	65,582
Due to Pension Trust Fund (note 12)	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	704	757
Accrued interest payable	-	-	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	251,904	249,883	141,836	133,811	59,247	66,339
Fund balances/net position						
Fund balances:						
Nonspendable:						
Inventories	38,922	38,924	-	-	-	-
Restricted for:						
Real estate escrow	1,967	1,815	-	-	-	-
Working cash	277,270	277,249	-	-	-	-
Reserve claims	63,161	62,317	-	-	-	-
Debt service	-	-	137,217	111,055	-	-
Capital projects	-	-	-	-	536,840	331,715
Unassigned (Deficit)	(96,225)	(175,521)	-	-	-	-
Total fund balances	285,095	204,784	137,217	111,055	536,840	331,715
Total liabilities and fund balances	$ 536,999	$ 454,667	$ 279,053	$ 244,866	$ 596,087	$ 398,054
Net position:						
Invested in capital assets, net of related debt						
Restricted for corporate working cash						
Restricted for reserve claim						
Restricted for debt service						
Restricted for capital projects						
Restricted for construction working cash						
Restricted for stormwater working cash						
Unrestricted (Deficit)						
Total net position						

See accompanying notes to the basic financial statements.

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2a)		Statements of Net Position	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
$ 3,005	$ 3,190	$ 3,059	$ 3,050	$ 28,258	$ 47,769	$ -	$ -	$ 28,258	$ 47,769
3,410	5,140	2,507	10,210	59,645	103,342	-	-	59,645	103,342
28,017	25,882	49,049	30,313	909,638	515,121	-	-	909,638	515,121
4,632	8,442	55,709	52,572	467,133	449,852	-	-	467,133	449,852
745	746	-	-	55,805	79,174	-	-	55,805	79,174
-	-	-	-	904	1,135	(904)	(1,135)	-	-
-	-	-	-	38,922	38,924	-	-	38,922	38,924
-	-	-	-	1,967	1,815	-	-	1,967	1,815
-	-	-	-	-	-	4,879,634	4,630,890	4,879,634	4,630,890
-	-	-	-	-	-	1,761,907	1,775,410	1,761,907	1,775,410
$ 39,809	$ 43,400	$ 110,324	$ 96,145	$ 1,562,272	$ 1,237,132	$ 6,640,637	$ 6,405,165	$ 8,202,909	$ 7,642,297
$ 3,981	$ 7,089	$ 44,021	$ 43,795	$ 401,467	$ 385,573	$ (401,467)	$ (385,573)	$ -	$ -
745	-	-	-	4,292	3,214	(1,745)	(1,006)	2,547	2,208
1,542	1,732	1,956	2,496	98,769	115,601	-	-	98,769	115,601
-	-	8,681	7,369	8,681	7,369	23,771	22,014	32,452	29,383
87	254	113	124	904	1,135	(904)	(1,135)	-	-
-	-	-	-	-	-	20,634	13,468	20,634	13,468
-	-	-	-	-	-	91,236	77,186	91,236	77,186
-	-	-	-	-	-	2,872,213	2,376,535	2,872,213	2,376,535
6,355	9,075	54,771	53,784	514,113	512,892	2,603,738	2,101,489	3,117,851	2,614,381
-	-	-	-	38,922	38,924	(38,922)	(38,924)		
-	-	-	-	1,967	1,815	(1,967)	(1,815)		
21,611	27,377	39,573	39,554	338,454	344,180	(338,454)	(344,180)		
-	-	-	-	63,161	62,317	(63,161)	(62,317)		
-	-	-	-	137,217	111,055	(137,217)	(111,055)		
11,843	6,948	15,980	2,807	564,663	341,470	(564,663)	(341,470)		
-	-	-	-	(96,225)	(175,521)	96,225	175,521		
33,454	34,325	55,553	42,361	1,048,159	724,240	(1,048,159)	(724,240)		
$ 39,809	$ 43,400	$ 110,324	$ 96,145	$ 1,562,272	$ 1,237,132				
						4,506,544	4,492,811	4,506,544	4,492,811
						277,270	277,249	277,270	277,249
						6,211	22,521	6,211	22,521
						257,418	227,320	257,418	227,320
						29,908	38,018	29,908	38,018
						21,611	27,377	21,611	27,377
						39,573	39,554	39,573	39,554
						(53,477)	(96,934)	(53,477)	(96,934)
						$ 5,085,058	$ 5,027,916	$ 5,085,058	$ 5,027,916

Exhibit A-2
Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statements of Activities

Year ended December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2011	General Corporate Fund 2010	Debt Service Fund 2011	Debt Service Fund 2010	Capital Improvements Bond Fund 2011	Capital Improvements Bond Fund 2010
Revenues						
General revenues:						
Property taxes	$ 259,076	$ 216,984	$ 170,854	$ 152,166	$ -	$ -
Personal property replacement tax	27,119	31,433	-	-	-	-
Interest on investments	4,061	2,558	1,013	351	6,793	5,320
Land sales	2,326	3,045	-	-	-	-
Tax increment financing distributions	12,715	6,818	-	-	-	-
Claims and damage settlements	1,298	285	-	-	-	-
Miscellaneous	3,148	3,425	21	14	1,681	1,740
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	57,169	49,133	-	-	-	-
Land rentals	12,161	10,040	-	-	-	-
Fees, forfeits, and penalties	2,311	1,707	-	-	-	-
Capital grants and contributions:						
Federal grants	103	51	12,012	15,182	5,103	5,000
Total revenues	381,487	325,479	183,900	167,713	13,577	12,060
Expenditures/Expenses						
Operations:						
Board of Commissioners	3,344	3,628	-	-	-	-
General Administration	14,332	15,411	-	-	-	-
Monitoring and Research	25,084	28,445	-	-	-	-
Procurement and Materials Management	6,949	6,493	-	-	-	-
Human Resources	47,710	46,944	-	-	-	-
Information Technology	13,820	15,823	-	-	-	-
Law	7,166	8,164	-	-	-	-
Finance	2,965	3,203	-	-	-	-
Engineering	2,975	5,367	-	-	-	-
Maintenance and Operations	177,908	191,165	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	6,923	6,728	-	-	-	-
Construction costs	-	-	-	-	317,688	467,606
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation and amortization (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds and capital lease	-	-	62,208	59,755	1,904	847
Interest on bonds and issuance costs	-	-	93,330	103,182	4,685	1,232
Total expenditures/expenses	309,176	331,371	155,538	162,937	324,277	469,685
Revenues over (under) expenditures	72,311	(5,892)	28,362	4,776	(310,700)	(457,625)
Other financing sources (uses):						
Payment to escrow agent	-	-	-	-	-	-
State revolving fund loans	-	-	-	-	78,481	152,465
Bond anticipation notes converted	-	-	-	-	166,698	42,526
Bond anticipation notes refunded	-	-	-	-	(166,698)	(42,526)
Issuance of bonds	-	-	-	-	400,000	-
Premium on sale of bonds	-	-	-	-	37,344	-
Issuance of capital lease	-	-	-	-	-	54,535
Transfers	8,000	-	(2,200)	-	-	-
Total other financing sources (uses)	8,000	-	(2,200)	-	515,825	207,000
Revenues and other financing sources (uses) over (under) expenditures	80,311	(5,892)	26,162	4,776	205,125	(250,625)
Change in net position	-	-	-	-	-	-
Fund balances/net position:						
Beginning of the year	204,784	210,676	111,055	106,279	331,715	582,340
End of the year	$ 285,095	$ 204,784	$ 137,217	$ 111,055	$ 536,840	$ 331,715

See accompanying notes to the basic financial statements.

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2b)		Statements of Activities	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
$ 8,872	$ 9,046	$ 53,949	$ 32,467	$ 492,751	$ 410,663	$ 14,137	$ (1,113)	$ 506,888	$ 409,550
1,532	1,387	8,198	6,532	36,849	39,352	-	-	36,849	39,352
458	388	831	502	13,156	9,119	-	-	13,156	9,119
-	-	-	-	2,326	3,045	(2,326)	(3,045)	-	-
-	-	-	-	12,715	6,818	-	-	12,715	6,818
-	-	-	-	1,298	285	-	-	1,298	285
1	1	8	1	4,859	5,181	-	-	4,859	5,181
-	-	-	-	-	-	676	2,736	676	2,736
300	300	-	-	57,469	49,433	-	-	57,469	49,433
-	-	-	-	12,161	10,040	-	-	12,161	10,040
158	965	65	59	2,534	2,731	745	-	3,279	2,731
-	-	-	-	17,218	20,233	-	(3,077)	17,218	17,156
11,321	12,087	63,051	39,561	653,336	556,900	13,232	(4,499)	666,568	552,401
-	-	-	-	3,344	3,628	4	(1)	3,348	3,627
-	-	-	-	14,332	15,411	512	356	14,844	15,767
-	-	-	-	25,084	28,445	137	5	25,221	28,450
-	-	-	-	6,949	6,493	(21)	(46)	6,928	6,447
-	-	-	-	47,710	46,944	(27)	(62)	47,683	46,882
-	-	-	-	13,820	15,823	603	304	14,423	16,127
-	-	-	-	7,166	8,164	(15)	(32)	7,151	8,132
-	-	-	-	2,965	3,203	(3)	(14)	2,962	3,189
-	-	-	-	2,975	5,367	1,053	878	4,028	6,245
-	-	-	-	177,908	191,165	530	(75)	178,438	191,090
-	-	36,635	30,099	36,635	30,099	33,696	32,897	70,331	62,996
-	-	-	-	-	-	10,251	24,540	10,251	24,540
-	-	-	-	6,923	6,728	18,565	2,406	25,488	9,134
6,392	12,882	12,971	16,397	337,051	496,885	(252,811)	(391,938)	84,240	104,947
-	-	-	-	-	-	95	381	95	381
-	-	-	-	-	-	12,235	11,428	12,235	11,428
-	-	-	-	64,112	60,602	(64,112)	(60,602)	-	-
-	-	-	-	98,015	104,414	3,745	(9,032)	101,760	95,382
6,392	12,882	49,606	46,496	844,989	1,023,371	(235,563)	(388,607)	609,426	634,764
4,929	(795)	13,445	(6,935)	(191,653)	(466,471)	248,050	384,108		
-	-	(253)	-	(253)	-	253	-	-	-
-	-	-	-	78,481	152,465	(78,481)	(152,465)	-	-
-	-	-	-	166,698	42,526	(166,698)	(42,526)	-	-
-	-	-	-	(166,698)	(42,526)	166,698	42,526	-	-
-	-	-	-	400,000	-	(400,000)	-	-	-
-	-	-	-	37,344	-	(37,344)	-	-	-
-	-	-	-	-	54,535	-	(54,535)	-	-
(5,800)	-	-	-	-	-	-	-	-	-
(5,800)	-	(253)	-	515,572	207,000	(515,572)	(207,000)	-	-
(871)	(795)	13,192	(6,935)	323,919	(259,471)	(323,919)	259,471	-	-
-	-	-	-	-	-	57,142	(82,363)	57,142	(82,363)
34,325	35,120	42,361	49,296	724,240	983,711	-	-	5,027,916	5,110,279
$ 33,454	$ 34,325	$ 55,553	$ 42,361	$ 1,048,159	$ 724,240	$ -	$ -	$ 5,085,058	$ 5,027,916

Exhibit A-3
General Corporate Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on Budgetary Basis

Year ended December 31, 2011

(in thousands of dollars)

	Budget Original	Budget Final	Actual Amounts	Actual Variance With Final Budget - Positive (Negative)
Revenues:				
Property taxes:				
Gross levy	$ 248,500	$ 248,500	$ 248,500	$ -
Allowance for uncollectible taxes	(8,698)	(8,698)	(8,698)	-
Net property tax levy	239,802	239,802	239,802	-
Property tax collections	1,986	1,986	2,195	209
Personal property replacement tax:				
Entitlement	22,649	22,649	22,649	-
Collections	3,139	3,139	3,301	162
Total tax revenue	267,576	267,576	267,947	371
Adjustment for working cash borrowing	(4,851)	(4,851)	(4,851)	-
Adjustment for estimated tax collections	-	-	(2,270)	(2,270)
Tax revenue available for current operation	262,725	262,725	260,826	(1,899)
Interest on investments	1,600	1,600	3,188	1,588
Land sales	2	2	2,320	2,318
Tax increment financing distributions	925	925	16,959	16,034
Claims and damage settlements	-	-	1,299	1,299
Miscellaneous	2,665	2,665	5,304	2,639
User charges	41,000	41,000	48,314	7,314
Land rentals	11,500	11,500	12,399	899
Equity transfer from capital improvement bond fund	8,000	8,000	8,000	-
Fees, forfeits, and penalties	802	802	492	(310)
Total revenues	329,219	329,219	359,101	29,882
Expenditures:				
Board of Commissioners	3,841	3,904	3,344	560
General Administration	16,117	16,210	14,326	1,884
Monitoring and Research	26,405	26,405	24,482	1,923
Procurement and Materials Management	8,869	8,869	7,970	899
Human Resources	54,824	54,474	47,695	6,779
Information Technology	17,548	17,548	13,603	3,945
Law	7,262	8,612	7,165	1,447
Finance	3,321	3,321	2,965	356
Engineering	7,124	6,968	2,981	3,987
Maintenance and Operations	195,782	194,782	176,213	18,569
Claims and judgments	60,000	60,000	6,923	53,077
Total expenditures	401,093	401,093	307,667	93,426
Revenues over (under) expenditures	(71,874)	(71,874)	51,434	123,308
Fund balances at beginning of year	91,714	91,714	133,947	42,233
Net assets available for future use	(19,840)	(19,840)	-	19,840
Fund balances at beginning of the year as adjusted	71,874	71,874	133,947	62,073
Fund balances at end of year	$ -	$ -	$ 185,381	$ 185,381

See accompanying notes to the basic financial statements.

Exhibit A-4
Pension and Other Post Employment Benefits Trust Funds
Statements of Fiduciary Net Position

December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)

	2011	2010
Assets		
Cash	$ 1,505	$ 1,380
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of $4,568 in 2011; $7,312 in 2010)	34,362	32,306
Securities sold	9,411	2,384
Forward foreign exchange contracts	15,095	-
Accrued interest and dividends	1,268	919
Accounts receivable	34	63
Total receivables	60,170	35,672
Investments at fair value		
Illinois funds investment pool	67	143
Pooled funds- fixed income	343,247	337,535
Pooled funds - equities	31,956	52,329
Common and preferred stocks	639,574	701,319
Short-term investments	17,848	20,526
Total investments	1,032,692	1,111,852
Securities lending capital	25,340	24,720
Total assets	$ 1,119,707	$ 1,173,624
Liabilities		
Accounts payable	$ 1,728	$ 1,598
Securities lending collateral	1,078	2,505
Forward foreign exchange contracts	15,094	-
Securities purchased	25,340	24,720
Total liabilities	43,240	28,823
Net position held in trust for pension and OPEB benefits	$ 1,076,467	$ 1,144,801

See accompanying notes to the basic financial statements.

Exhibit A-5
Pension and Other Post Employment Benefits Trust Funds
Statements of Changes in Fiduciary Net Position

Year ended December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)

	2011	2010
Additions:		
Contributions:		
Employer contributions	$ 55,399	$ 45,435
Employee contributions	15,032	15,872
Retiree contributions	5,577	4,597
Total contributions	76,008	65,904
Investment income:		
Net appreciation (depreciation) in fair value of investments	(10,896)	139,623
Interest on short-term investments	1,391	822
Dividend income	12,103	10,162
Total investment income	2,598	150,607
Less investment expenses	(4,434)	(3,653)
Investment income (loss) net of expenses	(1,836)	146,954
Security lending activities		
Security lending income	93	90
Borrower rebates	275	182
Bank fees	(77)	(53)
Net income from securities lending activities	291	219
Other	42	34
Total additions	74,505	213,111
Deductions:		
Annuities and benefits		
Employee annuitants	99,601	90,447
Retiree health care benefits	20,597	20,114
Surviving spouse annuitants	17,523	16,613
Child annuitants	112	103
Ordinary disability benefits	650	814
Duty disability benefits	216	242
Total annuities and benefits	138,699	128,333
Refunds of employee contributions	2,711	1,380
Administrative expenses	1,429	1,307
Total deductions	142,839	131,020
Net increase (decrease)	(68,334)	82,091
Net position held in trust for pension and OPEB benefits		
Beginning of year	1,144,801	1,062,710
End of year	$ 1,076,467	$ 1,144,801

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the Basic Financial Statements

Year ended December 31, 2011

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Note | **Page Number**

1. Summary of Significant Accounting Policies

The significant accounting policies of the Metropolitan Water Reclamation District of Greater Chicago ("District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units and are described below.

a. Financial Reporting Entity - The District is a municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present the District (the primary government) and its component units, the Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund - Note 7) and the Metropolitan Water Reclamation District Retiree Health Care Trust Fund (OPEB Trust Fund - Note 8). The Board of Trustees for the Pension Trust Fund is composed of seven members. Two of these Trustees are Commissioners appointed by the Board of Commissioners of the District, four are District employees elected by members of the fund and one is a retired employee of the District. Although the Pension Trust Fund and OPEB Trust Fund are legally separate entities, for which the primary government is not financially accountable, they are included in the District's basic financial statements as fiduciary funds. The nature and significance of the Pension Trust Fund and OPEB Trust Fund's relationship with the primary government is such that exclusion would render the District's financial statements incomplete or misleading. Complete financial statements of the Pension Trust Fund can be obtained from their administrative office at 111 East Erie Street, Chicago, Illinois, 60611-2898. Complete financial statements of the OPEB Trust Fund can be obtained from the Treasurer of the Metropolitan Water Reclamation District at 100 East Erie Street, Chicago, Illinois 60611-5498.

b. Government-wide and Fund Financial Statements - The District's basic financial statements include government-wide financial statements and fund financial statements.

The government-wide financial statements include the Statements of Net Position and the Statements of Activities, and contain information for all the District's governmental activities but exclude the Pension Trust Fund and the OPEB Trust Fund, fiduciary funds whose resources are not available to finance the District's operations. The effect of interfund transactions has been removed from the government-wide statements. The Statements of Net Position report the financial condition of the District. This statement includes all existing resources and obligations, both current and noncurrent, with the difference between the two reported as net position. The Statements of Activities report the District's operating results for the year with the difference between expenses and revenues representing the changes in net position. Expenses are reported by department while revenues are segregated by program revenues and general revenues. Program revenues include charges for services (i.e., user charges, land rentals, fees, forfeitures, and penalties,) and capital grants. General revenues include taxes, interest on investments, and all other revenues not classified as program revenues.

In government, the basic accounting and reporting entity is a "fund." A fund is defined as an independent fiscal and accounting entity, with a self-balancing set of accounts which record financial resources, together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations. Separate fund financial statements are included in the basic financial statements for the major governmental funds. The emphasis of the governmental fund financial statements is on major funds, with each major fund displayed as a separate column. The governmental fund financial statements include a budgetary statement for the General Corporate Fund.

As a special purpose government, the District has elected to make a combined presentation of the governmental fund statements and the government-wide statements. Therefore, the basic financial statements include combined Governmental Funds Balance Sheets/Statements of Net Position (Exhibit A-1) and combined Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities (Exhibit A-2). Individual line items of the governmental fund financials are reconciled to government-wide financials in a separate column on the combined presentations, with in-depth explanations offered in Note 2.

The District reports the following major governmental funds:

General Corporate Fund

Established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a "Working Cash Fund." Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2011, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Assets				
Cash	$ 6,209	$ 3,202	$ 1	$ 3,006
Certificates of deposit	17,457	5,515	-	11,942
Investments	215,735	146,746	19,769	49,220
Receivables:				
Property taxes receivable	284,836	280,808	-	4,028
Allowance for uncollectible taxes	(41,752)	(41,005)	-	(747)
Taxes receivable, net	243,084	239,803	-	3,281
User charges	10,511	10,511	-	-
Miscellaneous	2,210	2,210	-	-
Due from Capital Improvements Bond Fund	704	704	-	-
Due from Construction Fund	87	87	-	-
Due from Stormwater Management Fund	113	113	-	-
Due from Corporate Fund	-	(257,500)	257,500	-
Inventories	38,922	38,922	-	-
Restricted cash	1,967	1,967	-	-
Total assets	$ 536,999	$ 192,280	$ 277,270	$ 67,449
Liabilities and Fund Balances				
Liabilities:				
Deferred tax revenue	$ 212,630	$ 209,723	$ -	$ 2,907
Other deferred revenue	2,546	2,546	-	-
Accounts payable and other liabilities	36,728	35,347	-	1,381
Total liabilities	251,904	247,616	-	4,288
Fund balances:				
Nonspendable:				
Inventories	38,922	38,922	-	-
Restricted for:				
Cash real estate escrow	1,967	1,967	-	-
Working cash	277,270	-	277,270	-
Reserve claims	63,161	-	-	63,161
Unassigned	(96,225)	(96,225)	-	-
Total fund balances	285,095	(55,336)	277,270	63,161
Total liabilities and fund balances	$ 536,999	$ 192,280	$ 277,270	$ 67,449

The revenues, expenditures, and changes in fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions for the year ended December 31, 2011, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Revenues:				
Property taxes	$ 259,076	$ 256,894	$ -	$ 2,182
Personal property replacement tax	27,119	23,818	-	3,301
Total tax revenue	286,195	280,712	-	5,483
Interest on investments	4,061	3,030	21	1,010
Land sales	2,326	2,326	-	-
Tax increment financing distributions	12,715	12,715	-	-
Claims and damage settlements	1,298	24	-	1,274
Miscellaneous	3,148	3,148	-	-
User charges	57,169	57,169	-	-
Land rentals	12,161	12,161	-	-
Fees, forfeits and penalties	2,311	2,311	-	-
Federal grants	103	103	-	-
Total revenues	381,487	373,699	21	7,767
Operations:				
Board of Commissioners	3,344	3,344	-	-
General Administration	14,332	14,332	-	-
Monitoring and Research	25,084	25,084	-	-
Procurement and Materials Management	6,949	6,949	-	-
Human Resources	47,710	47,710	-	-
Information Technology	13,820	13,820	-	-
Law	7,166	7,166	-	-
Finance	2,965	2,965	-	-
Engineering	2,975	2,975	-	-
Maintenance and Operations	177,908	177,908	-	-
Claims and judgments	6,923	-	-	6,923
Board of Commissioners	309,176	302,253	-	6,923
Revenues over (under) expenditures	72,311	71,446	21	844
Other financing sources (uses):				
Transfer in from the Construction Fund	5,800	5,800	-	-
Transfer in from the Debt Service Fund	2,200	2,200	-	-
Net Change in Fund balance	80,311	79,446	21	844
Fund balance at the beginning of year	204,784	(134,782)	277,249	62,317
Fund balance at the end of year	$ 285,095	$ (55,336)	$ 277,270	$ 63,161

Debt Service Fund

A sinking fund established to account for annual property tax levies and certain other revenues, principally interest on investments, which are restricted to be used for the payment of interest and redemption of principal on bonded debt.

Capital Improvements Bond Fund

A capital projects fund established to account for the proceeds of bonds authorized by the Illinois General Assembly, bond anticipation notes net of redemptions, government grants, and certain other revenues, all are restricted to be used in connection with improvements, replacements, and additions to designated environmental improvement projects.

Construction Fund

A capital projects fund established to account for the annual property tax levy and certain other revenues to be used for the acquisition of capital assets used in the principal functions of the District. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9c of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2011, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Assets			
Cash	$ 3,005	$ 3,003	$ 2
Certificates of deposit	3,410	3,410	-
Investments	28,017	12,408	15,609
Receivables:			
Property taxes receivable	6,438	6,438	-
Allowance for uncollectible taxes	(1,806)	(1,806)	-
Taxes receivable, net	4,632	4,632	-
Miscellaneous receivable	745	745	-
Total assets	$ 39,809	$ 24,198	$ 15,611
Liabilities and Fund Balances			
Liabilities:			
Deferred tax revenue	$ 3,981	$ 3,981	$ -
Other deferred/unearned revenue	745	745	-
Accounts payable and other liabilities	1,542	1,542	-
Due to Corporate Fund	87	87	-
Due to Construction Fund	-	6,000	(6,000)
Total liabilities	6,355	12,355	(6,000)
Fund balances:			
Restricted for:			
Working cash	21,611	-	21,611
Capital projects	11,843	11,843	-
Total fund balances	33,454	11,843	21,611
Total liabilities and fund balances	$ 39,809	$ 24,198	$ 15,611

The revenues, expenditures, and changes in fund balances of the Construction Fund, detailed as to the Construction and Working Cash account divisions for the year ended December 31, 2011, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Working Cash Division
Revenues:			
Property taxes	$ 8,872	$ 8,872	$ -
Personal property replacement tax	1,532	1,532	-
Total tax revenue	10,404	10,404	-
Interest on investments	458	424	34
Miscellaneous	1	1	-
User charge	300	300	-
Fees, forfeits and penalties	158	158	-
Total revenues	11,321	11,287	34
Construction Costs:			
Personal services	4,366	4,366	-
Contractual services	162	162	-
Materials and supplies	143	143	-
Capital projects	1,721	1,721	-
Total expenditures	6,392	6,392	-
Revenues over (under) expenditures	4,929	4,895	34
Other financing sources (uses):			
Transfer to the Corporate Fund	(5,800)	-	(5,800)
Total expenditures	(871)	4,895	(5,766)
Fund balance at the beginning of year	34,325	6,948	27,377
Fund balance at the end of year	$ 33,454	$ 11,843	$ 21,611

The District reports the following non-major governmental funds:

Retirement Fund

A special revenue fund established to account for the annual property taxes which are specifically levied to finance pension costs in accordance with statutory requirements. This fund also accounts for personal property replacement taxes received by the District to finance pension costs in accordance with statutory requirements. The taxes are collected and paid to the Pension Trust Fund (see Note 7).

Stormwater Management Fund

A capital projects fund established to account for the annual property taxes which are specifically levied to finance all activities associated with stormwater management, including construction projects. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Stormwater Management Fund. These accounts were established under Chapter 70, ILCS 2605/9e of the Illinois Compiled Statutes, which refers to these accounts as a "Stormwater Working Cash Fund." Amounts borrowed in one year are generally repaid by the Stormwater Management Fund from tax collections received during the subsequent year.

The assets, liabilities, and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2011, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Assets			
Cash	$ 3,059	$ 3,055	$ 4
Certificates of deposit	2,507	2,507	-
Investments	49,049	32,380	16,669
Receivables:			
Property taxes receivable	26,287	26,287	-
Allowance for uncollectible taxes	(3,031)	(3,031)	-
Taxes receivable, net	23,256	23,256	-
Total assets	$ 77,871	$ 61,198	$ 16,673
Liabilities and Fund Balances			
Liabilities:			
Deferred tax revenue	$ 20,249	$ 20,249	$ -
Accounts payable and other liabilities	1,956	1,956	-
Due to Corporate Fund	113	113	-
Due to Stormwater Management Fund	-	22,900	(22,900)
Total liabilities	22,318	45,218	(22,900)
Fund balances:			
Restricted for:			
Working cash	39,573	-	39,573
Capital projects	15,980	15,980	-
Total fund balances	55,553	15,980	39,573
Total liabilities and fund balances	$ 77,871	$ 61,198	$ 16,673

The revenues, expenditures, and changes in fund balances of the Stormwater Management Fund, detailed as to the Stormwater Management and Working Cash account divisions for the year ended December 31, 2011, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Revenues:			
Property taxes	$ 25,512	$ 25,512	$ -
Total tax revenue	25,512	25,512	-
Interest on investments	831	812	19
Miscellaneous	8	8	-
Fees, forfeits and penalties	65	65	-
Total revenues	26,416	26,397	19
Construction Costs:			
Personal services	7,658	7,658	-
Contractual services	3,070	3,070	-
Materials and supplies	87	87	-
Capital projects	2,156	2,156	-
Total expenditures	12,971	12,971	-
Revenues over (under) expenditures	13,445	13,426	19
Other financing sources (uses):			
Transfer to escrow agent - local government	(253)	(253)	-
Net Change in Fund balance	13,192	13,173	19
Fund balance at the beginning of year	42,361	2,807	39,554
Fund balance at end of year	$ 55,553	$ 15,980	$ 39,573

In addition, the District reports the following fiduciary funds:

Pension Trust Fund

A fiduciary fund established to account for employer/employee contributions, investment earnings, and expenses for employee pensions. The balance reflected as employer contributions receivable represents amounts due from the property tax levies authorized by the District's Retirement Fund.

OPEB Trust Fund

A fund established (pursuant to 70 ILCS 2605/9.6d) to administer the defined benefit, post-employment healthcare plan. The intention of the District is that the plan will satisfy the requirements of Section 115 of the Internal Revenue Code of 1986, as amended.

c. Basis of Accounting and Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the period of related cash flows. Property taxes are recognized in the year of levy and personal property replacement taxes are recognized in the year earned. Grants and similar items are recognized as revenue in the fiscal year that all eligibility requirements have been met.

Governmental Fund Financial Statements

The District's governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual, i.e., when measurable and available to finance operations. Expenditures are recognized in the period in which the fund liability is incurred except for principal and interest on long-term debt, compensated absences, claims, judgments, and arbitrage, which are recognized when due and payable.

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. Since governmental funds are accounted for on the current financial resources measurement focus, only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property taxes, user charge revenue, interest, land rentals, and personal property replacement tax revenue are accrued to the extent that they are measurable and available to satisfy liabilities of the reporting period. In general, the revenue recognition period is limited to amounts collected within sixty days following year-end. Receivables that are unavailable are reported as deferred revenue.

Grants from Federal and State agencies are recorded as revenues in the fund financial statements when reimbursable expenditures are incurred, or other eligibility requirements imposed by the provider are met, and the grant resources are measurable and available.

Property taxes attach as an enforceable lien on property as of January 1 of the levy year. They are levied and recorded as a receivable as of January 1 and are due in two installments in the following year.

d. Budgeting (appropriations) - The District's fiscal year begins January 1 and ends on December 31. The District's procedure for adopting the annual budget consists of the following stages:

(1) Department Heads propose expenditure estimates for the coming year which, if approved by the Executive Director, become his recommendations for presentation to the Committee on Budget and Employment;

(2) The Committee on Budget and Employment comprises all nine Commissioners and holds hearings with the Executive Director and with the Department Heads. These hearings are open to the public. After these budgetary reviews, the Committee on Budget and Employment submits its Tentative Budget to the Board of Commissioners;

(3) The Tentative Budget is put on public display for ten to twenty days. A public hearing is held during the ten to twenty day time frame where citizen groups, including civic groups, labor, and the press, are invited to critique the tentative budget;

(4) Shortly after the public hearings, the Board of Commissioners adopts the budget for the coming year;

(5) Then, after a minimum five-day waiting period following budget adoption, and at a Regular Board Meeting, the Commissioners consider and approve any budget amendments. The Adopted Budget, along with any approved amendments, is the final budget document. This process must be completed prior to December 31 preceding the year to which the budget applies;

(6) The budget implementation phase, performed by the Executive Director and Department Heads, begins January 1;

(7) The legal level of control for the District's appropriations (the level at which the Board of Commissioners must approve any transfers of appropriated amounts) is on a line item (object) basis for the General Corporate Fund, the Construction Fund, and the Stormwater Management Fund. The level of control for Capital Improvements Bond Fund is on a line item class basis. (A line item class represents a group of line items. For example, the line item class "personal services" is a grouping of line items such as salaries and wages, group insurance, professional services, Medicare contributions). For the Debt Service Fund and the Retirement Fund, the level of control is on a fund basis;

(8) The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. After March 1, transfers of appropriations between objects of expenditures or between departments can be made with the approval of the Board of Commissioners;

(9) Budgets are adopted on a basis not consistent with generally accepted accounting principles. In the General Corporate Fund budget, revenues are recognized on a cash basis except for property and personal property replacement taxes, which are recognized based on working cash borrowing plus an estimate of collections of property and property replacement taxes over and above the working cash borrowing. Expenditures are recognized on a GAAP basis except for inventory expenditures, which are accounted for on the purchase method for budgetary purposes and on the consumption method for GAAP financial reporting purposes. Transfers out to other funds are budgeted as expenditures, while transfers in are considered other financing sources. The Capital Improvements Bond Fund is budgeted on an "obligation" basis of accounting, which records total expenditures and grant revenues in the period in which contracts or grants are awarded. Appropriations lapse at year-end for the General Corporate, Retirement, Construction, Stormwater Management, and Debt Service Funds. Appropriations for the Capital Improvements Bond Fund lapse at the end of the year to the extent of the unencumbered balances. Encumbered balances are not reported as reservations of fund balances, as the amounts are re-appropriated in the following year;

(10) All governmental funds have legally adopted budgets.

e. **Deposits with escrow agent** (if any) represent cash with the escrow agent for the subsequent payment of interest on debt.

f. **Certificates of deposit** are stated at cost plus accrued interest.

g. **Investments** of the Governmental Funds are stated at fair value plus accrued interest. The investment with the State Treasurer's Illinois Funds is at fair value, which is the same value as the pool shares. The Illinois Funds are not registered with the SEC. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235). Oversight is provided by the Auditor General's Office of the State. Investments of the Pension and OPEB Trust Funds, other than short-term investments, are stated at fair value.

h. **Inventory**, consisting mainly of materials, supplies, and repair parts which extend the life of the District's treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-wide Statements of Net Position. The District maintains a perpetual record-keeping system and uses a moving-average method, based on cost, for pricing its storeroom inventories. Materials, supplies, and repair parts are recorded as expenditures/expenses when consumed. Inventory balances held at year-end are reported as nonspendable fund balance in the governmental funds.

i. **Restricted assets** represent cash and investments set aside pursuant to real estate escrow and intergovernmental agreements.

j. **Interfund transactions** represent governmental fund transactions for: a) loans between funds reported as due to /due from other funds; b) reimbursements between funds reported in the fund financials as expenditures in the reimbursing fund and a corresponding reduction in expenditures in the reimbursed fund; and c) transfers between funds. All interfund transactions are eliminated in the government-wide financial statements. See note 12 for further disclosure of interfund transactions.

k. **Capital assets** including land (and land improvements), buildings, equipment, computer software, infrastructure, acquired easements, and construction in progress are recorded at historical cost or estimated historical cost in the government-wide financial statements. Interest costs are not capitalized. Infrastructure assets include the District's sewers, water reclamation plants (WRP,) waterway assets, TARP deep tunnels, and drop shafts. The thresholds for reporting capital assets are as follows:

Land and buildings	$100,000 and over
Infrastructure	$500,000 and over
Equipment	$20,000 and over
Computer software	$100,000 and over

Depreciation and amortization of capital assets is provided on the straight-line method (using a ten percent salvage value for equipment) over the following estimated useful lives:

Buildings and land improvements	80 years
Infrastructure (TARP deep tunnels and drop shafts only)	200 years
Equipment	6-50 years
Computer software	5 years

The District is using the modified approach as an alternative to depreciation to report its eligible infrastructure assets, with the exception of the TARP deep tunnels and drop shafts, which are depreciated. The modified infrastructure assets are categorized into networks, systems, and subsystems. Each of the District's seven WRP's represents a separate network and the waterway assets are an eighth network. The systems within the networks are categorized by the process flow through the network (i.e., collection system, treatment processes system, solids processing system, flood & pollution control system or drying solids/utilization system). The subsystems represent the major processes of each system (e.g., fine screens and grit chambers are subsystems of the treatment processes system). Condition assessments at each network are performed at the subsystem level and these assessments are compiled into a single assessment for each system. The rating scales used in the condition assessments are explained in the Required Supplementary Information immediately following the notes. Infrastructure assets reported under the modified approach are not depreciated, since the District manages these assets using an asset management system, and documents that the assets are being preserved at a level of acceptable or better, as evidenced by a condition assessment.

In compliance with Governmental Accounting Standards Board (GASB) Statement 34, existing infrastructure assets accounted for with the modified approach are not reported in the government-wide financial statements until an initial condition assessment is completed for the assets' network. Currently, all the District's WRP's infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements. Condition assessments of eligible infrastructure assets must be completed at least every three years following the initial assessments. The Kirie, Central (Stickney), Hanover, North Side, Egan, Calumet, Lemont WRP's, and Waterways had their initial condition assessments completed between 2002 and 2006. Subsequent condition assessments were completed at Kirie WRP in 2005, 2008 and 2011, Hanover WRP in 2006 and 2009, Egan and Northside WRP's in 2007 and 2010 and Stickney WRP and Waterways in 2008 and 2011. In 2009 subsequent condition assessments were completed at Calumet, Hanover and Lemont WRP's.

Modified infrastructure assets under construction are reported in the government-wide financial statements as construction in progress, and are reclassified to infrastructure assets when construction is significantly complete.

l. **Compensated Absences** for accumulated unpaid vacation, holiday, overtime, severance and sick leave are paid to employees upon retirement or termination. An employee is eligible to receive 100 percent of earned vacation, holiday and overtime pay. Depending upon the date of hire and/or collective bargaining agreements, employees may also be eligible to receive severance pay and 50 % of accumulated sick pay up to a maximum of sixty days. Compensated absences are accrued as they are earned in the government-wide financial statements. Expenditures and liabilities for compensated absences are recorded in the fund financial statements when due and payable. Included in the long-term liabilities of the Statements of Net Position at December 31, 2011, are liabilities for compensated absences of $1,718,000, due within one year, and $27,066,000, due in more than one year.

m. **Long-term Obligations –** Long-term debt and other long-term obligations are reported in the government-wide Statements of Net Position. Bond premiums and issuance costs are reported with bonds payable and amortized over the life of the bonds, using the straight-line method, in the government-wide financial statements. In addition, the refunding transaction cost, representing the excess of the amount required to refund debt over the book value of the old debt, is reported with bonds payable and amortized over the shorter of the life of the old debt or new debt in the government-wide financial statements.

The face amounts of the debt and bond premiums are recognized as other financing sources during the issuance period in the fund financial statements, while bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and refunding costs are recognized as debt service expenditures in the fund financial statements.

n. **Fund Balances -** The Board of Commissioners on December 9, 2010, adopted a new fund balance classification policy in accordance with GASB statement no. 54, Fund Balance Reporting and Governmental Fund Type Definitions: The policy categorizes the balances of governmental funds into the following categories: nonspendable, restricted, committed, assigned and unassigned fund balances. The categories are described as follows:

- Nonspendable Fund Balance – This consists of amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- Restricted Fund Balance – Reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board. The District's commissioners shall establish, modify, or rescind a fund balance commitment by formal action of the Board.
- Assigned Fund Balances – This consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Executive Director may assign amounts of fund balances to a specific purpose.
- Unassigned Fund Balances – This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.
- In the General Corporate Fund, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, followed by committed amounts, and then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized. For each budget year, the total fund balance in the General Corporate

Fund is to be maintained between 12% and 15% of total appropriations. In governmental funds other than the General Corporate Fund, the District considers restricted amounts to have been spent last. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District will first utilize assigned amounts, followed by committed amounts, and then restricted amounts.

o. **Net Position –** The government-wide Statements of Net Position display three components of net position, as follows:

- Invested in capital assets, net of related debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any debt attributable to capital assets.

- Restricted Net Position - This consists of net position that is legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net position restricted for working cash and reserve claims is based on legal restrictions, while net position restricted for debt service and capital projects is based on legal restrictions and/or outside parties. The government-wide statement of net position reports $631,991,000 of restricted net position.

- Unrestricted Net Position - This consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

p. **User Charge –** The Environmental Protection Agency requires grant recipients to charge certain users of waste water treatment services a proportionate share of the cost of operations and maintenance. The District has utilized a User Charge System since January 1, 1980. The system was developed in accordance with 70 ILCS 2305/7.1.

q. **Comparative data and reclassifications –** The basic financial statements present comparative data for the prior year to provide an understanding of the changes in financial position and results of operations.

r. **Use of Estimates –** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.

s. **New Accounting Pronouncement -** Issued in 2011, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. The District, which does not have any deferred inflows or outflows, implemented this Statement for the year ending December 31, 2011.

2. Reconciliation of Fund and Government-wide Financial Statements

a. **Reconciliation of Total Fund Balances to Total Net Position -** The following explanations are provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Position at December 31, 2011 (in thousands of dollars):

Total fund balances of governmental funds	$ 1,048,159
Amounts reported for governmental activities in the Statements of Net Position are different because:	
Capital assets are not current financial resources and therefore are not reported as assets in governmental funds. However, capital assets are reported in the Statements of Net Position. The cost of capital assets and accumulated depreciation is as follows:	
Capital assets	6,850,920
Accumulated depreciation	(209,379)
Capital assets, net	6,641,541
Long-term liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, long-term liabilities are reported in the Statements of Net Position. The long-term liabilities consist of :	
Compensated absences	(28,784)
Claims and judgments	(59,857)
Capital lease	(51,784)
Bond anticipation notes	(108,008)
General obligation debt	(2,466,464)
Net OPEB obligation	(76,580)
Net Pension liability	(108,482)
Total long-term liabilities	(2,899,959)
Bond issuance costs are recorded as expenditures in governmental funds while bond premiums and discounts are recorded as other financing sources and uses, respectively. These items are deferred and amortized over the life of the bonds for the Statements of Net Position. They consist of:	
Deferral of bond premium	(94,260)
Deferral of bond issuance costs and refunding transactions	30,770
Total deferrals	(63,490)
Interest on debt is not accrued in governmental funds, but rather is recognized as a liability and an expenditure when due. Interest is recorded as a liability as it is incurred in the Statements of Net Position. The 2011 amount is:	
Accrued interest	(20,634)
Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by deferred revenues (liabilities) in the governmental funds. However, these deferred revenues are recognized as revenues in the Statements of Net Position. They consist of:	
Property taxes and personal property replacement tax deferrals	401,467
Adjustment for pension trust fund	(23,771)
Grants and rents	1,000
Service fee	745
Adjustment to deferred revenues	379,441
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	904
Due to other funds	(904)
Total interfund	-
Total net position of governmental activities	$ 5,085,058

b. Reconciliation of the Change in Fund Balances to the Change in Net Position - The following explanations are provided for the adjustments shown in the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities for the year ended December 31, 2011 (in thousands of dollars):

Net change in fund balances of governmental funds	$ 323,919
Amounts reported for governmental activities in the Statements of Activities are different because:	
Construction costs for capital outlays are reported as expenditures in governmental funds. However, in the Statements of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense except for those assets under the modified approach. In the current period, these amounts are:	
Construction costs and other capital outlays	252,811
Depreciation expense-allocated to various departments	(3,849)
Depreciation/amortization expense-unallocated	(12,235)
Excess of construction and capital outlay costs over depreciation expense	236,727
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Position. In the current period, debt proceeds and related items were:	
General obligation bond proceeds	(400,000)
Bond issuance premium	(37,344)
Bond issuance cost	2,199
Bond anticipation notes issued	(78,481)
Payment to escrow agent	253
Debt proceeds total	(513,373)
Repayment of long-term debt is reported as an expenditure in the governmental funds, or as an other financing use in the case of refunding, but the repayment reduces the long-term liabilities in the Statements of Net Position. In the current year, the repayments consist of :	
Debt service principal retirement	64,112
Some expenses reported in the Statements of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Change in compensated absences-allocated to various departments	1,076
Change in claims and judgments	(18,565)
Change in interest expense	(7,854)
Bond anticipation notes accrued interest	688
Change in net pension asset/obligation	(33,696)
Amortization of bond issuance/refunding costs	(3,394)
Amortization of bond premium	4,616
Change in OPEB costs	(10,251)
Total additional expenses	(67,380)
The proceeds from the sale of land and equipment are reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets account in the Statements of Net Position and offset against sale proceeds resulting in gain or (loss) in the Statements of Activities. The net effect of miscellaneous transactions involving capital asset sales:	
Total land and equipment sales	(1,745)
Deferred tax revenues and certain other revenues that are earned but "unavailable" for the current period are not recognized in governmental funds. These revenues consist of:	
Property tax - net	14,137
Service fee	745
	14,882
Change in net position of governmental activities	$ 57,142

3. Reconciliation of Budgetary Basis Accounting to GAAP Basis Accounting

The District prepares its budget in conformity with practices prescribed or permitted by the applicable statutes of the State of Illinois, which differ from GAAP. To reconcile the budgetary cash basis financials to the GAAP fund basis financials, the following schedule was prepared (in thousands of dollars):

	General Corporate Fund
Revenues and other sources (uses) over (under) expenditures on a budgetary basis	$ 51,434
Adjustment from Budget to GAAP for:	
Tax revenues	25,369
Transfers from other sources (uses)	
Transfer from Construction Bond Fund to Corporate Fund	2,200
Transfer from Debt Service Fund to Corporate Fund	5,800
Cash basis other revenues	(2,983)
GAAP versus budgetary expenditure differences	(1,509)
Revenues and other sources (uses) over (under) expenditures on GAAP Basis	$ 80,311

4. Deposits and Investments

Deposits

As of December 31, 2011, the District, the Pension Trust Fund and OPEB deposits were fully insured and collateralized.

Investments (excluding Trust Funds)

The investments which the District may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. Government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois funds; (8) money market mutual funds and certain other instruments. District policies require that repurchase agreements be collateralized only with direct U.S. Treasury securities that are maintained at a value of at least 102% of the investment amount (at market); and (9) municipal bonds of the State, or of any other state, or of any political subdivisions thereof, whether interest is taxable or tax-exempt under federal law, rated within the four highest classifications by a major rating service.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December 31, 2011 (in thousands of dollars):

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1- 5 Years**
U.S. Agencies	$ 366,199	$ 104,087	$ 262,112
Municipal Bond	164,095	37,210	126,885
Commercial Paper	298,302	298,302	-
State Treasurer's Illinois Funds	78,296	78,296	-
Total Investments	$ 906,892	$ 517,895	$ 388,997

The Illinois Funds invest a minimum of 75% of its assets in authorized investments of less than one year and no investment shall exceed two years maturity. The above fair value amount excludes accrued interest receivable of $2,747,000.

Interest Rate Risk

The District's investment policy protects against fair value losses resulting from rising interest rates by structuring its investments so that sufficient securities mature to meet cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity, except when such a sale is required by state statute. In addition, the District's policy limits direct investments to securities maturing in five (5) years or less. Written notification is required to be made to the Board of Commissioners of the intent to invest in securities maturing more than five (5) years from the date of purchase.

Credit Risk

The District's investment policy applies the "prudent person" standard in managing its investment portfolio. As such, investments are made with such judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy limits investments in commercial paper to the highest rating classifications, as established by at least two of the four major rating services, and which mature not later than 180 days from the purchase date. Such purchases may not exceed 10 % of the issuer corporation's outstanding obligations.

Credit ratings for the District's investments in debt securities as described by Standard & Poor's and Moody's at December 31, 2011 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	Credit Ratings	% of Investment Type	% of Total Investments in Debt Securities
U.S. Agencies	AA+/Aaa	100.0%	40.4%
Commercial Paper	A-1/P-1	100.0%	32.9%
State Treasurer's Illinois Funds	AAAm	100.0%	8.6%
State of Illinois *	A+/A/A1	62.7%	11.3%
State of California Revenue Anticipation Note	SP-1+/F1/MIG1	12.3%	2.2%
State of California *	A-/A-/A1	7.5%	1.4%
Regional Transit Authority (IL) *	AA/AA-/Aa3	6.2%	1.1%
Cook County, IL School District *	Aa1	3.1%	0.6%
Florida Hurricane Fund *	AA-/AA/Aa3	3.0%	0.6%
Massachusetts Department of Transportation *	AA-/Aa3	2.4%	0.4%
Cook County *	AA/AA-/Aa3	2.2%	0.4%
Kane County School District *	A+	0.6%	0.1%

* Municipal Bond

Calculation of Compliance (1)
(in thousands in dollars)

Investments	Fair Value	% of Fair Value
U.S. Agencies	$ 366,199	37.8%
Commercial Paper	298,302	30.9%
Municipal Bond	164,095	17.0%
State Treasurer's Illinois Funds	78,296	8.1%
Certificate of Deposit	59,500	6.2%
	$ 966,392	100.0%

(1) Utilizes market value of investments excluding High-Yield Savings, which is reclassified to cash for CAFR reporting.

Concentration of Credit Risk

The District's goal is to limit the amount that can be invested in commercial paper to one-third of the District's total investments, and no more than 20% of the amount invested in commercial paper can be invested in any one entity. In 2011 the market value of commercial paper represented 30.9% of the District's total investments. None of the District's commercial paper in any one entity exceeded the 20% goal. As of December 31, 2011, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
Federal National Mortgage Association	$ 240,505
State of Illinois Municipal Bond	102,684
Federal Home Loan Mortgage Corporation	101,692

Custodial Credit Risk

The District's investments are not exposed to custodial credit risk since its investment policy requires all investments and investment collateral to be held in safekeeping by a third party custodial institution, as designated by the Treasurer, in the District's name. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities which are in the possession of the outside party.

Trust Fund Investments

The Pension Trust Fund is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; and other investment vehicles as set forth in the Illinois Compiled Statutes.

The Trust is authorized under State Statute 70 ILCS 2605/9.6d. In accordance with the Statute, the Trust funds shall be managed by the District Treasurer in any manner deemed appropriate subject only to the prudent person standard. The Trust adopted its investment policy on November 19, 2009.

At December 31, 2011, the Trust's assets were invested in fixed income and equity mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates. For purposes of determining realized gains or losses on the disposal of investments, the average cost of investments sold, determined at the time of sale, is used.

Interest Rate Risk

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities (using the weighted average maturity method) for the Pension Trust Fund's investments at December 31, 2011 (in thousands of dollars):

Investment Type	Fair Value	Average Maturities (years)
Fixed Income:		
Pooled Funds - Long Term investments	$ 321,665	7.0
Pooled Funds - Short Term investments	17,848	0.1
Total Fixed Income	339,513	
Equities:		
Common and Preferred Stock	639,574	
Securities lending Collateral	25,340	
Total Equities	664,914	
Total Investments	$ 1,004,427	

The Pension Trust Fund does not maintain a policy relative to interest rate risk. The Board of Trustees recognizes that its investments are subject to short-term volatility. However, their goal is to maximize total return within prudent risk parameters. The Fund's benefit liabilities extend many years into the future. Therefore, the Pension Trust Fund's policy is to maintain a long-term focus on its investment decision-making process. The Fund's fixed income performance objective is the Barclays Capital Aggregate Bond Index.

The OPEB Trust's benefit liabilities extend many years into the future, and the Trust's policy is to maintain a long-term focus on its investment decision-making process. Fixed income investments susceptible to interest rate risk are monitored to prevent such investments from exceeding established allocation targets.

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities for the OPEB Trust Fund's investments at December 31, 2011 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Mutual Funds:			
Dodge & Cox Income	$ 4,737	21.9%	7.0
Payden Core Bond Fund	1,319	6.1%	6.9
PIMCO Total Return Instl.	7,171	33.2%	8.9
Vanguard Inflation Protected Secs.	8,355	38.8%	9.4
Total Fixed Income	21,582		
Equities:			
American Funds Fundamental	7,634		
Fidelity Advisor Intl. Discovery	2,425		
Fidelity Contra Fund	5,493		
Harbor International Instl.	5,106		
MFS Massachusetts Investors	4,854		
Profit	2,279		
Perkins Small Cap Value I	1,382		
Vanguard Small Cap Index Instl.	2,783		
Total Equities Income	31,956		
Illinois Funds Investment Pool	67		
Total Plan Assets at Fair Value	53,605		
Cash & Cash Equivalents	1,380		
Total Investments	$ 54,985		

Credit Risk

The Pension Trust Fund's policy requires all fixed income investments to be of investment grade quality or higher at purchase, that is, at the time of purchase, rated no lower than "Baa" by Moody's and no lower than "BBB" by Standard and Poor's. The Trustees, at their discretion, may impose a higher standard on an individual investment manager as circumstances or investment objectives dictate. Also, according to the provisions of the Illinois Compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government, or any agency or instrumentality thereof, or to corporate and municipal issues.

The following reports the credit ratings for the Fund's debt securities at December 31, 2011 (in thousands of dollars):

Disclosure Ratings for Debt Securities (1)
(As a percentage of total fair value for debt securities)

Credit Rating	Investment Type	Fair Value	%
AAA	Pooled Funds - Long Term investments	$ 82,920	24.4
AA	Pooled Funds - Long Term investments	4,350	1.3
A	Pooled Funds - Long Term investments	34,171	10.1
Aaa	Pooled Funds - Long Term investments	161,243	47.5
Aa	Pooled Funds - Long Term investments	10,641	3.1
BAA	Pooled Funds - Long Term investments	8,549	2.5
Baa	Pooled Funds - Long Term investments	19,651	5.8
Below Baa	Pooled Funds - Long Term investments	129	0.0
Not Rated	Pooled Funds - Long Term investments	11	0.0
Not Rated	Pooled Funds - Short Term investments	17,848	5.3
		$ 339,513	100.0%

(1) Report details the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies.

The OPEB Trust's Investment Policy requires a minimum of 85% of the fixed income holdings of an actively managed fixed income mutual fund be of investment grade quality or higher at purchase; rated no lower than "Baa" by Moody's and no lower than "BBB" by Standard and Poor's. The Trustee, at its discretion, may impose a higher standard on an individual investment's circumstances or as investment objectives dictate. Fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government, Canadian Government, or any agency or instrumentality thereof, or to corporate and municipal issues.

The following reports the credit ratings for the Fund's debt securities at December 31, 2011; excluded are U.S. government obligations or obligations explicitly guaranteed by the U.S. Government, if any, which are classified under the headings U.S. Treasuries and U.S. Agencies:

Disclosure Ratings for Debt Securities
(As a percentage of total fair value for debt securities)

Credit Rating (1)	Dodge & Cox Income	Payden Core Bond Fund	PIMCO Total Return Instl.	Vanguard Protect Secs.
AAA	43.2 %	2.0 %	64.0 %	100.0 %
AA	4.7	42.0	9.0	
A	15.1	13.0	13.0	
BBB	21.6	30.0	8.0	
BB	7.8	5.0	3.0	
B	4.8	7.0	2.0	
Below B	2.8	1.0	1.0	
	100.0 %	100.0 %	100.0 %	100.0 %

(1) Provided by Morningstar. Report details the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies.

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments are in equities and cash. The Pension Trust Fund does not maintain an investment policy relative to foreign currency risk. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2011 was as follows:

Equities	Fair Value	%
Australian Dollar	$ 7,993,053	10.1
Brazil Real	312,708	0.4
Canadian Dollar	7,632,905	9.7
Danish Krone	2,211,756	2.8
Euro	17,767,249	22.7
Hong Kong Dollar	1,191,838	1.5
Israeli Shekel	238,058	0.3
Japanese Yen	8,446,182	10.8
Norwegian Krone	690,870	0.9
Singapore Dollar	1,003,902	1.3
Swedish Krona	1,220,308	1.6
Swiss Franc	7,958,298	10.2
British Pound Sterling	21,738,367	27.7
Total	$ 78,405,494	100.0%

Deposits	Fair Value	%
Australian Dollar	$ 65,281	15.4
Canadian Dollar	33,439	7.9
Danish Krone	27,240	6.4
Euro	37,095	8.8
Hong Kong Dollar	53,075	12.5
Israeli Shekel	27,546	6.5
Japanese Yen	119,076	28.1
Norwegian Krone	9,534	2.2
Singapore Dollar	18,162	4.3
British Pound Sterling	33,542	7.9
Total	$ 423,990	100.0%

The OPEB Trust Fund's policy is to disclose any investment denomination in a foreign currency. Exposure to foreign currency risk is limited to the international investment allocation target maximum of 20% of the fair value of the investment portfolio.

As of December 31, 2011, the OPEB Trust investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

Fund Name	**Fair Value**
Fidelity Advisory Intl. Discovery Instl.	$ 2,425
Harbor International Instl.	5,106
	$ 7,531

Securities Lending

The Pension Trust Fund lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, lends for collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and international securities for collateral worth at least 105%. Securities lent at year end for cash collateral are presented as not categorized in the preceding summarization of investment market values; securities lent for securities collateral are classified according to the risk categorization of the collateral received. At year-end, the Fund has no credit risk exposure to borrowers because the exact amount the Fund owes to the borrowers exceeds the amounts the borrowers owe to the Fund. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan. All securities loans can be terminated on demand by either the Pension Trust Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 33 days.

The relationship between the maturities of the investment pool and the Pension Trust Fund's loans are affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Pension Trust Fund cannot pledge or sell collateral securities without borrower default.

The Pension Trust Fund also participates in the securities lending programs offered by Northern Trust Global Investments (NTGI) and State Street Global Advisors (SSGA) with regards to their pooled bond and equity index funds. NTGI's securities lending performance is reflected in the returns of the index fund. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the bond index fund. NTGI's securities lending income or loss is reflected in the net asset value of the index funds.

A summary of securities loaned at fair value as of December 31, 2011 is as follows:

Market value of securities loaned for cash collateral	$ 24,687,894
Market value of securities loaned for non-cash collateral	-
Total market value of securities loaned	$ 24,687,894
Market value of cash collateral from borrowers	25,339,932
Market value of non-cash collateral from borrowers	-
Total market value of collateral from borrowers	$ 25,339,932

5. Receivables, Deferred Revenues and Payables

Certain receivables and payables reported in the financial statements represent aggregations of different components, such as balances due from/to taxpayers, users, other governments, vendors, and employees. The following information is provided to detail significant balances which make up the components.

Receivables

Receivables as of December 31, 2011 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improvements Bond	Construction	Other Governmental	Total Governmental	Statement of Net Position
Receivables at December 31, 2011:							
Property taxes:	$ 284,836	$ 189,662	$ -	$ 6,438	$ 58,032	$ 538,968	$ 538,968
Allowance for uncollectible taxes	(41,752)	(25,954)	-	(1,806)	(7,599)	(77,111)	(77,111)
Net property taxes	243,084	163,708	-	4,632	50,433	461,857	461,857
Personal property replacement tax	-	-	-	-	5,276	5,276	5,276
Total taxes receivable, net	243,084	163,708	-	4,632	55,709	467,133	467,133
Other receivables:							
User charges	10,511	-	-	-	-	10,511	10,511
State revolving fund loans	-	-	40,731	-	-	40,731	40,731
Federal subsidy	-	1,001	-	-	-	1,001	1,001
Miscellaneous	2,210	-	607	745	-	3,562	3,562
Total other receivables, net	12,721	1,001	41,338	745	-	55,805	55,805
Total net receivables, December 31, 2011	$ 255,805	$ 164,709	$ 41,338	$ 5,377	$ 55,709	$ 522,938	$ 522,938

The property tax receivable includes a nominal amount that is not expected to be collected within one year of the financial statement date.

Deferred Revenues

Deferred tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Other deferred revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Assets for rental resources that have been received, but not earned. Other deferred revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of deferred revenue as of December 31, 2011 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Construction	Other Governmental	Total Governmental	Adjustments	Statement of Net Position
Deferred revenue at December 31, 2011:							
Deferred tax revenue	$ 212,630	$ 140,835	$ 3,981	$ 44,021	$ 401,467	$ (401,467)	$ -
Other deferred revenue:							
Rental income	2,546	-	-	-	2,546	1	2,547
Grant revenue	-	1,001	-	-	1,001	(1,001)	-
Service fee	-	-	745	-	745	(745)	-
Total other deferred revenue	2,546	1,001	745	-	4,292	(1,745)	2,547
Total deferred revenue at December 31, 2011	$ 215,176	$ 141,836	$ 4,276	$ 44,021	$ 405,759	$ (403,212)	$ 2,547

Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2011 in the District's governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	General Corporate	Capital Improvements Bond	Construction	Other Governmental	Total Governmental	Statement of Net Position
Accounts payable and other liabilities at December 31, 2011:						
Vouchers payable and other liabilities	$ 28,481	$ 58,543	$ 1,542	$ 1,956	$ 90,522	$ 90,522
Accrued payroll and withholdings	6,350	-	-	-	6,350	6,350
Bid deposits	1,897	-	-	-	1,897	1,897
Total accounts payable and other liabilities as of December 31, 2011	$ 36,728	$ 58,543	$ 1,542	$ 1,956	$ 98,769	$ 98,769

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2011, are as follows (in thousands of dollars):

	Balances January 1, 2011	Additions	Retirements	Balances December 31, 2011
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	$ 129,960	$ 1,179	$ 1,644	$ 129,495
Permanent easements	1,330	-	-	1,330
Construction in progress	1,087,084	251,061	94,388	1,243,757
Infrastructure under modified approach	3,412,516	92,536	-	3,505,052
Total capital assets not depreciated/amortized	4,630,890	344,776	96,032	4,879,634
Capital assets depreciated/amortized:				
Buildings	13,226	-	-	13,226
Equipment	55,331	529	591	55,269
Computer software	2,261	2,147	-	4,408
Infrastructure and easements	1,898,383	-	-	1,898,383
Total capital assets being depreciated/amortized	1,969,201	2,676	591	1,971,286
Less accumulated depreciation/amortization:				
Buildings	4,946	185	-	5,131
Equipment	20,904	3,664	496	24,072
Computer software	878	614	-	1,492
Infrastructure and easements	167,063	11,621	-	178,684
Total accumulated depreciation/amortization	193,791	16,084	496	209,379
Total capital assets depreciated/amortized, net	1,775,410	(13,408)	95	1,761,907
Governmental activities capital assets, net	$ 6,406,300	$ 331,368	$ 96,127	$ 6,641,541

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2011, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	$ 10
General Administration	560
Monitoring and Research	277
Procurement and Materials Management	8
Human Resources	17
Information Technology	658
Law	11
Finance	9
Engineering	1,211
Maintenance and Operations	1,088
Total allocated depreciation	3,849
Unallocated infrastructure depreciation	12,235
Total depreciation	$ 16,084

7. Pension Plan

Plan Description

The Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund) is the administrator of a single employer defined benefit pension plan (Plan) established by the State of Illinois. The defined benefits of the Plan, as well as the employer and employee contribution levels of the Plan, are mandated by Illinois State Statutes and may be amended only by the Illinois Legislature. The Pension Trust Fund provides retirement benefits, death and disability benefits, to qualifying employees. Covered employees are required to contribute 9% of their salary to the Plan. The District is required to contribute the remaining amounts necessary to finance the requirements of the Plan on an actuarially funded basis. The District is required to levy a tax at a rate not more than an amount equal to the employee plan contributions made in the calendar year two years prior for which the annual applicable tax is levied, multiplied by a factor of 2.19 annually.

The Pension Trust Fund issues a financial report that includes financial statements and required supplementary information establishing the financial position of the Plan. That report may be obtained by writing to the Metropolitan Water Reclamation District Retirement Fund, 111 E. Erie, Chicago, IL, 60611-2898 or calling 1-312-751-3222.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs are not paid from any specific resource.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension asset (obligation) of the Plan for the year ended December 31, 2011, were as follows (in thousands of dollars):

Annual required contribution	$	69,393
Interest on net pension obligation		5,796
Adjustment to annual required contribution		(4,114)
Annual pension cost		71,075
Contributions made		(37,379)
Increase in net pension obligation		33,696
Net pension obligation beginning of year		74,786
Net pension obligation end of year	$	108,482

The net pension obligation is reported in the government-wide Statements of Net Position.

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation, using the Entry Age Normal actuarial cost method and the Level Dollar amortization method. The actuarial assumption includes: (a) 7.75% per year rate of return on investments, net of investment expense, compounded annually; (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation as well as seniority and merit increases; (c) post-retirement benefit compound increases of 3.0% per year for employee and surviving spouse annuitants; and (d) 3.00% inflation rate. The actuarial value of assets was determined by using the five-year Smoothed Market method. The unfunded actuarial accrued liability is being amortized as a level percent of payroll on an open basis. The amortization period at December 31, 2011, was 30 years.

Trend Information

The annual pension cost, percentage of annual pension contributed and net pension obligation for the past three years ending December 31, 2011, are presented below (in thousands of dollars):

	Employer Contributions		
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	$ 71,075	52.59%	$ (108,482)
12/31/2010	62,815	47.63%	(74,786)
12/31/2009	55,214	58.24%	(41,889)

Funding Status of Plan

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows (in thousands of dollars):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2011	$ 1,097,397	$ 2,101,319	$ 1,003,922	52.22%	$ 164,275	611.12%

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to the Basic Financial Statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarially accrued liability for benefits. The projection of benefits for financial reporting does not explicitly incorporate the potential effects of legal or contractual funding limitations.

8. OPEB - Other Post-Employment Benefits

Plan Description

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing of OPEB and the payment of benefits for the Metropolitan Water Reclamation District of Greater Chicago. Pursuant to Illinois Statute 70 ILCS 2605/9.6d, the District adopted the Metropolitan Water Reclamation District Retiree Health Care Plan (the "Plan") effective December 6, 2007. The purpose of the "Plan" is to provide postretirement medical and prescription drug coverage benefits to retirees as well as spouses and dependants of retirees that fulfill certain eligibility requirements. Retirees and annuitants receiving a pension through the Pension Trust Fund are eligible for District-sponsored health insurance. As of December 31, 2011, there are 1,893 active employees and 2,889 retirees and beneficiaries currently receiving health care coverage.

The OPEB Trust Fund issues a financial report that includes financial statements and required supplementary information establishing the financial position of the Plan. That report may be obtained by writing to the Metropolitan Water Reclamation District Retiree Health Care Trust Fund, 100 E. Erie, Chicago, IL, 60611-2898 or calling 312-751-5150.

Basis of Accounting

The financial statements of the Trust are prepared using the accrual basis of accounting. Employer contributions to the Trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Contributions

The District has not entered into any long-term contracts for contributions to the plan as of the date of this report. State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners discretionary authority to determine contribution amounts to be paid by the District. The OPEB Funding Policy includes a target funded ratio of 50% with an expected funding period of 50 years (beginning in 2007), with $50,000,000 to be contributed by the end of 2011. Through December 31, 2011, $50,000,000 has been contributed by the District to the OPEB Trust Fund and the OPEB Funding Policy goal of funding $10,000,000 in each of the first five years (beginning in 2007) for an aggregate of $50,000,000 by the end of 2011 has been met. Contributions were not made ratably by the District over the five year period due to the availability of funds: In 2007, $25,000,000 was contributed; in 2008, $22,000,000 was contributed; in 2009 and 2010, no contributions were made; and in 2011, $3,000,000 was contributed. In succeeding fiscal years, the Trust will receive the District (employer) contribution as determined by the Board of Commissioners. There is currently no requirement for the District to partially or fully fund the Trust, and any funding is on a voluntary basis. Plan participants do not contribute to the plan other than providing premium contributions as discussed below.

The District allows employees who retire and meet certain eligibility requirements to continue medical coverage as participants in the Metropolitan Water Reclamation District Retiree Health Care Plan. The plan allows for subsidized health care benefits for its retirees. Retirees contribute 27.5% of the premium and the District pays the remaining 72.5%. Every year for the next nine retiree contributions will rise by 2.5% until the premium reaches 50%. Each year, the Board approves an appropriation to fund retiree medical costs as part of the Personnel Department, General Corporate Fund budget. The amount of OPEB expenditure recognized during 2011 by the District was $18,020,000, all claims paid (net of participant contributions).

Annual OPEB Cost and Net OPEB Obligation

The following OPEB cost and net OPEB obligation was determined for the year ended December 31, 2011 (in thousands of dollars).

Annual required contribution (ARC)	$ 27,264
Interest on net OPEB obligation	4,643
Adjustment to annual required contribution	(3,636)
Annual OPEB cost	28,271
Contributions made	(18,020)
Increase in net OPEB obligation	10,251
Net OPEB obligation beginning of year	66,329
Net OPEB obligation end of year	$ 76,580

Funding Status and Progress

The funding status of the plan as of the most recent actuarial valuation date is as follows (in thousands of dollars):

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL/ (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	12/31/2011	$ 54,996	$ 394,676	$ 339,680	13.93%	$ 162,853	208.58%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, compares whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual required contribution for the current year actuarial valuation using the Project Unit Credit actuarial cost method and the level percentage of payroll amortization method. Additional assumptions are summarized in the following table:

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method and period	30 years, open, level percentage of payroll
Asset valuation method	Fair market value
Discount rate	7.00%
Inflation Rate	3.00%
Health care cost trend rates	8.5% Initial rate, 5% Ultimate rate, 2018 Ultimate year
Annual projected payroll growth rate	3.60%

Trend Information

The OPEB annual cost, percentage of annual cost contributed and net OPEB obligation for the year ending December 31, 2011, are presented below (in thousands of dollars):

Schedule of Employer Contributions

Period Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2011	$ 28,271	63.7%	$ 76,580
12/31/2010	40,056	38.7%	66,329
12/31/2009	40,056	36.4%	41,789

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of $3,273,187 at December 31, 2011. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $557,911,236 at December 31, 2011. State Revolving Fund Loan commitments of $47,834,375 at December 31, 2011, are also collectible as contract expenditures are incurred.

The Internal Revenue Code requires that an issuer of tax-exempt bonds rebate to the United States any excess investment earnings made with the gross proceeds of an issue over the amount which would have been earned had such proceeds been invested at a rate equal to the yield on the issue. The Internal Revenue Code offers certain "safe harbors" permitting qualified governments to keep extra earnings that result from arbitrage. The District has made a determination of their probable liability for amounts potentially due to the United States government. As of December 31, 2011, the District has no arbitrage rebate liability.

On August 26, 2009, the District issued its $600,000,000 Taxable General Obligation Capital Improvement Bonds Limited Tax Series of August, 2009 (Build America Bonds - Direct Payment) (the "2009 Bonds").

On April 29, 2010, the District received notice of an informal inquiry relating to the 2009 Bonds by the United States Securities and Exchange Commission ("SEC"). The SEC requested production of all documents related to the issuance and sale of the 2009 Bonds. The District furnished various documents to the SEC during the summer of 2010. The District will continue to cooperate with the SEC.

On September 24, 2010, the Tax-Exempt Bond function of the Internal Revenue Service notified the District that it is conducting an examination of the 2009 Bonds. The District believes that all requirements of the Internal Revenue Code relating to Build America Bonds were satisfied. On March 19, 2012, the District received a letter from the IRS that the examination was completed. As a result, the determination was made to close the examination with no-change in position.

On January 30, 2012, the Tax-Exempt Bond function of the Internal Revenue Service notified the District that it is conducting an examination of the 2006 Refunding Bonds. The District believes that all requirements of the Internal Revenue Code for the refunding were satisfied.

10. Risk Management and Claims

The District is primarily self-insured. Under the "Reserve Claim Fund" the District may levy an annual property tax not to exceed .005% of the equalized assessed valuation of taxable property within the District's territorial limits. The Reserve Claim Fund accounts for claims, awards, losses, judgments or liabilities which might be imposed on the District under the Workers' Compensation Act or the Workers' Occupational Diseases Act. Additionally, the Reserve Claim Fund accounts for any claim in tort, including but not limited to any claim imposed under the Local Governmental and Governmental Employees Tort Immunity Act, and for the repair or replacement, where the cost thereof exceeds $10,000, of any property owned by the District which is damaged by fire, flood, explosion, vandalism, or other natural or man-made peril. The aggregate amount that may accumulate in the Reserve Claim Fund cannot exceed .05% of the equalized assessed valuation. The Reserve Claim Fund accounts are included in the General Corporate Fund as described in Note 1.b. to the financial statements.

The District is involved in various litigation relating principally to claims arising from construction contracts, personal injury, sexual discrimination/harassment, environmental regulations, and property damage. The majority of any claims and judgments for personal injury and property damage would be recovered by insurance or paid from the Reserve Claim Fund accounts. Most of the claims and judgments involving disputed construction contracts would be paid by the Capital Improvements Bond or Construction Funds.

Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its leased-out properties. The District has developed a preliminary estimate of environmental remediation costs for major lease sites. The range of such estimated costs at December 31, 2011, is between $73.3 million and $106.2 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are ongoing between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. The current estimated cost was determined to be $89,850,000 with an estimated cost recoverable amount of $79,050,000 resulting in $10,800,000 being recognized at December 31, 2011 in the liabilities of the government-wide financial statements. Of this amount, $2,400,000 is classified as a short-term liability and the remaining $8,400,000 is considered a long-term liability. These estimates are subject to changes as a result of price increases, changes in technology and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

The District provides health insurance benefits to employees through a fully insured health maintenance organization and a self-insured comprehensive indemnity/PPO plan. The District provides dental insurance benefits through a fully insured dental maintenance organization and a self-insured dental indemnity plan. The District does not purchase stop-loss insurance for its self-insured comprehensive indemnity/PPO plan. The District provides life insurance benefits for active employees through an insured life insurance program.

Additional insurance policies in effect at December 31, 2011, are listed below. There were no reductions in insurance coverage from the prior year. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The current insurance coverage and risk retention related to these policies is as follows:

Automobiles, Trucks, and Trailers
- Excess liability $5,000,000
- Deductible $1,000,000

Public Employee Dishonesty
- Aggregate Limit $6,000,000
- Deductible $30,000

Faithful Performance
- Aggregate Limit $6,000,000
- Deductible $30,000

Public Employee Forgery or Alteration
- Each occurrence $500,000
- Deductible $0

Marine Liability
- Excess liability $10,000,000
- Deductible $10,000

Group Travel Accidental
Accidental death benefits $500,000
Dismemberment benefits..sliding scale
Aggregate limits $5,000,000
Non-owned Aircraft Liability
Each occurrence $5,000,000
Pension & Welfare Fiduciary Liability for Deferred Compensation Plan/Retire Health Care Trust/OPEB
Aggregate limit..$5,000,000
Deductible.. $25,000

The following changes in claims liabilities for the past two years have been calculated and include claims reported but not settled as well as those incurred but not reported in the government-wide financial statements (in thousands of dollars):

	2011	2010
Claims Payable at January 1	$ 41,292	$ 38,886
Claims incurred	6,923	6,728
Changes in prior years' claims estimate	18,565	2,406
Claim payments	(6,923)	(6,728)
Claims Payable at December 31	$ 59,857	$ 41,292

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2011 (in thousands of dollars):

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Governmental long-term liabilities:					
Bonds and notes payable:					
General obligation debt	$ 1,811,184	$ 400,000	$ (62,208)	$ 2,148,976	$ 28,880
Converted bond anticipation notes	150,790	166,698	-	317,488	40,574
Total general obligation debt	1,961,974	566,698	(62,208)	2,466,464	69,454
Deferred amounts:					
Issuance costs	(6,472)	(2,199)	355	(8,316)	(428)
Premium	61,532	37,344	(4,616)	94,260	5,650
Refunding transactions	(25,493)	-	3,039	(22,454)	(3,039)
Bonds payable, net	1,991,541	601,843	(63,430)	2,529,954	71,637
Bond anticipation notes	196,225	78,481	(166,698)	108,008	-
Net bonds and notes payable	2,187,766	680,324	(230,128)	2,637,962	71,637
Other liabilities:					
Claims and judgments	41,292	25,488	(6,923)	59,857	15,934
Compensated absences	29,860	55	(1,131)	28,784	1,718
Capital lease (note 14)	53,688	-	(1,904)	51,784	1,947
Net OPEB obligation (note 8)	66,329	10,251	-	76,580	-
Net Pension liability (note 9)	74,786	33,696	-	108,482	-
Total governmental long-term liabilities	$ 2,453,721	$ 749,814	$ (240,086)	$ 2,963,449	$ 91,236

Liabilities for the Bonds and Bond Anticipation Notes are paid from the Debt Service Fund. Liabilities for Compensated Absences are primarily paid from the General Corporate, Capital Improvements Bond, Construction, and Stormwater Management Funds. Most claims resulting from construction projects are paid from either the Capital Improvements Bond or the Construction Funds, while all other claims are paid from the Reserve Claim Fund accounts in the General Corporate Fund.

As of December 31, 2011, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

Bonds Payable Maturity Table

Maturing	Capital Improvement Bond Series (3.0-5.720%) (Issued 12/02 to 07/11)	Refunding (4.00-5.00%) (Issued 05/06 to 03/07)	State Revolving Funds Series (0.0-3.745%) (Issued 12/91 to 07/11)	Total Principal	Total Interest
2012	$ 28,880	$ -	$ 40,574	$ 69,454	$ 116,410
2013	38,640	-	39,736	78,376	107,813
2014	22,175	18,760	38,452	79,387	105,462
2015	33,070	19,675	37,400	90,145	103,290
2016	26,695	20,585	36,925	84,205	100,023
2017-2021	135,075	104,740	161,971	401,786	454,022
2022-2026	78,955	187,235	126,018	392,208	377,426
2027-2031	142,350	240,175	60,138	442,663	300,547
2032-2036	400,000	188,240	-	588,240	172,898
2037-2038	240,000	-	-	240,000	20,878
	$ 1,145,840	$ 779,410	$ 541,214	$ 2,466,464	$ 1,858,769

Expenditures for principal and interest made on January 1, 2012 approximated $20,244,000 and $5,459,000 respectively.

2011 Bond Issues

In July 2011, the District issued $30,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series A, with maturity dates from 2013 to 2016. Interest accrues on the bonds at rates ranging from 0.891% to 2.229%, payable December 1 and June 1.

In July 2011, the District issued $270,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series B, with maturity dates from 2017 to 2032. The bonds were issued at a premium of $27,686,556. Interest accrues on the bonds at rates ranging from 3.0% to 5.0%, payable December 1 and June 1.

In July 2011, the District issued $100,000,000 of General Obligation Capital Improvement Bonds, Unlimited Tax Series C, with maturity dates from 2013 to 2031. The bonds were issued at a premium of $9,657,071. Interest accrues on the bonds at rates ranging from 3.0% to 5.0%, payable December 1 and June 1.

2009 Bond Issues

In August 2009, the District issued $600,000,000 in taxable General Obligation Capital Improvement Bonds, Limited Tax Series of August 2009 (Build America Bonds – Direct Payment). The bonds have an interest rate of 5.72%, payable on December 1 and June 1, and mature on December 1, 2038. The bonds are subject to mandatory sinking fund redemption on December 1 in years 2033 through 2038. The Build America Bonds (BAB) program was authorized as part of the American Recovery and Reinvestment Act of 2009 and includes a subsidy of 35% of interest cost to be paid to the District by the U. S. Treasury for the life of the bonds. The federal subsidy reduces the effective interest rate on the bonds to 3.72%.

2007 Bond Issues

In March 2007, the District issued $188,315,000 in fixed rate General Obligation Refunding Bonds, Unlimited Tax Series A, at a premium of $16,775,789. The bonds have interest rates from 4.00 to 5.00%, payable on December 1 and June 1, and maturity dates from 2014 to 2022.

In March 2007, the District issued $91,845,000 in General Obligation Refunding Bonds, Unlimited Tax Series B, at a premium of $17,462,417 and $101,860,000 in General Obligation Refunding Bonds, Limited Tax Series C, at a premium of $18,859,718. Both series have an interest rate of 5.25%, payable on December 1 and June 1, and maturity dates from 2025 to 2035.

The 2007 Unlimited Tax Series A Bonds were issued to refund $146,000,000 of outstanding principal amount, plus accrued interest, of 2002 Limited Tax Series E and $57,900,000 of outstanding principal amount, plus accrued interest, of 2002 Unlimited Tax Series C.

The 2007 Unlimited Tax Series B Bonds were issued to refund $100,000,000 of outstanding principal, plus accrued interest, of 2006 Unlimited Tax Series. The 2008 Limited Tax Series C Bonds were issued to refund the $110,435,000 of outstanding principal, plus accrued interest, of 2006 Limited Tax Series.

2006 Bond Issues

In May 2006, the District issued $346,600,000 in General Obligation Refunding Bonds, Unlimited Tax Series, at a premium of $11,652,662, and $50,790,000 in General Obligation Refunding Bonds, Limited Tax Series, at a premium of $1,674,942. Both series have an interest rate of 5.00%, payable on December 1 and June 1, and maturity dates from 2023 to 2031.

The Unlimited Tax Series Bonds were issued to refund the $363,000,000 outstanding principal amount of Variable Rate General Obligation Refunding Bonds, Unlimited Tax Series A, issued June 2002. The Limited Tax Series Bonds were issued to refund the $53,000,000 outstanding principal amount of Variable Rate General Obligation Refunding Bonds, Limited Tax Series B, issued June 2002.

In July 2006, the District issued $250,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series, with maturity dates from 2010 to 2033. The bonds were issued at a premium of $9,323,100. Interest accrues on the bonds at a rate of 5.0%, payable December 1 and June 1. $110,435,000 of these bonds were due to mature in the years 2027 to 2033 and refunded in March 2008.

In July 2006, the District issued $100,000,000 of General Obligation Capital Improvement Bonds, Unlimited Tax Series, with a maturity date of December 1, 2035. The bonds were issued at a premium of $1,943,000. Interest accrues on the bonds at a rate of 5.0%, payable December 1 and June 1. These bonds were refunded in March 2007.

2002 Bond Issues

In December 2002, the District issued $64,000,000 of Fixed Rate General Obligation Capital Improvement Bonds, Unlimited Tax Series C, with maturity dates from 2013 to 2016. The bonds were issued at a premium of $5,896,955. Interest on the bonds accrues at a rate of 5.375%, payable June 1 and December 1. Also in December 2002, the District issued $100,000,000 of Fixed Rate General Obligation Capital Improvement Bonds, Limited Tax Series D, with maturity dates from 2008 to 2013. The bonds were issued at a premium of $8,677,545. Interest on the bonds accrues at rates ranging from 3.00% to 5.375%, payable June 1 and December 1.

Capital Improvement Bonds, IEPA Series

In 2009, the District authorized the issuance of $ 258,000,000 of Capital Improvement Bonds, 2009 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The Illinois Environmental Protection Agency (IEPA) has approved partial funding of the costs through the State Water Pollution Control Revolving Fund (SRF). Under the term of the SRF, the District will issue bond anticipation notes in the amount of interim project loan advances to pay project costs. When advances equal the loan amount (or the project has been completed) the District will refinance the Bond anticipation notes, plus accrued interest thereon.

Under this authority, the IEPA has subsequently approved the following loan amounts.

2011	$100,000,000
2010	$121,060,000
2009	$ 13,293,000

In 2007, the District authorized the issuance of $160,000,000 of Capital Improvement Bonds, 2008 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2009 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts:

2010	$ 43,000,000
2009	$ 65,000,000
2008	$ 39,257,000

In 2004 the District authorized the issuance of $150,000,000 of Capital Improvement Bonds, 2004 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2007 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts:

2009	$ 4,236,000
2008	$ 47,099,000
2006	$ 71,664,000

State Revolving Fund Loan proceeds are recognized as "other financing sources" of the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as proceeds is also recognized as a long-term liability in the government-wide Statements of Net Position.

The District refinances bond anticipation notes through the issuance of its Capital Improvement Bonds in the amount of the bond anticipation notes, plus accrued interest thereon. As a result, there is no debt service required until these notes are converted into bonds. The District has accrued principal and interest through the balance sheet date on bond anticipation notes. In addition, the District has included the interest accrued on these bond anticipation notes in the long-term liability reported in the government-wide Statements of Net Position.

The converted amount of $166,698,400 in 2011 represented the sum of bond anticipation note principal of $165,558,300 and interest in the amount of $1,140,100.

2011 Bond Issues and adjustments to existing issues under the IEPA 1997, 2001, 2004 and 2009 authority, included:

- July 2011 – The District issued $2,287,200 of Capital Improvement Bonds - IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of $2,248,900 and interest of $38,300 with maturity dates from January 1, 2012 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2011 – The District issued $269,400 of Capital Improvement Bonds – IEPA Series 04B, through the conversion of the sum of bond anticipation note principal of $263,900 and interest of $5,500 with maturity dates from January 1, 2012 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2011 – The District issued $3,875,300 of Capital Improvement Bonds - IEPA Series 04F, through the conversion of the sum of bond anticipation note principal of $3,875,300 and forgiveness of $1,411,900 with maturity dates from January 1, 2012 to January 1, 2031. Terms of the Loan agreement provide for the forgiveness of all accrued interest. Payments of principal are made on January 1 and July 1.

- July 2011 – The District issued $3,284,900 of Capital Improvement Bonds - IEPA Series 07A, through the conversion of the sum of bond anticipation note principal of $3,218,000 and interest of $66,900 with maturity dates from January 1, 2012 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2011 – The District issued $28,418,800 of Capital Improvement Bonds - IEPA Series 07B, through the conversion of the sum of bond anticipation principal of $27,697,300 and interest of $721,500 with maturity dates from July 1, 2012 to July 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July1.

- July 2011 – The District issued $65,000,000 of Capital Improvement Bonds - IEPA Series 07C, through the Conversion of the sum of bond anticipation principal of $65,000,000 with maturity dates from January 1, 2012 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal are made on January 1 and July 1.

- July 2011 – The District issued $3,725,800 of Capital Improvement Bonds - IEPA Series 07D, through the conversion of the sum of bond anticipation principal of $3,662,200 and interest of $63,600 with maturity dates from January 1, 2012 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2011 – The District issued $7,053,300 of Capital Improvement Bonds - IEPA Series 09B, through the conversion of the sum of bond anticipation principal of $7,053,300 and principal forgiveness of $2,595,500 with maturity dates from January 1, 2012 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal are made on January 1, and July 1.

- July 2011 – The District issued $2,183,200 of Capital Improvement Bonds - IEPA Series 09C, through the conversion of the sum of bond anticipation principal of $2,183,200 and principal forgiveness of $727,700 with maturity dates from January 1, 2012 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal are made on January 1, and July 1.

- July 2011 – The District issued $40,218,400 of Capital Improvement Bonds - IEPA Series 09E, through the conversion of the sum of bond anticipation principal of $40,000,000 and interest of $218,400 with maturity dates from January 1, 2012 to July 1, 2031. Interest on the bonds accrues at a rate of 1.25%, payable January 1 and July 1.

- July 2011 – The District issued $585,800 of Capital Improvement Bonds - IEPA Series 09H, through the conversion of the sum of bond anticipation principal of $585,800 and principal forgiveness of $264,900 with maturity dates from January 1, 2012 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal are made on January 1, and July 1.

- July 2011 – The District issued $9,796,300 of Capital Improvement Bonds - IEPA Series 09I, through the conversion of the sum of bond anticipation principal of $9,770,400 and interest of $25,900 with maturity dates from January 1, 2012 to January 1, 2031. Interest on the bonds accrues at a rate of 1.25%, payable January 1 and July 1.

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes was $112,893,600 at December 31, 2011. Of the bond anticipation notes outstanding at December 31, 2011, $5,762,500 will be refinanced through IEPA Series 2007 bonds, and the remaining $107,131,100 will be refinanced through IEPA series 2009 bonds. The conversion of these bond anticipation notes to Capital Improvement Bonds is not expected to occur within the next calendar year; therefore, the notes will be reported as a part of long term-debt.

Refunding Transactions

In prior years, the District defeased certain obligations and other bonds by placing the proceeds of new bonds and additional cash in trust to provide for all future debt service requirements of the refunded debt. Accordingly, the trust account assets and the liability for the refunded bonds are not included in the accompanying financial statements, as the District defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions. Bonds outstanding in the amount of $371,210,000 were considered defeased at December 31, 2011.

12. Interfund Transaction

The interfund receivable and payable balances at the end of the year are reported as “due from/to other funds” in the Governmental Funds Balance Sheets and are eliminated in the government-wide Statements of Net Position. The balances represent payroll transactions paid from the General Corporate Fund that are later reimbursed by other funds. Also, any temporary cash overdrafts are reclassified as interfund receivable/payable balances at the end of the year in the fund balance sheet. Interfund balances are generally repaid within a year of the fiscal year end.

Individual interfund receivable and payable balances at December 31, 2011 are as follows (in thousands of dollars):

	Interfund	
	Receivables	**Payables**
General Corporate Fund	$ 904	$ -
Capital Projects Funds:		
Capital Improvements Bond Fund	-	704
Construction Fund	-	87
Stormwater Management Fund (Nonmajor Fund)	-	113
	$ 904	$ 904

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund at December 31, 2011 that represented earned but uncollected property taxes in the Retirement Fund and the government-wide Statements of Net Position.

Transfers between funds as authorized in the budget are recorded as “other financing sources (uses)” in the fund operating statements. Transfers are eliminated in the government-wide Statements of Activities. During the year ended December 31, 2011, the Board of Commissioners authorized net transfers to the Corporate Fund of $8,000,000 - $2,200,000 to the Corporate Fund from the Debt Service Fund and $5,800,000 to the Corporate Fund from the Construction Fund.

13. Property Tax Extension Limitation Law

Effective March 1, 1995, the Property Tax Extension Limitation Law limits the amount of property taxes the District can extend for years subsequent to 1993. The law limits the District’s increase in aggregate tax levy extension to 5% of the previous year or to the percentage increase in the consumer price index, whichever is less. The limitation does not apply to the District’s Debt Service and Stormwater Management Fund levies.

In addition, the individual tax levies of the Corporate, Construction, Reserve Claim, Corporate Working Cash, and Construction Working Cash Funds have statutory limitations. The Corporate levy cannot exceed .41% of the equalized assessed valuation, while the Construction levy cannot exceed .10% of the equalized assessed valuation and the Corporate Working Cash and Construction Working Cash levies individually cannot exceed .005% of the equalized assessed valuation. The Reserve Claim levy cannot exceed .005% of the equalized assessed valuation and the aggregate amount which may accumulate in the Reserve Claim Fund shall not exceed .05% of the equalized assessed valuation. The Stormwater Management Fund levy cannot exceed .05% of the equalized assessed valuation as a result of statutory changes.

14. Leases

Capital Lease

In December 2000, the Board of Commissioners authorized the District to enter into a long-term contract with a contractor to design, build, finance, own, operate, and maintain a 150 dry ton per day biosolids processing facility at the District’s Central (Stickney) Water Reclamation Plant, and beneficially use the final product for a period of twenty years.

The cost of the biosolids processing facility is considered a capital lease since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments for the capital lease are estimated at $83,123,000 for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. During 2011, the District incurred expenses of approximately $1,904,000 for principal and $2,486,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2011, the future minimum lease payments for the biosolids facility are shown below (in thousands of dollars):

Capital Lease Payable Maturity Table

Maturing	Total Principal	Total Interest	Total Payments
2012	$ 1,947	$ 2,443	$ 4,390
2013	2,042	2,348	4,390
2014	2,142	2,247	4,389
2015	2,248	2,142	4,390
2016	2,358	2,032	4,390
2017-2021	13,642	8,307	21,949
2022-2026	17,335	4,615	21,950
2027-2029	10,070	620	10,690
Total Minimum Lease Payments	$ 51,784	$ 24,754	$ 76,538

Lease Rentals

The District leases land to governmental and commercial tenants under operating lease agreements for periods of up to 99 years. There were no contingent lease rentals for the period. The commercial leases are considered non-cancellable and the following is a summary of the minimum future rentals for these leases at December 31, 2011, (in thousands of dollars):

2012	$ 7,044
2013	7,114
2014	7,110
2015	7,069
2016	7,061
Later Years	184,931
Total Minimum Future Rental Income	$ 210,329

The cost of the land associated with the commercial leases is $4,549,000. The District does not lease any depreciable assets.

REQUIRED SUPPLEMENTARY INFORMATION (RSI) OTHER THAN MD&A - Unaudited

Modified Approach for Eligible Infrastructure Assets

The District has elected to use the modified approach to report eligible infrastructure and ancillary assets at its seven water reclamation plants (WRP) and its waterway assets. Each of the seven plants represents a separate network, while the waterway assets represent an eighth network. The eight networks are as follows:

1. Central (Stickney) WRP Basin	All systems, subsystems, and components associated with the Central (Stickney) WRP service area (excluding Waterways Network assets).
2. North Side WRP Basin	All systems, subsystems, and components associated with the North Side WRP service area (excluding Waterways Network assets).
3. Calumet WRP Basin	All systems, subsystems, and components associated with the Calumet WRP service area (excluding Waterways Network assets and Lemont Network).
4. Egan WRP Basin	All systems, subsystems, and components associated with the Egan WRP service area (excluding Waterways Network assets).
5. Kirie WRP Basin	All systems, subsystems, and components associated with the Kirie WRP service area (excluding Waterways Network assets).
6. Hanover Park WRP Basin	All systems, sub-systems, and components associated with the Hanover Park WRP service area (excluding Waterways Network assets).
7. Lemont WRP Basin	All systems, subsystems, and components associated with the Lemont WRP service area (excluding Waterways Network assets).
8. Waterways	All waterways under the jurisdiction of the District including the Waterways Control System, Lockport Powerhouse and Controlling Works, Chicago River Controlling Works, Wilmette Pumping Station, all District Flood Control Reservoirs and Pump Stations, Sidestream Elevated Pool Aeration Stations, Instream Aeration Stations, Melas Park, and Centennial Fountain.

Each of the above networks is further segregated into systems, subsystems, and components. The network systems are classified by the process flow through the network (i.e., collection processes, treatment processes, solids processing, flood and pollution control, and solids drying/utilization). The subsystems of each system represent the major processes (e.g., the treatment processes system includes fine screens, grit tanks, and aeration tanks as subsystems). Components of subsystems comprise the working unit or assembly (e.g., the fine screens subsystem includes conveyors, rakes, and gates as components). Ratings are determined by District civil, mechanical, and electrical engineers, who review the subsystem/component maintenance records and physically inspect the assets.

Ratings are assessed at the subsystem level and are compiled for reporting purposes into one rating for each system of a network. The assessment scale used to rate the networks' systems is as follows:

Asset Condition	**Assessment Description**
(1) Excellent	Relatively new asset or recently rehabilitated or otherwise restored to a like-new asset condition.
(2) Very Good	Performance successful, operation reliable, no significant maintenance required beyond routine PM or minor repair in foreseeable future.
(3) Good	Performance successful, operation reliable, significant maintenance required in foreseeable future.
(4) Acceptable	Performance successful, operation reliable, significant rehabilitation/ replacement planned in near future.
(5) Fair	Performance marginal, operation not reliable without immediate repair/ replacement.
(6) Poor	Inoperable or operation significantly impaired.

It is the District's policy to maintain eligible infrastructure assets reported under the modified approach at a level of acceptable or better.

Initial condition assessments of the Kirie, Hanover, Egan, North Side, Central (Stickney), Calumet, Lemont and Waterways WRP networks were completed between 2002 and 2006.

Condition assessments of each network will continue at least every three years following the initial assessment. The Calumet, Lemont, and Hanover WRP's were re-assessed in 2009, the Northside and Egan plants were re-assessed in 2010, and Kirie, Central (Stickney), and Waterways were re-assessed in 2011.

The condition assessment ratings and the estimated and actual maintenance and preservation costs since 2002 for the Kirie, Hanover, Egan, North Side, Central (Stickney), Calumet, Lemont, and Waterways WRP networks are as follows:

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Condition Assessment Ratings					
Kirie WRP Network					
Initial Condition Assessment - 2002	3	3	2	NA	NA
Subsequent assessment - 2005	3	3	3	NA	NA
Subsequent assessment - 2008	3	2	3	NA	NA
Subsequent assessment - 2011	3	3	3	NA	NA
Hanover WRP Network					
Initial Condition Assessment - 2003	2	2	2	NA	2
Subsequent assessment - 2006	3	2	2	NA	2
Subsequent assessment - 2009	3	2	2	NA	2
Egan WRP Network					
Initial Condition Assessment - 2004	2	2	2	NA	NA
Subsequent assessment - 2007	3	2	2	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
North Side WRP Network					
Initial Condition Assessment - 2004	3	3	3	NA	NA
Subsequent assessments - 2007	3	3	3	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
Central (Stickney) WRP Network					
Initial Condition Assessment - 2005	3	3	2	NA	2
Subsequent assessment - 2008	3	3	3	NA	2
Subsequent assessment - 2011	3	3	3	NA	2
Waterways WRP Network					
Initial Condition Assessment - 2005	NA	NA	NA	2	NA
Subsequent assessment - 2008	NA	NA	NA	2	NA
Subsequent assessment - 2011	NA	NA	NA	3	NA
Calumet WRP Network					
Initial Condition Assessment - 2006	3	3	3	NA	3
Subsequent assessment - 2009	3	3	3	NA	2
Lemont WRP Network					
Initial Condition Assessment - 2006	2	3	2	NA	NA
Subsequent assessment - 2009	3	3	3	NA	NA
Maintenance/Preservation Costs					
Kirie WRP Network					
Estimated 2011	$ 2,735,300	$ 2,773,048	$ 6,400	NA	NA
Actual 2011	4,048,785	1,715,000	358,536	NA	NA
Estimated 2010	$ 613,200	$ 6,171,585	$ -	NA	NA
Actual 2010	596,164	2,859,083	1,210	NA	NA
Estimated 2009	$ 3,664,400	$ 9,136,786	$ 158,600	NA	NA
Actual 2009	463,677	7,345,024	1,362,495	NA	NA
Estimated 2008	$ 406,633	$ 8,782,250	$ 158,500	NA	NA
Actual 2008	531,475	4,413,531	545,837	NA	NA
Estimated 2007	$ 387,569	$ 6,957,162	$ 158,200	NA	NA
Actual 2007	623,569	3,611,678	47,587	NA	NA
Hanover WRP Network					
Estimated 2011	$ 170,200	$ 626,223	$ 190,200	NA	$ 27,400
Actual 2011	233,598	985,072	514,495	NA	29,153

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
Hanover WRP Network *(continued)*					
Estimated 2010	$ 173,700	$ 678,205	$ 192,300	NA	$ 29,100
Actual 2010	170,921	969,002	254,706	NA	28,605
Estimated 2009	$ 180,200	$ 1,071,752	$ 289,623	NA	$ 105,229
Actual 2009	151,980	1,123,785	323,961	NA	34,989
Estimated 2008	$ 133,069	$ 904,488	$ 326,827	NA	$ 79,447
Actual 2008	111,148	909,123	286,703	NA	68,470
Estimated 2007	$ 119,500	$ 851,062	$ 291,000	NA	$ 82,600
Actual 2007	147,885	750,227	275,058	NA	79,862
Egan WRP Network					
Estimated 2011	$ 639,479	$ 7,666,487	$ 651,528	$ 1,154,000	NA
Actual 2011	971,945	4,473,685	1,094,366	1,042,670	NA
Estimated 2010	$ 704,825	$ 3,406,512	$ 871,569	NA	NA
Actual 2010	925,942	3,299,260	1,350,277	NA	NA
Estimated 2009	$ 442,114	$ 14,095,304	$ 775,216	$ 59,300	NA
Actual 2009	559,786	11,166,975	1,093,579	64,945	NA
Estimated 2008	$ 448,270	$ 10,155,227	$ 882,962	$ 65,600	NA
Actual 2008	515,844	8,811,776	940,624	69,120	NA
Estimated 2007	$ 395,121	$ 7,084,810	$ 704,115	$ 55,200	NA
Actual 2007	499,403	7,271,168	813,324	159,168	NA
North Side WRP Network					
Estimated 2011	$ 7,861,157	$ 4,853,642	$ 572,747	$ 41,000	NA
Actual 2011	9,952,532	6,111,578	438,867	2,243,730	NA
Estimated 2010	$ 3,963,054	$ 6,070,964	$ 576,800	$ 11,493	NA
Actual 2010	4,048,224	5,956,375	605,929	70,850	NA
Estimated 2009	$ 8,151,138	$ 7,668,457	$ 2,022,200	$ 1,045,000	NA
Actual 2009	4,554,380	7,224,353	637,659	2,165,558	NA
Estimated 2008	$ 4,969,702	$ 7,469,780	$ 592,619	$ 393,700	NA
Actual 2008	4,664,926	7,583,178	661,543	308,518	NA
Estimated 2007	$ 5,646,911	$ 5,634,418	$ 600,944	$ 32,500	NA
Actual 2007	4,715,211	5,148,533	564,643	34,332	NA
Central (Stickney) WRP Network					
Estimated 2011	$ 11,279,737	$ 30,318,366	$ 8,293,784	NA	$ 6,667,383
Actual 2011	12,033,277	33,694,435	10,937,293	NA	5,818,433
Estimated 2010	$ 15,061,076	$ 19,329,365	$ 8,725,254	NA	$ 14,784,156
Actual 2010	14,219,095	13,759,866	12,745,392	NA	12,175,411
Estimated 2009	$ 24,507,569	$ 33,890,139	$ 15,331,569	NA	$ 11,697,814
Actual 2009	15,540,900	24,895,356	17,368,733	NA	14,204,102
Estimated 2008	$ 20,412,124	$ 17,058,681	$ 15,947,999	NA	$ 5,365,073
Actual 2008	14,528,403	15,329,846	16,639,862	NA	1,651,578
Estimated 2007	$ 17,171,976	$ 12,916,324	$ 8,075,458	NA	$ 6,414,560
Actual 2007	13,549,178	15,427,294	12,873,386	NA	7,350,596

(continued)

Required Supplementary Information (RSI) Other than MD&A - Unaudited

Year ended December 31, 2011

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
Waterways WRP Network					
Estimated 2011	$ 15,000	$ -	NA	$ 1,635,188	NA
Actual 2011	8,653	$ -	NA	1,177,533	NA
Estimated 2010	NA	NA	NA	$ 1,910,783	NA
Actual 2010	NA	NA	NA	1,262,520	NA
Estimated 2009	$ 1,800	NA	NA	$ 2,324,631	NA
Actual 2009	5,434	$ 297	NA	1,297,871	NA
Estimated 2008	$ 1,800	NA	NA	$ 1,800,451	NA
Actual 2008	1,546	$ 10,720	NA	1,315,055	NA
Estimated 2007	$ 80,000	NA	NA	$ 1,739,312	NA
Actual 2007	1,369	$ 9,054	NA	1,534,846	NA
Calumet WRP Network					
Estimated 2011	$ 7,089,465	$ 10,080,957	$ 3,432,425	$ 5,315,335	NA
Actual 2011	6,604,037	8,195,502	4,145,249	4,582,004	NA
Estimated 2010	$ 6,270,304	$ 26,407,171	$ 3,136,498	$ 533,804	NA
Actual 2010	5,466,321	23,313,873	3,610,143	554,878	NA
Estimated 2009	$ 7,086,894	$ 44,879,075	$ 3,871,945	$ 5,169,914	NA
Actual 2009	7,187,327	57,258,251	4,214,457	1,290,778	NA
Estimated 2008	$ 6,980,720	$ 38,323,961	$ 3,099,557	$ 3,142,376	NA
Actual 2008	6,332,135	37,285,024	3,821,253	1,734,287	NA
Estimated 2007	$ 6,374,829	$ 40,832,405	$ 2,727,321	$ 1,709,048	NA
Actual 2007	5,878,452	31,105,454	6,265,556	1,058,458	NA
Lemont WRP Network					
Estimated 2011	$ 97,000	$ 34,200	$ -	NA	NA
Actual 2011	17,087	7,240	-	NA	NA
Estimated 2010	$ 47,000	$ 116,360	NA	NA	NA
Actual 2010	4,428	11,724	NA	NA	NA
Estimated 2009	$ 47,000	$ 55,200	NA	NA	NA
Actual 2009	814	33,048	NA	NA	NA
Estimated 2008	$ 47,000	$ 44,200	NA	NA	NA
Actual 2008	14,516	23,966	NA	NA	NA
Estimated 2007	$ 32,000	$ 35,900	NA	NA	NA
Actual 2007	22,706	28,056	NA	NA	NA

Progress in Funding the Pension Trust Fund

The following schedule presents the progress in funding the Pension Trust Fund over the last three years:

(in thousands of dollars)

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/2011	12/31/2011	$ 1,097,397	$ 2,101,319	$ 1,003,922	52.22%	$ 164,275	611.12%
12/31/2010	12/31/2010	1,151,595	2,036,680	885,085	56.54%	174,486	507.25%
12/31/2009	12/31/2009	1,177,810	1,939,172	761,362	60.70%	176,915	430.35%

A copy of the Pension Plan audit may be obtained by accessing the District's website at www.mwrd.org

Progress in Funding Other Post Employment Trust Funds

The following schedule presents the progress in funding the OPEB Trust Fund over the last three years:

(in thousands of dollars)

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL/ (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	12/31/2011	$ 54,996	$ 394,676	$ 339,680	13.93%	$ 162,853	208.58%
12/31/2010	12/31/2009	47,891	526,476	478,585	9.10%	170,392	280.87%
12/31/2009	12/31/2009	47,891	526,476	478,585	9.10%	170,392	280.87%

Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was completed as of December 31, 2011. The reduction in the actuarial accrued liability and unfunded accrued liability was mainly due to the changes in the OPEB funding plan to increase retiree contributions to ultimately reach 50% of expected plan cost by 2021.

A copy of the OPEB Trust Fund audit may be obtained by accessing the District's website at www.mwrd.org

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Fund established to account for pension costs as provided by specifically levied annual property taxes. The taxes are collected and recorded in the District's Retirement Fund prior to their payment to the Pension Trust Fund.

CAPITAL PROJECTS FUND

Fund established to account for the annual property taxes which are specifically levied to finance all activities associated with stormwater management, including construction projects.

Exhibit B-1
Combining Balance Sheets - Nonmajor Governmental Funds

December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2011	2010	2011	2010	2011	2010
Assets						
Cash	$ -	$ -	$ 3,059	$ 3,050	$ 3,059	$ 3,050
Certificates of deposit	-	-	2,507	10,210	2,507	10,210
Investments	-	-	49,049	30,313	49,049	30,313
Taxes receivable, net	32,453	29,384	23,256	23,188	55,709	52,572
Total assets	$ 32,453	$ 29,384	$ 77,871	$ 66,761	$ 110,324	$ 96,145
Liabilities and Fund Balances						
Liabilities:						
Deferred tax revenue	$ 23,772	$ 22,015	$ 20,249	$ 21,780	$ 44,021	$ 43,795
Accounts payable and other liabilities	-	-	1,956	2,496	1,956	2,496
Due to Pension Trust Fund	8,681	7,369	-	-	8,681	7,369
Due to other funds	-	-	113	124	113	124
Total liabilities	32,453	29,384	22,318	24,400	54,771	53,784
Fund balances:						
Restricted for:						
Working Cash	-	-	39,573	39,554	39,573	39,554
Capital projects	-	-	15,980	2,807	15,980	2,807
Total fund balances	-	-	55,553	42,361	55,553	42,361
Total liabilities and fund balances	$ 32,453	$ 29,384	$ 77,871	$ 66,761	$ 110,324	$ 96,145

Exhibit B-2
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year ended December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2011	2010	2011	2010	2011	2010
Revenues						
Revenues:						
Property taxes	$ 28,437	$ 24,101	$ 25,512	$ 8,366	$ 53,949	$ 32,467
Personal property replacement tax	8,198	5,998	-	534	8,198	6,532
Interest on investments	-	-	831	502	831	502
Fees, forfeits and penalties	-	-	65	59	65	59
Miscellaneous	-	-	8	1	8	1
Total revenues	36,635	30,099	26,416	9,462	63,051	39,561
Expenditures						
Current Operations:						
Pension costs	36,635	30,099	-	-	36,635	30,099
Construction costs	-	-	12,971	16,397	12,971	16,397
Total expenditures/expenses	36,635	30,099	12,971	16,397	49,606	46,496
Revenues over (under) expenditures	-	-	13,445	(6,935)	13,445	(6,935)
Other financing sources (uses):						
Payments to escrow agents	-	-	(253)	-	(253)	-
Total other financing sources	-	-	(253)	-	(253)	-
Revenues and other financing sources over (under) expenditures	-	-	13,192	(6,935)	13,192	(6,935)
Fund balances						
Beginning of the year	-	-	42,361	49,296	42,361	49,296
End of the year	$ -	$ -	$ 55,553	$ 42,361	$ 55,553	$ 42,361

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GENERAL CORPORATE FUND

A fund used to account for an annual property tax levy and certain other revenues, which are to be used for the operations and payments of general expenditures of the District not specifically chargeable to other funds.

Exhibit C-1
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2011

(in thousands of dollars)

Corporate Division	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Board of Commissioners:					
Personal services					
Salaries of regular employees	$ 3,084	$ -	$ 3,084	$ 2,739	$ 345
Compensation plan adjustments	162	-	162	24	138
Payment for professional services	301	84	385	326	59
Personal services not otherwise classified	248	(45)	203	194	9
Total personal services	3,795	39	3,834	3,283	551
Contractual services					
Travel	4	-	4	3	1
Meals and lodging	6	-	6	4	2
Motor vehicle operating services	1	-	1	-	1
Subscriptions and membership dues	33	-	33	31	2
Contractual services not otherwise classified	-	21	21	18	3
Total contractual services	44	21	65	56	9
Materials and supplies					
Office, printing, and photographic supplies	2	3	5	5	-
Total materials and supplies	2	3	5	5	-
Board of Commissioners total	3,841	63	3,904	3,344	560
General Administration:					
Personal Services					
Salaries of regular employees	10,095	(300)	9,795	9,023	772
Compensation plan adjustments	627	300	927	859	68
Tuition and training payments	50	(22)	28	13	15
Payment for professional services	668	(47)	621	596	25
Total personal services	11,440	(69)	11,371	10,491	880
Contractual services					
Travel	8	-	8	2	6
Meals and lodging	11	-	11	10	1
Postage, freight, and delivery charges	229	(7)	222	134	88
Compensation for personally owned autos	5	2	7	6	1
Motor vehicle operating expenditures	171	(2)	169	75	94
Reprographic services	115	(6)	109	105	4
Electrical energy	555	(5)	550	468	82
Natural gas	38	-	38	24	14
Water and water services	3	-	3	3	-
Communication services	4	-	4	3	1
Subscriptions and membership dues	352	(6)	346	345	1
Rental charges	12	-	12	4	8

(continued)

(in thousands of dollars)

Corporate Division (continued)	**Budget Amounts** Original	**Budget Amounts** Net Transfers	**Budget Amounts** Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
General Administration (continued):					
Administration building operation	$ 800	$ 65	$ 865	$ 860	$ 5
Administrative building operation annex	698	-	698	605	93
Contractual services not otherwise classified	224	10	234	168	66
Repairs to buildings	274	(5)	269	237	32
Repairs to office furniture and equipment	104	5	109	58	51
Computer software maintenance	47	-	47	11	36
Communication equipment maintenance	-	13	13	3	10
Repairs to vehicle equipment	645	(76)	569	371	198
Repairs not otherwise classified	5	-	5	-	5
Total contractual services	4,300	(12)	4,288	3,492	796
Materials and supplies					
Electrical parts and supplies	10	3	13	12	1
Plumbing accessories and supplies	5	7	12	11	1
Hardware	17	(5)	12	8	4
Office, printing, and photographic supplies	207	(6)	201	97	104
Cleaning Supplies	3	-	3	1	2
Wearing apparel	47	-	47	29	18
Books, maps, and charts	5	8	13	9	4
Computer supplies	-	30	30	27	3
Materials and supplies not otherwise classified	83	65	148	84	64
Total materials and supplies	377	102	479	278	201
Machinery and equipment					
Office furniture and equipment	-	15	15	10	5
Machinery and equipment not otherwise classified	-	57	57	55	2
Total machinery and equipment	-	72	72	65	7
General Administration total	16,117	93	16,210	14,326	1,884
Monitoring and Research:					
Personal services					
Salaries of regular employees	22,964	-	22,964	21,720	1,244
Compensation plan adjustments	653	-	653	470	183
Salaries of non-budgeted employees	1	-	1	-	1
Tuition and traning payments	54	(35)	19	18	1
Payment for professional services	463	67	530	472	58
Total personal services	24,135	32	24,167	22,680	1,487
Contractual services					
Travel	24	(14)	10	7	3
Meals and lodging	60	(28)	32	31	1

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2011

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Monitoring and Research (continued):					
Postage, freight, and delivery charges	$ 11	$ -	$ 11	$ 3	$ 8
Compensation for personally owned autos	35	14	49	40	9
Motor vehicle operating services	5	-	5	1	4
Reprographic services	2	-	2	2	-
Water and water services	7	-	7	5	2
Communication services	1	-	1	-	1
Rental charges	18	(10)	8	6	2
Governmental services charges	22	(4)	18	17	1
Contractual services not otherwise classified	428	50	478	366	112
Repairs to marine equipment	82	-	82	52	30
Computer software maintenance	70	(50)	20	-	20
Communication equipment maintenance	1	-	1	-	1
Repairs to testing and laboratory equipment	575	(10)	565	463	102
Repairs not otherwise classified	3	-	3	2	1
Total contractual services	1,344	(52)	1,292	995	297
Materials and supplies					
Office, printing, and photographic supplies	58	-	58	31	27
Farming supplies	8	-	8	8	-
Laboratory testing supplies and small equipment	412	(3)	409	361	48
Wearing apparel	27	6	33	29	4
Books, maps, and charts	3	-	3	1	2
Computer software	1	-	1	-	1
Computer supplies	14	-	14	13	1
Fuel	41	-	41	27	14
Communications supplies	2	(1)	1	-	1
Materials and supplies not otherwise classified	82	(2)	80	55	25
Total materials and supplies	648	-	648	525	123
Machinery and equipment					
Testing and laboratory equipment	278	20	298	282	16
Total machinery and equipment	278	20	298	282	16
Monitoring and Research total	26,405	-	26,405	24,482	1,923
Procurement and Materials Management					
Personal Services					
Salaries of regular employees	5,373	-	5,373	4,797	576
Compensation plan adjustments	191	-	191	114	77
Tuition and training payments	6	-	6	1	5
Total personal services	5,570	-	5,570	4,912	658

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Procurement and Materials Management (continued):					
Contractual services					
Travel	$ 2	$ -	$ 2	$ -	$ 2
Meals and lodging	3	-	3	-	3
Postage, freight, and delivery charges	-	2	2	1	1
Compensation for personally owned autos	2	1	3	2	1
Testing and inspection services	3	-	3	-	3
Subscriptions and membership dues	5	-	5	-	5
Advertising	137	(18)	119	82	37
Repairs to buildings	3	-	3	1	2
Repairs to office furniture and equipment	5	-	5	1	4
Computer software maintenance	7	-	7	4	3
Communication equipment maintenance	2	-	2	1	1
Repairs to vehicle equipment	13	15	28	15	13
Total contractual services	182	-	182	107	75
Materials and supplies					
Metals	140	-	140	139	1
Electrical parts and supplies	328	-	328	322	6
Plumbing accessories and supplies	330	(5)	325	300	25
Hardware	74	(31)	43	35	8
Buildings, grounds, paving materials, and supplies	150	(35)	115	114	1
Fiber, paper and insulation materials	46	-	46	37	9
Paints, solvents, and related materials	47	(10)	37	34	3
Vehicle parts and supplies	10	-	10	9	1
Mechanical and repair parts	140	(20)	120	108	12
Office, printing, and photographic supplies	40	(15)	25	20	5
Laboratory testing supplies and small equipment	531	10	541	519	22
Cleaning supplies	250	-	250	246	4
Tools and supplies	21	40	61	61	-
Wearing apparel	119	-	119	113	6
Safety and medical supplies	30	-	30	22	8
Computer supplies	124	-	124	120	4
Fuel	340	40	380	378	2
Gas (in containers)	60	-	60	41	19
Communications supplies	10	3	13	9	4
Lubricants	280	-	280	271	9
Materials and supplies not otherwise classified	47	23	70	53	17
Total materials and supplies	3,117	-	3,117	2,951	166
Procurement and Materials Management total	8,869	-	8,869	7,970	899

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2011

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Human Resources:					
Personal services					
Salaries of regular employees	$ 4,944	$ -	$ 4,944	$ 4,741	$ 203
Compensation plan adjustments	186	-	186	107	79
Social security and medicare contributions	2,520	-	2,520	2,250	270
Employee claims	110	-	110	61	49
Tuition and training payments	365	-	365	326	39
Payment for professional services	1,449	(10)	1,439	933	506
Health and life insurance premiums	44,402	(290)	44,112	38,779	5,333
Total personal services	53,976	(300)	53,676	47,197	6,479
Contractual services					
Travel	1	-	1	-	1
Meals and lodging	1	-	1	1	-
Postage, freight, and delivery charges	5	-	5	2	3
Compensation for personally owned autos	15	-	15	6	9
Court reporting services	36	-	36	6	30
Medical services	134	-	134	100	34
Rental charges	28	-	28	9	19
Contractual services not otherwise classified	25	4	29	22	7
Safety repairs services	261	(38)	223	116	107
Computer software maintenance	105	(23)	82	56	26
Communication equipment maintenance	1	-	1	-	1
Total contractual services	612	(57)	555	318	237
Materials and supplies					
Office, printing, and photographic supplies	23	(3)	20	4	16
Books, maps, and charts	14	(5)	9	4	5
Safety medical supplies	139	65	204	170	34
	2	-	2	1	1
Materials and supplies not otherwise classified	8	-	8	1	7
Total materials and supplies	186	57	243	180	63
Machinery and equipment					
Computer software	50	(50)	-	-	-
Total machinery and equipment	50	(50)	-	-	-
Human Resources total	54,824	(350)	54,474	47,695	6,779
Information Technology:					
Personal services					
Salaries of regular employees	7,359	-	7,359	7,143	216
Compensation plan adjustments	165	-	165	39	126
Tuition and training payments	110	-	110	7	103

(continued)

(in thousands of dollars)

Corporate Division (continued)	**Budget Amounts** Original	**Budget Amounts** Net Transfers	**Budget Amounts** Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
Information Technology (continued):					
Payment for professional services	$ 2,195	$ (63)	$ 2,132	$ 784	$ 1,348
Total personal services	9,829	(63)	9,766	7,973	1,793
Contractual services					
Travel	17	(17)	-	-	-
Meals and lodging	24	(22)	2	2	-
Compensation for personally owned autos	6	6	12	10	2
Motor vehicle operating services	1	-	1	-	1
Communication services	1,421	11	1,432	1,200	232
Subscription and membership dues	5	-	5	1	4
Contractual services not otherwise classified	45	13	58	58	-
Computer equipment maintenance	825	(40)	785	616	169
Computer software maintenance	2,357	(94)	2,263	1,909	354
Communication equipment maintenance	650	96	746	569	177
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	5,352	(47)	5,305	4,365	940
Materials and supplies					
Office, printing, and photographic supplies	12	9	21	20	1
Books, maps, and charts	4	-	4	1	3
Computer software	409	(29)	380	141	239
Computer supplies	1,035	(190)	845	461	384
Communication supplies	125	(9)	116	98	18
Total materials and supplies	1,585	(219)	1,366	721	645
Machinery and equipment					
Computer equipment	552	404	956	404	552
Computer software	80	(75)	5	-	5
Communication equipment	150	-	150	140	10
Total machinery and equipment	782	329	1,111	544	567
Information Technology total	17,548	-	17,548	13,603	3,945
Law:					
Personal Services					
Salaries of regular employees	4,408	-	4,408	3,875	533
Compensation plan adjustments	120	-	120	31	89
Salaries of non-budgeted employees	5	-	5	-	5
Tuition and training payments	21	-	21	4	17
Payment for professional services	1,656	1,350	3,006	2,429	577
Total personal services	6,210	1,350	7,560	6,339	1,221

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2011

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Law (continued):					
Contractual services					
Travel	$ 7	$ -	$ 7	$ 4	$ 3
Meals and lodging	5	-	5	3	2
Postage, freight, and delivery charges	4	-	4	1	3
Compensation for personally owned autos	3	-	3	2	1
Reprographic services	35	-	35	23	12
Court reporting services	68	-	68	67	1
Insurance premiums	245	-	245	99	146
Contractual services not otherwise classified	90	-	90	67	23
Communication equipment maintenance	3	-	3	3	-
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	461	-	461	269	192
Materials and supplies					
Office, printing, and photographic supplies	4	-	4	3	1
Books, maps, and charts	42	(5)	37	8	29
Materials and supplies not otherwise classified	5	-	5	1	4
Total materials and supplies	51	(5)	46	12	34
Fixed and other charges					
Taxes on real estate	540	5	545	545	-
Total fixed and other charges	540	5	545	545	-
Law total	7,262	1,350	8,612	7,165	1,447
Finance:					
Personal services					
Salaries of regular employees	2,815	-	2,815	2,690	125
Compensation plan adjustments	42	-	42	8	34
Tuition and training payments	9	-	9	7	2
Payment for professional services	363	(40)	323	169	154
Total personal services	3,229	(40)	3,189	2,874	315
Contractual services					
Travel	3	-	3	-	3
Postage, freight, and delivery charges	2	1	3	3	-
Reprographic services	3	-	3	2	1
Court reporting services	50	40	90	72	18
Contractual services not otherwise classified	3	-	3	1	2
Repairs to office furniture and equipment	9	(1)	8	2	6
Total contractual services	70	40	110	80	30
Materials and supplies					
Office, printing, and photographic supplies	19	-	19	11	8

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Finance (continued):					
Books, maps, and charts	$ 1	$ -	$ 1	$ -	$ 1
Materials and supplies not otherwise classified	2	-	2	-	2
Total materials and supplies	22	-	22	11	11
Finance total	3,321	-	3,321	2,965	356
Engineering:					
Personal services					
Salaries of regular employees	2,931	-	2,931	2,474	457
Compensation plan adjustments	75	-	75	7	68
Salaries of nonbudgeted employees	50	-	50	-	50
Tuition and training payments	10	8	18	15	3
Payments for professional services	471	-	471	251	220
Personal service expenditure - preliminary engineering reports and studies	466	(8)	458	1	457
Personal services expenditure - construction drawings, specifications, and cost estimates	382	-	382	-	382
Total personal services	4,385	-	4,385	2,748	1,637
Contractual services					
Travel	5	-	5	-	5
Meals and lodging	7	-	7	1	6
Compensation for personally owned autos	2	-	2	-	2
Reprographic services	7	-	7	-	7
Testing and inspection services	93	-	93	-	93
Rental charges	35	-	35	34	1
Soil and rock mechanics investigation	54	-	54	19	35
Contractual services not otherwise classified	26	-	26	-	26
Repairs to collection facilities	161	-	161	-	161
Repairs to waterway facilities	1,236	(156)	1,080	39	1,041
Repairs to process facilities	623	-	623	135	488
Repairs to buildings	175	-	175	-	175
Communications equipment maintenance	2	-	2	-	2
Repairs to testing and laboratory equipment	1	-	1	-	1
Total contractual services	2,427	(156)	2,271	228	2,043
Materials and supplies					
Office, printing, and photographic supplies	2	-	2	1	1
Wearing apparel	7	-	7	4	3
Books, maps, and charts	1	-	1	-	1
Materials and supplies not otherwise classified	2	-	2	-	2
Total materials and supplies	12	-	12	5	7

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2011

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Engineering (continued):					
Machinery and equipment					
Equipment for collection facilities	$ 100	$ -	$ 100	$ -	$ 100
Total machinery and equipment	100	-	100	-	100
Land	200	-	200	-	200
Engineering total	7,124	(156)	6,968	2,981	3,987
Maintenance and Operations:					
Personal services					
Salaries of regular employees	85,244	(1,200)	84,044	80,295	3,749
Compensation plan adjustments	5,118	198	5,316	4,492	824
Salaries of non-budgeted employees	140	(50)	90	21	69
Tuition and training payments	61	-	61	17	44
Payment for professional services	1,374	117	1,491	1,138	353
Total personal services	91,937	(935)	91,002	85,963	5,039
Contractual services					
Travel	-	1	1	-	1
Meals and lodging	23	16	39	35	4
Compensation for personally owned autos	266	-	266	186	80
Motor vehicle operating services	5	-	5	2	3
Electrical energy	45,546	1,000	46,546	44,941	1,605
Natural gas	2,519	(481)	2,038	1,559	479
Water and water services	895	77	972	902	70
Communications services	589	64	653	568	85
Testing and inspection services	232	-	232	153	79
Rental charges	334	-	334	255	79
Governmental service charges	2,767	154	2,921	2,893	28
Maintenance of grounds and pavements	1,991	(357)	1,634	1,280	354
Contractual services not otherwise classified	682	2	684	515	169
Waste material disposal charges	11,372	(226)	11,146	9,081	2,065
Farming services	20	(17)	3	3	-
Sludge disposal	5,000	409	5,409	4,108	1,301
Repairs to collection facilities	4,272	65	4,337	2,992	1,345
Repairs to waterway facilities	397	(231)	166	102	64
Repairs to process facilities	6,972	(578)	6,394	5,402	992
Repairs to railroads	453	(93)	360	211	149
Repairs to buildings	2,636	(11)	2,625	1,854	771
Repairs to material handling and farm equipment	326	18	344	291	53
Safety repairs and services	164	-	164	142	22
Repairs to marine equipment	80	-	80	80	-
Repairs to office furniture and equipment	1	-	1	-	1

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Maintenance and Operations (continued):					
Computer software maintenance	$ 98	$ -	$ 98	$ 66	$ 32
Communication equipment maintenance	100	-	100	33	67
Repairs to vehicle equipment	109	10	119	100	19
Repairs to testing and laboratory equipment	3	-	3	-	3
Repairs not otherwise classified	70	(1)	69	14	55
Total contractual services	87,922	(179)	87,743	77,768	9,975
Materials and supplies					
Metals	56	10	66	25	41
Electrical parts and supplies	1,564	(47)	1,517	1,023	494
Plumbing accessories and supplies	809	(52)	757	508	249
Hardware	50	-	50	31	19
Buildings, grounds, paving materials, and supplies	313	(12)	301	152	149
Fiber, paper and insulation materials	5	-	5	-	5
Paints, solvents, and related materials	5	1	6	6	-
Vehicle parts and supplies	222	10	232	145	87
Mechanical repair parts	4,296	212	4,508	3,272	1,236
Manhole materials	46	-	46	36	10
Office, printing, and photographic supplies	72	(14)	58	29	29
Farming supplies	5	-	5	4	1
Processing chemicals	6,595	(50)	6,545	6,064	481
Laboratory testing supplies and small equipment	24	(5)	19	19	-
Cleaning supplies	20	-	20	4	16
Tools and supplies	221	(7)	214	123	91
Wearing apparel	4	-	4	2	2
Books, maps, and charts	7	(3)	4	-	4
Safety and medical supplies	207	(5)	202	130	72
Computer software	13	-	13	1	12
Computer supplies	51	(3)	48	34	14
Fuel	420	26	446	409	37
Gas (in containers)	14	-	14	6	8
Communication supplies	76	-	76	28	48
Lubricants	28	(3)	25	15	10
Materials and supplies not otherwise classified	139	-	139	52	87
Total materials and supplies	15,262	58	15,320	12,118	3,202
Machinery and equipment					
Equipment for collection facilities	61	(17)	44	16	28
Equipment for process facilities	343	47	390	78	312
Material handling and farming equipment	117	(21)	96	96	-
Computer Software	-	10	10	10	-
Vehicle equipment	116	46	162	152	10

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2011

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Maintenance and Operations (continued):					
Testing and laboratory equipment	9	(9)	-	-	-
Machinery and equipment not otherwise classified	15	-	15	12	3
Total machinery and equipment	661	56	717	364	353
Maintenance and Operations total	195,782	(1,000)	194,782	176,213	18,569
Corporate Division Total					
Total all departments:					
Personal services	214,506	14	214,520	194,460	20,060
Contractual services	102,714	(442)	102,272	87,678	14,594
Materials and supplies	21,262	(4)	21,258	16,806	4,452
Machinery and equipment	1,871	427	2,298	1,255	1,043
Land	200	-	200	-	200
Fixed and other charges	540	5	545	545	-
Total Corporate Division	341,093	-	341,093	300,744	40,349
Reserve Claim Division					
Employee claims	10,000	-	10,000	4,584	5,416
General claims and emergency repair and replacement cost over $10,000	50,000	-	50,000	2,339	47,661
Total Reserve Claim Division	60,000	-	60,000	6,923	53,077
Total General Corporate Fund	$ 401,093	$ -	$ 401,093	$ 307,667	$ 93,426

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Exhibit C-2
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Expenditures by Type - GAAP Basis

Year ended December 31, 2011
(with comparative amounts for prior year)

	(in thousands of dollars) 2011	2010	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2011
Personal services:					
Salaries and wages	$ 145,862	$ 156,542	$ (10,680)	(7) %	47 %
Employee health and life insurance premiums	38,780	37,914	866	2	13
Payment for professional services	7,099	8,613	(1,514)	(18)	2
Social security and medicare contributions	2,250	2,274	(24)	(1)	1
Tuition and training payments	407	566	(159)	(28)	0
Other	62	148	(86)	(58)	0
Total personal services	194,460	206,057	(11,597)	(6)	63
Contractual services:					
Electrical energy	45,409	47,308	(1,899)	(4)	15
Natural gas	1,583	1,611	(28)	(2)	1
Postage, freight, and delivery charges	144	194	(50)	(26)	0
Waste material disposal charges	9,082	10,590	(1,508)	(14)	3
Administration building operation	1,465	1,388	77	6	1
Communication services	1,800	1,473	327	22	1
Farming services	3	20	(17)	(85)	0
Court reporting services	144	134	10	7	0
Water and water services	909	918	(9)	(1)	0
Motor vehicle operating services	79	135	(56)	(41)	0
Employee travel and transportation	354	476	(122)	(26)	0
Medical services	101	113	(12)	(11)	0
Rental charges	309	323	(14)	(4)	0
Maintenance of grounds and pavements	1,281	1,460	(179)	(12)	0
Governmental service charges	2,910	2,670	240	9	1
Repairs to process facilities	5,541	9,631	(4,090)	(42)	2
Other repairs	10,437	13,047	(2,610)	(20)	3
Other contractual services	6,185	4,154	2,031	49	2
Total contractual services	87,736	95,645	(7,909)	(8)	29
Materials and supplies:					
Processing chemicals	6,067	6,858	(791)	(12)	2
Laboratory testing supplies	961	1,001	(40)	(4)	0
Mechanical repair parts	4,087	4,543	(456)	(10)	1
Fuels and lubricants	1,137	976	161	16	1
Electrical parts and supplies	993	1,444	(451)	(31)	1
Plumbing accessories and supplies	835	701	134	19	0
Office, printing, and photographic supplies	212	294	(82)	(28)	0
Buildings, grounds, paving materials, and supplies	253	286	(33)	(12)	0
Cleaning supplies	227	260	(33)	(13)	0
Metals	149	151	(2)	(1)	0
Computer supplies	721	1,220	(499)	(41)	0
Other materials and supplies	3,090	2,147	943	44	1
Total materials and supplies	18,732	19,881	(1,149)	(6)	6

(continued)

	(in thousands of dollars) 2011	2010	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2011
Machinery and equipment:					
Material handling and farming equipment	$ 96	$ 17	$ 79	100 %	0 %
Vehicle equipment	152	217	(65)	(30)	0
Office furniture and equipment	10	557	(547)	(98)	0
Testing and laboratory equipment	282	538	(256)	(48)	0
Equipment for collection facilities	-	13	(13)	(100)	0
Computer software	10	-	10	100	0
Communication equipment	140	208	(68)	(33)	0
Other machinery and equipment	90	998	(908)	(91)	0
Total machinery and equipment	780	2,548	(1,768)	(69)	0
Fixed other charges:					
Taxes on real estate	545	512	33	6	0
Total fixed other charges	545	512	33	6	0
Claims and judgments	6,923	6,728	195	3	2
Total expenditures	$ 309,176	$ 331,371	$ (22,195)	(7) %	100 %

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SPECIAL REVENUE FUND

Special Revenue Funds are used to account for revenues from specific taxes or other revenue sources which, by law, are restricted or committed to finance particular functions or activities of the District. The following fund is included as a Special Revenue Fund:

Retirement Fund

Fund established to account for pension costs as provided by specifically levied annual property taxes. The taxes are collected and recorded in the District's Retirement Fund prior to their payment to the Pension Trust Fund.

Exhibit D-1
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Including Comparison of Budget and Actual on Budgetary Basis

Year ended December 31, 2011

(in thousands of dollars)

Retirement Fund	**Final Budget**	**Actual on Budgetary Basis**	**Actual Variance with Final Budget - Positive (Negative)**
Revenues:			
Property taxes	$ 25,629	$ 28,569	$ 2,940
Personal property replacement tax	6,755	6,755	-
Total tax revenue	32,384	35,324	2,940
Operating expenditures:			
Pension costs	32,384	35,324	(2,940)
Total expenditures	32,384	35,324	(2,940)
Revenues over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	$ -	$ -	$ -

DEBT SERVICE FUND

Fund established to account for annual property tax levies and certain other revenues, principally interest on investments, which are used for payments of interest and redemption of general obligation bond issues.

Exhibit E-1
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Including Comparison of Budget and Actual on Budgetary Basis

Year ended December 31, 2011

(in thousands of dollars)

	Final Budget	Actual on Budgetary Basis	Actual Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	$ 159,033	$ 170,325	$ 11,292
Total tax revenue	159,033	170,325	11,292
Interest on investments	600	574	(26)
Miscellaneous	-	21	21
Total revenues	159,633	170,920	11,287
Expenditures:			
Debt service	154,779	155,538	(759)
Revenues over (under) expenditures	4,854	15,382	10,528
Other financing sources (uses):			
Transfer to Corporate	(2,200)	(2,200)	-
BAB Grant Revenue	12,012	12,012	-
Total other financing sources (uses)	9,812	9,812	-
Revenues and other financing sources (uses) over (under) expenditures	14,666	25,194	10,528
Fund balances at beginning of year	88,643	88,643	-
Fund balances at end of the year	$ 103,309	$ 113,837	$ 10,528

CAPITAL PROJECTS FUNDS

Construction Fund

Fund established to account for proceeds of annual property tax levies and certain other revenues used for the acquisition of long-term assets used in principal functions of the District.

Stormwater Management Fund

Fund established to account for the annual property taxes which are specifically levied to finance all activities associated with stormwater management, including construction projects.

Capital Improvements Bond Fund

Fund established to account for proceeds of debt, government grants, and certain other revenues used in connection with improvements, replacements, and additions to designated environmental projects.

Exhibit F-1
Capital Projects Funds
Schedule of Appropriations and Expenditures on Budgetary Basis

Year ended December 31, 2011

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget -
	Original	Net Transfers	Final	Actual Amounts	Positive (Negative)
Construction Fund:					
Personal services					
Salaries of regular employees	$ 2,647	$ -	$ 2,647	$ 2,236	$ 411
Compensation plan adjustments	68	-	68	12	56
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	39	-	39	15	24
Payment for professional services	2,455	-	2,455	513	1,942
Health and life insurance	849	-	849	697	152
Preliminary engineering reports and studies	1,113	-	1,113	9	1,104
Construction drawings, specifications, and cost estimates	1,363	-	1,363	687	676
Post-award engineering for construction projects	2,902	(597)	2,305	197	2,108
Total personal services	11,456	(597)	10,859	4,366	6,493
Contractual services					
Travel	17	-	17	1	16
Meals and lodging	12	-	12	2	10
Postage and delivery charges	2	-	2	1	1
Compensation for personally owned autos	15	-	15	1	14
Motor vehicle operating services	15	-	15	-	15
Reprographic services	68	-	68	14	54
Water and water services	3	-	3	3	-
Communication services	1	-	1	-	1
Testing and inspection services	120	-	120	-	120
Court reporting services	10	-	10	-	10
Rental charges	1	-	1	-	1
Soil and rock mechanics investigation	15	-	15	-	15
Contractual services not otherwise classified	259	-	259	-	259
Repairs to collection facilities	26	-	26	-	26
Other contractual services	337	-	337	140	197
Total contractual services	901	-	901	162	739
Materials and supplies					
Office, printing and photo supplies	51	-	51	26	25
Books, maps, and charts	9	-	9	5	4
Computer software	228	-	228	117	111
Communication supplies	99	-	99	-	99
Materials and supplies not otherwise classified	16	-	16	4	12
Total materials and supplies	403	-	403	152	251

(continued)

(in thousands of dollars)

	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Construction Fund (continued):					
Machinery and equipment					
Machinery for process facilities	$ -	$ 203	$ 203	$ -	$ 203
Total machinery and equipment	-	203	203	-	203
Capital Projects					
Collection facilities structures	5	30	35	-	35
Process facility structures	651	794	1,445	155	1,290
Buildings	196	(30)	166	-	166
Preservation of collection facility structures	328	-	328	27	301
Preservation of waterway facility structures	41	-	41	-	41
Preservation of process facility structures	3,719	(470)	3,249	1,539	1,710
Preservation of buildings	-	70	70	-	70
Total capital projects	4,940	394	5,334	1,721	3,613
Construction Fund Summary:					
Personal services	11,456	(597)	10,859	4,366	6,493
Contractual services	901	-	901	162	739
Materials and supplies	403	-	403	152	251
Machinery and equipment	-	203	203	-	203
Capital projects	4,940	394	5,334	1,721	3,613
Construction Fund total	17,700	-	17,700	6,401	11,299
Stormwater Management Fund:					
Personal services					
Salaries of regular employees	3,591	-	3,591	3,102	489
Compensation plan adjustments	125	-	125	24	101
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	9	-	9	2	7
Payment for professional services	74	480	554	452	102
Health and life insurance	566	-	566	465	101
Preliminary engineering reports and studies	5,296	-	5,296	1,498	3,798
Construction drawings, specifications, and cost estimates	9,000	(225)	8,775	2,115	6,660
Post-award engineering for construction projects	200	-	200	-	200
Total personal services	18,881	255	19,136	7,658	11,478
Contractual services					
Travel	5	-	5	-	5
Meals and lodging	11	-	11	2	9
Postage and delivery charges	1	-	1	1	-

(continued)

Exhibit F-1 (continued)
Capital Projects Fund
Schedule of Appropriations and Expenditures on Budgetary Basis
Year ended December 31, 2011

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget -
	Original	Net Transfers	Final	Actual Amounts	Positive (Negative)
Stormwater Management Fund (continued):					
Contractual services					
Compensation for personally owned autos	$ 47	$ -	$ 47	$ 20	$ 27
Motor vehicle operating services	2	-	2	-	2
Reprographic services	60	-	60	-	60
Court reporting services	16	-	16	9	7
Rental charges	1	-	1	-	1
Advertising	80	-	80	1	79
Soil and rock mechanics investigation	150	-	150	-	150
Maintenance of grounds and pavements	-	15	15	12	3
Contractual services not otherwise classified	460	(15)	445	201	244
Waste material disposal charges	50	-	50	39	11
Repairs to collection facilities	560	22	582	579	3
Repairs to waterways facilities	2,500	-	2,500	2,200	300
Repairs to process facilities	40	(22)	18	-	18
Repairs to buildings	20	-	20	-	20
Repairs to vehicle equipment	11	-	11	-	11
Repairs not otherwise classified	12	-	12	6	6
Total contractual services	4,026	-	4,026	3,070	956
Materials and supplies					
Office, printing, and photo supplies	4	-	4	1	3
Tools and supplies	9	-	9	1	8
Wearing apparel	9	-	9	2	7
Computer supplies	1	15	16	15	1
Communication supplies	1	-	1	-	1
Materials and supplies not otherwise classified	190	(15)	175	55	120
Total materials and supplies	214	-	214	74	140
Capital Projects					
Waterways facilities structure	11,828	(755)	11,073	665	10,408
Capital projects not otherwise classified	-	500	500	308	192
Total capital projects	11,828	(255)	11,573	973	10,600
Land	2,500	-	2,500	1,182	1,318
Fixed and other charges					
Payments for easements	2,500	-	2,500	-	2,500
Total fixed and other charges	2,500	-	2,500	-	2,500

(continued)

(in thousands of dollars)

	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Stormwater Management Fund Summary:					
Personal services	$ 18,881	$ 255	$ 19,136	$ 7,658	$ 11,478
Contractual services	4,026	-	4,026	3,070	956
Material and supplies	214	-	214	74	140
Capital projects	11,828	(255)	11,573	973	10,600
Land	2,500	-	2,500	1,182	1,318
Fixed and other charges	2,500	-	2,500	-	2,500
Stormwater Management Fund total	39,949	-	39,949	12,957	26,992
Capital Improvements Bond Fund Summary:					
Personal services	89,889	220	90,109	36,680	53,429
Contractual services	250	800	1,050	713	337
Capital projects	294,363	(8,316)	286,047	83,503	202,544
Land	300	700	1,000	336	664
Fixed and other charges	250	6,596	6,846	6,334	512
Capital Improvements Bond Fund total *	385,052	-	385,052	127,566	257,486
Capital Projects Funds total	$ 442,701	$ -	$ 442,701	$ 146,924	$ 295,777

* The Capital Improvements Bond Fund is budgeted on an “obligation” basis which records expenditures in the period in which the contracts or grants are awarded.

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TRUST FUNDS

PENSION TRUST FUND

A fiduciary fund established to account for employer / employee contributions, investment earnings, and expenses for employee pensions.

OPEB TRUST FUND

Fund established to administer the defined benefit post-employment health care plan.

Exhibit G-1
Pension and Other Post Employment Trust Funds
Combining Statements of Fiduciary Net Position

December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Assets						
Cash	$ 125	$ 197	$ 1,380	$ 1,183	$ 1505	$ 1,380
Receivables						
Employer contributions-taxes (net of allowance for uncollectible $4,568 in 2011; $7,312 in 2010)	34,362	32,306	-	-	34,362	32,306
Securities sold	9,411	2,384	-	-	9,411	2,384
Forward foreign exchange contracts	15,095	-	-	-	15,095	-
Accrued interest and dividends	1,246	898	22	21	1,268	919
Accounts receivable	34	63	-	-	34	63
Total receivables	60,148	35,651	22	21	60,170	35,672
Investments at fair value						
Illinois funds investment pool	-	-	67	143	67	143
Pooled funds - fixed income	321,665	318,374	21,582	19,161	343,247	337,535
Pooled funds - equities	-	20,673	31,956	31,656	31,956	52,329
Common and preferred stocks	639,574	701,319	-	-	639,574	701,319
Short-term investments	17,848	20,526	-	-	17,848	20,526
Total investments	979,087	1,060,892	53,605	50,960	1,032,692	1,111,852
Securities lending capital	25,340	24,720	-	-	25,340	24,720
Total assets	1,064,700	1,121,460	55,007	52,164	1,119,707	1,173,624
Liabilities						
Accounts payable	1,717	1,587	11	11	1,728	1,598
Securities lending collateral	1,078	2,505	-	-	1,078	2,505
Forward foreign exchange contracts	15,094	-	-	-	15,094	-
Securities purchased	25,340	24,720	-	-	25,340	24,720
Total liabilities	43,229	28,812	11	11	43,240	28,823
Net position held in trust for pension and OPEB benefits	$ 1,021,471	$ 1,092,648	$ 54,996	$ 52,153	$ 1,076,467	$ 1,144,801

Exhibit G-2
Pension and Other Post Employment Trust Funds
Combining Statements of Changes in Fiduciary Net Position

Year ended December 31, 2011
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2011	2010	2011	2010	2011	2010
Additions:						
Contributions:						
Employer contributions	$ 37,379	$ 29,918	$ 18,020	$ 15,517	$ 55,399	$ 45,435
Employee contributions	15,032	15,872	-	-	15,032	15,872
Retiree contributions	-	-	5,577	4,597	5,577	4,597
Total contributions	52,411	45,790	23,597	20,114	76,008	65,904
Investment income:						
Net appreciation (depreciation) in fair value of investments	(9,431)	136,082	(1,465)	3,541	(10,896)	139,623
Interest on short-term investments	8	25	1,383	797	1,391	822
Dividend income	12,103	10,162	-	-	12,103	10,162
Total investment income (loss)	2,680	146,269	(82)	4,338	2,598	150,607
Less investment expenses	(4,389)	(3,607)	(45)	(46)	(4,434)	(3,653)
Investment income (loss) net of expenses	(1,709)	142,662	(127)	4,292	(1,836)	146,954
Security lending activities:						
Security lending income	93	90	-	-	93	90
Borrower rebates	275	182	-	-	275	182
Bank fees	(77)	(53)	-	-	(77)	(53)
Net income from securities lending activities	291	219	-	-	291	219
Other	42	34	-	-	42	34
Total additions	51,035	188,705	23,470	24,406	74,505	213,111
Deductions:						
Annuities and benefits						
Employee annuitants	99,601	90,447	-	-	99,601	90,447
Retiree health care benefits	-	-	20,597	20,114	20,597	20,114
Surviving spouse annuitants	17,523	16,613	-	-	17,523	16,613
Child annuitants	112	103	-	-	112	103
Ordinary disability benefits	650	814	-	-	650	814
Duty disability benefits	216	242	-	-	216	242
Total annuities and benefits	118,102	108,219	20,597	20,114	138,699	128,333
Refunds of employee contributions	2,711	1,380	-	-	2,711	1,380
Administrative expenses	1,399	1,277	30	30	1,429	1,307
Total deductions	122,212	110,876	20,627	20,144	142,839	131,020
Net increase (decrease)	(71,177)	77,829	2,843	4,262	(68,334)	82,091
Net position held in trust for pension and OPEB benefits						
Beginning of year	1,092,648	1,014,819	52,153	47,891	1,144,801	1,062,710
End of year	$ 1,021,471	$ 1,092,648	$ 54,996	$ 52,153	$ 1,076,467	$ 1,144,801

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OTHER FINANCIAL INFORMATION

Exhibit H-1
Combined Schedules of Property Tax Levies, Allowances, Collections, and Receivables - All Governmental Fund Types

Levy Years 2011-2006

(in thousands of dollars)

	Cumulative as of December 31, 2011		2011		2010	
Gross property tax levy	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
General Corporate Fund:						
Corporate	$ 1,413,599	53.7	$ 248,500	51.9	$ 240,059	52.5
Reserve Claim	28,093	1.1	3,400	0.7	1,951	0.4
Total General Corporate Funds	1,441,692	54.8	251,900	52.6	242,010	52.9
Other Governmental Fund:						
Storm Water Management	91,640	3.5	24,100	5.0	24,029	5.3
Retirement Fund	156,972	6.0	28,163	5.9	26,478	5.8
Debt Service Fund	894,738	33.9	169,645	35.5	156,090	34.1
Construction Fund	46,907	1.8	4,800	1.0	8,749	1.9
Total Other Governmental Funds	1,190,257	45.2	226,708	47.4	215,346	47.1
Total Gross Levy - All Funds	2,631,949	100.0	478,608	100.0	457,356	100.0
Less allowance for uncollectible taxes at December 31, 2010	77,111	2.9	16,751	3.5	22,347	4.9
Estimated property taxes to be collected	2,554,838	97.1	461,857	96.5	435,009	95.1
Collections by year (percent shown is percent of estimated property taxes to be collected):						
First year	1,962,675	76.8	-	-	435,009	100.0
Second year	146,187	5.7	-	-	-	-
Third year	(8,370)	(0.3)	-	-	-	-
Fourth year	(4,898)	(0.2)	-	-	-	-
Fifth year	(2,613)	(0.1)	-	-	-	-
Total collections through December 31, 2011	2,092,981	81.9	-	-	435,009	100.0
Property taxes receivable, net	$ 461,857	18.1	$ 461,857	100.0	$ -	-
Property taxes receivable, net - by fund						
General Corporate Fund:						
Corporate	239,803		239,803			
Reserve Claim	3,281		3,281			
Total General Corporate Fund	243,084		243,084			
Other Governmental Funds:						
Storm Water Management	23,256		23,256			
Retirement Fund	27,177		27,177			
Debt Service Fund	163,708		163,708			
Construction Fund	4,632		4,632			
Property taxes receivable, net	$ 461,857		$ 461,857			

Levy Years							
2009		2008		2007		2006	
Amount	%	Amount	%	Amount	%	Amount	%
$ 237,116	52.1	$ 240,082	56.0	$ 233,982	57.0	$ 213,860	53.2
3,182	0.7	7,073	1.7	6,530	1.6	5,957	1.5
240,298	52.8	247,155	57.7	240,512	58.6	219,817	54.7
8,849	1.9	15,212	3.5	3,942	0.9	15,508	3.9
26,752	5.9	25,664	6.0	24,843	6.1	25,072	6.2
169,051	37.1	140,614	32.8	135,730	33.1	123,608	30.8
10,411	2.3	-	-	5,181	1.3	17,766	4.4
215,063	47.2	181,490	42.3	169,696	41.3	181,954	45.3
455,361	100.0	428,645	100.0	410,208	100.0	401,771	100.0
6,487	1.4	8,013	1.9	10,189	2.5	13,324	3.3
448,874	98.6	420,632	98.1	400,019	97.5	388,447	96.7
383,612	85.5	400,048	95.1	390,440	97.6	353,566	91.0
65,262	14.5	23,091	5.5	14,689	3.7	43,145	11.1
-	-	(2,507)	(0.6)	(2,767)	(0.7)	(3,096)	(0.8)
-	-	-	-	(2,343)	(0.6)	(2,555)	(0.7)
-	-	-	-	-	-	(2,613)	(0.7)
448,874	100.0	420,632	100.0	400,019	100.0	388,447	100.0
$ -	-	$ -	-	$ -	-	$ -	$ -

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III. STATISTICAL AND DEMOGRAPHICS SECTION

The Thornton Reservoir Dam stands at a height of 112 feet and its construction required 32,000 cubic yards of concrete.

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Statistical and Demographics Section (Unaudited)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>**Contents**</u>	<u>**Exhibits**</u>
Financial Trends	**I-1 through I-4**
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	**I-5 through I-9**
These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax, and the user charge.	
Debt Capacity	**I-10 through I-12**
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	**I-13 and I-14**
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	**I-15 through I-17**
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: *Unless otherwise noted the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

The District implemented GASB Statement 34 beginning in fiscal year 2002. Exhibits presenting government-wide information include information beginning in 2002.

Exhibit I-1
Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting) *(in thousands of dollars)*

	2011	2010	2009	2008
Invested in capital assets, net of related debt (1)	$ 4,506,544	$ 4,492,811	$ 4,559,884	$ 4,575,974
Restricted				
Restricted for corporate working cash	277,270	277,249	275,459	272,120
Restricted for reserve claim	6,211	22,521	25,073	35,817
Restricted for debt service	257,418	227,320	232,815	212,353
Restricted for capital projects	29,908	38,018	-	13,412
Restricted for construction working cash	21,611	27,377	27,286	27,005
Restricted for stormwater working cash	39,573	39,554	38,953	37,902
Restricted for pension	-	-	-	-
Unrestricted (Deficit)	(53,477)	(96,934)	(49,191)	47,316
Total net position	$ 5,085,058	$ 5,027,916	$ 5,110,279	$ 5,221,899

(1) Infrastructure under the modified approach is reported in the period the initial condition assessment was completed.

2007	2006	2005	2004	2003	2002
$ 4,580,604	$ 4,541,778	$ 3,728,581	$ 1,921,730	$ 1,373,683	$ 1,260,463
267,848	263,229	244,319	236,294	236,068	196,110
31,295	-	-	-	-	-
203,656	220,306	278,218	297,800	290,794	283,288
18,656	1,044	12,287	16,268	53,931	56,835
26,313	25,750	25,642	50,132	49,880	84,501
35,275	32,064	25,227	-	-	-
-	-	28,602	44,590	-	-
70,431	95,357	27,594	8,862	27,441	34,027
$ 5,234,078	$ 5,179,528	$ 4,370,470	$ 2,575,676	$ 2,031,797	$ 1,915,224

Exhibit I-2
Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

	2011	2010	2009	2008
Revenues				
General Revenues:				
Property taxes	$ 506,888	$ 409,550	$ 429,968	$ 432,412
Personal property replacement tax	36,849	39,352	37,477	42,527
Interest on investments	13,156	9,119	7,632	27,112
Tax increment financing distributions	12,715	6,818	1,359	797
Claims and damage settlements	1,298	285	695	606
Miscellaneous	4,859	5,181	6,642	5,450
Gain on sale of capital assets	676	2,736	-	-
Adjustments for non-financial assets (1)	-	-	-	-
Total general revenues	576,441	473,041	483,773	508,904
Program Revenues:				
Charges for services				
User charges	57,469	49,433	47,886	49,439
Land rentals	12,161	10,040	9,660	9,572
Fees, forfeits and penalties	3,279	2,731	4,305	4,357
Capital grants and contributions				
Federal grants	17,218	17,156	5,518	896
Total program revenues	90,127	79,360	67,369	64,264
Total revenues	666,568	552,401	551,142	573,168
Expenses				
Board of Commissioners	3,348	3,627	3,680	3,748
General Administration	14,844	15,767	19,046	18,438
Monitoring and Research	25,221	28,450	29,252	27,612
Procurement and Materials Management	6,928	6,447	6,196	5,398
Human Resources	47,683	46,882	43,670	61,465
Information Technology	14,423	16,127	20,611	20,767
Law	7,151	8,132	7,491	7,274
Finance	2,962	3,189	3,233	3,238
Engineering	4,028	6,245	9,284	8,144
Maintenance and Operations	178,438	191,090	209,488	196,612
Pension costs	70,331	62,996	54,804	45,343
OPEB Trust Fund costs	10,251	24,540	25,464	8,920
Claims and judgments (2)	25,488	9,134	17,536	9,174
Construction costs	84,240	104,947	131,095	93,421
Loss on sale of capital assets	95	381	436	750
Depreciation (unallocated)	12,235	11,428	9,227	9,224
Interest on bonds	101,760	95,382	72,249	65,819
Refunding transaction costs	-	-	-	-
Total expenses	609,426	634,764	662,762	585,347
Change in Net Position	$ 57,142	$ (82,363)	$ (111,620)	$ (12,179)

(1) Adjustment for non-financial assets.
(2) The 2003 decrease resulted from a reduction in the liability estimate for claims and judgements.

2007	2006	2005	2004	2003	2002
$ 370,777	$ 392,775	$ 405,423	$ 395,108	$ 373,811	$ 365,894
45,935	37,743	36,031	25,961	23,461	15,336
48,750	43,659	19,693	9,943	13,163	15,693
644	1,167	1,634	604	1,097	656
64	614	77	450	113	131
3,434	2,584	2,300	1,716	777	1,892
21	-	93	2,677	233	3,419
-	-	-	35,865	-	-
469,625	478,542	465,251	472,324	412,655	403,021
54,612	53,986	46,576	46,981	48,038	48,500
9,243	7,972	6,310	6,166	5,023	5,115
3,383	4,693	4,748	3,800	3,892	2,892
253	-	867	774	4,460	866
67,491	66,651	58,501	57,721	61,413	57,373
537,116	545,193	523,752	530,045	474,068	460,394
3,513	3,422	3,341	3,578	3,333	3,162
16,875	17,293	17,807	15,969	15,183	14,543
26,178	25,317	25,230	24,599	24,669	24,377
6,631	5,480	5,170	6,095	4,659	7,187
61,878	35,216	32,941	35,931	30,947	27,640
16,475	11,312	11,111	10,885	11,626	11,334
6,147	5,748	6,199	5,064	4,667	4,942
3,109	3,218	3,124	3,065	3,047	5,508
4,483	4,519	10,160	6,169	2,986	5,812
179,938	156,984	158,802	161,903	160,309	158,838
49,891	42,320	47,549	35,354	29,511	27,044
7,405	-	-	-	-	-
17,606	876	4,466	12,175	(1,340)	10,644
56,914	70,594	51,145	38,057	34,794	28,366
273	4,430	676	172	440	448
9,216	9,216	7,596	7,596	7,596	7,597
64,584	81,876	61,872	65,398	67,958	55,996
-	-	-	-	-	1,653
531,116	477,821	447,189	432,010	400,385	395,091
$ 6,000	$ 67,372	$ 76,563	$ 98,035	$ 73,683	$ 65,303

Exhibit I-3
Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2011	2010	2009	2008	2007
General Corporate Fund					
Nonspendable	$ 38,922	$ 38,924	$ 38,761	$ 38.067	$ 35,787
Restricted	342,398	341,381	338,602	333,650	323,238
Unassigned (Deficit)	(96,225)	(175,521)	(166,687)	(142,300)	(124,515)
Total General Corporate Fund	285,095	204,784	210,676	229,417	234,510
All Other Governmental Funds					
Restricted	763,064	519,456	773,035	464,633	631,736
Total governmental funds	$ 1,048,159	$ 724,240	$ 983,711	$ 694,050	$ 866,246

2006	2005	2004	2003	2002
$ 36,326	$ 35,907	$ 34,914	$ 35,728	$ 36,737
306,705	283,767	272,096	266,414	260,597
(98,053)	(120,465)	(138,999)	(115,226)	(146,269)
244,978	199,209	168,011	186,916	151,065
750,189	517,320	599,658	652,058	579,045
$ 995,167	$ 716,529	$ 767,669	$ 838,974	$ 730,110

Exhibit I-4
Changes in Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2011	2010	2009	2008	2007
Revenues					
General Revenues:					
Property taxes	$ 492,751	$ 410,663	$ 418,077	$ 399,917	$ 376,757
Personal property replacement tax	36,849	39,352	37,477	42,527	45,935
Interest on investments	13,156	9,119	7,632	27,112	48,750
Land sales	2,326	3,045	6	6	28
Tax increment financing distributions	12,715	6,818	1,359	797	644
Claims and damage settlements	1,298	285	695	606	64
Miscellaneous	4,859	5,181	6,642	5,450	3,495
Program Revenues:					
Charges for services					
User charges	57,469	49,433	47,886	49,439	54,117
Land rentals	12,161	10,040	9,660	9,572	9,243
Fees, forfeits and penalties	2,534	2,731	4,305	4,357	3,383
Capital grants and contributions					
Government grants	17,218	20,233	1,440	896	253
Total revenues	653,336	556,900	535,179	540,679	542,669
Expenditures					
Operations:					
Board of Commissioners	3,344	3,628	3,659	3,721	3,496
General Administration	14,332	15,411	18,555	17,958	16,491
Monitoring and Research	25,084	28,445	28,891	27,146	25,892
Procurement and Materials Management	6,949	6,493	6,156	5,341	6,556
Human Resources	47,710	46,944	43,603	61,385	61,841
Information Technology	13,820	15,823	20,200	19,328	16,125
Law	7,166	8,164	7,446	7,211	6,121
Finance	2,965	3,203	3,208	3,205	3,093
Engineering	2,975	5,367	7,951	6,703	4,331
Maintenance and Operations	177,908	191,165	208,123	194,916	179,012
Pension costs	36,635	30,099	31,744	28,937	31,115
Claims and judgments	6,923	6,728	9,464	7,626	9,353
Construction costs	337,051	496,885	397,265	191,415	194,151
Debt service:					
Redemption of bonds	64,112	60,602	73,105	112,577	90,466
Interest on bonds	98,015	104,414	67,148	66,591	68,148
Refunding transaction costs		-	-	-	-
Total expenditures	844,989	1,023,371	926,518	754,060	716,191
Revenues over (under) expenditures	(191,653)	(466,471)	(391,339)	(213,381)	(173,522)
Other Financing Sources (Uses)					
Payment to escrow agent	(253)	-	-	-	(437,621)
State revolving fund loan proceeds	78,481	152,465	81,000	41,185	47,104
Sale of refunding bonds	-	-	-	-	382,020
Proceeds from sale of bonds	400,000	-	600,000	-	-
Premium on sale of bonds	37,344	-	-	-	53,098
Proceeds from capital lease	-	54,535	-	-	-
Total other financing sources (uses)	515,572	207,000	681,000	41,185	44,601
Net change in fund balance	$ 323,919	$ (259,471)	$ 289,661	$ (172,196)	$ (128,921)
Debt service as a percentage of non-capital expenditures	27.4%	24.1%	22.8%	28.2%	27.4%

2006	2005	2004	2003	2002
$ 380,675	$ 423,941	$ 360,326	$ 397,751	$ 362,036
37,743	36,031	25,961	24,048	22,285
43,659	19,693	9,943	13,163	15,693
516	100	3,608	239	3,395
1,167	1,634	604	1,097	656
614	77	450	113	131
2,729	2,573	1,872	1,003	2,080
52,504	45,983	47,757	50,222	48,890
7,972	6,310	6,160	5,023	5,115
4,693	4,748	3,800	3,892	2,892
-	867	1	4,836	490
532,272	541,957	460,482	501,387	463,663
3,401	3,323	3,552	3,315	3,131
16,974	17,259	15,538	14,987	14,318
24,985	24,787	24,030	24,172	23,838
5,352	5,023	5,932	4,510	7,037
35,162	32,900	35,877	30,916	27,610
11,034	10,811	10,574	11,417	11,204
5,709	6,168	5,018	4,646	4,923
3,197	3,102	3,033	3,025	5,483
4,318	9,538	6,273	4,095	7,757
155,899	157,612	160,299	159,079	160,326
30,071	31,561	27,372	29,511	27,044
4,954	4,368	3,829	2,972	2,859
164,157	133,599	127,155	164,865	157,076
83,692	107,767	92,560	91,198	89,572
88,177	61,252	63,465	67,428	56,259
-	-	-	-	1,653
637,082	609,070	584,507	616,136	600,090
(104,810)	(67,113)	(124,025)	(114,749)	(136,427)
(416,000)	-	-	-	(398,620)
27,464	15,973	52,720	77,613	26,667
397,390	-	-	-	416,000
350,000	-	-	146,000	164,000
24,594	-	-	-	14,575
-	-	-	-	-
383,448	15,973	52,720	223,613	222,622
$ 278,638	$ (51,140)	$ (71,305)	$ 108,864	$ 86,195
33.4%	32.2%	33.4%	32.9%	31.1%

Exhibit I-5
Equalized Assessed Value, Direct Tax Rate, and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars, except tax rates)

Fiscal Year Ended December 31,	Chicago Equalized Assessed Value	Suburbs Equalized Assessed Value	Total Equalized Assessed Value	Total Direct Tax Rate (1)	Estimated Full Taxable Value	Equalized Assessed Value as a Percentage of Full Value
2001	$ 41,981,912	$ 50,923,178	$ 92,905,090	0.401	$ 392,206,809	23.7%
2002	45,330,892	57,506,473	102,837,365	0.371	428,105,908	24.0
2003	53,168,632	57,097,996	110,266,628	0.361	471,971,669	23.4
2004	55,277,096	63,761,464	119,038,560	0.347	541,942,050	22.0
2005	59,304,530	71,282,391	130,586,921	0.315	581,371,295	22.5
2006	69,511,192	71,957,450	141,468,642	0.284	666,223,062	21.2
2007	73,645,316	82,327,478	155,972,794	0.263	656,474,744	23.8
2008	80,977,543	89,119,839	170,097,382	0.252	616,163,594	27.6
2009	84,586,808	89,880,835	174,467,643	0.261	550,135,370	31.7
2010	82,087,170	84,830,896	166,918,066	0.274	550,135,370 (2)	30.3

Source*:* Cook County Clerk for Equalized Assessed Values and Tax Rates and the Civic Federation for Estimated Full Values

(1) Tax rates per $100 equalized assessed valuation

(2) Current data not available from Civic Federation

Exhibit I-6
District Direct Property Tax Rates, Overlapping Property Tax Rates of Major Local Governments, and District Tax Levies by Fund

Last Ten Fiscal Years

(rates per $100 of assessed value)

	2011(1)	2010	2009	2008	2007	2006	2005	2004	2003	2002
District direct rates										
Corporate	$ 0.149	$ 0.144	$ 0.135	$ 0.141	$ 0.150	$ 0.151	$ 0.158	$ 0.167	$ 0.163	$ 0.164
Corporate Working Cash	-	-	-	-	-	-	-	-	0.004	0.004
Reserve Claim	0.002	0.001	0.002	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Retirement	0.017	0.016	0.016	0.015	0.016	0.018	0.018	0.024	0.024	0.024
Debt Service	0.102	0.094	0.097	0.083	0.087	0.087	0.113	0.139	0.143	0.145
Construction	0.003	0.005	0.006	-	0.003	0.013	0.014	0.013	0.023	0.030
Stormwater Management (2)	0.014	0.014	0.005	0.009	0.003	0.011	0.008	-	-	-
Total direct rate	$ 0.287	$ 0.274	$ 0.261	$ 0.252	$ 0.263	$ 0.284	$ 0.315	$ 0.347	$ 0.361	$ 0.371
Major local governments' tax rates (3)										
City of Chicago		$ 0.914	$ 0.887	$ 0.928	$ 1.004	$ 1.012	$ 1.153	$ 1.188	$ 1.262	$ 1.452
Chicago Board of Education		2.581	2.366	2.472	2.583	2.697	3.026	3.104	3.142	3.562
Chicago Park District		0.319	0.309	0.323	0.355	0.379	0.443	0.431	0.439	0.515
Cook County		0.423	0.394	0.415	0.446	0.500	0.533	0.593	0.630	0.690
Cook County Forest Preserve Dist.		0.051	0.049	0.051	0.053	0.057	0.060	0.060	0.059	0.061
Community College Dist. #508 (4)		0.151	0.150	0.156	0.159	0.205	0.234	0.242	0.246	0.280
Chicago School Finance Authority		-	-	-	0.091	0.118	0.127	0.177	0.151	0.177
City of Chicago Library Fund		0.102	0.099	0.102	0.040	0.050	0.090	0.114	0.118	0.139
City of Chgo School Bldg/Imprvmt		0.116	0.112	0.117	-	-	-	-	-	-
District's tax levies by fund *(in thousands)*										
Corporate	$248,500	$240,059	$237,117	$240,082	$233,982	$213,860	$206,565	$198,676	$180,310	$168,279
Stormwater Management (2)	24,100	24,029	8,849	15,212	3,942	15,508	10,451	-	-	-
Corporate Working Cash	-	-	-	-	-	-	-	-	4,645	4,276
Reserve Claim	3,400	1,951	3,182	7,073	6,530	5,957	5,513	5,142	4,645	4,276
Retirement	28,163	26,478	26,751	25,664	24,843	25,072	23,598	28,247	25,958	24,825
Debt Service	169,645	156,090	169,051	140,614	135,730	123,608	147,281	166,152	157,334	149,169
Construction	4,800	8,749	10,441	-	5,181	17,766	17,940	14,847	25,170	30,702
Total tax levies	$478,608	$457,356	$455,361	$428,645	$410,208	$401,771	$411,348	$413,064	$398,062	$381,527

Source: Cook County Clerk

(1) District's tax rates are estimated based on 2010 equalized assessed valuation of $167.0 billion.

(2) The Stormwater Management Fund was established in 2005.

(3) Major local governments' rates for 2011 are not yet available.

(4) Formerly Chicago City Colleges.

Exhibit I-7
Principal Property Taxpayers

2010 and Nine Years Ago

(in thousands of dollars)

		2010 (1)			2001		
Taxpayer	**Type of Business**	**Equalized Assessed Value (7)**	**Rank**	**Percentage of Total Equalized Assessed Value**	**Equalized Assessed Value**	**Rank**	**Percentage of Total Equalized Assessed Value**
Willis Tower (2)	Retail & Office	$ 495,000	1	0.30%	$ 410,991	1	0.44%
Aon Center (3)	Insurance	335,455	2	0.20	265,627	2	0.29
One Prudential Plaza	Financial Services	305,026	3	0.18	-	-	-
Equity Office (4)	Property Management	241,580	4	0.14	243,529	3	0.26
Water Tower Place	Retail & Office	231,000	5	0.14	136,278	8	0.15
Chase Tower (5)	Banking	226,875	6	0.14	216,063	4	0.23
Three First National Plaza	Retail & Office	226,222	7	0.14	-	-	-
Citadel Center	Retail & Office	210,504	8	0.13	-	-	-
AT&T Corporate Center	Communications	209,722	9	0.13	209,940	5	0.23
One North Wacker Dr. (6)	Office	207,128	10	0.12	-	-	-
Citicorp Center	Banking	-	-	-	145,755	6	0.16
Leo Burnett Building	Advertising	-	-	-	138,687	7	0.15
City Front Hotel Assoc.	Hotel Management	-	-	-	109,113	9	0.12
Health Care Service	Health Care	-	-	-	108,579	10	0.12
		$ 2,688,510		1.62%	$ 1,984,562		1.75%

Source: Cook County Treasurer's Office and Cook County Clerk's Office
(1) 2011 information is unavailable.
(2) Formerly known as the Sears Tower.
(3) Formerly known as the Amoco Oil Building.
(4) Equity Office owns and manages two adjoining tower office buildings.
(5) Formerly known as Bank One Plaza.
(6) Formerly known as the UBS Building.
(7) The Equalized Assessed Valuation for 2010 is $166,918,065,845

Exhibit I-8
Property Tax Levies and Collections

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected within the First Year			Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy	Final Due Date		Amount	Percentage of Levy
2002	$ 381,527	$ 369,667	96.9%	10/01/03	$ 2,306	$ 371,973	97.5%
2003	398,062	375,549	94.3	11/15/04	12,361	387,910	97.4
2004	413,064	399,017	96.6	11/01/05	2,738	401,755	97.3
2005	411,348	398,343	96.8	09/01/06	446	398,789	96.9
2006	401,771	353,566	88.0	12/03/07	34,881	388,447	96.7
2007	410,208	390,440	95.2	11/03/08	9,580	400,020	97.5
2008	428,645	400,048	93.3	12/01/09	25,598	425,646	99.3
2009	455,361	383,612	84.2	12/13/10	62,262	448,874	98.6
2010	457,356	435,009	95.1	10/01/11	-	435,009	95.1
2011	478,608	-	-	09/01/12	-	-	-

Exhibit I-9
User Charge Rates

Last Ten Fiscal Years

	2011 (1)	2010	2009	2008	2007
Large Commercial/Industrial User Rates (2)					
Flow per million gallons	$ 243.99	$ 262.44	$ 229.37	$ 223.72	$ 224.87
5-day BOD per 1,000 lbs. (5)	247.48	270.68	231.90	229.23	228.39
SS per 1,000 lbs. (6)	194.18	200.33	174.25	178.11	173.01
Tax-Exempt User Rates (3)					
Flow per million gallons	$ 250.31	$ 269.25	$ 235.96	$ 230.29	$ 231.07
5-day BOD per 1,000 lbs. (5)	253.89	277.70	238.56	235.98	234.69
SS per 1,000 lbs. (6)	199.21	205.53	179.25	183.35	177.77
OM&R Rate (4)	0.4730	0.5570	0.5040	0.4990	0.5040

(1) The current year's rates are calculated using financial data from the prior year's Budget, operating cost and loading data from two years prior. The decrease in User Charge rates in 2011 compared to 2010 is attributable to the decreased District OM&R cost. This, combined with a decrease in volume and BOD loading for both Large Commercial/Industrial and Tax-Exempt Users caused the decrease in rates for those parameters.

(2) Large Commercial/Industrial users are non-governmental, non-residential users engaged in significant commercial or industrial activities.

(3) Tax-Exempt users are exempt from payment of property taxes.

(4) This rate represents the OM&R costs as a percentage of the District's total tax levy and it is applied to Commercial/Industrial users' real estate tax credits for determining their final user charge.

(5) BOD = Biological Oxygen Demand

(6) SS = Suspended Solids

2006	2005	2004	2003	2002
$ 225.80	$ 210.91	$ 202.39	$ 217.74	$ 185.09
239.79	226.64	215.86	227.39	197.10
183.41	174.33	168.16	182.75	151.53
$ 235.40	$ 219.30	$ 209.31	$ 223.29	$ 190.74
249.99	235.65	223.25	233.19	203.22
191.20	181.26	173.92	187.41	156.16
0.5680	0.5680	0.5690	0.6240	0.5580

Exhibit I-10
Ratios of Total General Bonded Debt and Net Bonded Debt Outstanding (1)

Last Ten Fiscal Years

(dollars and population in thousands, except debt per capita)

Fiscal Year	General Obligation Bonds	Bond Anticipation Notes and Interest	Capital Lease Payable (4)	Total Debt	Resources Available for Repayment of Debt (2)	Net Debt	Total Debt as a % Personal Income (3)	Total Debt Per Capita (3)	Net Debt as a % of Estimated Full Taxable Value (3)	Net Debt Per Capita (3)
2002	$ 1,298,375	$ 26,162	$ -	$ 1,324,537	$ 157,957	$ 1,166,580	0.70%	$ 246.06	0.27%	$ 216.72
2003	1,363,739	94,245	-	1,457,984	174,249	1,283,735	1.03	268.75	0.27	236.63
2004	1,329,123	90,473	-	1,419,596	164,185	1,255,411	1.03	264.65	0.23	234.04
2005	1,280,569	48,238	-	1,328,807	168,920	1,159,887	0.95	248.98	0.20	217.33
2006	1,579,401	25,261	-	1,604,662	124,540	1,480,122	1.15	302.37	0.22	278.90
2007	1,465,854	63,131	-	1,528,985	97,492	1,431,493	1.10	289.69	0.22	271.22
2008	1,392,699	64,894	-	1,457,593	101,053	1,356,540	1.05	277.00	0.22	257.80
2009	1,979,203	86,286	-	2,065,489	106,279	1,959,210	1.46	392.01	0.36	371.84
2010	1,961,974	196,225	53,688	2,211,887	111,055	2,100,832	1.44	422.12	0.38	400.92
2011	2,466,464	108,008	51,784	2,626,256	137,217	2,489,039	1.87	503.50	0.45	477.19

(1) Represents long-term debt for general bonded debt, and bond anticipation notes including interest which are eventually converted to general bonded debt. Details of the District’s long-term debt can be found in the notes to the basic financial statements.
(2) Represents the restricted fund balance in the Debt Service Fund.
(3) See Exhibit I-13 for personal income and population information, and Exhibit I-5 for estimated full taxable value information.
(4) The District entered into a capital lease agreement in 2010.

Exhibit I-11
Estimate of Direct and Overlapping Debt

As of December 31, 2011

(In thousands of dollars)

	Net Debt (2)	% Applicable (3)	Applicable Amount
Direct debt			
General obligation bonds			$ 2,466,464
Overlapping bonded debt of major local governments (1)			
City of Chicago	$ 7,500,930	100.00%	$ 7,500,930
Chicago Board of Education	5,951,950 (4)(5)	100.00	5,951,950 (4)
Chicago Park District	924,170 (4)	100.00	924,170 (4)
City Colleges	-	100.00	-
Cook County	3,709,260	97.95	3,633,369
Cook County Forest Preserve District	94,885	97.95	92,944
Total overlapping debt (6)			18,103,362
Total direct and overlapping debt			$ 20,569,826 (7)

(1) Excludes outstanding tax anticipation notes and warrants.

(2) Source: Each of the respective taxing districts.

(3) Based on 2010 EVAs; the most recent available. For 2010, the EVA from the portion of the District within the City of Chicago was $82,092,485,409.

(4) Includes approximately $5.6 billion and $500 million of general obligation bonds of the Chicago Board of Education and the Chicago Park District, respectively, issued as “alternate revenue” bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Chicago Board of Education and the Chicago Park District.

(5) Includes leases securing Public Building Commission Bonds ($318 million).

(6) Does not include debt issued by other taxing authorities located in Cook County.

(7) Excludes $112,893,683 of Preliminary Bond Principal and Interest outstanding under the IEPA Revolving Loan Fund Program.

Exhibit I-12
Computation of Statutory Debt Margin

Last Ten Fiscal Years

(in thousands of dollars)

	2011 (1)	2010	2009	2008	2007
Equalized assessed valuation	$ 166,918,066	$ 166,918,066	$ 174,467,643	$ 170,097,382	$ 155,972,794
Statutory debt limit (5.75% of equalized assessed valuation)	9,597,789	9,597,789	10,031,889	9,780,599	8,968,436
Total debt applicable to debt limit:					
General obligation bonds outstanding	2,466,464	1,961,974	1,979,203	1,392,699	1,465,854
Bond anticipation notes outstanding	108,008	196,225	86,286	64,894	63,131
Capital lease outstanding	51,784	53,688	-	-	-
Liabilities of tax financed funds:					
Corporate	35,347	45,381	45,260	42,374	38,699
Stormwater	1,956	2,496	1,101	1,470	1,179
Debt service	-	-	-	-	-
Reserve claim	1,381	410	327	1,036	1,243
Construction	1,542	1,732	4,236	2,855	2,662
Total applicable debt	2,666,482	2,261,906	2,116,413	1,505,328	1,572,768
Less applicable assets:					
Debt service funds unrestricted cash and investments	114,344	88,710	88,849	89,397	77,599
Interest payable in the next twelve months	(116,410)	(92,619)	(59,873)	(73,103)	(68,877)
Total applicable assets	(2,066)	(3,909)	28,976	16,294	8,722
Total net debt applicable to debt limit	2,668,548	2,265,815	2,087,437	1,489,034	1,564,046
Statutory debt margin	$ 6,929,241	$ 7,331,974	$ 7,944,452	$ 8,291,565	$ 7,404,390
Total applicable net debt as a percentage of statutory debt limit	27.8%	23.6%	20.8%	15.2%	17.4%

(1) Debt limit calculation based on 2010 equalized assessed valuation since 2011 value is not yet available.

2006	2005	2004	2003	2002
$ 141,468,642	$ 130,586,921	$ 119,038,560	$ 110,266,628	$ 102,837,365
8,134,447	7,508,748	6,844,717	6,340,331	5,913,148
1,579,401	1,280,569	1,329,123	1,363,739	1,298,375
25,261	48,238	90,473	94,245	26,162
-	-	-	-	-
27,233	25,394	29,112	29,661	29,321
340	72	-	-	-
56	154	212	212	486
1,495	124	276	472	149
2,810	3,949	6,333	4,953	4,161
1,636,596	1,358,500	1,455,529	1,493,282	1,358,654
108,814	127,860	125,441	129,600	128,508
(69,111)	(55,119)	(60,902)	(63,488)	(62,325)
39,703	72,741	64,539	66,112	66,183
1,596,893	1,285,759	1,390,990	1,427,170	1,292,471
$ 6,537,554	$ 6,222,989	$ 5,453,727	$ 4,913,161	$ 4,620,677
19.6%	17.1%	20.3%	22.5%	21.9%

Exhibit I-13
Demographic and Economic Statistics

Last Ten Fiscal Years

(population and dollars in thousands)

Year	Population	Personal Income	Per Capita Personal Income	Median Household Income	Unemployment Rate
2011	5,216	$ 140,483,393	$ 26,933	$ 54,036	9.5%
2010	5,240	153,959,010	29,381	59,201	10.2
2009	5,269	141,675,329	26,888	53,709	10.0
2008	5,262	139,190,968	26,452	52,664	6.2
2007	5,278	138,936,974	26,324	52,477	4.9
2006	5,307	139,547,983	26,295	52,408	4.5
2005	5,337	139,159,977	26,075	51,635	5.9
2004	5,364	137,820,341	25,694	50,093	6.2
2003	5,425	140,930,862	25,978	51,585	6.7
2002	5,383	189,054,081	35,121	57,214	6.5

Source: Population, personal income, and median household income is for Cook County, Illinois. Population, median household income, and personal income information is provided by Claritas Data Services. Unemployment information is provided by the U.S. Department of Labor, Bureau of Labor Statistics. The District service area represents 98% of the assessed valuation of Cook County.

Exhibit I-14
Principal Employers

2011 and Nine Years Ago

Employer	2011 Employees	2011 Rank	2011 Percentage of Total Employment	2002 Employees	2002 Rank	2002 Percentage of Total Employment
U.S. Government	55,183	1	1.06%	75,000	1	1.39%
Chicago Public Schools	39,667	2	0.76	46,179	2	0.86
City of Chicago	35,237	3	0.68	40,324	3	0.75
Cook County	21,785	4	0.42	27,042	4	0.50
Advocate Health Care	18,485	5	0.35	-	-	-
State of Illinois	15,800	6	0.30	18,915	6	0.35
AT&T Inc. (2)	15,000	7	0.29	22,400	5	0.42
Provena Health/Resurrection Health Care	14,806	8	0.28	-	-	-
Walgreen Co.	14,688	9	0.28	-	-	-
University of Chicago	14,584	10	0.28	-	-	-
Archdiocese of Chicago	-	-	-	17,964	7	0.33
J.P. Morgan Chase & Co. (1)	-	-	-	13,904	8	0.26
University of Illinois at Chicago	-	-	-	12,676	9	0.24
Chicago Transit Authority	-	-	-	12,257	10	0.23
Total	245,235		4.70%	286,661		5.32%

(1) Formerly Bank One
(2) Previous to 2002 takeover by SBC Communications, this was Ameritech

Source: Reprinted with permission, *Crain's Chicago Business* [January 16, 2012] © Crain Communications, Inc.

Exhibit I-15
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

	Budgeted Positions									
Fund/Department	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
General Corporate Fund										
Board of Commissioners	40	45	45	45	45	45	46	46	45	45
General Administration	125	124	146	138	144	145	146	147	140	131
Monitoring and Research	303	308	308	309	311	317	321	326	337	347
Procurement and Materials Management	69	70	70	70	70	70	71	75	71	77
Human Resources	59	60	54	54	53	53	56	56	52	51
Information Technology	71	71	72	72	66	63	64	64	64	75
Law	38	40	40	40	40	41	41	41	40	41
Finance	31	31	31	33	34	35	35	37	37	38
Engineering (Corporate Fund)	32	34	34	34	33	33	33	32	32	32
Maintenance & Operations	1,029	1,047	1,046	1,045	1,044	1,071	1,124	1,137	1,163	1,191
Total General Corporate Fund	1,797	1,830	1,846	1,840	1,840	1,873	1,937	1,961	1,981	2,028
Engineering (Construction Fund)	28	45	45	45	49	63	63	117	120	130
Engineering (Stormwater Management)	44	50	49	47	48	38	9	-	-	-
Engineering (Capital Improvements Bond Fund)	202	191	191	177	157	133	134	83	85	91
Grand Total	2,071	2,116	2,131	2,109	2,094	2,107	2,143	2,161	2,186	2,249

Exhibit I-16
Operating Indicators

Last Ten Fiscal Years

	Area Served (1)	Communities Served (2)	Number of People Served(3)	Commercial and Industrial Population Equivalent Served	Number of Local Sewer Connections to Intercepting Sewers	Gallons of Pumping Station Maximum Capacity (4)	Gallons of Sewerage Wastes Processed per Day (4)	Daily Sewerage Treatment Capacity (4)
2011	884	126	5,215,968	4,500,000	10,000	4,000,000	1,245,200	2,000,000
2010	884	126	5,239,879	4,500,000	10,000	4,000,000	1,245,200	2,000,000
2009	884	126	5,269,000	4,500,000	10,000	4,000,000	1,366,700	2,000,000
2008	884	126	5,262,000	4,500,000	10,000	4,000,000	1,284,600	2,000,000
2007	876	126	5,278,157	4,500,000	10,000	4,000,000	1,310,000	2,000,000
2006	876	126	5,306,935	4,500,000	10,000	4,000,000	1,329,000	2,000,000
2005	876	126	5,377,000	4,500,000	10,000	4,000,000	1,158,000	2,000,000
2004	872	126	5,364,000	4,500,000	10,000	4,000,000	1,243,000	2,000,000
2003	872	126	5,425,000	4,500,000	10,000	4,000,000	1,228,000	2,000,000
2002	872	126	5,383,000	4,500,000	10,000	4,000,000	1,244,000	2,000,000

(1) In square miles
(2) Including the City of Chicago
(3) Claritas Data Service
(4) In thousands of gallons
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Exhibit I-17
Capital Asset Statistics

Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Miles of intercepting sewers and force mains operated	559	559	559	559	559	559	559	559	559	559
Miles of waterway water levels controlled	76	76	76	76	76	76	76	76	76	76
Acres of strip-mined land utilized for solids processing	13,796+	13,796+	13,796+	13,796+	13,000+	13,000+	15,000+	15,000+	15,000+	15,000+
Number of water reclamation plants	7	7	7	7	7	7	7	7	7	7
Number of pumping stations	22	22	22	22	23	23	23	23	23	24
Miles of TARP tunnels constructed for pollution and flood control	109.4	109.4	109.4	109.4	109.4	109.4	101.5	101.5	101.5	93.4
Miles of TARP tunnels under construction	0.0	0.0	0.0	0.0	0.0	0.0	7.9	7.9	7.9	16.0
Number of TARP reservoirs constructed	1	1	1	1	1	1	1	1	1	1
Number of TARP reservoirs under construction	2	2	2	2	2	2	2	2	2	1
Number of flood control reservoirs	31	31	31	32	32	32	32	32	32	31
Instream aeration stations	2	2	2	2	2	2	2	2	2	2
Sidestream elevated pool aeration stations	5	5	5	5	5	5	5	5	5	5

Source: District's Engineering Department

IV.
SINGLE AUDIT SECTION

(L to R) The new MWRD Executive Director David St. Pierre with MWRD President Terrence J. O'Brien. Mr. St. Pierre was appointed to the position on June 16, 2011.

BAKER TILLY

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

INDEPENDENT AUDITOR'S 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*

The Honorable President and
Members of the Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (District) as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 23, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the District's Pension Trust Fund, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting, or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and
Members of the Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’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*.

We noted certain matters that we reported to management of the District in a separate letter dated April 23, 2012.

This report is intended solely for the information and use of the District’s Board of Commissioners, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
April 23, 2012

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PRADO & RENTERIA
Certified Public Accountants

1837 S. Michigan Ave., Chicago, Illinois 60616
TEL (312) 567-1330 FAX (312) 567-1360
www.pradorenteria.com

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable President and
Members of the Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) of the Metropolitan Water Reclamation District of Greater Chicago (District), for the year ended December 31, 2011. This Schedule is the responsibility of the District's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *in Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the respective expenditures of federal awards of the District for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, we have also issued a report dated April 23, 2012 on our consideration of the District's compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133. That report is an integral part of an audit performed in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and should be read in conjunction with this report.

Prado & Renteria

Chicago, Illinois
April 23, 2012

PRADO & RENTERIA
Certified Public Accountants

1837 S. Michigan Ave., Chicago, Illinois 60616
TEL (312) 567-1330 FAX (312) 567-1360
www.pradorenteria.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable President and
Members of the Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago

Compliance

We have audited the Metropolitan Water Reclamation District of Greater Chicago's (District), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2011. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the District's Board of Commissioners, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Prado & Renteria

Chicago, Illinois
April 23, 2012

Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

Federal CFDA Number(A)	Grant/ Identifying Number(B)	Award Date(C)	Project Description(D)	Total 2011 Federal Expenditures (E)
Major Programs:				
Federal Grantor: U.S. Environmental Protection Agency (passed through Illinois Environmental Protection Agency)				
Capitalization Grants for Clean Water State Revolving Funds				
66.458	L173074	July, 2010	39th Street Conduit Rehabilitation, Phase 1 Bypass	$ 1,749,263
66.458	L173063	January, 2010	Upper Des Plaines Intercepting Sewers 14A Rehabilitation	1,376,180
66.458	L174675	July, 2010	Upper Des Plaines Intercepting Sewers 14A Rehabilitation	3,491,860
66.458	L172496	September, 2009	Evanston Interception Sewer Orrington Avenue Leg Rehabilitation	528,396
66.458	L173800	November, 2009	Upper Des Plaines Interceptor Sewers 12 & 13B	529,830
66.458	L173064	October, 2009	Harms Road 2 Sewer Rehabilitation North Side Area	4,985,843
66.458	L173005	July, 2010	Stickney Sludge Thickening Project	19,049,571
		Total U.S. Environmental Protection Agency Funding of Capitalization Grants for Clean Water State Revolving Funds		$ 31,710,943
Non-Major Programs:				
Federal Grantor: U. S. Department of Homeland Security (passed through Illinois Emergency Management Agency)				
Buffer Zone Protection Program				
97.078	2008 BZPP	July, 2009	Buffer Zone Protection Program	26,615
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
97.036	1960-031-U0362-00	May, 2011	2011 Severe Winter Storms	76,037
Federal Grantor: U. S. Department of Energy (passed through Illinois Department of Commerce and Economic Opportunity)				
State Energy Program- American Recovery and Reinvestment Act Grant				
81.041	09-462029	March, 2010	State Energy Program	102,765
		Total Federal Expenditures under Non-Major Programs		$ 205,417
			Total Federal Expenditures	**$ 31,916,360**

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan Water Reclamation District of Greater Chicago (District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Note 2 – Heading and Column Explanations

(A) Catalog of Federal Domestic Assistance Number, if determinable.

(B) Grant Number assigned by pass-through entity.

(C) Date of original award.

(D) Description of project receiving federal funds.

(E) Total expenditures representing eligible costs claimed by the District.

Note 3 – Program Descriptions

Descriptions of federal programs, funded wholly or partially by federal sources, from which the District expended funds during the year ended December 31, 2011.

<u>CFDA # 66.458 – Capitalization Grants for Clean Water State Revolving Funds</u>

The Capitalization Grants for Clean Water State Revolving Funds creates State Revolving Funds (SRFs) through a program of capitalization grants to states, which will provide a long-term source of state financing for construction of wastewater treatment facilities and implementation of other water quality management activities. The capitalization grant is deposited in the SRF, which is used to provide loans and other types of financial assistance, but no grants, to local communities and intermunicipal and interstate agencies. The States must agree to enter into binding commitments with recipients to provide financial assistance from the SRF in an amount equal to 16.67% of the total SRF loan, with the federal share being 83.33%. Those loans awarded under the American Recovery and Reinvestment Act of 2009 are funded 50% from ARRA funds and 50% from SRFs.

<u>CFDA # 97.078 – Buffer Zone Protection Program (BZPP)</u>

The fiscal year 2011 Buffer Zone Protection Program (BZPP) provides funds to increase the preparedness capabilities of jurisdictions responsible for the safety and security of communities surrounding high-priority Critical Infrastructure and Key Resource (CIKR) assets through planning and equipment acquisition.

<u>CFDA # 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)</u>

The Public Assistance Grant provides assistance to state and local governments in responding to and recovering from the devastating effects of disasters by providing assistance for debris removal, emergency protective measures and the repair, restoration, reconstruction or replacement of public facilities or infrastructure damaged or destroyed.

CFDA # 81.041 – State Energy Program (SEP)

Grants are provided from the U.S. Department of Energy's State Energy Program (SEP) to provide financial and technical assistance to State governments to create and implement a variety of energy efficiency and conservation projects in order to provide leadership to maximize the benefits of energy efficiency and renewable energy.

Note 4 – Grant Project Descriptions

State Revolving Fund Loans

Loan #L173074 was awarded to the District on July 8, 2010, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the 39th Street Conduit Rehabilitation, Phase 1 Bypass, Project 01-103-2S. The maximum SRF loan amount is $48,855,871. The maximum pass through federal funding is $40,711,597. A total of $1,749,263 in federal funds was disbursed by the Illinois Environmental Protection Agency (IEPA) during fiscal year 2011. As of December 31, 2011, $46,925,817, excluding $2,500,000 forgiven by the State of Illinois, was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

ARRA-Loan #L173063 was awarded to the District on January 4, 2010, under the Procedures for Providing Financial Assistance from the Water Pollution Control Loan Program under the American Recovery and Reinvestment Act of 2009. The loan provides for the Upper Des Plaines Intercepting Sewer 14A Rehabilitation, Project 06-359-3S. The maximum loan amount is $2,910,942. ARRA funds of $1,455,472 were exhausted in 2010. A total of $1,376,180 in federal funds was disbursed by the IEPA during fiscal year 2011.

Loan #L174675 was awarded to the District on July 8, 2010, under Public Law 95-217. The loan provides for the Upper Des Plaines Intercepting Sewers 14A Rehabilitation, Project 06-359-3S. The maximum loan amount is $11,144,129. The maximum pass through federal funding is $9,286,403. A total of $3,491,860 in federal funds was disbursed by IEPA during fiscal year 2011. As of December 31, 2011, $587,798 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

ARRA-Loan #L172496 was awarded to the District on September 3, 2009, under the Procedures for Providing Financial Assistance from the Water Pollution Control Loan Program under the American Recovery and Reinvestment Act of 2009. The loan provides for the Evanston Intercepting Sewer - Orrington Avenue Leg Rehabilitation, Project 02-010-3S. The maximum loan amount is $5,647,514. ARRA funds of $2,823,756 were exhausted in 2010. A total of $528,396 in federal funds was disbursed by the IEPA during fiscal year 2011.

ARRA-Loan #L173800 was awarded to the District on November 3, 2009, under the Procedures for Providing Financial Assistance from the Water Pollution Control Loan Program under the American Recovery and Reinvestment Act of 2009. The loan provides for the Upper Des Plaines Interceptor Sewers 12 & 13B, Project 03-122-3S. The maximum loan amount is $1,059,659. ARRA funds of $529,830 were exhausted in 2010. A total of $529,830 in federal funds was disbursed by the IEPA during fiscal year 2011.

ARRA-Loan #L173064 was awarded to the District on October 27, 2009, under the Procedures for Providing Financial Assistance from the Water Pollution Control Loan Program under the American Recovery and Reinvestment Act of 2009. The loan provides for the Harms Road 2 Sewer Rehabilitation North Side Area, Project 07-028-3S. The maximum loan amount is $10,381,885. ARRA funds of $5,190,942 were exhausted in 2010. A total of $4,985,843 in federal funds was disbursed by the IEPA during fiscal year 2011. As of December 31, 2011, $63,600 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

Loan #L173005 was awarded to the District on July 8, 2010, Public Law 95-217. Sludge Thickening Facilities at the Stickney Water Reclamation Plant, Project 09-176-3P. The maximum loan amount is $40,000,000. The maximum pass through federal funding is $33,332,000. A total of $19,049,571 in federal funds was disbursed by the IEPA during fiscal year 2011.

Buffer Zone Protection Program (BZPP)

Grant BZPP was awarded to the District from the U.S. Department of Homeland Security, Fiscal Year 2008 Homeland Security Grant Program, Buffer Zone Protection Program (BZPP), CFDA #97.078. The maximum pass through federal funding amount awarded is $162,972. For fiscal year 2011, the District received $26,615 in federal funding for amounts spent.

Disaster Assistance - 2011 Severe Winter Storms

Grant 1960-031-U0362-00 was awarded to the District from the U.S. Department of Homeland Security, 2011 Severe Winter Storms, CFDA #97.036. The grant provides federal participation for the alleviation of suffering and hardship resulting from the Winter Storm of February 2011. The maximum pass through federal funding amount awarded is $76,037. For fiscal year 2011, the District received $76,037 in federal funding for amounts spent.

State Energy Program

ARRA-Grant 09-462029 was awarded to the District from the U.S. Department of Energy, Fiscal Year 2010 State Energy Program, CDFA #81.041. The maximum pass through federal funding amount awarded is $102,765. For fiscal year 2011, the District received $102,765 in federal funding for amounts spent.

Note 5 – Noncash Assistance

Of the federal expenditures presented in the schedule, the District did not receive any noncash assistance during the year.

Note 6 – Federal Insurance

The District had no federal insurance for the year ended December 31, 2011.

Schedule of Findings and Questioned Costs

Year ended December 31, 2011

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? _____Yes __X__No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?
_____Yes __X__No

Noncompliance material to financial statements noted?
_____Yes __X__No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____Yes __X__No

Significant deficiencies identified not considered to be material weaknesses?
_____Yes __X__No

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?
_____Yes __X__No

Identification of major programs:

U.S. Environmental Protection Agency

CFDA Number	Name of Federal Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: $ 957,491

Auditee qualified as low-risk auditee? __X__Yes _____No

SECTION II – FINANCIAL STATEMENT FINDINGS – Required to be Reported in Accordance with Governmental Auditing Standards

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None