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

Chicago, Illinois

For the Year Ended
December 31, 2013

Finance Department
JACQUELINE TORRES, Clerk/Director of Finance

Incorporated May 29, 1889

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INTRODUCTORY SECTION

Breaking ground on the MWRD's new disinfection facility at the O'Brien Water Reclamation Plant in Skokie are (L-R): State Rep. Robyn Gabel, IL Finance Authority Executive Director Chris Meister, MWRD Commissioner Kari K. Steele, MWRD Vice President Barbara J. McGowan, MWRD Executive Director David St. Pierre, MWRD Chairman of Finance Mariyana T. Spyropoulos, Skokie Mayor George Van Dusen, MWRD Commissioner Frank Avila, MWRD President Kathleen Therese Meany, MWRD Commissioner Patrick D. Thompson, U.S. EPA Region 5 Administrator Susan Hedman, MWRD Commissioner Debra Shore, Friends of the Chicago River Executive Director Margaret Frisbie, Illinois EPA Director Lisa Bonnett, and MWRD Commissioner Michael A. Alvarez.

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Metropolitan Water Reclamation District of Greater Chicago

Board of Commissioners and Principal Officers

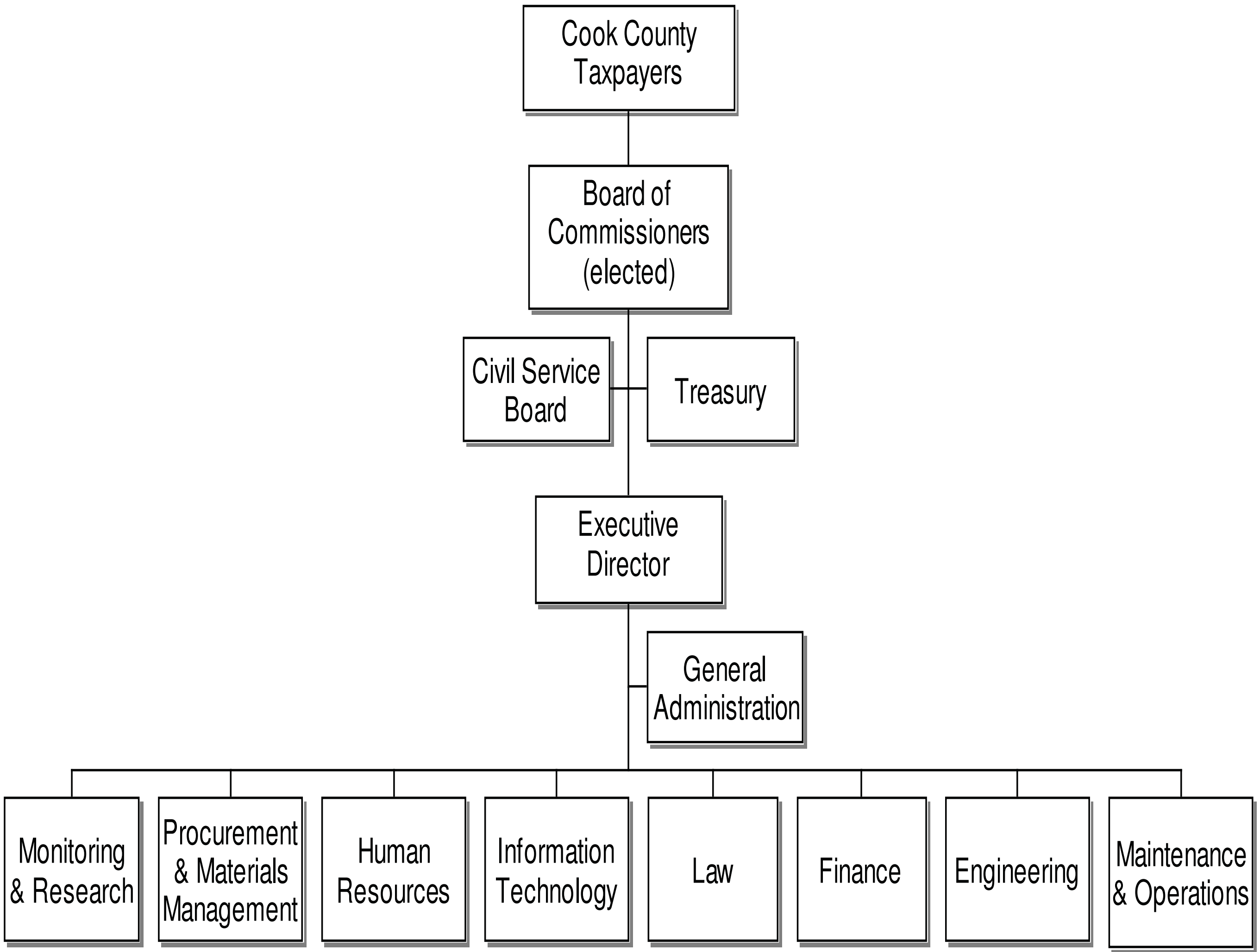
Board of Commissioners:
Honorable Kathleen Therese Meany, President
Honorable Barbara J. McGowan, Vice President
Honorable Mariyana T. Spyropoulos, Chairman, Committee on Finance
Honorable Michael A. Alvarez
Honorable Frank Avila
Honorable Cynthia M. Santos
Honorable Debra Shore
Honorable Kari K. Steele
Honorable Patrick D. Thompson

Principal Officers:
David St. Pierre, Executive Director
Ellen Barry, Acting Director of Information Technology
Mary Ann Boyle, Treasurer
Allison Fore, Public and Intergovernmental Affairs Officer
Thomas C. Granato, Director of Monitoring and Research
Ronald M. Hill, General Counsel
Denice E. Korcal, Director of Human Resources
Darlene A. LoCascio, Director of Procurement and Materials Management
Catherine A. O'Connor, Director of Engineering
Manju Prakash Sharma, Director of Maintenance and Operations
Jacqueline Torres, Clerk/Director of Finance

Main Office
100 East Erie Street
Chicago, Illinois 60611

Metropolitan Water Reclamation District of Greater Chicago

Organization Chart



1,927 Budgeted
Positions in 2013

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

KATHLEEN THERESE MEANY
President

312.751.5646 f: 312.751.5763
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May 7, 2014

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

At the close of my first year as President of the Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago and my 23rd year as a Commissioner, I am honored to present this annual message.

It has been a pleasure working in harmony with my fellow commissioners, our staff, and our community to improve the region's water environment, manage stormwater, and move ahead in other important areas. As we approach our 125th anniversary in 2014, I reflect on how the District made the Chicago region habitable beginning in 1889, and how the work we conduct today points us in a direction our early leaders could not have envisioned. The strides we are taking to evolve into a resource recovery organization are above and beyond the expectations of a wastewater treatment organization.

Our early leaders were passionate about finding the best way to protect our drinking water, and their revolutionary plan to reverse the flow of the Chicago River away from Lake Michigan with the Chicago Area Waterway System was a bold and successful solution to the problem. In the early 20th century, the District began working to develop wastewater treatment technology to help clean the notoriously polluted river. The construction of our seven wastewater treatment plants and 554 miles of intercepting sewers were giant steps in improving water quality. In 1972, we began working on the Tunnel and Reservoir Plan (TARP), an unprecedented project designed to capture sewer overflows before they reach and pollute our waterways. TARP is still under construction, but has already been extremely successful. Other cities around the world have taken note and are following our lead to undertake similar projects to prevent combined sewer overflow pollution. I know our founders would be proud of the accomplishments that we have made to date and amazed by what we have done in 2013.

We began our 124th year on a bright note as the Calumet Water Reclamation Plant underwent an overhaul and received an award from the American Council of Engineering Companies of Illinois. The project included the construction of 12 new primary settling tanks and eight new aerated grit tanks to replace under-sized and antiquated facilities.

This award was followed by even better news as Governor Pat Quinn announced that the District would receive a $250 million low-interest loan through the Illinois Clean Water Initiative. This funding allowed us to move forward with projects crucial for improving the water environment and protecting public health.

Responsible Fiscal Management

The District continued its quest to stay on sound financial footing in 2013. We passed an ordinance directing the Cook County Clerk to reduce our tax levy for 2012 by $19.7 million. We believe residents deserve to have their hard earned dollars protected and managed properly. We also recovered additional costs of treating wastewater through a user charge imposed on certain non-residential users. The District has maintained its AAA bond ratings from Fitch since 2001 and from Standard & Poor's since 2006. As in years past we received the Distinguished Budget Presentation award from the Government Finance Officers Association. In May, we released our Comprehensive Annual Financial Report (CAFR). Baker Tilly Virchow Krause, LLP, an independent accounting firm, presented the CAFR report during the Board's regular meeting on May 16, 2013 and stated that "the MWRD's financial statements present fairly, in all material respects, the position and results of the District."

Pursuit of Processes to Save Energy and Money

The quality of wastewater has greatly improved since the District's early years. The financial costs and energy required to run the processes that treat 1.4 billion gallons of wastewater per day are substantial. In keeping with our commitment to environmental stewardship and fiscal responsibility, we are continuing our work to become an energy-neutral organization and to minimize our energy costs. We are driving down energy costs by purchasing electricity at discounted rates through a competitive auction, with solar panels and by continuing the use of sewerthermal technology, which utilizes the ambient temperature of wastewater as an energy source.

Another significant effort underway that will help us achieve this energy neutral goal is the testing of a deammonification process, called ANITA™ Mox, which is a new energy-efficient nitrogen removal process with a low carbon footprint. Based on the use of anammox bacteria, it was developed for the treatment of water rich in ammonia and poor in carbon source. We plan to cut the ribbon on this new process in June 2014 at the Egan WRP.

We are looking throughout our organization to find additional sources of energy production. We are partnering with the Illinois Sustainable Technology Center at the University of Illinois at Urbana-Champaign to capture the energy of falling water to produce electricity in a new application of a "pico turbine" at the Stickney WRP. As water proceeds from one process to another over the normal course of flow at a wastewater treatment plant, it often falls over weirs, which are used to control water surface elevation in treatment tanks, and when water falls, it releases energy. Until recently, there was no technology small enough to fit into the tanks to capture that energy.

Phosphorus Removal

In 2013, we took steps to remove phosphorus from the treatment process and convert it into a usable product. This technology will produce approximately 10,000 – 15,000 tons of fertilizer annually, and our contractor, Ostara, will purchase the product at $400 per ton. This revenue should offset the operation costs of the Ostara process. Robert F. Kennedy, a member of the Ostara Board of Directors, joined us during the Water Environment Federation's 86th Annual Technical Exhibition and Conference (WEFTEC) in October to announce this new pursuit.

These endeavors all illustrate that the District is changing how we see sewage, not as a waste product but as a resource to be recovered and reused.

Disinfection Groundbreaking

Phosphorus removal is just one of the ways we are working to improve water quality. In September, we broke ground on disinfection projects at the O'Brien and Calumet Water Reclamation Plants. We were joined by U.S. Environmental Protection Agency Region 5 Administrator Susan Hedman, Illinois Environmental Protection Agency Director Lisa Bonnett, and other area leaders in Skokie in September to help kick off the projects. The work on both plants should be completed by December 2015, ahead of the 2016 recreational season.

Controlling Combined Sewer Overflows and Preventing Floods

Illinois experienced tremendous flooding in April of last year. Hundreds of homes were deemed uninhabitable and many lives were disrupted. Governor Quinn declared 44 Illinois counties federal disaster areas. While we have no control over the intensity of storm events, we can help minimize local flooding, and we see some light at the end of the tunnel when it comes to flood protection. We celebrated the "last blast" at the Thornton Reservoir in September. The Thornton Reservoir, a part of TARP, is set to come online at the same time as the disinfection facilities at the Calumet WRP, which also serves the southern area of the county. This combined effort will maximize the area's water quality and minimize flooding.

In October, the Board approved the Cook County Watershed Management Ordinance (WMO). The ordinance provides uniform stormwater management regulations for Cook County to prevent future commercial, municipal, and residential development and redevelopment projects from exacerbating flooding. We hosted four public meetings and a study session earlier this year to offer the public the opportunity to voice their opinion regarding the proposed ordinance. The WMO incorporates comments received during both the 2009 and 2013 public review periods, results received from an Economic Impact Study, and input from the WMO Advisory Committee.

Partnerships

This year we partnered with seven private and public organizations to support improvements in public access, green stormwater infrastructure, and wildlife habitat in the Chicago and Calumet region. In August, we joined our fund partners and Chicago Mayor Rahm Emanuel at the Wrigley Global Innovation Center to announce details on $1.1 million in competitive funding. Healthy urban waterways are a key component of the vitality of our communities. These investments improve our local economy and our quality of life. In finding new ways to deal with flooding, the Chi–Cal Rivers Fund will help reduce costs and risks associated with stormwater runoff. We also participated in two U.S. Drug Enforcement Administration unwanted medicine collections, removing more than 650 pounds of pharmaceuticals from the waste stream. In 2014, we will be moving forward with plans to partner with the City of Chicago Department of Water Management and Chicago Public Schools to install green infrastructure at four elementary schools. These projects will help minimize flooding by removing asphalt and replacing it with more natural means of water collection.

Legislative Program

Commissioner Michael Alvarez, Chairman of the Federal Legislative Committee, Executive Director David St. Pierre and I traveled to Washington D.C. to secure federal funding needed to keep TARP on schedule. Despite a difficult budget year and economical challenges, our Illinois delegation, led by Senator Richard Durbin, understood the need for this project to move forward and made it a priority to push for the funding necessary to do so. With their help, the District received $35 million dollars and ensured that TARP would be funded in 2013. The entire Board of Commissioners also traveled to Springfield to meet with members of the Illinois General Assembly to discuss legislative initiatives and new ideas to protect our regional waterways. Our long time partnership with our state and federal legislators has helped the District to succeed in its mission, and our continued work together will guarantee efficient progress in our area's water protection.

First Sustainability Summit

With a goal of empowering community leaders with an awareness of local, state and federal resources and partnerships, we hosted our first Sustainability Summit in Midlothian in September. More than 80 officials from the 125 Cook County communities participated in the four hour summit held at the Raday Lodge. Speakers included representatives from the U.S. Environmental Protection Agency, the Illinois Environmental Protection Agency, the Office of the Governor, the Illinois State Treasurer's Office, Cook County, the Metropolitan Planning Council, Openlands, and the District.

Celebrating our Staff

All of these achievements are made possible by District staff. These are the people who work hard to ensure the region has a reliable source of drinking water, aesthetically-pleasing waterways, minimal flooding, and cost-effective services. To honor our employees, we celebrated African American Heritage month in February and hosted the first Women's History month celebration in March. We honored our retirees during a banquet held at Niko's. We had a wonderful employee picnic at Mainstream Pumping Station in September and honored our veterans with a moving tribute by Loyola University's ROTC.

Rescues on the Water

Two rescue operations occurred in 2013. Commissioners and staff participated in a Blackhawk fan's water rescue along the Chicago River near the Controlling Works in July, and retiree George Richardson rescued a stranded jet ski operator in September.

Vendor Outreach

Also vital to our success is the work of our vendors. Over 200 contractors, consultants, subcontractors, and potential vendors had the opportunity to pursue new business at our second vendor outreach event held at the University of Illinois at Chicago in August. In addition to District staff, other community organizations and businesses facilitated roundtable discussions to learn from and educate others about potential contract opportunities.

Technical Advancements

We have come a long way in 124 years. Since the District was first established, horse and buggies have been replaced with cars and buses, gas lamps were replaced with electric lights, and our drinking water is reliably clean and sanitized. Thanks to technology, those interested in the debate and proceedings of those early formative years, as well as all the years in between, can visit the MWRD website and read the minutes with the click of a button and the help of a new searchable database. The public can even watch Board meetings from the comfort of their own home now that we stream the meetings online and archive the video. In addition, the state of the art facilities and processes that can be found at our facilities continue to attract visitors from all over the world.

Certainly the members of the 1889 Illinois General Assembly and our early leaders would be pleased with all that has been accomplished. The treatment technologies and processes we are pursuing today are on the cutting edge and will completely transform the wastewater industry for years to come. I believe the work we are doing today will be a significant triumph as the District's story is told 124 years from now.

Respectfully submitted,

Kathleen Therese Meany

Kathleen Therese Meany
President of the Board of Commissioners

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Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards

1975-2012
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting/Comprehensive Annual Financial Report

1993-2012
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

1985-2013
Government Finance Officers Association of the United States and Canada
Award for Distinguished Budget Presentation

2007-2012
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

2010-2011
Chicago Public Schools
Certificate of Appreciation for providing outstanding work-based learning experiences for Chicago Public School Career and Technical Education students through participation in the Work-Based Learning Program

2003-2015
National Institute of Governmental Purchasing
Outstanding Agency Accreditation Achievement Award

Individual Year Awards (partial listing)

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

Individual Year Awards (continued)

2010 (continued)

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

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 20 concurrent years of full compliance for Calumet Water Reclamation Plant; Platinum Award for 15 concurrent years of full compliance for Stickney and Lemont Water Reclamation Plants; Platinum Award for 7 concurrent years of full compliance for James C. Kirie Water Reclamation Plant; and Platinum Award for 6 concurrent years of full compliance for O'Brien Water Reclamation Plant

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

NACWA Award for Compliance with National Pollutant Discharge Elimination System, Silver Award for John E. Egan Water Reclamation Plant

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

2012

American Academy of Environmental Engineers

Excellence in Environmental Engineering Grand Prize for the University Research for Chicago Health, Environmental Exposure, and Recreation Study (CHEERS)

American Public Works Association

Thomas E. Kunetz, Assistant Director of Engineering, is the recipient of the Charles Walter Nichols Award for National Environmental Excellence, which recognizes outstanding and meritorious achievement in the environmental field

Chicago City Branch and Chicago Metro Chapter: Project of the Year in the Environmental $25 to $75 Million Category for the design of the Calumet Central Boiler Facility

Federation of Women Contractors

Outstanding Program of the Year Award for the MWRD Affirmative Action Program

2013

Illinois Water Environment Association

Commissioner Debra Shore is the recipient of the inaugural Public Official of the Year award. The Public Official of the Year award is presented to an elected or appointed public official that has made a documented significant contribution in the areas of clean water legislation, public policy, government service, or another area of public prominence that resulted in improvements to the water environment

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewage Agencies

Former Executive Director Richard Lanyon was inducted into the Hall of Fame and became the fifth District executive in its ranks. The other four are former Director of M&R Dr. Cecil Lue-Hing and former General Superintendents Bart Lynam, Hugh McMillan, and Ben Sosewitz.

National Association of Government Defined Contribution Administrators

Leadership Recognition Award of Distinction for National Save for Retirement Week Campaign

Water Environment Research Foundation

Award for Excellence in Innovation

Government Finance Officers Association

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, 2012

Jeffrey R. Emer

Executive Director/CEO

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

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JACQUELINE TORRES
Clerk/Director of Finance

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May 7, 2014

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, 2013. This statute requires 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, Illinois Complied Statutes, Act 2605/5.12, the District's basic financial statements for the period ended December 31, 2013, have been subject to an audit by independent accountants. The unmodified opinion of Baker Tilly Virchow Krause, LLP, has been included in the Financial Section of this report.

District management assumes full responsibility for the completeness and reliability of all the information presented in this report and 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 the Internal Audit staff periodically evaluate the internal control structure.

Both the investment community and taxpayers rely on the CAFR for basic information about the District, its past performance, current financial condition, future plans, and services provided. 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 1.4 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 Kathleen Therese Meany, Chairman, Committee on Finance Mariyana T. Spyropoulos. (Standing L to R) Patrick Daley Thompson, Kari K. Steele, Frank Avila, Debra Shore, Cynthia M. Santos, Michael A. Alvarez.

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 Board of 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 County of Cook, the Cook County Forest Preserve District, the Chicago Park District, the Chicago Public Building Commission, the City Colleges of Chicago, 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 $221 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 O'Brien 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 $609 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 2010. The expected construction cost over the next five years for the biosolids management program is $6 million.

Illinois residents brought 10,000 pounds of aerosols, flammable liquids, antifreeze, paint and other household hazardous waste to a special collections event held at Rich South High School in Richton Park in June.

The MWRD handles large debris removal and sidestream cleanup projects along the North Shore Channel, the Cal-Sag Channel and the Chicago Sanitary and Ship Canal using debris boats and pontoon boats. Debris Boat 1 (DB1) is pictured at work on the North Shore Channel.

The first of several sections of steel liner is lowered more than 300 feet below ground into a portion of the tunnel connecting the Calumet TARP tunnel system and the Thornton Composite Reservoir. The 30 foot diameter liner weighs 220,000 pounds.

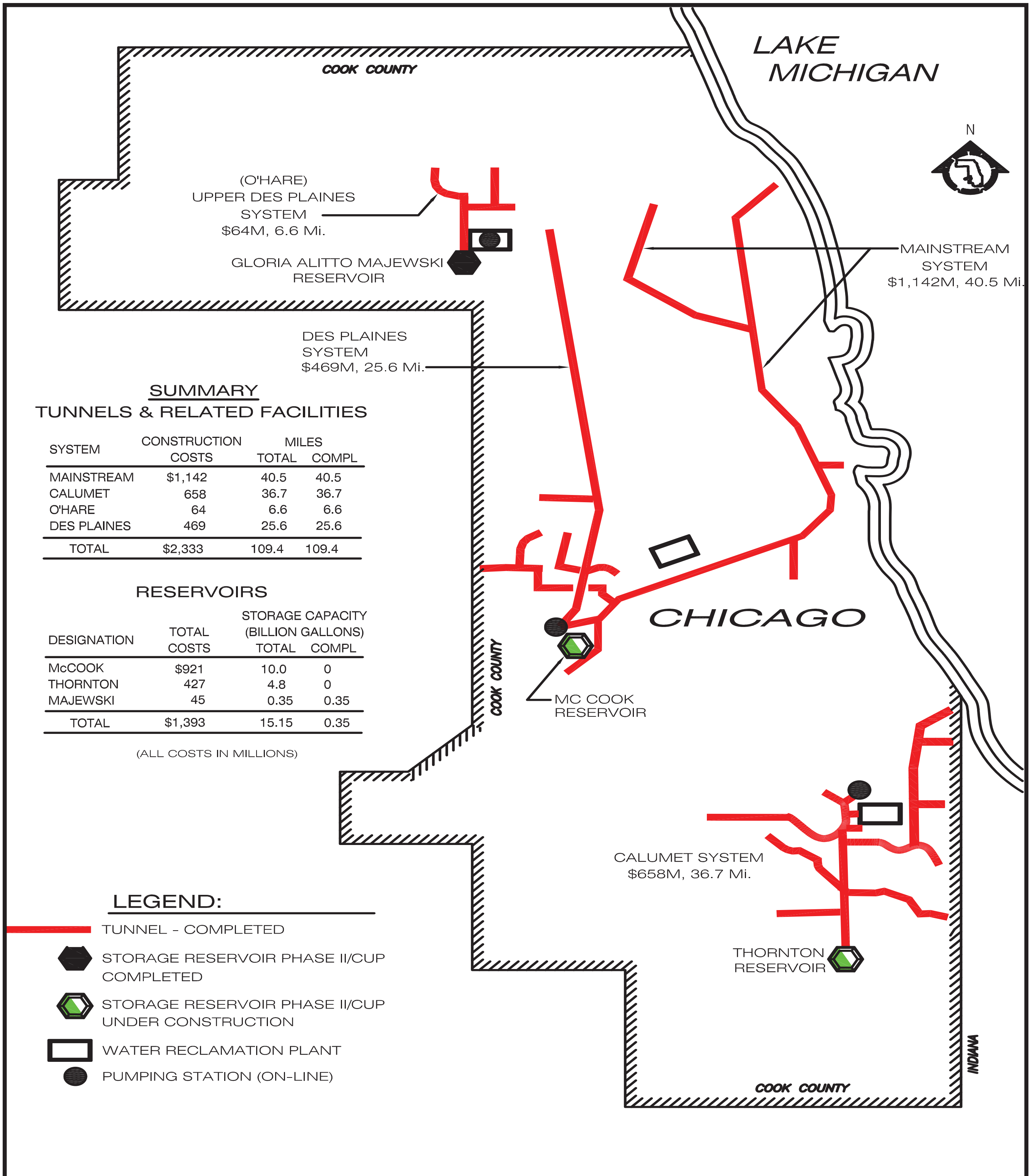
Officials and guests of the MWRD witness the Last Blast at the Thornton Composite Reservoir. The event marked the end of 15 years of excavation and the beginning of final construction of the reservoir, and is expected to be completed and online in December 2015. The reservoir is part of the MWRD's TARP system and is expected to provide $40 million in flood control benefits.

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 the 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 $1.4 billion, with the Corps and the District providing approximately $870 million and $530 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	$921	10.0	0
THORNTON	427	4.8	0
MAJEWSKI	45	0.35	0.35
TOTAL	$1,393	15.15	0.35

(ALL COSTS IN MILLIONS)

TUNNEL and RESERVOIR PLAN
PROJECT STATUS

Tunnel and Reservoir Plan – Phase II (continued)

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 was completed in 2013. The Composite Reservoir will then be completed by 2015. The accompanying exhibit on page 21 shows the status and components of both phases of TARP.

Green Infrastructure and TARP

A consent decree between the Metropolitan Water Reclamation District of Greater Chicago (MWRD) and the U.S. Department of Justice has been approved. One section of the consent decree is designed to foster the use of green infrastructure controls which are relatively new technologies that help reduce the amount of stormwater that flows into the sewer system during a storm. The consent decree also provides an enforceable schedule for implementing the MWRD's Tunnel and Reservoir Plan, which will result in a significant decrease in the volume of water discharged to the waterways from combined sewer overflows in Cook County, along with dramatically reducing the potential for flooding.

Stormwater Management

The District has completed all six Detailed Watershed Plans (DWPs), identifying flood and erosion prone areas within Cook County. The District anticipates beginning construction on five flood control projects and six streambank stabilization projects in 2014. Additional DWP-identified capital improvement projects are still in various stages of design. During development of DWPs, the District sought opportunities to fund projects meeting our objectives for regional flood control that had been studied and approved by other agencies, such as the U.S. Army Corps of Engineers and the Illinois Department of Natural Resources/Office of Water Resources. One such project, the Heritage Park Flood Control Facility, which consists of a series of detention ponds to provide compensatory storage for the U.S. Army Corps of Engineers' Levee 37, commenced in 2013 and is expected to be completed by mid-2014.

The District's Board of Commissioners adopted the Watershed Management Ordinance (WMO) on October 3, 2013. The WMO becomes effective on May 1, 2014 and establishes uniform and minimum stormwater regulations throughout Cook County. The District is developing a Technical Guidance Manual, which will serve as a companion reference to the WMO. Additionally, the District will conduct training for municipal representatives and design engineers.

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 $27 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 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, Stormwater Management, and Debt Service Funds.

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 3.0% average growth rate over the last ten years and the current equalized assessed valuation of $133,397,995,365 is 10.5% 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

- Created a strategic capital planning section to coordinate selection of the best technologies and ensure right sizing of major capital improvement projects
- Increase automation and consolidate staff to reduce future Human Resources 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 sufficient to allow for flexibility and protection in a volatile financial environment
- Internal audits and procedural reviews that ensure the integrity of financial information
- Provide cost effective counsel, representation, litigation and real estate administrative services
- Incorporate long-term budgetary planning
- Participated in the Retiree Drug Subsidy Program, recouping $943,997
- Continued to expand the Employee Wellness Program to help control health care costs with the addition of Weight Watchers-At-Work and on-site health fairs
- Awarded a contract to carve-out the pharmacy benefits and implement an Employer Group Waiver Plan for retirees to reduce prescription drug costs

COMMITMENT TO SUSTAINABILITY (continued)

- Maintained a comprehensive risk management program to protect the assets of the District and the safety of employees
- Secured and maintained excess insurance to assist with funding for catastrophe losses

Environmental Sustainability Initiatives

- Implementing energy efficient enhanced biological phosphorus removal process at several water reclamation plants to facilitate non-renewable resource recovery and reduce nutrient loading to receiving waters
- Construct the AnitaMox nitrogen-treatment process for the centrate at the Egan WRP that will reduce energy demand and test this technology for implementation in other District processes
- Evaluating an installed 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
- Increase the use of biosolids within the 126 community service areas of the District by 10 users in each of the next 5 years and 1,500 dry tons per year
- 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, including side-by-side testing for evaluation of the long-term consequences of permeable concrete, permeable asphalt, and paver blocks
- Continued to develop a composted topsoil product from the District's biosolids that will reduce mining of natural soils to supply the urban topsoil market
- Optimize utilization of biogas, a renewable energy source, through RFPs from outside parties for the Stickney and Calumet WRPs to determine the energy, economic, and environmental value of utilizing digester gas in various forms
- Collaborate with municipal and non-profit group applicants seeking state grant funding to implement stormwater best management practices and green infrastructure projects which propose to reduce stormwater inflow as well as reduce combined sewer overflows
- Complete 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 incorporating into the design sustainable elements such as native plantings, bioswales, natural streambank stabilization, and the addition of a riparian buffer area
- Implement the recommendations of the internal design guidance document for all new buildings constructed by the District which establishes all of the LEED© credits that are applicable to the industrial-type buildings constructed at District facilities
- Develop rain gardens at our water reclamation plants, where applicable and directing gutters from new building roofs and road gutters to rain gardens or local landscaping, instead of into the plant drain
- Require contractors to recycle construction and demolition debris
- Ensure tenants do not contaminate land and continue remediation efforts to clean-up legacy pollutants from former tenants
- Increase electronic filings and communications in lieu of paper and postal services to reduce future carbon footprint
- Reviewed alternatives and contractors' proposals to implement recovery of phosphorus from side streams and its beneficial reuse and entered into an agreement for the design of a phosphorous recovery facility at the Stickney WRP
- Require installation of energy efficient T-8 and LED lighting and premium efficiency motors with variable frequency drives, where applicable, on all new contracts
- Installation of intermediate-sized blowers at Stickney and Calumet WRPs to enable turning off large blowers during certain times of the year, thus reducing electrical consumption
- Develop a guidebook on technologies for stormwater mitigation and storage that can be applied on a small scale so that in aggregate, a reduction of localized flooding can be accomplished on a neighborhood basis
- Update IT infrastructure to reduce electricity consumption for running and maintaining proper temperature of computing and telecom equipment and conserve physical energy and natural resources to build out new facilities and electronic disposal
- Increase the use of green technologies such as server virtualization, teleconferencing and telecommuting
- Recycling paper, aluminum cans, plastic bottles, and utilization of the Main Office Building cafeteria food waste for compost purposes
- Pursuing Energy Star rating for the McMillan Pavilion in 2014

COMMITMENT TO SUSTAINABILITY (continued)

Infrastructure Sustainability Initiatives

- Continual improvement and maintenance of Asset Management System
- 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 to reduce 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
- Administered an Online Employment Center that provides the District with a dynamic pool of potential job applicants for future job openings
- Performed community outreach to 100 schools and community organizations informing them about District operations and programs
- Explore opportunities for installation of green roofs during building re-roofing contracts
- Conduct building inspections to identify opportunities to prolong the useful life of the structure and to incorporate energy efficiency technologies

FINANCIAL POLICIES

To protect the strong financial position of the District, ensure uninterrupted services, and stabilize annual tax levies, the Board of Commissioners adopted the following policies on December 21, 2006 to enhance and maintain budgetary fund balances. The General Corporate Fund policy was amended and the Stormwater Management Fund policy was adopted on December 10, 2009.

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.

- 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.

FINANCIAL POLICIES (continued)

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-related 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.

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.

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.

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, 2012. This was the 38th 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, 2013. 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 29 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 general citizenry, in our opinion, may fully rely on the 2013 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

May 7, 2014

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, 2013, 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).

Kathleen Therese Meany
President

David St. Pierre
Executive Director

Jacqueline Torres
Clerk/Director of Finance

Matthew Glavas
Comptroller

II.
FINANCIAL SECTION

MWRD President Kathleen Meany and Richton Park Village President Rick Reinbold surveyed participants at the Household Hazardous Waste Collection Event at Rich South High School in Richton Park in June. The data collected is used to assess and quantify the impact of the event.

BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 represent 85 percent, 86 percent and 78 percent, respectively, of the assets, equity and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Metropolitan Water Reclamation District Pension Trust Fund, is based solely on the report of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The District's financial statements include partial prior year comparative information. Such information does not include notes to the basic financial statements or management's discussion and analysis 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, 2012 from which such partial information was derived.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above 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 Metropolitan Water Reclamation District of Greater Chicago as of December 31, 2013 and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Special Revenue Retirement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Metropolitan Water Reclamation District of Greater Chicago adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, modified approach information, and pension and other postemployment benefit plans schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements. The combining and individual fund statements and schedules as well as the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are 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 basic 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 basic financial statements or to the basic 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund statements and schedules as well as the other supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements. The Introductory Section and the Statistical and Demographics 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. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014, on our consideration of the Metropolitan Water Reclamation District of Greater Chicago'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Water Reclamation District of Greater Chicago's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
May 7, 2014

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.

2013 FINANCIAL HIGHLIGHTS

- The District's total net posistion is $5,164,932,000. This can be attributed to the District's positive balance of $4,506,950,000 in net investment in capital assets.

- The District's total net position increased by $22,801,000 in 2013. The increase is primarily due to the decrease in Pension and OPEB Trust Fund costs which resulted from additional contributions made during the year.

- The District's combined fund balances for its governmental funds at December 31, 2013 totaled $776,556,000 a decrease of $163,742,000 from the prior year, as a result of the District not issuing general obligation bonds in 2013.

- The District's total liabilities decreased by $64,274,000 in 2013 which is mostly attributable to a decrease in both the net OPEB obligation and the net pension obligation, as well as a decrease in contract retainage. Several large projects were completed in 2013 and less construction activity occurred in 2013.

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 deferred outflows of resources less liabilities and deferred inflows of resources 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 that provide additional disclosure to better 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 2013, total property tax revenues decreased by $10,329,000 in the District's statement of changes in net position. This was primarily due to prior year property tax collections decreasing in 2013 as a part of the property tax appeal process.

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 2013, user charge revenues decreased by $20,140,000 as a result of $12,000,000 of 2011 user charge collections received in 2012 and from $7,000,000 of refunds issued in 2013 from overestimated billings.

Employee costs. The District's employee related expenditures are the largest single cost of the corporate fund comprising 69.1% of the total outlays for 2013. Employee costs are comprised of regular pay, overtime and health care premiums. The increase in employee costs of $29,440,000 from the prior year can be attributed to reclassification of 217 positions from the construction and CIB funds to the corporate fund.

Energy costs. A significant amount of the expenditures of the District are energy costs, mainly electricity and gas. The District currently purchases electricity for its major facilities from a provider at a fixed rate. In 2013, energy costs in the

General Corporate Fund's governmental fund financial statements increased by $2,364,000. The increase was attributable to an increase in electrical costs at the TARP pumping stations. TARP facilities function to prevent flooding during weather events, thus higher costs are a result of weather-related pumping. Natural gas costs also increased from 2012 to 2013 due to higher unit costs per therm as well as increased usage. Natural gas is used in the sewage treatment process to maintain the proper environment to ensure wastewater processing with permit compliance.

Pension costs. In 2013, the District and its employees increased their contribution to the Pension Fund. This resulted in a $26,295,000 decrease in the net pension obligation.

OPEB Trust Fund costs. In 2013 OPEB cost decreased by $12,412,000 mainly due to a reduction in the annual required contribution (ARC).

Claims and judgments. In 2012, the District accrued a probable expense for pending litigation. As the expense was already recognized in the prior year, there was a $22,369,000 decline in the 2013 claims and judgment expenses.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31, 2013 and 2012, is presented in the following schedule (in thousands of dollars):

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 1,301,264	$ 1,433,447	$ (132,183)	(9.2)%
Capital assets	6,903,046	6,809,326	93,720	1.4
Total assets	8,204,310	8,242,773	(38,463)	(0.5)
Deferred Outflows of Resources				
Loss on prior debt refunding	16,376	19,415	(3,039)	(15.7)
Total deferred outflows of resources	16,376	19,415	(3,039)	(15.7)
Liabilities:				
Current liabilities	143,391	128,452	14,939	11.6
Long-term liabilities	2,909,277	2,988,490	(79,213)	(2.7)
Total liabilities	3,052,668	3,116,942	(64,274)	(2.1)
Deferred Inflows of Resources:				
Unavailable revenue	3,086	3,115	(29)	(0.9)
Total deferred inflows of resources	3,086	3,115	(29)	(0.9)
Net Position:				
Net investment in capital assets	4,506,950	4,514,633	(7,683)	(0.2)
Restricted	653,945	628,504	25,441	4.0
Unrestricted (Deficit)	4,037	(1,006)	5,043	98.1
Total net position	$ 5,164,932	$ 5,142,131	$ 22,801	0.4 %

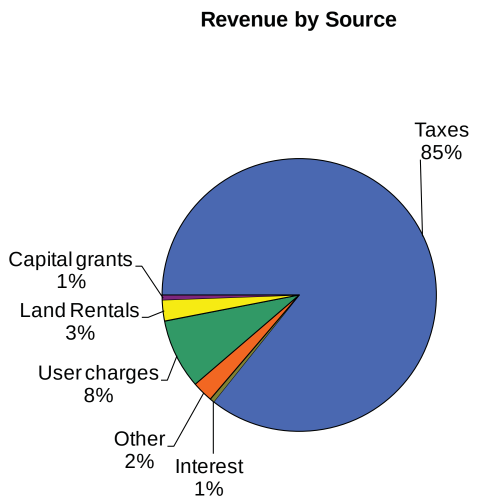
The above schedule reports that the District's net position totaled $5,164,932,000 at December 31, 2013, which represents the amount the District's assets exceed its liabilities. The largest portion of the position, $4,506,950,000, represents the District's capital assets used to provide services to 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 $653,945,000 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 the unrestricted net position is $4,037,000, which represents the net position that has no external restriction as to use or purpose.

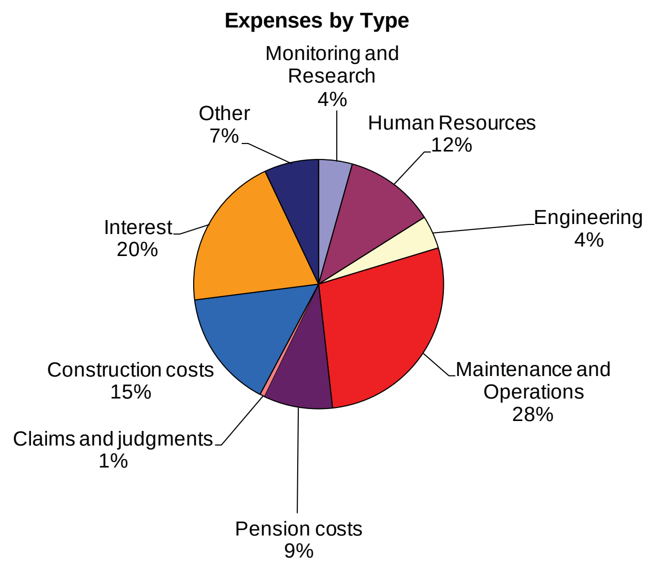
A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2013 and 2012 is presented in the following schedule (in thousands of dollars):

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
General Revenues:				
Taxes	$ 511,592	$ 521,921	$ (10,329)	(2.0) %
Interest	3,051	11,123	(8,072)	(72.6)
Other	11,320	13,533	(2,213)	(16.4)
Program Revenues:				
User charges	49,182	69,322	(20,140)	(29.1)
Land rentals	14,851	12,081	2,770	22.9
Fees, forfeits, and penalties	3,396	3,353	43	1.3
Capital grants	11,110	22,164	(11,054)	(49.9)
Total revenues	604,502	653,497	(48,995)	(7.5)
Expenses				
Board of Commissioners	3,520	3,471	49	1.4
General Administration	14,426	14,296	130	0.9
Monitoring and Research	25,294	24,689	605	2.5
Procurement and Materials Management	5,660	5,694	(34)	(0.6)
Human Resources	67,841	63,103	4,738	7.5
Information Technology	14,331	13,714	617	4.5
Law	6,975	5,942	1,033	17.4
Finance	3,394	3,175	219	6.9
Engineering	25,051	4,332	20,719	478.3
Maintenance and Operations	162,372	161,919	453	0.3
Pension costs	52,065	78,360	(26,295)	(33.6)
OPEB Trust Fund costs	(19,567)	(7,155)	(12,412)	173.5
Claims and judgments	3,369	25,738	(22,369)	(86.9)
Construction costs	88,528	75,496	13,032	17.3
Loss on disposal of capital assets	173	147	26	17.7
Unallocated depreciation	12,020	12,459	(439)	(3.5)
Interest	116,249	111,044	5,205	4.7
Total expenses	581,701	596,424	(14,723)	(2.5)
Increase (decrease) in net position	22,801	57,073	(34,272)	(60.0)
Total net position, beginning of year	5,142,131	5,085,058	57,073	1.1
Total net position, end of year	$ 5,164,932	$ 5,142,131	$ 22,801	0.4 %

Total revenues decreased by $48,995,000 in 2013, or 7.5% from the prior year and total expenses decreased by $14,723,000 in 2013, or 2.5% from the prior year. The major reasons for the variances are detailed under "Key Financial Comparisons" on pages 34-35.

The following percentage charts show the major sources of revenue and expenses for the year ended December 31, 2013:





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 2013, the District reports four major funds and two non-major funds. The four major governmental funds are the General Corporate Fund, the Retirement Fund, the Capital Improvements Bond Fund, and the Debt Service Fund. The non-major governmental funds are the Construction Fund and the Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of $776,556,000, a decrease of $163,742,000 or 17.4%, from 2012. A total of $42,527,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled $785,989,000 and the remaining deficit of ($51,960,000) 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 $335,125,000. The fund balance represented 98.9% of the General Corporate Fund expenditures, a good indication of the fund's liquidity. The total fund balance for the General Corporate Fund decreased by $29,377,000 in the current year mainly as a result of a $30,000,000 transfer to the retirement fund. 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 60-61.

The General Corporate Fund ended the year with an unassigned fund balance deficit of ($51,960,000) primarily due to pre-paid insurance and nonspendable inventories.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2013 and 2012, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

	2013 Amount	2013 % of Total	2012 Amount	2012 % of Total	Increase (Decrease)	Percent Increase (Decrease)
Revenues:						
Property taxes	$ 222,163	66.9 %	$ 257,656	67.1 %	$ (35,493)	(13.8)%
Personal property replacement tax	32,055	9.6	27,093	7.1	4,962	18.3
Total tax revenue	254,218	76.5	284,749	74.2	(30,531)	(10.7)
Interest on investments	1,575	0.5	4,755	1.2	(3,180)	(66.9)
Land sales	2,575	0.8	-	-	2,575	100.0
Tax increment financing distributions	3,361	1.0	6,239	1.6	(2,878)	(46.1)
Claims and damage settlements	971	0.3	110	0.0	861	782.7
Government grants	53	0.0	152	0.0	(99)	(65.1)
Miscellaneous	2,933	0.9	4,058	1.1	(1,125)	(27.7)
User charges	48,882	14.7	69,022	18.0	(20,140)	(29.2)
Land rentals	14,851	4.5	12,081	3.2	2,770	22.9
Fees, forfeits, and penalties	2,629	0.8	2,575	0.7	54	2.1
Total revenues	$ 332,048	100.0 %	$ 383,741	100.0 %	$ (51,693)	(13.5)%

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, and rental income. In 2013, General Corporate Fund revenues totaled $332,048,000, a decrease of ($51,693,000), or 13.5%, from 2012. The major variances in revenues are previously explained under "Key Financial Comparisons" on pages 34-35.

A comparative analysis of the General Corporate Fund expenditures by object class for the years ended December 31, 2013 and 2012, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Expenditures Schedule

	2013 Amount	2013 % of Total	2012 Amount	2012 % of Total	Increase (Decrease)	Percent Increase (Decrease)
Expenditures:						
Employee cost	$ 228,906	69.1 %	$ 199,466	65.8 %	$ 29,440	14.8 %
Energy cost	33,349	10.1	30,985	10.2	2,364	7.6
Chemicals	5,818	1.8	6,725	2.2	(907)	(13.5)
Solids disposal	8,595	2.6	12,220	4.0	(3,625)	(29.7)
Repair to structures/equipment	15,001	4.5	16,765	5.5	(1,764)	(10.5)
Materials, parts & supplies	9,961	3.0	10,193	3.4	(232)	(2.3)
Machinery & equipment	784	0.2	1,081	0.4	(297)	(27.5)
Claims and judgments	4,970	1.5	5,998	2.0	(1,028)	(17.1)
All other	24,041	7.2	19,901	6.6	4,140	20.8
Total expenditures	$ 331,425	100.0 %	$ 303,334	100.0 %	$ (28,091)	9.3 %

In 2013, General Corporate Fund expenditures totaled $331,425,000, an overall increase of $28,091,000, or 9.3%, from 2012. Employee and energy costs were the two largest expenditure components of the General Corporate Fund in 2013, accounting for 79.2% of total expenditures versus 76.0% in 2012. The major variances in expenses are previously explained under “Key Financial Comparisons” on pages 34-35.

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 $122,527,000. The fund balance represented 63.5% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund decreased by $13,646,000 in the current year, as a result of less property taxes collected and an increase in payments of principal for State Revolving Fund loans.

The Capital Improvements Bond Fund is a capital projects fund used by the District for the construction and preservation of capital facilities. The Capital Improvements Bond Fund’s resources are bond proceeds, government grants, and state revolving loans. The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled $232,338,000. This amount will provide resources for the 2014 construction program. The fund balance represented 145.7% of the fund’s expenditures. The fund balance decrease of $114,533,000 in the current year was primarily due to less federal grants received and less construction activity occurred in 2013.

The Retirement fund is now classified as a major fund because total liabilities are greater than 10% of the total governmental funds and is used for collection of the tax levy which is remitted to the Pension Board. There is no fund balance for the Retirement Fund at the end of the current fiscal year as all funds are transferred, or due to, the District’s Pension Fund.

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 2013 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 2013 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 2013 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	$ 246,991	$ 246,991	$ 246,498	$ (493)
Adjustment for working cash borrowing	(4,588)	(4,588)	(4,588)	-
Adjustment for estimated tax collections	-	-	24,989	24,989
Tax revenue available for current operations	242,403	242,403	266,899	24,496
User charges	50,000	50,000	53,502	3,502
Interest on investments	4,200	4,200	3,485	(715)
Tax increment financing distributions	925	925	3,313	2,388
Land rentals	13,500	13,500	14,930	1,430
Land sales	2	2	2,575	2,573
Claims and damage settlements	-	-	1,093	1,093
Other	3,442	3,442	6,093	2,651
Total revenues	314,472	317,472	351,890	37,418
Operating expenditures:				
Board of Commissioners	3,807	3,807	3,514	293
General Administration	45,904	45,904	44,086	1,818
Monitoring and Research	27,163	27,163	24,573	2,590
Procurement and Materials Management	8,999	8,999	8,064	935
Human Resources	73,964	73,964	67,832	6,132
Information Technology	15,802	15,802	13,982	1,820
Law	8,803	8,803	6,986	1,817
Finance	3,522	3,522	3,392	130
Engineering	26,076	26,076	23,987	2,089
Maintenance and Operations	169,568	169,568	160,421	9,147
Claims and judgments	62,000	62,000	4,976	57,024
Total expenditures	445,608	445,608	361,813	83,795
Revenues over (under) expenditures	(131,136)	(131,136)	(9,923)	121,213
Fund balance at beginning of year	238,995	238,995	195,271	(43,724)
Net assets available for future use	(107,859)	(107,859)	-	107,859
Fund balance at beginning of year as adjusted	131,136	131,136	195,271	64,135
Fund balance at end of the year	$ -	$ -	$ 185,348	$ 185,348

Actual revenues on a budgetary basis for 2013 in the General Corporate Fund totaled $351,890,000 or $37,418,000 more than budgeted revenues, a 10.6% variation. Property taxes and personal property replacement taxes were $24,496,000 more than the budget because of the adjustment for estimated tax collections over and above the working cash borrowings. User charge receipts were $3,502,000 more than the budget as a result of continued economic growth within the District operating area. Interest on investments had a $715,000 negative variance under budget as of result of the Federal Reserve Board maintaining low interest rates to stimulate economic growth in 2013. Land rentals were $1,430,000 more than the budget due to the expiration of older leases being renewed at higher prevailing market rates. All other revenues had an $8,705,000 positive variance because of better-than-expected results for fines, and revenues from tax increment financing districts.

The 2013 General Corporate Fund final appropriation of $445,608,000 did not change from the original amount. Actual budgetary expenditures totaled $361,813,000, or 81.2%, of the total appropriation. The $83,795,000 excess of appropriations over actual expenditures was primarily due to claims and judgments being $57,024,000 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 $9,147,000 below appropriations, mainly because of variances for electricity, chemicals, waste disposal costs, repairs, and repair parts.

CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2013, amounted to $6,903,046,000. Reportable capital assets, net of accumulated depreciation, for 2013 as compared to 2012 are as follows (in thousands of dollars):

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 129,215	$ 129,584	$ (369)	(0.3)%
Permanent easements	1,330	1,330	-	-
Buildings	7,724	7,910	(186)	(2.4)
Machinery and equipment	27,562	29,429	(1,867)	(6.3)
Computer software	1,560	2,219	(659)	(29.7)
Depreciable infrastructure	1,696,738	1,708,099	(11,361)	(0.7)
Modified infrastructure	4,287,461	4,147,230	140,231	3.4
Construction in progress	751,456	783,525	(32,069)	(4.1)
Total	$ 6,903,046	$ 6,809,326	$ 93,720	1.4 %

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

- Total capital asset additions exceeded retirements and depreciation by $93,720,000 in 2013.

- Construction in progress decreased by $32,069,000 from 2012 to 2013 due to the completion of construction projects. Major projects in 2013 include the Thornton Transitional Reservoir for $59,300,000, the Thornton Tunnel Gates Connection for $22,500,000, the Stickney Battery A and Skim Tanks projects for $16,200,000, and the new M&R Building at the Calumet WRP for $15,200,000.

In addition to the above, commitments totaling $465,981,126 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 departments; 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 to insure that the District's bond rating is maintained at the highest level.

The Kirie, Hanover, Egan, Central (Stickney), O'Brien, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2011. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2012. The Egan and O'Brien networks each had its most recent condition assessment completed in 2013. (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, 2013, totaled $ 2,909,277,000. The breakdown of this debt and changes from 2012 to 2013 are as follows (in thousands of dollars):

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	$ 2,564,999	$ 2,596,098	$ (31,099)	(1.2) %
Bond anticipation notes	35,809	44,527	(8,718)	(19.6)
Claims payable	77,996	79,597	(1,601)	(2.0)
Compensated absences	27,627	28,356	(729)	(2.6)
Capital lease	47,795	49,827	(2,042)	(4.1)
Net OPEB obligation	49,858	69,425	(19,567)	(28.2)
Net Pension liability	105,193	120,651	(15,458)	(12.8)
Total	$ 2,909,277	$ 2,988,491	$ (79,214)	(2.7) %

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

- Bonds payable, net, decreased by $31,099,000 in 2013 as a result of debt payments.
- Bond anticipation notes decreased by $8,718,000 in 2013 as a result of the issuance of $41,546,000 in notes and the conversion of $50,264,000 from bond anticipation notes to bonds.
- Claims payable decreased by $1,601,000 due to decreases in general and construction claims.

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

Moody's Investors Service	Aa1
Standard & Poor's Corporation	AAA
Fitch, Inc.	AAA

In August 2013, Moody's Investor Service downgraded the District's Bonds from Aaa to Aa1. Moody's stated two reasons for the downgrade. The significant debt burden and pension liabilities for major governmental agencies in Cook County is now considered a risk for the District's tax base. In addition, Moody's changed its pension rating methodology in April 2013 and implemented different assumptions to estimate the unfunded pension liability than is currently required by governmental accounting standards.

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, Construction Working Cash, Stormwater Management, and Stormwater 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 $133,397,995,365 for the 2012 property tax levy. At December 31, 2013, the District's statutory debt limit of $7,670,384,733 exceeded the applicable net debt amount of $2,632,853,014 by $5,037,531,719.

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 refunding bonds, money received from the Water Pollution Control Revolving Fund and 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, unissued and carried forward were $450,000,000 for the budget year ended December 31, 2013.

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 2013 levy year is $154,623,118 (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, 2013, the District's outstanding capital improvement and refunding bonds (excluding bonds treated as outstanding State Revolving Fund bonds) of $1,857,730,000 did not exceed the limitation of $4,468,832,845.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2013, 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
2006	497	100	397
2007	382	-	382
2009	600	600	-
2011	378	378	-
Total bonds outstanding at December 31, 2013	1,857	$ 1,078	$ 779
Remaining bond authorization at December 31, 2013	2,612		
Total bond authorization at December 31, 2013	$ 4,469		

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, 2013, the District's remaining Corporate Working Cash Fund bond authorization is $235,500,000.

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 3.0% average growth rate over the last ten years although the current equalized assessed valuation of $133,397,995,365 is 10.5% 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. The area's economy is beginning to slowly emerge and recover from the impact of the recession. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division increased to a seasonally adjusted rate of 9.1% for 2013 from 8.8% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have all been negatively impacted. This trend is expected to continue through most, if not all, of 2014.

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 2014. The total appropriation for the Corporate Fund in 2014 is $395.3 million, an increase of $11.7 million, or 3.1 percent from the 2013 Adjusted Budget.

The 2014 tax levy for the Corporate Fund is $230.0 million, an increase of $5.9 million or 2.6 percent compared to the 2013 Adjusted Budget. It is the District's intent over the next few years to reduce, then maintain the fund balance, or net assets appropriable for the Corporate Fund in the $47 to $59 million range. This fund balance level balances the competing imperatives of minimizing the annual levy and providing for unexpected shortfalls in revenues.

Continuing through 2014, economically sensitive non-property tax revenues, such as interest income, 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 2014 is 18.15 cents an increase of 3.11 cents from 2013 as adjusted. 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.

Stormwater Management Fund. The Stormwater Management Fund was established by Public Act 93-1049 on January 1, 2005. This fund accounts for tax levies and other revenue to be used for stormwater management activities throughout all of Cook County, including areas that currently lie outside the District's boundaries.

The fund consolidates the stormwater management activities of the Engineering and Maintenance & Operations Departments.

The Stormwater Management Fund appropriation for 2014 totals $50.9 million, a decrease of $10.3 million or 16.9 percent from the 2013 Adjusted Budget.

Detailed Watershed Plans (DWP) have been developed for the watersheds in Cook County. Potential projects from the completed plans are prioritized on a countywide basis with the final selection of specific projects for implementation chosen by the Board of Commissioners. Two categories have been established for DWP projects. The first category is streambank stabilization, which involves addressing critical active streambank erosion threatening public safety, structures, and/or infrastructure. The second category of projects addresses regional overbank flooding. The selected projects constitute the Stormwater Capital Improvement Program, and will be scheduled according to funding availability. Prior to DWP completion, the District considered funding regional flood control projects studied by other agencies. The Heritage Park Flood Control Facility is one such project. Ordinance O13-002, an Ordinance to Adopt the Watershed Management Ordinance with an effective date of May 1, 2014, was passed by the Board of Commissioners on October 3, 2013.

The Heritage Park Flood Control Facility project was awarded in 2012. The project will provide regional benefits and has been studied by regional agencies such as the Illinois Department of Natural Resources/Office of Water Resources and the United States Army Corps of Engineers. The project will provide the required compensatory storage for the United States Army Corp of Engineer's Levee 37 project along the Des Plaines River. In 1999, the United States Army Corps of Engineers approved a study for the Upper Des Plaines River from the Wisconsin/Illinois state line to Riverside, Illinois. Known as the Des Plaines River Phase 1 Study, its purpose is to identify solutions to flooding along the main stem of the river. Subsequently, the District began negotiations with the Wheeling Park District and the Village of Wheeling for the use of Heritage Park in Wheeling as the site of the compensatory storage required for Levee 37. The District entered into an intergovernmental agreement with the Wheeling Park District and the Village of Wheeling on April 1, 2010 and final design of the Heritage Park Flood Control Facility commenced shortly thereafter. Construction began in 2012 and is expected to be complete by spring 2014.

The Board of Commissioners granted authority in 2011 for the establishment of a Green Infrastructure Program, which will facilitate the planning, design, and construction of multiple green infrastructure projects throughout Cook County in partnership with a variety of stakeholders.

Property taxes are the primary funding source for the District's Stormwater Management Fund. Illinois law limits the tax rate of this fund to 5 cents per $100 of equalized assessed valuation. The estimated tax rate for the Stormwater Management Fund in 2014 is 1.66 cents, which is an increase of 0.08 cents from 2013 as adjusted.

Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund. The District's overall Capital Program includes 2014 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately $1.9 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.

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.

Construction Fund. The Construction fund appropriation for 2014 totals $53.3 million, an increase of $12.5 million or 30.6 percent from the 2013 Adjusted Budget.

Beginning in 2002, the budgeting of Engineering Department staff working on capital projects was split between the Construction Fund and the Capital Improvements Bond Fund. In 2013, positions budgeted in both capital funds were transferred to the Corporate Fund along with personnel-related costs such as health care.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2014 tax levy planned for the Construction Fund is $17.4 million, an increase of $6.3 million or 57.0 percent from the 2013 Adjusted Levy.

Capital Improvements Bond Fund. The 2014 appropriation for the Capital Improvements Bond Fund is $386.2 million, an increase of $36.6 million or 10.5 percent from the 2013 Adjusted Budget. The appropriation is based on the scheduled award of $295.4 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2014 with estimated award values consist of nine plant expansion and improvement projects at $154.7 million; eleven stormwater management projects at $36.2 million; six collection projects at $89.5 million; two facilities replacement projects at $9.0 million; and one solids project at $6.0 million.

The increase in appropriation for the Capital Improvements Bond Fund of $36.6 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 $90.8 million appropriation for this fund will provide for 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 the 2014 budget document.

A listing and description of proposed projects, and projects under construction, scheduled for 2014, can be found in the Capital Budget (Section V), of the 2014 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 23, 2007. Since inception, the District has budgeted and transferred a total of $92.4 million into the OPEB trust fund. The District contributed $22.4 million in 2012 and $20.0 million in 2013 to reach that goal. Total net position was $120,883,000 as of December 31, 2013. The accumulated unfunded OPEB obligation was estimated at approximately $139 million and $340 million at both December 31, 2013 and December 31, 2012 respectively. On December 19, 2013, the Board of Commissioners adopted a revised investment policy statement for the Metropolitan Water Reclamation District Retiree Health Care Trust.

Organized Labor. The District has six collective bargaining agreements that cover fifteen unions and include approximately 768 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.

On August 3, 2012 Governor Quinn signed House Bill 4513, now Public Act 97-0894, into law. Employer contributions will increase from $2.19 for each employee dollar contributed two years prior to the lesser $4.19 for each employee dollar contributed or the actuarially determined contribution requirement. The employee contributions for tier 1 employees (those hired before January 1, 2011) will increase 1% each year for the next 3 years beginning January 1, 2013, increasing the contribution rate from the current 9% to 12%. The employee contributions will remain at 12% until the funded ratio reaches 90% then the contribution rate will be reduced to 9%.

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.

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BASIC FINANCIAL STATEMENTS

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund		Debt Service Fund		Capital Improvements Bond Fund	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Assets and deferred outflows of resources						
Assets:						
Cash	$ 29,781	$ 11,903	$ 24,959	$ 1,893	$ 6,561	$ 10,996
Certificates of deposit (note 4)	17,555	3,006	4,011	3,503	44,138	49,200
Investments (note 4)	251,043	297,608	69,036	99,889	185,432	316,157
Prepaid insurance	2,391	-	-	-	-	-
Taxes receivable, net (note 5)	222,071	235,839	195,211	178,482	-	-
Other receivables, net (note 5)	(1,943)	2,934	1,001	1,001	31,853	14,072
Due from other funds (note 12)	176	1,004	-	-	-	-
Restricted deposits	1,425	2,018	-	-	-	-
Inventories	40,136	39,467	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	562,635	593,779	294,218	284,768	267,984	390,425
Deferred outflows of resources:						
Loss on prior debt refunding	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 562,635	$ 593,779	$ 294,218	$ 284,768	$ 267,984	$ 390,425
Liabilities, deferred inflows of resources, and fund balances/net position						
Liabilities:						
Accounts payable and other liabilities (note 5)	$ 30,530	$ 31,186	$ -	$ -	$ 35,646	$ 42,798
Due to Pension Trust Fund	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	-	756
Accrued interest payable	-	-	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	30,530	31,186	-	-	35,646	43,554
Deferred inflows of resources:						
Unavailable tax revenue (note 5)	193,898	194,980	170,690	147,594	-	-
Other unavailable/unearned revenue (note 5)	3,082	3,111	1,001	1,001	-	-
Total deferred inflows of resources	196,980	198,091	171,691	148,595	-	-
Fund balances/net position						
Fund balances:						
Nonspendable:						
Prepaid insurance	2,391	-	-	-	-	-
Inventories	40,136	39,467	-	-	-	-
Restricted for:						
Deposits	1,425	2,018	-	-	-	-
Working cash	276,894	277,006	-	-	-	-
Reserve claims	66,239	65,162	-	-	-	-
Debt service	-	-	122,527	136,173	-	-
Capital projects	-	-	-	-	232,338	346,871
Unassigned (Deficit)	(51,960)	(19,151)	-	-	-	-
Total fund balances	335,125	364,502	122,527	136,173	232,338	346,871
Total liabilities, deferred inflows, and fund balances	$ 562,635	$ 593,779	$ 294,218	$ 284,768	$ 267,984	$ 390,425
Net position:						
Net investment in capital assets						
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.

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2a)		Statements of Net Position	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
$ -	$ -	$ 3,195	$ 1,288	$ 64,496	$ 26,080	$ -	$ -	$ 64,496	$ 26,080
-	-	11,612	1,502	77,316	57,211	-	-	77,316	57,211
-	-	74,422	90,038	579,933	803,692	-	-	579,933	803,692
-	-	-	-	2,391	-	-	-	2,391	-
56,638	32,903	29,991	39,003	503,911	486,227	-	-	503,911	486,227
-	-	745	745	31,656	18,752	-	-	31,656	18,752
-	-	-	-	176	1,004	(176)	(1,004)	-	-
-	-	-	-	1,425	2,018	-	-	1,425	2,018
-	-	-	-	40,136	39,467	-	-	40,136	39,467
-	-	-	-	-	-	5,169,462	5,061,669	5,169,462	5,061,669
-	-	-	-	-	-	1,733,584	1,747,657	1,733,584	1,747,657
$ 56,638	$ 32,903	$ 119,965	$ 132,576	$ 1,301,440	$ 1,434,451	$ 6,902,870	$ 6,808,322	$ 8,204,310	$ 8,242,773
-	-	-	-	-	-	16,376	19,415	16,376	19,415
$ 56,638	$ 32,903	$ 119,965	$ 132,576	$ 1,301,440	$ 1,434,451	$ 6,919,246	$ 6,827,737	$ 8,220,686	$ 8,262,188
$ -	$ -	$ 6,330	$ 6,558	$ 72,506	$ 80,542	$ -	$ -	$ 72,506	$ 80,542
12,975	10,173	-	-	12,975	10,173	43,663	22,730	56,638	32,903
-	-	176	248	176	1,004	(176)	(1,004)	-	-
-	-	-	-	-	-	14,247	15,007	14,247	15,007
-	-	-	-	-	-	143,086	144,229	143,086	144,229
-	-	-	-	-	-	2,766,191	2,844,261	2,766,191	2,844,261
12,975	10,173	6,506	6,806	85,657	91,719	2,967,011	3,025,223	3,052,668	3,116,942
43,663	22,730	26,148	32,273	434,399	397,577	(434,399)	(397,577)	-	-
-	-	745	745	4,828	4,857	(1,742)	(1,742)	3,086	3,115
43,663	22,730	26,893	33,018	439,227	402,434	(436,141)	(399,319)	3,086	3,115
-	-	-	-	2,391	-	(2,391)	-		
-	-	-	-	40,136	39,467	(40,136)	(39,467)		
-	-	-	-	1,425	2,018	(1,425)	(2,018)		
-	-	59,334	59,386	336,228	336,392	(336,228)	(336,392)		
-	-	-	-	66,239	65,162	(66,239)	(65,162)		
-	-	-	-	122,527	136,173	(122,527)	(136,173)		
-	-	27,232	33,366	259,570	380,237	(259,570)	(380,237)		
-	-	-	-	(51,960)	(19,151)	51,960	19,151		
-	-	86,566	92,752	776,556	940,298	(776,556)	(940,298)		
$ 56,638	$ 32,903	$ 119,965	$ 132,576	$ 1,301,440	$ 1,434,451				
						4,506,950	4,514,633	4,506,950	4,514,633
						276,894	277,006	276,894	277,006
						9,861	4,524	9,861	4,524
						278,970	268,760	278,970	268,760
						28,886	18,828	28,886	18,828
						21,644	21,649	21,644	21,649
						37,690	37,737	37,690	37,737
						4,037	(1,006)	4,037	(1,006)
						$ 5,164,932	$ 5,142,131	$ 5,164,932	$ 5,142,131

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund		Debt Service Fund		Capital Improvements Bond Fund	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Revenues						
General revenues:						
Property taxes	$ 222,163	$ 257,656	$ 167,914	$ 173,803	$ -	$ -
Personal property replacement tax	32,055	27,093	-	-	-	-
Interest on investments	1,575	4,755	363	996	618	4,004
Land sales	2,575	-	-	-	-	-
Tax increment financing distributions	3,361	6,239	-	-	-	-
Claims and damage settlements	971	110	-	-	1,246	1,362
Miscellaneous	2,933	4,058	4	9	1,520	1,754
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	48,882	69,022	-	-	-	-
Land rentals	14,851	12,081	-	-	-	-
Fees, forfeits, and penalties	2,629	2,575	-	-	-	-
Capital grants and contributions:						
Federal and state grants	53	152	11,057	12,012	-	10,000
Total revenues	332,048	383,741	179,338	186,820	3,384	17,120
Expenditures/Expenses						
Operations:						
Board of Commissioners	3,514	3,463	-	-	-	-
General Administration	14,111	13,877	-	-	-	-
Monitoring and Research	25,128	24,495	-	-	-	-
Procurement and Materials Management	5,671	5,698	-	-	-	-
Human Resources	67,856	63,105	-	-	-	-
Information Technology	14,024	13,167	-	-	-	-
Law	6,984	5,942	-	-	-	-
Finance	3,393	3,172	-	-	-	-
Engineering	23,987	3,229	-	-	-	-
Maintenance and Operations	161,787	161,188	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	4,970	5,998	-	-	-	-
Construction costs	-	-	-	-	155,073	232,583
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation and amortization (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds and capital lease	-	-	83,667	69,453	2,042	1,947
Interest on bonds and issuance costs	-	-	109,317	116,411	2,348	2,443
Total expenditures/expenses	331,425	303,334	192,984	185,864	159,463	236,973
Revenues over (under) expenditures	623	80,407	(13,646)	956	(156,079)	(219,853)
Other financing sources (uses):						
State revolving fund loans	-	-	-	-	41,546	54,884
Bond anticipation notes converted	-	-	-	-	50,264	118,365
Bond anticipation notes refunded	-	-	-	-	(50,264)	(118,365)
Transfers	(30,000)	(1,000)	-	(2,000)	-	(25,000)
Total other financing sources (uses)	(30,000)	(1,000)	-	(2,000)	41,546	29,884
Revenues and other financing sources (uses) over (under) expenditures	(29,377)	79,407	(13,646)	(1,044)	(114,533)	(189,969)
Change in net position	-	-	-	-	-	-
Fund balances/net position:						
Beginning of the year	364,502	285,095	136,173	137,217	346,871	536,840
End of the year	$ 335,125	$ 364,502	$ 122,527	$ 136,173	$ 232,338	$ 346,871

See accompanying notes to the basic financial statements.

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2b)		Statements of Activities	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
$ 28,841	$ 28,872	$ 36,048	$ 28,837	$ 454,966	$ 489,168	$ 15,889	$ (2,852)	$ 470,855	$ 486,316
8,682	7,319	-	1,193	40,737	35,605	-	-	40,737	35,605
-	-	495	1,368	3,051	11,123	-	-	3,051	11,123
-	-	-	-	2,575	-	(2,575)	-	-	-
-	-	-	-	3,361	6,239	-	-	3,361	6,239
-	-	54	-	2,271	1,472	-	-	2,271	1,472
-	-	308	1	4,765	5,822	-	-	4,765	5,822
-	-	-	-	-	-	923	-	923	-
-	-	300	300	49,182	69,322	-	-	49,182	69,322
-	-	-	-	14,851	12,081	-	-	14,851	12,081
-	-	767	778	3,396	3,353	-	-	3,396	3,353
-	-	-	-	11,110	22,164	-	-	11,110	22,164
37,523	36,191	37,972	32,477	590,265	656,349	14,237	(2,852)	604,502	653,497
-	-	-	-	3,514	3,463	6	8	3,520	3,471
-	-	-	-	14,111	13,877	315	419	14,426	14,296
-	-	-	-	25,128	24,495	166	194	25,294	24,689
-	-	-	-	5,671	5,698	(11)	(4)	5,660	5,694
-	-	-	-	67,856	63,105	(15)	(2)	67,841	63,103
-	-	-	-	14,024	13,167	307	547	14,331	13,714
-	-	-	-	6,984	5,942	(9)	-	6,975	5,942
-	-	-	-	3,393	3,172	1	3	3,394	3,175
-	-	-	-	23,987	3,229	1,064	1,103	25,051	4,332
-	-	-	-	161,787	161,188	585	731	162,372	161,919
67,523	66,191	-	-	67,523	66,191	(15,458)	12,169	52,065	78,360
-	-	-	-	-	-	(19,567)	(7,155)	(19,567)	(7,155)
-	-	-	-	4,970	5,998	(1,601)	19,740	3,369	25,738
-	-	44,158	26,732	199,231	259,315	(110,703)	(183,819)	88,528	75,496
-	-	-	-	-	-	173	147	173	147
-	-	-	-	-	-	12,020	12,459	12,020	12,459
-	-	-	-	85,709	71,400	(85,709)	(71,400)	-	-
-	-	-	-	111,665	118,854	4,584	(7,810)	116,249	111,044
67,523	66,191	44,158	26,732	795,553	819,094	(213,852)	(222,670)	581,701	596,424
(30,000)	(30,000)	(6,186)	5,745	(205,288)	(162,745)	228,089	219,818		
-	-	-	-	41,546	54,884	(41,546)	(54,884)	-	-
-	-	-	-	50,264	118,365	(50,264)	(118,365)	-	-
-	-	-	-	(50,264)	(118,365)	50,264	118,365	-	-
30,000	30,000	-	(2,000)	-	-	-	-	-	-
30,000	30,000	-	(2,000)	41,546	54,884	(41,546)	(54,884)	-	-
-	-	(6,186)	3,745	(163,742)	(107,861)	163,742	107,861	-	-
-	-	-	-	-	-	22,801	57,073	22,801	57,073
-	-	92,752	89,007	940,298	1,048,159	-	-	5,142,131	5,085,058
$ -	$ -	$ 86,566	$ 92,752	$ 776,556	$ 940,298	$ -	$ -	$ 5,164,932	$ 5,142,131

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, 2013

(in thousands of dollars)

	Budget Original	Budget Final	Actual Amounts	Actual Variance With Final Budget - Positive (Negative)
Revenues:				
Property taxes:				
Gross levy	$ 224,100	$ 224,100	$ 224,100	$ -
Allowance for uncollectible taxes	(7,843)	(7,843)	(7,843)	-
Net property tax levy	216,257	216,257	216,257	-
Property tax collections	6,903	6,903	6,410	(493)
Personal property replacement tax:				
Entitlement	23,831	23,831	23,831	-
Total tax revenue	246,991	246,991	246,498	(493)
Adjustment for working cash borrowing	(4,588)	(4,588)	(4,588)	-
Adjustment for estimated tax collections	-	-	24,989	24,989
Tax revenue available for current operation	242,403	242,403	266,899	24,496
Interest on investments	4,200	4,200	3,485	(715)
Land sales	2	2	2,575	2,573
Tax increment financing distributions	925	925	3,313	2,388
Miscellaneous	3,440	3,440	6,093	2,653
User charges	50,000	50,000	53,502	3,502
Land rentals	13,500	13,500	14,930	1,430
Claims and damage settlements	-	-	1,093	1,093
Fees, forfeits, and penalties	2	2	-	(2)
Total revenues	314,472	314,472	351,890	37,418
Expenditures:				
Board of Commissioners	3,807	3,807	3,514	293
General Administration	45,904	45,904	44,086	1,818
Monitoring and Research	27,163	27,163	24,573	2,590
Procurement and Materials Management	8,999	8,999	8,064	935
Human Resources	73,964	74,089	67,832	6,257
Information Technology	15,802	15,802	13,982	1,820
Law	8,803	8,803	6,986	1,817
Finance	3,522	3,522	3,392	130
Engineering	26,076	25,951	23,987	1,964
Maintenance and Operations	169,568	169,568	160,421	9,147
Claims and judgments	62,000	62,000	4,976	57,024
Total expenditures	445,608	445,608	361,813	83,795
Revenues over (under) expenditures	(131,136)	(131,136)	(9,923)	121,213
Fund balances at beginning of year	238,995	238,995	257,127	18,132
Net assets available for future use	(107,859)	(107,859)	-	107,859
Fund balances at beginning of the year as adjusted	131,136	131,136	257,127	125,991
Fund balances at end of year	$ -	$ -	$ 247,204	$ 247,204

See accompanying notes to the basic financial statements.

Exhibit A-4
Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on Budgetary Basis

Year ended December 31, 2013

(in thousands of dollars)

Retirement Fund	**Final Budget**	**Actual on Budgetary Basis**	**Actual Variance with Final Budget - Positive (Negative)**
Revenues:			
Property taxes	$ 27,492	$ 28,841	$ 1,349
Personal property replacement tax	7,269	8,682	1,413
Total tax revenue	34,761	37,523	2,762
Operating expenditures:			
Pension costs	64,761	67,523	(2,762)
Total expenditures	64,761	67,523	(2,762)
Revenues over (under) expenditures	(30,000)	(30,000)	
Other Financing Source:			
Transfer from General Fund	30,000	30,000	-
Total other financing sources	30,000	30,000	-
Revenues and other financing sources over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	$ -	$ -	$ -

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	2013	2012
Assets		
Cash	$ 3,384	$ 2,274
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of $5,383 in 2013; $4,402 in 2012)	62,984	34,761
Securities sold	8,012	5,264
Forward foreign exchange contracts	32,768	20,077
Accrued interest and dividends	2,646	2,305
Accounts receivable	52	49
Total receivables	106,462	62,456
Investments at fair value		
Corporate bonds and notes	161,406	167,027
Illinois funds investment pool	10,006	10,095
Pooled funds - fixed income	223,486	228,209
Pooled funds - equities	73,747	49,674
Common and preferred stocks	843,885	663,897
Short-term investments	51,789	29,535
Total investments	1,364,319	1,148,437
Securities lending capital	45,659	49,637
Total assets	$ 1,519,824	$ 1,262,804
Liabilities		
Accounts payable	$ 1,544	$ 1,368
Securities lending collateral	45,659	49,637
Forward foreign exchange contracts	32,768	20,077
Securities purchased	20,356	13,218
Total liabilities	100,327	84,300
Net position held in trust for pension and OPEB benefits	$ 1,419,497	$ 1,178,504

See accompanying notes to the basic financial statements.

Exhibit A-6
Pension and Other Post Employment Benefits Trust Funds
Statements of Changes in Fiduciary Net Position

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	2013	2012
Additions:		
Contributions:		
Employer contributions	$ 126,779	$ 100,524
Employee contributions	16,891	14,714
Retiree contributions	6,218	5,821
Total contributions	149,888	121,059
Investment income:		
Net appreciation (depreciation) in fair value of investments	224,279	110,532
Interest on short-term investments	8,763	4,661
Dividend income	12,836	13,886
Total investment income	245,878	129,079
Less investment expenses	(5,508)	(4,800)
Investment income (loss) net of expenses	240,370	124,279
Security lending activities:		
Security lending income	89	131
Borrower rebates	630	852
Bank fees	(174)	(234)
Net income from securities lending activities	545	749
Other	7	40
Total additions	390,810	246,127
Deductions:		
Annuities and benefits:		
Employee annuitants	106,624	103,044
Retiree health care benefits	20,053	18,847
Surviving spouse annuitants	19,432	18,674
Child annuitants	114	114
Ordinary disability benefits	822	678
Duty disability benefits	214	204
Total annuities and benefits	147,259	141,561
Refunds of employee contributions	1,129	1,196
Administrative expenses	1,429	1,333
Total deductions	149,817	144,090
Net increase (decrease)	240,993	102,037
Net position held in trust for pension and OPEB benefits		
Beginning of year	1,178,504	1,076,467
End of year	$ 1,419,497	$ 1,178,504

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Index to Notes

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, 2013, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Assets				
Cash	$ 29,781	$ 28,089	$ 205	$ 1,487
Certificates of deposit	17,555	693	-	16,862
Investments	251,043	117,157	86,689	47,197
Prepaid Insurance	2,391	2,391	-	-
Receivables:				
Property taxes receivable	262,968	255,818	-	7,150
Allowance for uncollectible taxes	(40,897)	(39,508)	-	(1,389)
Taxes receivable, net	222,071	216,310	-	5,761
User charges	(2,708)	(2,708)	-	-
Miscellaneous	765	485	-	280
Due from Stormwater Management Fund	176	176	-	-
Restricted deposits	1,425	1,425	-	-
Inventories	40,136	40,136	-	-
Total assets	$ 562,635	$ 404,154	$ 86,894	$ 71,587
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and other liabilities	$ 30,530	$ 30,150	$ -	$ 380
Due to corporate fund from corporate working cash	-	190,000	(190,000)	-
Total liabilities	30,530	220,150	(190,000)	380
Deferred inflows of resources:				
Unavailable tax revenue	193,898	188,930	-	4,968
Other unavailable/unearned revenue	3,082	3,082	-	-
Total deferred inflows of resources	196,980	192,012	-	4,968
Fund balances:				
Nonspendable:				
Prepaid insurance	2,391	2,391	-	-
Inventories	40,136	40,136	-	-
Restricted for:				
Deposits	1,425	1,425	-	-
Working cash	276,894	-	276,894	-
Reserve claims	66,239	-	-	66,239
Unassigned (Deficit)	(51,960)	(51,960)	-	-
Total fund balances	335,125	(8,008)	276,894	66,239
Total liabilities and fund balances	$ 562,635	$ 404,154	$ 86,894	$ 71,587

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, 2013, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Revenues:				
Property taxes	$ 222,163	$ 216,149	$ -	$ 6,014
Personal property replacement tax	32,055	32,055	-	-
Total tax revenue	254,218	248,204	-	6,014
Interest on investments	1,575	1,609	(112)	78
Land sales	2,575	2,575	-	-
Tax increment financing distributions	3,361	3,361	-	-
Claims and damage settlements	971	1,024	-	(53)
Miscellaneous	2,933	2,925	-	8
User charges	48,882	48,882	-	-
Land rentals	14,851	14,851	-	-
Fees, forfeits and penalties	2,629	2,629	-	-
Federal grants	53	53	-	-
Total revenues	332,048	326,113	(112)	6,047
Operations:				
Board of Commissioners	3,514	3,514	-	-
General Administration	14,111	14,111	-	-
Monitoring and Research	25,128	25,128	-	-
Procurement and Materials Management	5,671	5,671	-	-
Human Resources	67,856	67,856	-	-
Information Technology	14,024	14,024	-	-
Law	6,984	6,984	-	-
Finance	3,393	3,393	-	-
Engineering	23,987	23,987	-	-
Maintenance and Operations	161,787	161,787	-	-
Claims and judgments	4,970	-	-	4,970
Total expenditures	331,425	326,455	-	4,970
Revenues over (under) expenditures	623	(342)	(112)	1,077
Other financing sources (uses):				
Transfer out to the Pension Fund	(30,000)	(30,000)	-	-
Net Change in Fund balance	(29,377)	(30,342)	(112)	1,077
Fund balance at the beginning of year	364,502	22,334	277,006	65,162
Fund balance at the end of year	$ 335,125	$ (8,008)	$ 276,894	$ 66,239

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.

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).

The District reports the following non-major governmental funds:

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, 2013, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Assets			
Cash	$ 1,678	$ 1,425	$ 253
Certificates of deposit	5,503	503	5,000
Investments	30,944	21,553	9,391
Receivables:			
Property taxes receivable	12,654	12,654	-
Allowance for uncollectible taxes	(1,963)	(1,963)	-
Taxes receivable, net	10,691	10,691	-
Miscellaneous receivable	745	745	-
Total assets	$ 49,561	$ 34,917	$ 14,644
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 2,815	$ 2,815	$ -
Due to Construction Fund from Construction Working Cash	-	7,000	(7,000)
Total liabilities	2,815	9,815	(7,000)
Deferred inflows of resources:			
Unavailable tax revenue	9,285	9,285	-
Other unavailable/unearned revenue	745	745	-
Total deferred inflows of resources	10,030	10,030	-
Fund balances:			
Restricted for:			
Working cash	21,644	-	21,644
Capital projects	15,072	15,072	-
Total fund balances	36,716	15,072	21,644
Total liabilities, deferred inflows, and fund balances	$ 49,561	$ 34,917	$ 14,644

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, 2013, are as follows (in thousands of dollars):

	Total Construction Fund	**Construction Division**	**Working Cash Division**
Revenues:			
Property taxes	$ 17,585	$ 17,585	$ -
Total tax revenue	17,585	17,585	-
Interest on investments	223	228	(5)
User charge	300	300	-
Claims and damages settlements	54	54	-
Fees, forfeits and penalties	762	762	-
Total revenues	18,924	18,929	(5)
Construction Costs:			
Personal services	771	771	-
Contractual services	18	18	-
Materials and supplies	(196)	(196)	-
Machinery and equipment	1,714	1,714	-
Capital projects	10,777	10,777	-
Total expenditures	13,084	13,084	-
Revenues over (under) expenditures	5,840	5,845	(5)
Net Change in Fund balance	5,840	5,845	(5)
Fund balance at the beginning of year	30,876	9,227	21,649
Fund balance at the end of year	$ 36,716	$ 15,072	$ 21,644

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, 2013, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Assets			
Cash	$ 1,517	$ 1,440	$ 77
Certificates of deposit	6,109	1,006	5,103
Investments	43,478	20,968	22,510
Receivables:			
Property taxes receivable	22,304	22,304	-
Allowance for uncollectible taxes	(3,004)	(3,004)	-
Taxes receivable, net	19,300	19,300	-
Total assets	$ 70,404	$ 42,714	$ 27,690
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 3,515	$ 3,515	$ -
Due to Corporate Fund	176	176	-
Due to Stormwater Management Fund from Stormwater Working Cash	-	10,000	(10,000)
Total liabilities	3,691	13,691	(10,000)
Deferred inflows of resources:			
Unavailable tax revenue	16,863	16,863	-
Total deferred inflows of resources	16,863	16,863	-
Fund balances:			
Restricted for:			
Working cash	37,690	-	37,690
Capital projects	12,160	12,160	-
Total fund balances	49,850	12,160	37,690
Total liabilities, deferred inflows, and fund balances	$ 70,404	$ 42,714	$ 27,690

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, 2013, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Revenues:			
Property taxes	$ 18,463	$ 18,463	$ -
Total tax revenue	18,463	18,463	-
Interest on investments	272	319	(47)
Fees, forfeits and penalties	5	5	-
Miscellaneous	308	308	-
Total revenues	19,048	19,095	(47)
Construction Costs:			
Personal services	8,087	8,087	-
Contractual services	2,582	2,582	-
Materials and supplies	18	18	-
Capital projects	20,387	20,387	-
Total expenditures	31,074	31,074	-
Revenues over (under) expenditures	(12,026)	(11,979)	(47)
Net Change in Fund balance	(12,026)	(11,979)	(47)
Fund balance at the beginning of year	61,876	24,139	37,737
Fund balance at end of year	$ 49,850	$ 12,160	$ 37,690

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 satisfies the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the Trust's income from gross income under Section 115 has been received from the IRS.

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 unavailable 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 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 class (object) 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). Transfers of appropriations between objects of expenditure or between departments must be presented to the Board of Commissioners in accordance with applicable statutes. The District's Annual Appropriation Ordinance further requires line item class appropriations be supported by a schedule of line items, and expenditures be made in accordance with such schedule of line items. The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. 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 of Illinois. 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 maintain and 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. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2011. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2012. The Egan and O'Brien networks each had its most recent condition assessment completed in 2013.

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, 2013, are liabilities for compensated absences of $1,560,000, due within one year, and $27,067,000, 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 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 as a deferred outflow of resources 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 a board motion. The District's commissioners shall establish, modify, or rescind a fund balance commitment by vote of a motion presented to 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 District's Board of Commissioners approved a motion authorizing the Executive Director to 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 restricted 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 restricted 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:

- Net investment in capital assets - 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 $653,945,000 of restricted net position.

- Unrestricted Net Position - This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 -** In November 2010, the GASB issued Statement No. 61 - The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This standard was implemented effective January 1, 2013.

In March 2012, the GASB issued Statement No. 65 - Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented for the year ending December 31, 2013.

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, 2013 (in thousands of dollars):

Total fund balances of governmental funds	$ 776,556
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	7,141,759
Accumulated depreciation/amortization	(238,713)
Capital assets, net	6,903,046
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	(27,627)
Claims and judgments	(77,996)
Capital lease	(47,795)
Bond anticipation notes	(35,809)
General obligation debt	(2,481,973)
Net OPEB obligation	(49,858)
Net Pension liability	(105,193)
Total long-term liabilities	(2,826,251)
Bond refunding transactions are recorded as deferred outflows of resources in the governmental funds while bond premiums and discounts are recorded as other financing sources and uses, respectively. Bond premiums are amortized over the life of the bonds for the Statements of Net Position. They consist of:	
Bond premium	(83,026)
Bond refunding transactions	16,376
Total bond premium and refunding transactions	(66,650)
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 2013 amount is:	
Accrued interest	(14,247)
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 unavailable revenues (deferred inflows of resources) in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:	
Unavailable Property taxes and personal property replacement tax	434,399
Adjustment for pension trust fund	(43,663)
Grants and rents	1,742
Adjustment to unavailable revenues	392,478
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	176
Due to other funds	(176)
Total interfund	-
Total net position of governmental activities	$ 5,164,932

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, 2013 (in thousands of dollars):

Net change in fund balances of governmental funds	$ (163,742)
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	110,703
Depreciation expense-allocated to various departments	(3,138)
Depreciation/amortization expense-unallocated	(12,020)
Excess of construction and capital outlay costs over depreciation expense	95,545
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:	
Bond anticipation notes proceeds	(41,546)
Debt proceeds total	(41,546)
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	85,709
Debt service principal retirement total	85,709
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	729
Change in claims and judgments	1,601
Change in bond interest	48
Change in bond anticipation notes interest	712
Amortization of bond issuance/refunding costs	(10,928)
Amortization of bond premium	5,584
Change in net pension obligation	15,458
Change in OPEB costs	19,567
Total additional expenses	32,771
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	(1,825)
Unavailable 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	15,889
Total adjustments	15,889
Change in net position of governmental activities	$ 22,801

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	$ (9,923)
Adjustment from Budget to GAAP for:	
Tax revenues	(12,681)
Transfers from other sources (uses)	
Transfer from Corporate Fund to Retirement Fund	(30,000)
Cash basis other revenues	(7,161)
GAAP versus budgetary expenditure differences	30,388
Revenues and other sources (uses) over (under) expenditures on GAAP Basis	$ (29,377)

4. Deposits and Investments

Deposits

As of December 31, 2013, the District, the Pension Trust Fund and OPEB Trust Fund 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; and (9) municipal bonds of the State of Illinois, 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. 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).

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December 31, 2013 (in thousands of dollars):

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1 Year	1- 5 Years
U.S. Agencies	$ 218,475	$ 5,000	$ 213,475
Municipal Bond	330,504	158,053	172,451
State Treasurer's Illinois Funds	28,143	28,143	-
Total Investments	$ 577,122	$ 191,196	$ 385,926

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 $2,811,000.

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 270 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, Moody's and Fitch at December 31, 2013 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	Credit Ratings at 12/31/13 S&P/Moody's/Fitch	% of Investment Type	% of Total Investments in Debt Securities
U.S. Agencies			
Federal National Mortgage Association (FNMA)	AA+/Aaa/AAA	60.8%	
Federal Home Loan Mortgage Corporation (FHLMC)	AA+/Aaa/AAA	22.3%	
Federal Home Loan Banks (FHLB)	AA+/Aaa/NR	10.1%	
Federal Farm Credit Banks (FFCB)	AA+/Aaa/AAA	6.8%	
Total U.S. Agencies		100.0%	37.9%
State Treasurer's Illinois Funds	AAAm	100.0%	4.9%
State of Illinois *	A-/A3/A-	43.9%	25.0%
Regional Transit Authority (Illinois) *	AA/Aa3/AA	15.5%	8.9%
Colorado Housing & Finance Authority *	NR/Aa2/AA	8.7%	5.0%
State of California *	A/A1/A	4.3%	2.5%
New York City Transitional Finance Authority *	AAA/Aa1/AAA	4.0%	2.3%
Rosemont, Illinois *	AA-/A2/NR	3.2%	1.8%
State of Connecticut *	AA/Aa3/AA	3.1%	1.8%
State of New York Dormitory Authority *	AAA/NR/AA	3.0%	1.7%
Long Beach California Bond Finance Authority *	A+/NR/AA-	1.9%	1.1%
Oklahoma City Economic Development Trust *	AA/Aa2/NR	1.9%	1.1%
Illinois Housing Development Authority *	AA/Aa3/NR	1.8%	1.0%
Indiana University *	AA+/Aaa/NR	1.3%	0.8%
Peoria County Illinois School District *	NR/Aa2/NR	1.3%	0.7%
Massachusetts Department of Transportation *	NR/Aa3/AA-	1.2%	0.7%
Cook County, Illinois *	AA/A1/AA-	1.1%	0.6%
Arizona School Facilities Board *	AAA/Aaa/AAA	0.9%	0.5%
Cook County Illinois School District #68 Skokie *	NR/Aa1/NR	0.6%	0.4%
San Diego Unified School District *	AA-/Aa3/NR	0.6%	0.3%
Bloomington, Illinois *	AA-/NR/NR	0.6%	0.3%
California Department of Water Resources *	AAA/Aa1/NR	0.5%	0.3%
Monmouth County Improvement Authority *	AAA/Aaa/AAA	0.3%	0.2%
Tampa-Hillsborough County Florida Expressway Authority *	A-/A3/NR	0.3%	0.2%
			100.0%

* Municipal Bond

NR - Not Rated

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

Investments	Fair Value	% of Fair Value
Municipal Bonds	$ 330,504	50.5%
U.S. Agencies	218,475	33.4%
Certificate of Deposit	77,440	11.8%
State Treasurer's Illinois Funds	28,143	4.3%
	$ 654,562	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. At December 31, 2013 the District had no investments in commercial paper. As of December 31, 2013, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
State of Illinois Municipal Bonds	$ 145,266
Federal National Mortgage Association (FNMA)	132,779
Regional Transit Authority Municipal Bonds	51,080
Federal Home Loan Mortgage Corporation (FHLMC)	48,811
Colorado Housing and Finance Authority Municipal Bonds	28,697
State Treasurer's Illinois Funds	28,143

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 OPEB Trust Fund is authorized under State Statute 70 ILCS 2605/9.6d. In accordance with the Statute, the Trust Fund 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, which was revised on December 19, 2013.

At December 31, 2013, the OPEB 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 "first in first out" disposition method is used at the time of sale.

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, 2013 (in thousands of dollars):

Investment Type	Fair Value	Average Maturities (years)
Fixed Income:		
Pooled Funds - Long Term investments	$ 189,819	7.5
Pooled Funds - Short Term investments	51,789	0.1
Corporate bonds and notes	161,406	
Total Fixed Income	403,014	
Equities:		
Common and Preferred Stock	843,885	
Securities lending Collateral	45,659	
Total Equities	889,544	
Total Investments	$ 1,292,558	

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, 2013 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Mutual Funds:			
Dodge & Cox Income	$ 13,701	40.7%	7.9
Payden Core Bond Fund	2,431	7.2%	7.8
PIMCO Total Return Instl.	17,535	52.1%	6.0
Total Fixed Income	33,667		
Equities:			
American Funds Fundamental	11,357		
Artisan International Fund	5,850		
Fidelity Contra Fund	10,041		
Harbor International Instl.	11,329		
Invesco Equally-Weighted S&P 500	5,623		
MFS Massachusetts Investors	10,277		
The Profit Fund	2,738		
Vanguard REIT Index	4,763		
Vanguard Small Cap Index Instl.	11,769		
Total Equities	73,747		
Illinois Funds Investment Pool	10,006		
Total Plan Assets at Fair Value	117,420		
Cash & Cash Equivalents	3,261		
Total Investments	$ 120,681		

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 Pension Trust Fund's debt securities at December 31, 2013 (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	137,751	57.0
Aa	Pooled Funds - Long Term investments	8,922	3.7
A	Pooled Funds - Long Term investments	20,937	8.7
Baa	Pooled Funds - Long Term investments	22,209	9.2
Not Rated	Pooled Funds - Short Term investments	51,789	21.4
		$ 241,608	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, 2013; 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	Dodge & Cox Income	Payden Core Bond Fund	PIMCO Total Return Instl.
AAA	44.4 %	7.1 %	69.0 %
AA	2.1	36.3	4.0
A	13.2	15.3	5.0
BBB	27.9	30.4	12.0
BB	9.7	4.4	5.0
B	2.7	4.0	1.0
Below B	-	2.5	4.0
	100.0 %	100.0 %	100.0 %

Morningstar Inc. provided 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 for Dodge & Cox and Payden Core. PIMCO Investments LLC provided the information for PIMCO Total Return as it was not available from Morningstar Inc.

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, 2013 was as follows:

Equities	Fair Value	%
Australian Dollar	$ 4,549,459	4.8
Canadian Dollar	7,727,076	8.2
Swiss Franc	15,588,690	16.5
Danish Krone	2,472,073	2.6
Euro	21,334,672	22.6
Pound Sterling	26,167,107	27.7
Hong Kong Dollar	3,191,362	3.4
Israeli Shekel	303,153	0.3
Japanese Yen	10,436,812	11.0
Norwegian Krone	680,419	0.7
Swedish Krona	1,896,753	2.0
Singapore Dollar	190,797	0.2
Total	$ 94,538,373	100.0%

Fixed Income	Fair Value	%
Australian Dollar	$ 191,117	3.2
Brazil Real	232,599	3.9
Euro	458,962	7.7
Pound Sterling	351,229	5.9
Ghanaian Cedi	83,954	1.4
Indonesian Rupiah	464,493	7.8
Mexican New Peso	792,630	13.3
Malaysian Ringgit	173,289	2.9
Nigerian Naira	194,276	3.3
Norwegian Krone	1,287,764	21.5
New Zealand Dollar	155,158	2.6
Philippines Peso	450,615	7.5
Polish Zloty	99,499	1.7
Romanian Leu	428,279	7.2
Russian Rubel	336,002	5.6
New Turkish Lira	275,895	4.6
Total	$ 5,975,761	100.0%

Foreign Cash	Fair Value	%
Australian Dollar	$ 57,171	2.2
Canadian Dollar	111,805	4.2
Swiss Franc	189,679	7.2
Danish Krone	23,912	0.9
Euro	393,047	14.9
British Pound Sterling	407,674	15.5
Ghanaian Cedi	8,135	0.3
Hong Kong Dollar	61,881	2.4
Indonesian Rupiah	15,325	0.6
Israeli Shekel	2,187	0.1
Japanese Yen	216,931	8.2
Mexican New Peso	23,114	0.9
Malaysian Ringgit	6,261	0.2
Nigerian Naira	143,371	5.4
Norwegian Krone	594,028	22.6
Philippines Peso	9,531	0.4
Polish Zloty	599	0.0
Romanian Leu	19,194	0.7
Russian Rubel	13,430	0.5
Swedish Krona	180,916	6.9
Singapore Dollar	154,928	5.9
Total	$ 2,633,119	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, 2013, 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
Harbor International Instl.	$ 11,329
Artisan International Fund	5,850
	$ 17,179

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, 2013 is as follows:

Market value of securities loaned for cash collateral	$ 44,557,356
Market value of securities loaned for non-cash collateral	-
Total market value of securities loaned	$ 44,557,356
Market value of cash collateral from borrowers	45,659,197
Market value of non-cash collateral from borrowers	-
Total market value of collateral from borrowers	$ 45,659,197

5. Receivables, Unavailable/Unearned 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, 2013 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	Retirement	Other Governmental	Total Governmental	Statement of Net Position
Receivables at December 31, 2013:							
Property taxes:	$ 262,968	$ 223,830	$ -	$ 55,197	$ 34,958	$ 576,953	$ 576,953
Allowance for uncollectible taxes	(40,897)	(28,619)	-	(5,383)	(4,967)	(79,866)	(79,866)
Net property taxes	222,071	195,211	-	49,814	29,991	497,087	497,087
Personal property replacement tax	-	-	-	6,824	-	6,824	6,824
Total taxes receivable, net	222,071	195,211	-	56,638	29,991	503,911	503,911
Other receivables:							
User charges	(2,708)	-	-	-	-	(2,708)	(2,708)
State revolving fund loans	-	-	31,208	-	-	31,208	31,208
Federal subsidy	-	1,001	-	-	-	1,001	1,001
Miscellaneous	765	-	645	-	745	2,155	2,155
Total other receivables, net	(1,943)	1,001	31,853	-	745	31,656	31,656
Total net receivables, December 31, 2013	$ 220,128	$ 196,212	$ 31,853	$ 56,638	$ 30,736	$ 535,567	$ 535,567

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

Unavailable/Unearned Revenues

Unavailable 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 unavailable revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Position for rental resources that have been received, but not earned. Other unavailable 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 unavailable revenue as of December 31, 2013 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Retirement	Other Governmental	Total Governmental	Adjustments	Statement of Net Position
Unavailable revenue at December 31, 2013:							
Unavailable tax revenue	$ 193,898	$ 170,690	$ 43,663	$ 26,148	$ 434,399	$ (434,399)	$ -
Other unavailable/unearned revenue:							
Rental income	3,082	-	-	-	3,082	4	3,086
Grant revenue	-	1,001	-	-	1,001	(1,001)	-
Service fee	-	-	-	745	745	(745)	-
Total unavailable/unearned revenue	3,082	1,001	-	745	4,828	(1,742)	3,086
Total unavailable revenue at December 31, 2013	$ 196,980	$ 171,691	$ 43,663	$ 26,893	$ 439,227	$ (436,141)	$ 3,086

Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2013 in the District's governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improve-ments Bond	Retirement	Other Govern-mental	Total Govern-mental	Statement of Net Position
Accounts payable and other liabilities at December 31, 2013:							
Vouchers payable and other liabilities	$ 22,001	$ -	$ 35,646	$ -	$ 6,330	$ 63,977	$ 63,977
Accrued payroll and withholdings	7,930	-	-	-	-	7,930	7,930
Bid deposits	599	-	-	-	-	599	599
Total accounts payable and other liabilities as of December 31, 2013	$ 30,530	$ -	$ 35,646	$ -	$ 6,330	$ 72,506	$ 72,506

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2013, are as follows (in thousands of dollars):

	Balances January 1, 2013	Additions	Retirements	Balances December 31, 2013
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	$ 129,584	$ 1,283	$ 1,652	$ 129,215
Permanent easements	1,330	-	-	1,330
Construction in progress	783,525	139,041	171,110	751,456
Infrastructure under modified approach	4,147,230	141,999	1,768	4,287,461
Total capital assets not depreciated/amortized	5,061,669	282,323	174,530	5,169,462
Capital assets depreciated/amortized:				
Buildings	13,226	-	-	13,226
Equipment	55,971	1,258	1,111	56,118
Computer software	4,570	-	-	4,570
Infrastructure and easements	1,898,383	-	-	1,898,383
Total capital assets being depreciated/amortized	1,972,150	1,258	1,111	1,972,297
Less accumulated depreciation/amortization:				
Buildings	5,316	186	-	5,502
Equipment	26,542	2,952	938	28,556
Computer software	2,351	659	-	3,010
Infrastructure and easements	190,284	11,361	-	201,645
Total accumulated depreciation/amortization	224,493	15,158	938	238,713
Total capital assets depreciated/amortized, net	1,747,657	(13,900)	173	1,733,584
Governmental activities capital assets, net	$ 6,809,326	$ 268,423	$ 174,703	$ 6,903,046

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2013, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	$ 10
General Administration	347
Monitoring and Research	265
Procurement and Materials Management	7
Human Resources	16
Information Technology	340
Law	10
Finance	9
Engineering	1,171
Maintenance and Operations	963
Total allocated depreciation	3,138
Unallocated infrastructure depreciation	12,020
Total depreciation	$ 15,158

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, death, and disability benefits to qualifying employees. Covered employees are required to contribute 9% or 10% of their salary to the Pension Plan, based upon their date of hire. 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 4.19 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 electronically on the Retirement Fund's website: www.mwrdrf.org.

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 net pension obligation cost of the Plan for the year ended December 31, 2013, were as follows (in thousands of dollars):

Annual required contribution	$	74,774
Interest on net pension obligation		9,350
Adjustment to annual required contribution		(6,638)
Annual pension cost		77,486
Contributions made		92,944
Increase (decrease) in net pension obligation		(15,458)
Net pension obligation beginning of year		120,651
Net pension obligation end of year	$	105,193

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, 2013 actuarial valuation, using the Entry Age Normal actuarial cost method and the Level Percentage of Payroll 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 3.00% per year for employees hired before January 1, 2011 and surviving spouse annuitants and 1.25% per year for employees hired after January 1, 2011; 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, 2013, 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, 2013, are presented below (in thousands of dollars):

	Employer Contributions				
Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
12/31/2013	$	77,486	119.95%	$	(105,193)
12/31/2012		77,267	84.25%		(120,651)
12/31/2011		71,075	52.59%		(108,482)

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
12/31/2013	$	1,188,504	$	2,194,912	$	1,006,408	54.10%	$	169,376	594.19%

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, 2013, there are 2,808 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 electronically on the District's website: www.mwrd.org.

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). In 2013, advanced funding of $20,000,000 was contributed by the District to the OPEB Trust Fund bringing the total contributed through December 31, 2013 to $92,400,000. 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 32.5% of the premium and the District pays the remaining 67.5%. Each year for the next seven years, retiree contributions will rise by 2.5% until the premium reaches 50%. Annually, the Board approves an appropriation to fund retiree medical costs as part of the Human Resources Department, General Corporate Fund budget. The amount of OPEB expenditure recognized during 2013 by the District was $33,835,000, 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, 2013 (in thousands of dollars).

Annual required contribution (ARC)	$ 13,212
Interest on net OPEB obligation	4,860
Adjustment to annual required contribution	(3,804)
Annual OPEB cost	14,268
Contributions made	(33,835)
Increase (decrease) in net OPEB obligation	(19,567)
Net OPEB obligation beginning of year	69,425
Net OPEB obligation end of year	$ 49,858

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)
12/31/2013	12/31/2013	$ 120,883	$ 260,364	$ 139,481	46.43%	$ 164,005	85.0%

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, 2013
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	7.3% Initial rate, 5% Ultimate rate, Year 2018
Annual projected payroll growth rate	3.60%

Trend Information

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2013, are presented below (in thousands of dollars):

Schedule of Employer Contributions

Period Ended	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2013	$ 13,212	256.1%	$ 49,858
12/31/2012	27,264	129.9%	69,425
12/31/2011	27,264	66.1%	76,580

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of $1,701,869 at December 31, 2013. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $465,981,126 at December 31, 2013. State Revolving Fund Loan commitments of $187,704,115 at December 31, 2013, 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, 2013, 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. On February 6, 2013, the District received a letter from the SEC notifying the District that the investigation was completed and that the SEC does not recommend any enforcement action.

The District is participating in a rulemaking before the Illinois Pollution Control Board involving a Use Attainability Analysis (UAA)(Docket R08-9) that seeks to upgrade the recreational and aquatic use for the Chicago Area Waterway System (CAWS). In connection with the rulemaking, the District has agreed to add disinfection processes at its O'Brien and

Calumet water reclamation plants. The cost of the capital improvements to add the disinfection processes is approximately $110 million.

The District is a defendant in the case of United States of America and State of Illinois v. Metropolitan Water Reclamation District of Greater Chicago, et al., case no. 11 cv 08859, pending in the U.S. District Court for the Northern District of Illinois. On January 6, 2014, the court entered a consent negotiated between the parties that requires the District to complete the Tunnel & Reservoir Plan in accordance with an enforceable schedule, as well as implement various other measures to address alleged violations of the Clean Water Act and the District's operating permits. The District did not admit to any violations in the decree. The decree also requires the payment of a $675,000 civil penalty, which the District has already paid. Intervenors in the lawsuit still have time to appeal the court's order.

NDPES permits were recently issued for the District's three major plants that contain a 1.0 mg/l phosphorus discharge limit which is to be achieved over a period of years. Although the discharge limits are stayed for the O'Brien and Calumet water reclamation plants pending resolution of appeals before the Illinois Pollution Control Board, in an effort to promote sustainability and resource recovery, the District is voluntarily moving forward with a plan to achieve the phosphorus discharge limits. The current amount of capital costs budgeted to achieve this standard at two of the plants is $50 million. As the District is in the early stages of developing the treatment processes, the actual capital costs incurred could be different from the initial budget. The District plans to sell the recovered phosphorus as a fertilizer component.

The District is a defendant in a lawsuit captioned National Resource Defense Council, et al. v. MWRD, Case No. 11 cv 2937, wherein certain environmental groups allege that the District is violating its operating permits and certain water quality standards. The District contests the allegations in the complaint and intends to vigorously defend the lawsuit.

In March 2011, the Illinois Environmental Protection Agency approved the District's Long Term Control Plan (LTCP) to address combined sewer overflows in the Lemont basin. The District is currently in the process of designing and constructing the projects listed in the approved LTCP.

10. Risk Management and Claims

The District is primarily self-insured for the "working layer" of losses and purchases excess insurance to assist in the response to catastrophic claims. 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 can be used for the payment of claims, awards, losses, judgments, liabilities, settlements, or demands and associated attorney's fees and costs that might be imposed on or incurred by such sanitary district in matters including, but not limited to, the Workers' Compensation Act or the Workers' Occupational Diseases Act, any claim in tort, any claim of deprivation of any constitutional or statutory right or protection, for all expenses, fees, and costs, both direct and in support of any property owned by such sanitary district which is damaged by fire, flood, explosion, vandalism or any other peril, natural or manmade. 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.

From time to time, the District may be involved in various litigation relating to claims arising from general liability, property damage, automobile liability, personal injury, employment practices, marine liability, and public officials liability. The majority of these claims and judgments would be covered by insurance or paid from the Reserve Claim Fund accounts.

The District may be involved in various litigation relating to claims arising from construction contracts. Construction related liability claims can typically be tendered to the Contractor for defense and indemnification. Most other claims and judgments involving disputed construction contracts would be paid by the Capital Improvements Bond or Construction Funds.

The District may be also involved in various litigation as respects claims relating to environmental regulations. 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, 2013, is between $47.5 million and $65.6 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 $56,125,000 with an estimated cost recoverable amount of $45,850,000 resulting in $10,275,000 being recognized at December 31, 2013 in the liabilities of the government-wide financial statements. Of this amount, $1,000,000 is classified as a short-term liability and the remaining $9,275,000 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, 2013, are listed below. There were no reductions in insurance coverage from the prior year. Several new lines of insurance coverage were secured in 2013. 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
Aggregate $5,000,000
Deductible $1,000,000
Marine Liability
Aggregate $10,000,000
Deductible $10,000
Workers Compensation
Aggregate $50,000,000
Deductible $2,000,000
Excess Liability
Aggregate $50,000,000
Deductible $1,000,000
Flood Sewer Backup Deductible $5,000,000
Employers Liability Deductible $2,000,000
Government Crime
Public Employee Forgery or Alteration
Each occurrence $500,000
Deductible $500
Employee Theft - Per Loss
Each occurrence $6,000,000
Deductible $100,000
Computer Fraud
Each occurrence $1,000,000
Deductible $100,000

Property Insurance

Each occurrence $1,500,000,000

Deductible $1,000,000

Earth Movement

Aggregate $250,000,000

Deductible $1,000,000

Flood and Water Damage

Aggregate $250,000,000

Deductible $1,000,000

Flood and Water Damage - Lockport Powerhouse

Aggregate $200,000,000

Deductible $1,000,000

Group Travel Accidental

Aggregate limits - Per accident $5,000,000

Accidental Death

Per employee (5 times salary up to this maximum) $500,000

Accidental Dismemberment and Paralysis

Per Loss .... sliding scale

Pension & Welfare Fiduciary Liability for Deferred Compensation Plan/Retiree Health Care Trust/OPEB

Aggregate limit $5,000,000

Deductible $25,000

Group Term Life (basic)

Per Employee $20,000

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):

	2013	2012
Claims Payable at January 1	$ 79,597	$ 59,857
Claims incurred	4,970	5,998
Changes in prior years' claims estimate	(1,601)	19,740
Claim payments	(4,970)	(5,998)
Claims Payable at December 31	$ 77,996	$ 79,597

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2013 (in thousands of dollars):

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Governmental long-term liabilities:					
Bonds and notes payable:					
General obligation debt	$ 1,896,371	$ -	$ (38,640)	$ 1,857,731	$ 40,935
Converted bond anticipation notes	619,005	50,264	(45,027)	624,242	46,041
Total general obligation debt	2,515,376	50,264	(83,667)	2,481,973	86,976
Other Bond Cost:					
Premium	88,610	-	(5,584)	83,026	4,861
Bonds payable, net	2,603,986	50,264	(89,251)	2,564,999	91,837
Bond anticipation notes	44,527	41,546	(50,264)	35,809	-
Net bonds and notes payable	2,648,513	91,810	(139,515)	2,600,808	91,837
Other liabilities:					
Claims and judgments	79,597	3,369	(4,970)	77,996	47,547
Compensated absences	28,356	159	(888)	27,627	1,560
Capital lease (note 14)	49,837	-	(2,042)	47,795	2,142
OPEB obligation (note 8)	69,425	14,268	(33,835)	49,858	-
Pension liability (note 7)	120,651	77,486	(92,944)	105,193	-
Total governmental long-term liabilities	$ 2,996,379	$ 187,092	$ (274,194)	$ 2,909,277	$ 143,086

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, 2013, 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 07/12)	Total Principal	Total Interest
2014	$ 22,175	$ 18,760	$ 46,041	$ 86,976	$ 107,868
2015	33,070	19,675	45,047	97,792	105,532
2016	26,695	20,585	44,683	91,963	102,154
2017	22,220	17,955	44,521	84,696	99,036
2018	40,265	20,015	41,710	101,990	96,217
2019-2023	114,270	128,220	190,854	433,344	431,159
2024-2028	37,275	215,965	145,869	399,109	350,998
2029-2033	227,350	246,390	65,517	539,257	259,999
2034-2038	555,000	91,845	-	646,846	105,901
	$ 1,078,320	$ 779,410	$ 624,242	$ 2,481,973	$ 1,658,864

Expenditures for principal and interest made on January 1, 2014 approximated $23,456,000 and $5,873,000 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%. Sequestration may reduce the subsidy received from the U.S. Treasury in future years.

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. An amount of $110,435,000 of these bonds was due to mature in the years 2027 to 2033, which was refunded in March 2007.

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 December 1 and June 1.

Capital Improvement Bonds, IEPA Series

The District has adopted bond ordinances authorizing issuance of its general obligation bonds to the Illinois Environmental Protection Agency (IEPA). The most recent such authorization was pursuant to a bond ordinance adopted in calendar year 2012 in the amount of $300,000,000 for Capital Improvement Bonds, 2012 IEPA Series. The IEPA approves various wastewater system improvement projects for funding from the State Water Pollution Control Revolving Loan Fund (RLF). Once a project has been approved, the State offers the District a loan from the RLF, which the District incorporates into the form of the bond which is issued to the IEPA (the Loan/Bond). When work on the project begins, the District pays the contractor. The District receives from the IEPA a corresponding amount of advance on the Loan/Bond. This form of loan is commonly referred to as a drawdown loan. The advances continue on the Loan/Bond until the project is completed or the amount of the loan fully advances, whichever occurs first. In general, within two years of the first advance on a Loan/Bond, the IEPA promulgates a repayment schedule on such Loan/Bond. The repayment schedules call for level payments of principal and interest, collectively, over a 20 year period beginning within six months of the date the repayment schedule is promulgated. Under this authority, the IPEA has approved the following loan amounts:

2013	$163,791,000
2012	$ 30,728,000

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 terms and conditions are similar to the 2012 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts. Under this authority, the IEPA has subsequently approved the following loan amounts:

2012	$ 40,000,000
2011	$ 97,500,000
2010	$102,911,000
2009	$ 11,442,000

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:

2009	$ 65,000,000
2008	$ 39,257,000
2007	$ 43,000,000

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	$ 5,648,000
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 $50,264,000 in 2013 represented the sum of bond anticipation note principal of $49,704,000 and interest in the amount of $560,000.

2013 Bond Issues and adjustments to existing issues under the IEPA 2004, 2007 and 2009 authority, included:

- June 2013 – The District issued $991,100 of Capital Improvement Bonds - IEPA Series 07A, through the conversion of the sum of bond anticipation note principal of $983,100 and interest of $8,000 with maturity dates from January 1, 2014 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- June 2013 – The District issued $419,500 of Capital Improvement Bonds - IEPA Series 07D, through the conversion of the sum of bond anticipation note principal of $418,600 and interest of $900 with maturity dates from January 1, 2014 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- August 2013 – The District issued $310,500 of Capital Improvement Bonds - IEPA Series 09B, through the conversion of the sum of bond anticipation note principal of $310,500 with maturity dates from January 1, 2014 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal and interest are made on January 1 and July1.

- August 2013 – The District issued $21,858,600 of Capital Improvement Bonds - IEPA Series 09D, through the conversion of the sum of bond anticipation note principal of $21,585,100 and interest of $273,500 with maturity dates from January 1, 2014 to July 1, 2033. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- August 2013 – The District issued $24,671,000 of Capital Improvement Bonds - IEPA Series 09G, through the conversion of the sum of bond anticipation note principal of $24,415,700 and interest of $255,300 with maturity dates from January 1, 2014 to January 1, 2033. Interest on the bonds accrues at a rate of 1.25%, payable January 1 and July 1.

- August 2013 – The District issued $2,013,000 of Capital Improvement Bonds - IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of $1,990,700 and interest of $22,300 with maturity dates from January 1, 2014 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, 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 were $35,809,200 at December 31, 2013. Of the bond anticipation notes outstanding at December 31, 2013, $1,696,600 will be refinanced through IEPA Series 2004 bonds, $1,456,500 will be refinanced through IEPA Series 2007 bonds, $12,397,000 will be refinanced through IEPA Series 2009 bonds, and the remaining $20,259,100 will be refinanced through IEPA series 2012 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 $242,000,000 were considered defeased at December 31, 2013.

12. Interfund Transactions

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, 2013 are as follows (in thousands of dollars):

	Interfund			
	Receivables		Payables	
General Corporate Fund	$	176	$	-
Capital Projects Funds:				
Stormwater Management Fund (Nonmajor Fund)		-		176
	$	176	$	176

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund at December 31, 2013 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, 2013, the Board of Commissioners authorized net transfers to the Retirement Fund of $30,000,000 from the Corporate 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 an engineering firm 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. The gross amount of assets acquired under the capital lease is $54,535,000. During 2013, the District incurred expenses of approximately $2,042,000 for principal and $2,348,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2013, 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
2014	2,142	2,248	4,390
2015	2,248	2,142	4,390
2016	2,358	2,032	4,390
2017	2,474	1,916	4,390
2018	2,595	1,795	4,390
2019-2023	15,013	6,935	21,948
2024-2028	19,076	2,872	21,948
2029	1,889	24	1,913
Total Minimum Lease Payments	$ 47,795	$ 19,964	$ 67,759

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, 2013, (in thousands of dollars):

2014	$ 9,361
2015	9,320
2016	9,289
2017	9,086
2018	8,653
Later Years	226,557
Total Minimum Future Rental Income	$ 272,266

The cost of the land associated with the commercial leases is $4,426,000. The District does not lease any depreciable assets.

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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. O'Brien WRP Basin	All systems, subsystems, and components associated with the O'Brien 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 preventative maintenance 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, O'Brien, 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 Kirie and Central (Stickney) WRP's, along with Waterways, were re-assessed in 2011, the Hanover, Calumet, and Lemont WRP's were re-assessed in 2012, and the Egan and O'Brien WRP's were re-assessed in 2013.

The condition assessment ratings and the estimated and actual maintenance and preservation costs for the Kirie, Hanover, Egan, O'Brien, 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					
Subsequent assessment - 2005	3	2	3	NA	NA
Subsequent assessment - 2008	3	3	3	NA	NA
Subsequent assessment - 2011	3	3	3	NA	NA
Hanover WRP Network					
Subsequent assessment - 2006	3	2	2	NA	2
Subsequent assessment - 2009	3	2	2	NA	2
Subsequent assessment - 2012	3	2	3	NA	2
Egan WRP Network					
Subsequent assessment - 2007	3	2	2	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
Subsequent assessment - 2013	3	3	3	NA	NA
O'Brien WRP Network					
Subsequent assessment - 2007	3	3	3	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
Subsequent assessment - 2013	3	2	2	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
Subsequent assessment - 2012	3	2	2	NA	2
Lemont WRP Network					
Initial Condition Assessment - 2006	2	3	2	NA	NA
Subsequent assessment - 2009	3	3	3	NA	NA
Subsequent assessment - 2012	3	3	3	NA	NA
Maintenance/Preservation Costs					
Kirie WRP Network					
Estimated 2013	$ 1,535,713	4,244,436	108,696	$ -	$ 1,167,000
Actual 2013	680,616	2,800,304	82,684	-	866,076
Estimated 2012	584,663	7,960,196	210,624	-	5,728,926
Actual 2012	795,534	6,799,659	28,110	-	5,440,496
Estimated 2011	2,735,300	2,773,048	6,400	-	-
Actual 2011	4,048,785	1,715,000	358,536	-	-
Estimated 2010	613,200	6,171,585	-	-	-
Actual 2010	596,164	2,859,083	1,210	-	-
Estimated 2009	3,664,400	9,136,786	158,600	-	-
Actual 2009	463,677	7,345,024	1,362,495	-	-

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Hanover WRP Network					
Estimated 2013	$ 155,517	$ 778,851	$ 1,808,221	$ -	$ 72,400
Actual 2013	231,153	1,014,670	1,581,782	-	29,223
Estimated 2012	191,617	797,168	3,345,043	-	28,200
Actual 2012	199,915	959,531	567,985	-	28,416
Estimated 2011	170,200	626,223	190,200	-	27,400
Actual 2011	233,598	985,072	514,495	-	29,153
Estimated 2010	173,700	678,205	192,300	-	29,100
Actual 2010	170,921	969,002	254,706	-	28,605
Estimated 2009	180,200	1,071,752	289,623	-	105,229
Actual 2009	151,980	1,123,785	323,961	-	34,989
Egan WRP Network					
Estimated 2013	$ 653,741	$ 4,350,679	$ 2,045,064	$ -	$ -
Actual 2013	865,065	3,744,215	1,758,866	-	-
Estimated 2012	785,152	4,419,441	1,206,657	-	-
Actual 2012	903,678	4,488,430	1,511,647	-	-
Estimated 2011	639,479	7,666,487	651,528	1,154,000	-
Actual 2011	971,945	4,473,685	1,094,366	1,042,670	-
Estimated 2010	704,825	3,406,512	871,569	-	-
Actual 2010	925,942	3,299,260	1,350,277	-	-
Estimated 2009	442,114	14,095,304	775,216	59,300	-
Actual 2009	559,786	11,166,975	1,093,579	64,945	-
O'Brien WRP Network					
Estimated 2013	$ 10,460,115	$ 7,787,840	$ 1,267,919	$ 2,097,000	$ -
Actual 2013	12,046,926	9,530,828	475,148	3,038,583	-
Estimated 2012	3,301,450	4,565,194	383,608	7,236,000	-
Actual 2012	4,232,213	5,122,387	541,287	11,924,519	-
Estimated 2011	7,861,157	4,853,642	572,747	41,000	-
Actual 2011	9,952,532	6,111,578	438,867	2,243,730	-
Estimated 2010	3,963,054	6,070,964	576,800	11,493	-
Actual 2010	4,048,224	5,956,375	605,929	70,850	-
Estimated 2009	8,151,138	7,668,457	2,022,200	1,045,000	-
Actual 2009	4,554,380	7,224,353	637,659	2,165,558	-
Central (Stickney) WRP Network					
Estimated 2013	$ 16,102,533	$ 16,765,601	$ 9,453,922	$ -	$ 2,027,507
Actual 2013	9,431,129	16,923,785	10,563,927	-	1,555,668
Estimated 2012	10,760,149	11,999,337	8,664,888	-	3,566,472
Actual 2012	10,777,690	18,585,996	10,922,993	-	3,135,077
Estimated 2011	11,279,737	30,318,366	8,293,784	-	6,667,383
Actual 2011	12,033,277	33,694,435	10,937,293	-	5,818,433
Estimated 2010	15,061,076	19,329,365	8,725,254	-	14,784,156
Actual 2010	14,219,095	13,759,866	12,745,392	-	12,175,411
Estimated 2009	24,507,569	33,890,139	15,331,569	-	11,697,814
Actual 2009	15,540,900	24,895,356	17,368,733	-	14,204,102

(continued)

Year ended December 31, 2013

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Waterways WRP Network					
Estimated 2013	$ -	$ -	$ -	$ 1,319,000	$ -
Actual 2013	11,323	-	-	1,047,698	-
Estimated 2012	-	-	-	1,324,200	-
Actual 2012	-	-	-	1,552,914	-
Estimated 2011	15,000	-	-	1,635,188	-
Actual 2011	8,653	-	-	1,177,533	-
Estimated 2010	-	-	-	1,910,783	-
Actual 2010	-	-	-	1,262,520	-
Estimated 2009	1,800	-	-	2,324,631	-
Actual 2009	5,434	297	-	1,297,871	-
Calumet WRP Network					
Estimated 2013	$ 6,229,856	$ 6,288,023	$ 2,330,057	$ 915,100	$ -
Actual 2013	3,505,024	5,932,302	2,416,419	734,104	-
Estimated 2012	5,325,141	8,260,407	2,095,308	709,453	-
Actual 2012	5,255,239	6,140,875	2,157,252	1,042,053	-
Estimated 2011	7,089,465	10,080,957	3,432,425	5,315,335	-
Actual 2011	6,604,037	8,195,502	4,145,249	4,582,004	-
Estimated 2010	6,270,304	26,407,171	3,136,498	533,804	-
Actual 2010	5,466,321	23,313,873	3,610,143	554,878	-
Estimated 2009	7,086,894	44,879,075	3,871,945	5,169,914	-
Actual 2009	7,187,327	57,258,251	4,214,457	1,290,778	-
Lemont WRP Network					
Estimated 2013	$ 47,000	$ 34,200	$ -	$ -	$ -
Actual 2013	(4,607)	8,294	-	-	-
Estimated 2012	48,004	12,404	-	-	-
Actual 2012	25,000	31,200	-	-	-
Estimated 2011	97,000	34,200	-	-	-
Actual 2011	17,087	7,240	-	-	-
Estimated 2010	47,000	116,360	-	-	-
Actual 2010	4,428	11,724	-	-	-
Estimated 2009	47,000	55,200	-	-	-
Actual 2009	814	33,048	-	-	-

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)
12/31/2013	12/31/2013	$ 1,188,504	$ 2,194,912	$ 1,006,408	54.10%	$ 169,376	594.19%
12/31/2012	12/31/2012	1,076,740	2,136,508	1,059,768	50.40%	163,817	646.92%
12/31/2011	12/31/2011	1,097,397	2,101,319	1,003,922	52.22%	164,275	611.12%

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)
12/31/2013	12/31/2013	$ 120,883	$ 260,364	$ 139,481	46.43%	$ 164,005	85.05%
12/31/2012	12/31/2011	54,996	394,676	339,680	13.93%	162,853	208.58%
12/31/2011	12/31/2011	54,996	394,676	339,680	13.93%	162,853	208.58%

Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was completed as of December 31, 2013. 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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OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL 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.

Exhibit B-1

Combining Balance Sheets - Nonmajor Governmental Funds

December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	Construction Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Assets						
Cash	$ 1,678	$ 97	$ 1,517	$ 1,191	$ 3,195	$ 1,288
Certificates of deposit	5,503	501	6,109	1,001	11,612	1,502
Investments	30,944	31,080	43,478	58,958	74,422	90,038
Taxes receivable, net	10,691	19,703	19,300	19,300	29,991	39,003
Other receivable	745	745	-	-	745	745
Total assets	$ 49,561	$ 52,126	$ 70,404	$ 80,450	$ 119,965	$ 132,576
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable and other liabilities	$ 2,815	$ 4,062	$ 3,515	$ 2,496	$ 6,330	$ 6,558
Due to other funds	-	86	176	162	176	248
Total liabilities	2,815	4,148	3,691	2,658	6,506	6,806
Deferred inflows of resources:						
Unavailable tax revenue	9,285	16,357	16,863	15,916	26,148	32,273
Other unavailable/unearned revenue	745	745	-	-	745	745
Total deferred inflows of resources	10,030	17,102	16,863	15,916	26,893	33,018
Fund balances:						
Restricted for:						
Working Cash	21,644	21,649	37,690	37,737	59,334	59,386
Capital projects	15,072	9,227	12,160	24,139	27,232	33,366
Total fund balances	36,716	30,876	49,850	61,876	86,566	92,752
Total liabilities, deferred inflows, and fund balances	$ 49,561	$ 52,126	$ 70,404	$ 80,450	$ 119,965	$ 132,576

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	Construction Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2013	2012	2013	2012	2013	2012
Revenues						
Revenues:						
Property taxes	$ 17,585	$ 4,535	$ 18,463	$ 24,302	$ 36,048	$ 28,837
Personal property replacement tax	-	1,193	-	-	-	1,193
Interest on investments	223	563	272	805	495	1,368
Fees, forfeits and penalties	762	774	5	4	767	778
User charge	300	300	-	-	300	300
Claims and damage settlements	54	-	-	-	54	-
Miscellaneous	-	-	308	1	308	1
Total revenues	18,924	7,365	19,048	25,112	37,972	32,477
Expenditures						
Current Operations:						
Construction costs	13,084	9,943	31,074	16,789	44,158	26,732
Total expenditures	13,084	9,943	31,074	16,789	44,158	26,732
Revenues over (under) expenditures	5,840	(2,578)	(12,026)	8,323	(6,186)	5,745
Other financing sources (uses):						
Transfer out to Pension Fund	-	-	-	(2,000)	-	(2,000)
Total other financing sources (uses)	-	-	-	(2,000)	-	(2,000)
Revenues over (under) expenditures	5,840	(2,578)	(12,026)	6,323	(6,186)	3,745
Fund balances						
Beginning of the year	30,876	33,454	61,876	55,553	92,752	89,007
End of the year	$ 36,716	$ 30,876	$ 49,850	$ 61,876	$ 86,566	$ 92,752

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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, 2013

(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	$ 3,175	$ -	$ 3,175	$ 2,997	$ 178
Compensation plan adjustments	75	(35)	40	11	29
Tuition and training payments	19	-	19	7	12
Payment for professional services	291	-	291	240	51
Personal services not otherwise classified	188	35	223	210	13
Total personal services	3,748	-	3,748	3,465	283
Contractual services					
Travel	4	1	5	4	1
Meals and lodging	9	(1)	8	6	2
Subscriptions and membership dues	35	-	35	30	5
Total contractual services	48	-	48	40	8
Materials and supplies					
Office, printing, and photographic supplies	11	-	11	9	2
Total materials and supplies	11	-	11	9	2
Board of Commissioners total	3,807	-	3,807	3,514	293
General Administration:					
Personal Services					
Salaries of regular employees	8,841	-	8,841	8,652	189
Compensation plan adjustments	945	-	945	851	94
Salaries nonbudgeted	-	27	27	22	5
Tuition and training payments	88	(24)	64	28	36
Payment for professional services	954	(43)	911	571	340
Total personal services	10,828	(40)	10,788	10,124	664
Contractual services					
Travel	7	-	7	7	-
Meals and lodging	16	2	18	13	5
Postage, freight, and delivery charges	219	(8)	211	108	103
Compensation for personally owned autos	9	-	9	5	4
Motor vehicle operating expenditures	81	-	81	70	11
Reprographic services	102	(4)	98	36	62
Electrical energy	515	(167)	348	306	42
Natural gas	38	-	38	34	4
Water and water services	5	-	5	4	1
Communication services	4	-	4	3	1
Subscriptions and membership dues	449	(3)	446	394	52
Rental charges	22	5	27	13	14
Advertising	10	-	10	9	1
Administration building operation	1,011	75	1,086	988	98

(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):					
Administrative building operation annex	$ 688	$ 92	$ 780	$ 717	$ 63
Contractual services not otherwise classified	249	(2)	247	156	91
Repairs to buildings	550	(44)	506	234	272
Repairs to office furniture and equipment	133	-	133	75	58
Computer software maintenance	10	2	12	12	-
Communication equipment maintenance	16	8	24	16	8
Repairs to vehicle equipment	374	40	414	399	15
Repairs not otherwise classified	5	(1)	4	-	4
Total contractual services	4,513	(5)	4,508	3,599	909
Materials and supplies					
Electrical parts and supplies	88	-	88	75	13
Plumbing accessories and supplies	20	-	20	18	2
Hardware	17	-	17	17	-
Office, printing, and photographic supplies	220	20	240	95	145
Cleaning Supplies	3	-	3	1	2
Wearing apparel	47	-	47	35	12
Books, maps, and charts	22	-	22	1	21
Computer software	4	-	4	-	4
Computer supplies	5	-	5	5	-
Materials and supplies not otherwise classified	70	9	79	45	34
Total materials and supplies	496	29	525	292	233
Machinery and equipment					
Office furniture and equipment	32	-	32	32	-
Machinery and equipment not otherwise classified	35	16	51	39	12
Total machinery and equipment	67	16	83	71	12
Fixed and other charges					
Equity transfer	30,000	-	30,000	30,000	-
Total fixed and other charges	30,000	-	30,000	30,000	-
General Administration total	45,904	-	45,904	44,086	1,818
Monitoring and Research:					
Personal services					
Salaries of regular employees	23,659	-	23,659	22,359	1,300
Compensation plan adjustments	692	-	692	494	198
Salaries of non-budgeted employees	4	-	4	-	4
Tuition and traning payments	47	10	57	52	5
Payment for professional services	450	(10)	440	32	408
Total personal services	24,852	-	24,852	22,937	1,915

(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, 2013

(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):					
Contractual services					
Travel	$ 23	$ -	$ 23	$ 7	$ 16
Meals and lodging	46	(3)	43	19	24
Postage, freight, and delivery charges	11	-	11	5	6
Compensation for personally owned autos	42	3	45	41	4
Motor vehicle operating services	2	-	2	1	1
Reprographic services	2	-	2	1	1
Water and water services	2	-	2	1	1
Communication services	1	-	1	-	1
Rental charges	7	-	7	3	4
Governmental services charges	17	-	17	17	-
Contractual services not otherwise classified	367	-	367	211	156
Repairs to marine equipment	96	-	96	26	70
Computer software maintenance	125	-	125	101	24
Communication equipment maintenance	1	-	1	-	1
Repairs to testing and laboratory equipment	525	-	525	444	81
Repairs not otherwise classified	3	-	3	1	2
Total contractual services	1,270	-	1,270	878	392
Materials and supplies					
Office, printing, and photographic supplies	38	-	38	30	8
Farming supplies	3	-	3	3	-
Laboratory testing supplies and small equipment	413	-	413	299	114
Wearing apparel	37	-	37	14	23
Books, maps, and charts	4	-	4	1	3
Computer software	1	-	1	-	1
Computer supplies	4	-	4	2	2
Fuel	39	-	39	25	14
Communications supplies	3	-	3	-	3
Materials and supplies not otherwise classified	88	-	88	29	59
Total materials and supplies	630	-	630	403	227
Machinery and equipment					
Testing and laboratory equipment	411	-	411	355	56
Total machinery and equipment	411	-	411	355	56
Monitoring and Research total	27,163	-	27,163	24,573	2,590
Procurement and Materials Management:					
Personal Services					
Salaries of regular employees	5,053	-	5,053	4,820	233
Compensation plan adjustments	141	-	141	60	81
Tuition and training payments	5	-	5	1	4
Total personal services	5,199	-	5,199	4,881	318

(continued)

(in thousands of dollars)

Corporate Division (continued)	**Budget Amounts** Original	Net Transfers	Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
Procurement and Materials Management (continued):					
Contractual services					
Travel	$ 1	$ -	$ 1	$ -	$ 1
Meals and lodging	3	-	3	-	3
Postage, freight, and delivery charges	2	-	2	-	2
Compensation for personally owned autos	2	-	2	2	-
Testing and inspection services	12	(1)	11	-	11
Advertising	136	-	136	92	44
Contractual services not otherwise classified	5	-	5	-	5
Repairs to buildings	3	-	3	1	2
Repairs to office furniture and equipment	5	-	5	2	3
Computer software maintenance	7	-	7	2	5
Communication equipment maintenance	2	-	2	-	2
Repairs to vehicle equipment	13	1	14	12	2
Total contractual services	191	-	191	111	80
Materials and supplies					
Metals	150	-	150	147	3
Electrical parts and supplies	425	(99)	326	299	27
Plumbing accessories and supplies	321	-	321	293	28
Hardware	55	(4)	51	35	16
Buildings, grounds, paving materials, and supplies	120	-	120	113	7
Fiber, paper and insulation materials	41	-	41	41	-
Paints, solvents, and related materials	42	-	42	40	2
Vehicle parts and supplies	15	-	15	13	2
Mechanical and repair parts	170	-	170	123	47
Office, printing, and photographic supplies	175	-	175	15	160
Laboratory testing supplies and small equipment	530	100	630	588	42
Cleaning supplies	250	-	250	239	11
Tools and supplies	71	-	71	70	1
Wearing apparel	124	-	124	124	-
Books, maps, and charts	-	1	1	1	-
Safety and medical supplies	25	99	124	119	5
Computer supplies	224	(100)	124	90	34
Fuel	400	(1)	399	354	45
Gas (in containers)	85	-	85	34	51
Communications supplies	10	4	14	14	-
Lubricants	279	-	279	266	13
Materials and supplies not otherwise classified	97	-	97	54	43
Total materials and supplies	3,609	-	3,609	3,072	537
Procurement and Materials Management total	8,999	-	8,999	8,064	935

(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, 2013

(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	$ 5,227	$ -	$ 5,227	$ 5,128	$ 99
Compensation plan adjustments	175	-	175	75	100
Social security and medicare contributions	2,425	-	2,425	2,308	117
Employee claims	100	-	100	64	36
Tuition and training payments	483	-	483	317	166
Payment for professional services	1,327	-	1,327	919	408
Health and life insurance premiums	59,515	-	59,515	57,300	2,215
Total personal services	69,252	-	69,252	66,111	3,141
Contractual services					
Travel	2	1	3	2	1
Meals and lodging	3	2	5	5	-
Postage, freight, and delivery charges	4	-	4	2	2
Compensation for personally owned autos	12	-	12	10	2
Court reporting services	29	(3)	26	14	12
Medical services	124	9	133	124	9
Subscription and membership dues	4	-	4	2	2
Insurance premiums	3,855	-	3,855	1,000	2,855
Rental charges	25	-	25	22	3
Contractual services not otherwise classified	51	-	51	40	11
Safety repairs services	284	125	409	294	115
Computer software maintenance	108	(9)	99	88	11
Total contractual services	4,501	125	4,626	1,603	3,023
Materials and supplies					
Office, printing, and photographic supplies	57	-	57	32	25
Books, maps, and charts	9	-	9	3	6
Safety medical supplies	135	-	135	80	55
Materials and supplies not otherwise classified	10	-	10	3	7
Total materials and supplies	211	-	211	118	93
Human Resources total	73,964	125	74,089	67,832	6,257
Information Technology:					
Personal services					
Salaries of regular employees	7,554	(81)	7,473	7,213	260
Compensation plan adjustments	155	81	236	234	2
Tuition and training payments	156	(54)	102	73	29
Payment for professional services	1,079	(244)	835	300	535
Total personal services	8,944	(298)	8,646	7,820	826
Contractual services					
Travel	10	-	10	1	9
Meals and lodging	17	(1)	16	1	15

(continued)

(in thousands of dollars)

Corporate Division (continued)	**Budget Amounts** Original	Net Transfers	Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
Information Technology (continued):					
Compensation for personally owned autos	$ 12	$ -	$ 12	$ 5	$ 7
Motor vehicle operating services	-	1	1	-	1
Communication services	1,299	187	1,486	1,319	167
Subscription and membership dues	6	33	39	34	5
Rental charges	-	8	8	-	8
Computer equipment maintenance	963	(299)	664	611	53
Computer software maintenance	3,124	(20)	3,104	2,983	121
Communication equipment maintenance	382	91	473	468	5
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	5,814	-	5,814	5,422	392
Materials and supplies					
Office, printing, and photographic supplies	18	(3)	15	7	8
Books, maps, and charts	2	-	2	1	1
Computer software	196	123	319	218	101
Computer supplies	300	177	477	386	91
Communication supplies	238	(44)	194	74	120
Materials and supplies not otherwise classified	1	-	1	-	1
Total materials and supplies	755	253	1,008	686	322
Machinery and equipment					
Computer equipment	175	44	219	46	173
Computer software	114	(7)	107	-	107
Communication equipment	-	8	8	8	-
Total machinery and equipment	289	45	334	54	280
Information Technology total	15,802	-	15,802	13,982	1,820
Law:					
Personal Services					
Salaries of regular employees	4,239	-	4,239	4,168	71
Compensation plan adjustments	135	(11)	124	11	113
Tuition and training payments	12	-	12	8	4
Payment for professional services	2,830	-	2,830	1,981	849
Total personal services	7,216	(11)	7,205	6,168	1,037
Contractual services					
Travel	5	-	5	4	1
Meals and lodging	5	-	5	2	3
Postage, freight, and delivery charges	4	-	4	1	3
Compensation for personally owned autos	3	-	3	-	3
Reprographic services	56	-	56	51	5
Court reporting services	68	5	73	13	60
Contractual services not otherwise classified	85	(5)	80	75	5

(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, 2013

(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):					
Repairs not otherwise classified	$ 1	$ -	$ 1	$ -	$ 1
Total contractual services	227	-	227	146	81
Materials and supplies					
Office, printing, and photographic supplies	6	-	6	3	3
Books, maps, and charts	26	-	26	11	15
Materials and supplies not otherwise classified	3	-	3	2	1
Total materials and supplies	35	-	35	16	19
Fixed and other charges					
Taxes on real estate	650	11	661	656	5
Charges not otherwise classifed	675	-	675	-	675
Total fixed and other charges	1,325	11	1,336	656	680
Law total	8,803	-	8,803	6,986	1,817
Finance:					
Personal services					
Salaries of regular employees	2,926	(26)	2,900	2,890	10
Compensation plan adjustments	58	17	75	69	6
Tuition and training payments	30	-	30	28	2
Payment for professional services	351	25	376	320	56
Total personal services	3,365	16	3,381	3,307	74
Contractual services					
Travel	5	(1)	4	4	-
Meals and lodging	6	1	7	7	-
Postage, freight, and delivery charges	2	1	3	3	-
Compensation for personally owned autos	-	1	1	-	1
Reprographic services	3	-	3	2	1
Court reporting services	120	(31)	89	45	44
Contractual services not otherwise classified	3	9	12	5	7
Repairs to office furniture and equipment	10	(3)	7	5	2
Computer equipment maintenance	-	1	1	1	-
Total contractual services	149	(22)	127	72	55
Materials and supplies					
Office, printing, and photographic supplies	8	5	13	12	1
Books, maps, and charts	-	1	1	1	-
Total materials and supplies	8	6	14	13	1
Finance total	3,522	-	3,522	3,392	130

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Engineering:					
Personal services					
Salaries of regular employees	$ 23,801	$ -	$ 23,801	$ 22,980	$ 821
Compensation plan adjustments	365	-	365	245	120
Salaries of nonbudgeted employees	10	-	10	-	10
Tuition and training payments	194	(25)	169	97	72
Payments for professional services	767	-	767	393	374
Personal service expenditure - preliminary engineering reports and studies	73	25	98	48	50
Total personal services	25,210	-	25,210	23,763	1,447
Contractual services					
Travel	25	-	25	8	17
Meals and lodging	34	-	34	15	19
Postage, freight, and delivery charges	2	-	2	1	1
Compensation for personally owned autos	32	6	38	37	1
Motor vehicle operating services	-	1	1	1	-
Reprographic services	30	(1)	29	7	22
Water and water services	4	-	4	3	1
Testing and inspection services	100	(60)	40	-	40
Rental charges	39	-	39	-	39
Soil and rock mechanics investigation	10	-	10	-	10
Governmental service charges	100	-	100	-	100
Contractual services not otherwise classified	234	(6)	228	79	149
Repairs to waterway facilities	127	(65)	62	-	62
Communications equipment maintenance	2	-	2	-	2
Repairs to testing and laboratory equipment	6	-	6	3	3
Repairs not otherwise classified	28	-	28	14	14
Total contractual services	773	(125)	648	168	480
Materials and supplies					
Office, printing, and photographic supplies	49	10	59	45	14
Wearing apparel	5	-	5	2	3
Books, maps, and charts	10	-	10	7	3
Computer software	10	-	10	-	10
Materials and supplies not otherwise classified	19	(10)	9	2	7
Total materials and supplies	93	-	93	56	37
Engineering total	26,076	(125)	25,951	23,987	1,964
Maintenance and Operations:					
Personal services					
Salaries of regular employees	79,618	483	80,101	79,977	124
Compensation plan adjustments	3,650	702	4,352	4,240	112
Salaries of non-budgeted employees	85	(54)	31	31	-
Tuition and training payments	236	(34)	202	160	42

(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, 2013

(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):					
Payment for professional services	$ 863	$ (43)	$ 820	$ 714	$ 106
Total personal services	84,452	1,054	85,506	85,122	384
Contractual services					
Travel	17	-	17	8	9
Meals and lodging	68	-	68	42	26
Compensation for personally owned autos	255	(5)	250	180	70
Motor vehicle operating services	3	-	3	1	2
Electrical energy	24,746	6,438	31,184	30,801	383
Natural gas	1,668	606	2,274	2,208	66
Water and water services	1,146	194	1,340	1,330	10
Communications services	608	67	675	601	74
Testing and inspection services	243	(54)	189	127	62
Rental charges	215	2	217	182	35
Governmental service charges	2,768	538	3,306	3,297	9
Maintenance of grounds and pavements	1,814	(317)	1,497	1,287	210
Contractual services not otherwise classified	785	(244)	541	434	107
Waste material disposal charges	13,045	(2,125)	10,920	8,595	2,325
Farming services	20	4	24	24	-
Sludge disposal	6,205	(900)	5,305	5,201	104
Repairs to collection facilities	3,679	(432)	3,247	2,395	852
Repairs to waterway facilities	81	(13)	68	54	14
Repairs to process facilities	6,157	(1,003)	5,154	4,672	482
Repairs to railroads	394	(95)	299	170	129
Repairs to buildings	2,306	(566)	1,740	1,272	468
Repairs to material handling and farm equipment	343	(18)	325	287	38
Safety repairs and services	147	(3)	144	114	30
Repairs to marine equipment	80	(12)	68	51	17
Computer software maintenance	68	(1)	67	67	-
Communication equipment maintenance	76	(27)	49	31	18
Repairs to vehicle equipment	129	(7)	122	81	41
Repairs to testing and laboratory equipment	3	-	3	1	2
Repairs not otherwise classified	53	(20)	33	11	22
Total contractual services	67,122	2,007	69,129	63,524	5,605
Materials and supplies					
Metals	64	(29)	35	27	8
Electrical parts and supplies	2,041	(224)	1,817	1,343	474
Plumbing accessories and supplies	1,021	(281)	740	595	145
Hardware	45	(7)	38	17	21
Buildings, grounds, paving materials, and supplies	317	(11)	306	183	123
Fiber, paper and insulation materials	22	75	97	72	25

(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)**
Maintenance and Operations (continued):					
Paints, solvents, and related materials	$ 18	$ -	$ 18	$ 4	$ 14
Vehicle parts and supplies	263	(43)	220	117	103
Mechanical repair parts	3,646	(112)	3,534	2,278	1,256
Manhole materials	11	-	11	11	-
Office, printing, and photographic supplies	67	(8)	59	48	11
Farming supplies	5	-	5	2	3
Processing chemicals	8,562	(2,366)	6,196	5,816	380
Laboratory testing supplies and small equipment	37	(23)	14	11	3
Cleaning supplies	11	(2)	9	4	5
Tools and supplies	298	(27)	271	193	78
Wearing apparel	5	(1)	4	3	1
Books, maps, and charts	3	(1)	2	1	1
Safety and medical supplies	333	(23)	310	212	98
Computer software	12	-	12	11	1
Computer supplies	92	(1)	91	44	47
Fuel	527	(28)	499	355	144
Gas (in containers)	26	(3)	23	7	16
Communication supplies	59	(3)	56	1	55
Lubricants	30	-	30	22	8
Materials and supplies not otherwise classified	121	(6)	115	81	34
Total materials and supplies	17,636	(3,124)	14,512	11,458	3,054
Machinery and equipment					
Equipment for collection facilities	84	(13)	71	20	51
Equipment for process facilities	75	45	120	118	2
Computer software	-	46	46	-	46
Vehicle equipment	133	-	133	132	1
Testing and laboratory equipment	51	-	51	47	4
Machinery and equipment not otherwise classified	15	(15)	-	-	-
Total machinery and equipment	358	63	421	317	104
Maintenance and Operations total	169,568	-	169,568	160,421	9,147

(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, 2013

(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)
Corporate Division Total					
Total all departments:					
Personal services	$ 243,066	$ 721	$ 243,787	$ 233,698	$ 10,089
Contractual services	84,608	1,980	86,588	75,563	11,025
Materials and supplies	23,484	(2,836)	20,648	16,123	4,525
Machinery and equipment	1,125	124	1,249	797	452
Fixed and other charges	31,325	11	31,336	30,656	680
Total Corporate Division	383,608	-	383,608	356,837	26,771
Reserve Claim Division					
Employee claims	10,000	-	10,000	4,770	5,230
General claims and emergency repair and replacement cost over $10,000	52,000	-	52,000	206	51,794
Total Reserve Claim Division	62,000	-	62,000	4,976	57,024
Total General Corporate Fund	$ 445,608	$ -	$ 445,608	$ 361,813	$ 83,795

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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, 2013
(with comparative amounts for prior year)

	(in thousands of dollars) 2013	2012	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2013
Personal services:					
Salaries and wages	$ 167,737	$ 141,567	$ 26,170	18 %	51 %
Employee health and life insurance premiums	57,300	54,700	2,600	5	17
Payment for professional services	5,467	4,675	792	17	2
Social security and medicare contributions	2,308	2,223	85	4	1
Tuition and training payments	771	404	367	91	0
Other	112	56	56	100	0
Total personal services	233,695	203,625	30,070	15	71
Contractual services:					
Electrical energy	31,107	29,584	1,523	5	9
Natural gas	2,242	1,401	841	60	1
Postage, freight, and delivery charges	120	126	(6)	(5)	0
Waste material disposal charges	8,595	12,220	(3,625)	(30)	3
Administration building operation	1,706	1,538	168	11	1
Communication services	1,895	1,966	(71)	(4)	1
Farming services	24	20	4	20	0
Court reporting services	73	73	-	-	0
Water and water services	1,337	903	434	48	1
Motor vehicle operating services	74	74	-	-	0
Employee travel and transportation	434	403	31	8	0
Medical services	124	113	11	10	0
Rental charges	221	238	(17)	(7)	0
Maintenance of grounds and pavements	1,286	1,654	(368)	(22)	0
Governmental service charges	3,313	2,722	591	22	1
Repairs to process facilities	4,672	5,018	(346)	(7)	1
Other repairs	10,330	11,748	(1,418)	(12)	3
Other contractual services	7,988	5,329	2,659	50	2
Total contractual services	75,541	75,130	411	1	23
Materials and supplies:					
Processing chemicals	5,817	6,725	(908)	(14)	2
Laboratory testing supplies	862	947	(85)	(9)	0
Mechanical repair parts	2,258	2,530	(272)	(11)	1
Fuels and lubricants	1,038	1,066	(28)	(3)	0
Electrical parts and supplies	1,589	1,504	85	6	1
Plumbing accessories and supplies	915	757	158	21	0
Office, printing, and photographic supplies	304	311	(7)	(2)	0
Buildings, grounds, paving materials, and supplies	280	221	59	27	0
Cleaning supplies	253	210	43	20	0
Metals	151	217	(66)	(30)	0
Computer supplies	539	463	76	16	0
Other materials and supplies	1,772	1,966	(194)	(10)	1
Total materials and supplies	15,778	16,917	(1,139)	(7)	5

(continued)

	(in thousands of dollars) 2013	2012	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2013
Machinery and equipment:					
Vehicle equipment	$ 132	$ 81	$ 51	63 %	0 %
Office furniture and equipment	32	19	13	68	0
Testing and laboratory equipment	402	359	43	12	0
Computer software	-	5	(5)	(100)	0
Communication equipment	8	100	(92)	(92)	0
Other machinery and equipment	210	517	(307)	(59)	0
Total machinery and equipment	784	1,081	(297)	(27)	0
Fixed other charges:					
Taxes on real estate	656	583	73	13	0
Total fixed other charges	656	583	73	13	0
Claims and judgments	4,970	5,998	(1,028)	(17)	1
Total expenditures	$ 331,425	$ 303,334	$ 28,091	9 %	100 %

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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 D-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, 2013

(in thousands of dollars)

	Final Budget	Actual on Budgetary Basis	Actual Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	$ 177,237	$ 174,280	$ (2,957)
Total tax revenue	177,237	174,280	(2,957)
Interest on investments	900	1,219	319
BAB Grants	12,012	11,057	(955)
Miscellaneous	-	4	4
Total revenues	190,149	186,560	(3,589)
Expenditures:			
Debt service	190,304	192,984	(2,680)
Revenues over (under) expenditures	(155)	(6,424)	(6,269)
Fund balances at beginning of year	79,937	104,571	24,634
Fund balances at end of the year	$ 79,782	$ 98,147	$ 18,365

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 E-1
Capital Projects Funds
Schedule of Appropriations and Expenditures on Budgetary Basis
Year ended December 31, 2013

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget - Positive (Negative)
	Original	Net Transfers	Final	Actual Amounts	
Construction Fund:					
Personal services					
Payment for professional services	$ 4,943	$ (147)	$ 4,796	$ 743	$ 4,053
Preliminary engineering reports and studies	150	(6)	144	-	144
Post-award engineering for construction projects	432	6	438	28	410
Total personal services	5,525	(147)	5,378	771	4,607
Contractual services					
Testing and inspection services	110	-	110	-	110
Court reporting services	5	-	5	1	4
Soil and rock mechanics investigation	20	-	20	-	20
Other contractual services	17	-	17	17	-
Total contractual services	152	-	152	18	134
Materials and supplies					
Electrical parts and supplies	175	-	175	-	175
Mechanical repair parts	105	-	105	-	105
Manhole materials	40	-	40	25	15
Office, printing and photo supplies	-	1	1	1	-
Computer software	45	-	45	-	45
Computer supplies	325	147	472	-	472
Total materials and supplies	690	148	838	26	812
Machinery and equipment					
Machinery for process facilities	1,427	-	1,427	648	779
Material handling and farming equipment	1,000	(85)	915	-	915
Safety medical equipment	55	-	55	50	5
Marine equipment	250	-	250	-	250
Computer software	35	-	35	-	35
Vehicle equipment	2,630	-	2,630	696	1,934
Machinery and equipment not otherwise classified	432	-	432	321	111
Total machinery and equipment	5,829	(85)	5,744	1,715	4,029
Capital Projects					
Collection facilities structures	360	304	664	342	322
Waterways facilities structures	405	530	935	536	399
Process facility structures	5,589	(321)	5,268	1,063	4,205
Buildings	6,235	(500)	5,735	2,496	3,239
Preservation of collection facility structures	6,150	22	6,172	935	5,237

(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):					
Capital Projects (continued)					
Preservation of waterway facility structures	$ 200	$ 50	$ 250	$ 185	$ 65
Preservation of process facility structures	7,731	(1)	7,730	5,176	2,554
Preservation of buildings	1,466	-	1,466	-	1,466
Preservation capital projects not otherwise classified	480	-	480	44	436
Total capital projects	28,616	84	28,700	10,777	17,923
Construction Fund Summary:					
Personal services	5,525	(147)	5,378	771	4,607
Contractual services	152	-	152	18	134
Materials and supplies	690	148	838	26	812
Machinery and equipment	5,829	(85)	5,744	1,715	4,029
Capital projects	28,616	84	28,700	10,777	17,923
Construction Fund total	40,812	-	40,812	13,307	27,505
Stormwater Management Fund:					
Personal services					
Salaries of regular employees	4,185	-	4,185	3,800	385
Compensation plan adjustments	113	-	113	78	35
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	29	-	29	5	24
Payment for professional services	560	-	560	14	546
Health and life insurance	550	-	550	479	71
Preliminary engineering reports and studies	9,546	-	9,546	1,682	7,864
Construction drawings, specifications, and cost estimates	7,388	-	7,388	1,161	6,227
Post-award engineering for construction projects	1,995	-	1,995	868	1,127
Total personal services	24,386	-	24,386	8,087	16,299
Contractual services					
Travel	2	-	2	2	-
Meals and lodging	4	-	4	4	-
Postage and delivery charges	1	1	2	2	-
Compensation for personally owned autos	38	(8)	30	23	7
Motor vehicle operating services	1	-	1	1	-
Reprographic services	60	(1)	59	-	59
Communication services	2	8	10	-	10
Testing and inspection services	40	-	40	8	32
Court reporting services	16	-	16	13	3

(continued)

Exhibit E-1 (continued)
Capital Projects Funds
Schedule of Appropriations and Expenditures on Budgetary Basis
Year ended December 31, 2013

(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 (continued)					
Rental charges	$ 1	$ -	$ 1	$ -	$ 1
Advertising	80	-	80	-	80
Soil and rock mechanics investigation	-	10	10	-	10
Contractual services not otherwise classified	841	(10)	831	201	630
Waste material disposal charges	50	-	50	44	6
Repairs to collection facilities	275	-	275	66	209
Repairs to waterways facilities	2,500	-	2,500	2,215	285
Repairs to vehicle equipment	10	-	10	-	10
Repairs not otherwise classified	12	-	12	3	9
Total contractual services	3,933	-	3,933	2,582	1,351
Materials and supplies					
Office, printing, and photo supplies	4	-	4	2	2
Processing chemicals	5	-	5	4	1
Tools and supplies	6	-	6	-	6
Wearing apparel	6	-	6	1	5
Computer supplies	2	-	2	-	2
Communication supplies	1	-	1	-	1
Materials and supplies not otherwise classified	195	-	195	4	191
Total materials and supplies	219	-	219	11	208
Capital Projects					
Waterways facilities structure	23,314	-	23,314	19,367	3,947
Capital projects not otherwise classified	2,245	-	2,245	-	2,245
Total capital projects	25,559	-	25,559	19,367	6,192
Land	5,154	-	5,154	1,020	4,134
Fixed and other charges					
Payments for easements	2,000	-	2,000	-	2,000
Total fixed and other charges	2,000	-	2,000	-	2,000

(continued)

(in thousands of dollars)	Budget Amounts				
	Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Stormwater Management Fund Summary:					
Personal services	$ 24,386	$ -	$ 24,386	$ 8,087	$ 16,299
Contractual services	3,933	-	3,933	2,582	1,351
Material and supplies	219	-	219	11	208
Capital projects	25,559	-	25,559	19,367	6,192
Land	5,154	-	5,154	1,020	4,134
Fixed and other charges	2,000	-	2,000	-	2,000
Stormwater Management Fund total	61,251	-	61,251	31,067	30,184
Capital Improvements Bond Fund Summary:					
Personal services	8,620	-	8,620	(1,312)	9,932
Contractual services	1,300	-	1,300	214	1,086
Capital projects	339,179	-	339,179	224,441	114,738
Land	300	-	300	263	37
Fixed and other charges	250	-	250	32	218
Capital Improvements Bond Fund total *	349,649	-	349,649	223,638	126,011
Capital Projects Funds total	$ 451,712	$ -	$ 451,712	$ 268,012	$ 183,700

* 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 F-1
Pension and Other Post Employment Trust Funds
Combining Statements of Fiduciary Net Position

December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Assets						
Cash	$ 123	$ 124	$ 3,261	$ 2,150	$ 3,384	$ 2,274
Receivables						
Employer contributions-taxes (net of allowance for uncollectible $5,383 in 2013; $4,402 in 2012)	62,984	34,761	-	-	62,984	34,761
Securities sold	8,012	5,264	-	-	8,012	5,264
Forward foreign exchange contracts	32,768	20,077	-	-	32,768	20,077
Accrued interest and dividends	2,440	2,189	206	116	2,646	2,305
Accounts receivable	52	49	-	-	52	49
Total receivables	106,256	62,340	206	116	106,462	62,456
Investments at fair value						
Corporate bonds and notes	161,406	167,027	-	-	161,406	167,027
Illinois funds investment pool	-	-	10,006	10,095	10,006	10,095
Pooled funds - fixed income	189,819	204,128	33,667	24,081	223,486	228,209
Pooled funds - equities	-	-	73,747	49,674	73,747	49,674
Common and preferred stocks	843,885	663,897	-	-	843,885	663,897
Short-term investments	51,789	29,535	-	-	51,789	29,535
Total investments	1,246,899	1,064,587	117,420	83,850	1,364,319	1,148,437
Securities lending capital	45,659	49,637	-	-	45,659	49,637
Total assets	1,398,937	1,176,688	120,887	86,116	1,519,824	1,262,804
Liabilities						
Accounts payable	1,540	1,354	4	14	1,544	1,368
Securities lending collateral	45,659	49,637	-	-	45,659	49,637
Forward foreign exchange contracts	32,768	20,077	-	-	32,768	20,077
Securities purchased	20,356	13,218	-	-	20,356	13,218
Total liabilities	100,323	84,286	4	14	100,327	84,300
Net position held in trust for pension and OPEB benefits	$ 1,298,614	$ 1,092,402	$ 120,883	$ 86,102	$ 1,419,497	$ 1,178,504

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Additions:						
Contributions:						
Employer contributions	$ 92,944	$ 65,098	$ 33,835	$ 35,426	$ 126,779	$ 100,524
Employee contributions	16,891	14,714	-	-	16,891	14,714
Retiree contributions	-	-	6,218	5,821	6,218	5,821
Total contributions	109,835	79,812	40,053	41,247	149,888	121,059
Investment income:						
Net appreciation (depreciation) in fair value of investments	211,132	103,332	13,147	7,200	224,279	110,532
Interest on short-term investments	7,047	3,074	1,716	1,587	8,763	4,661
Dividend income	12,836	13,886	-	-	12,836	13,886
Total investment income (loss)	231,015	120,292	14,863	8,787	245,878	129,079
Less investment expenses	(5,465)	(4,755)	(43)	(45)	(5,508)	(4,800)
Investment income (loss) net of expenses	225,550	115,537	14,820	8,742	240,370	124,279
Security lending activities:						
Security lending income	89	131	-	-	89	131
Borrower rebates	630	852	-	-	630	852
Bank fees	(174)	(234)	-	-	(174)	(234)
Net income from securities lending activities	545	749	-	-	545	749
Other	7	40	-	-	7	40
Total additions	335,937	196,138	54,873	49,989	390,810	246,127
Deductions:						
Annuities and benefits						
Employee annuitants	106,624	103,044	-	-	106,624	103,044
Retiree health care benefits	-	-	20,053	18,847	20,053	18,847
Surviving spouse annuitants	19,432	18,674	-	-	19,432	18,674
Child annuitants	114	114	-	-	114	114
Ordinary disability benefits	822	678	-	-	822	678
Duty disability benefits	214	204	-	-	214	204
Total annuities and benefits	127,206	122,714	20,053	18,847	147,259	141,561
Refunds of employee contributions	1,129	1,196	-	-	1,129	1,196
Administrative expenses	1,391	1,297	38	36	1,429	1,333
Total deductions	129,726	125,207	20,091	18,883	149,817	144,090
Net increase (decrease)	206,211	70,931	34,782	31,106	240,993	102,037
Net position held in trust for pension and OPEB benefits						
Beginning of year	1,092,402	1,021,471	86,102	54,996	1,178,504	1,076,467
End of year	$ 1,298,613	$ 1,092,402	$ 120,884	$ 86,102	$ 1,419,497	$ 1,178,504

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OTHER FINANCIAL INFORMATION

Exhibit G-1
Combined Schedules of Property Tax Levies, Allowances, Collections, and Receivables - All Governmental Fund Types
Levy Years 2013-2008

(in thousands of dollars)

	Cumulative as of December 31, 2013		2013		2012	
Gross property tax levy	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
General Corporate Fund:						
Corporate	$ 1,428,377	50.5	$ 224,100	43.5	$ 237,192	48.0
Reserve Claim	29,306	1.1	6,500	1.3	7,200	1.5
Total General Corporate Funds	1,457,683	51.6	230,600	44.8	244,392	49.5
Other Governmental Fund:						
Storm Water Management	112,190	4.0	20,000	3.9	20,000	4.0
Retirement Fund	187,167	6.6	51,621	10.0	28,489	5.8
Debt Service Fund	1,017,965	36.0	201,833	39.3	180,732	36.6
Construction Fund	52,476	1.8	11,079	2.2	20,418	4.1
Total Other Governmental Funds	1,369,798	48.4	284,533	55.2	249,639	50.5
Total Gross Levy - All Funds	2,827,481	100.0	515,133	100.0	494,031	100.0
Less allowance for uncollectible taxes at December 31, 2013	79,866	2.8	18,046	3.5	17,150	3.5
Estimated property taxes to be collected	2,747,615	97.2	497,087	96.5	476,881	96.5
Collections by year (percent shown is percent of estimated property taxes to be collected):						
First year	2,156,168	78.4	-	-	476,881	100.0
Second year	113,341	4.1	-	-	-	-
Third year	(9,126)	(0.3)	-	-	-	-
Fourth year	(6,164)	(0.2)	-	-	-	-
Fifth year	(3,691)	(0.1)	-	-	-	-
Total collections through December 31, 2013	2,250,528	81.9	-	-	476,881	100.0
Property taxes receivable, net	$ 497,087	18.1	$ 497,087	100.0	$ -	-
Property taxes receivable, net - by fund						
General Corporate Fund:						
Corporate	216,256		216,256			
Reserve Claim	5,815		5,815			
Total General Corporate Fund	222,071		222,071			
Other Governmental Funds:						
Storm Water Management	19,300		19,300			
Retirement Fund	49,814		49,814			
Debt Service Fund	195,211		195,211			
Construction Fund	10,691		10,691			
Property taxes receivable, net	$ 497,087		$ 497,087			

2011		Levy Years 2010		2009		2008	
Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
249,828	52.4	$ 240,059	52.5	$ 237,116	52.1	$ 240,082	56.0
3,400	0.7	1,951	0.4	3,182	0.7	7,073	1.7
253,228	53.1	242,010	52.9	240,298	52.8	247,155	57.7
24,100	5.0	24,029	5.3	8,849	1.9	15,212	3.5
28,163	5.9	26,478	5.8	26,752	5.9	25,664	6.0
169,645	35.6	156,090	34.1	169,051	37.1	140,614	32.8
1,819	0.4	8,749	1.9	10,411	2.3	-	-
223,727	46.9	215,346	47.1	215,063	47.2	181,490	42.3
476,955	100.0	457,356	100.0	455,361	100.0	428,645	100.0
7,671	1.6	9,111	2.0	13,278	2.9	14,610	3.4
469,284	98.4	448,245	98.0	442,083	97.1	414,035	96.6
460,618	100.0	435,009	97.0	383,612	86.8	400,048	96.6
8,666	1.8	16,322	3.6	65,262	14.8	23,091	5.6
-	-	(3,086)	(0.7)	(3,533)	(0.8)	(2,507)	(0.6)
-	-	-	-	(3,258)	(0.7)	(2,906)	(0.7)
-	-	-	-	-	-	(3,691)	(0.9)
469,284	100.0	448,245	100.0	442,083	100.0	414,035	100.0
$ -	-	$ -	-	$ -	-	$ -	-

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III.
STATISTICAL AND DEMOGRAPHICS SECTION

A portion of the western wall of the Thornton Composite Reservoir explodes in May. Blasting continued throughout the summer, leading up to the "last blast" and accompanying ceremony in September. Located along Interstate 80 in southern Cook County, this important component of the MWRD's Tunnel and Reservoir Plan (TARP) will be operational by December 2015.

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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 the information in the financial statements, note disclosures, and required supplementary information and the District's overall financial health.

Contents	Exhibits
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, property taxes and user charges.	
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 its 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 this 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.*

Exhibit I-1
Net Position by Component

Last Ten Fiscal Years

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

	2013	2012	2011	2010
Net investment in capital assets	$ 4,506,950	$ 4,514,633	$ 4,506,544	$ 4,492,811
Restricted				
Restricted for corporate working cash	276,894	277,006	277,270	277,249
Restricted for reserve claim	9,861	4,524	6,211	22,521
Restricted for debt service	278,970	268,760	257,418	227,320
Restricted for capital projects	28,886	18,828	29,908	38,018
Restricted for construction working cash	21,644	21,649	21,611	27,377
Restricted for stormwater working cash	37,690	37,737	39,573	39,554
Restricted for pension	-	-	-	-
Unrestricted (Deficit)	4,037	(1,006)	(53,477)	(96,934)
Total net position	$ 5,164,932	$ 5,142,131	$ 5,085,058	$ 5,027,916

2009	2008	2007	2006	2005	2004
$ 4,559,884	$ 4,575,974	$ 4,580,604	$ 4,541,778	$ 3,728,581	$ 1,921,730
275,459	272,120	267,848	263,229	244,319	236,294
25,073	35,817	31,295	-	-	-
232,815	212,353	203,656	220,306	278,218	297,800
-	13,412	18,656	1,044	12,287	16,268
27,286	27,005	26,313	25,750	25,642	50,132
38,953	37,902	35,275	32,064	25,227	-
-	-	-	-	28,602	44,590
(49,191)	47,316	70,431	95,357	27,594	8,862
$ 5,110,279	$ 5,221,899	$ 5,234,078	$ 5,179,528	$ 4,370,470	$ 2,575,676

Exhibit I-2
Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

	2013	2012	2011	2010
Revenues				
General Revenues:				
Property taxes	$ 470,855	$ 486,316	$ 506,888	$ 409,550
Personal property replacement tax	40,737	35,605	36,849	39,352
Interest on investments	3,051	11,123	13,156	9,119
Tax increment financing distributions	3,361	6,239	12,715	6,818
Claims and damage settlements	2,271	1,472	1,298	285
Miscellaneous	4,765	5,822	4,859	5,181
Gain on sale of capital assets	923	-	676	2,736
Adjustments for non-financial assets (1)	-	-	-	-
Total general revenues	525,963	546,577	576,441	473,041
Program Revenues:				
Charges for services				
User charges	49,182	69,322	57,469	49,433
Land rentals	14,851	12,081	12,161	10,040
Fees, forfeits and penalties	3,396	3,353	3,279	2,731
Capital grants and contributions				
Federal grants	11,110	22,164	17,218	17,156
Total program revenues	78,539	106,920	90,127	79,360
Total revenues	604,502	653,497	666,568	552,401
Expenses				
Board of Commissioners	3,520	3,471	3,348	3,627
General Administration	14,426	14,296	14,844	15,767
Monitoring and Research	25,294	24,689	25,221	28,450
Procurement and Materials Management	5,660	5,694	6,928	6,447
Human Resources	67,841	63,103	47,683	46,882
Information Technology	14,331	13,714	14,423	16,127
Law	6,975	5,942	7,151	8,132
Finance	3,394	3,175	2,962	3,189
Engineering	25,051	4,332	4,028	6,245
Maintenance and Operations	162,372	161,919	178,438	191,090
Pension costs	52,065	78,360	70,331	62,996
OPEB Trust Fund costs (2)	(19,567)	(7,155)	10,251	24,540
Claims and judgments	3,369	25,738	25,488	9,134
Construction costs	88,528	75,496	84,240	104,947
Loss on sale of capital assets	173	147	95	381
Depreciation (unallocated)	12,020	12,459	12,235	11,428
Interest on bonds	116,249	111,044	101,760	95,382
Total expenses	581,701	596,424	609,426	634,764
Change in Net Position	$ 22,801	$ 57,073	$ 57,142	$ (82,363)

(1) Adjustment for non-financial assets.
(2) The 2012 decrease resulted from a reduction in the liability estimate for OPEB.

2009	2008	2007	2006	2005	2004
$ 429,968	$ 432,412	$ 370,777	$ 392,775	$ 405,423	$ 395,108
37,477	42,527	45,935	37,743	36,031	25,961
7,632	27,112	48,750	43,659	19,693	9,943
1,359	797	644	1,167	1,634	604
695	606	64	614	77	450
6,642	5,450	3,434	2,584	2,300	1,716
-	-	21	-	93	2,677
-	-	-	-	-	35,865
483,773	508,904	469,625	478,542	465,251	472,324
47,886	49,439	54,612	53,986	46,576	46,981
9,660	9,572	9,243	7,972	6,310	6,166
4,305	4,357	3,383	4,693	4,748	3,800
5,518	896	253	-	867	774
67,369	64,264	67,491	66,651	58,501	57,721
551,142	573,168	537,116	545,193	523,752	530,045
3,680	3,748	3,513	3,422	3,341	3,578
19,046	18,438	16,875	17,293	17,807	15,969
29,252	27,612	26,178	25,317	25,230	24,599
6,196	5,398	6,631	5,480	5,170	6,095
43,670	61,465	61,878	35,216	32,941	35,931
20,611	20,767	16,475	11,312	11,111	10,885
7,491	7,274	6,147	5,748	6,199	5,064
3,233	3,238	3,109	3,218	3,124	3,065
9,284	8,144	4,483	4,519	10,160	6,169
209,488	196,612	179,938	156,984	158,802	161,903
54,804	45,343	49,891	42,320	47,549	35,354
25,464	8,920	7,405	-	-	-
17,536	9,174	17,606	876	4,466	12,175
131,095	93,421	56,914	70,594	51,145	38,057
436	750	273	4,430	676	172
9,227	9,224	9,216	9,216	7,596	7,596
72,249	65,819	64,584	81,876	61,872	65,398
662,762	585,347	531,116	477,821	447,189	432,010
$ (111,620)	$ (12,179)	$ 6,000	$ 67,372	$ 76,563	$ 98,035

Exhibit I-3
Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2013	2012	2011	2010	2009
General Corporate Fund					
Nonspendable	$ 42,527	$ 39,467	$ 38,922	$ 38,924	$ 38,761
Restricted	344,558	344,186	342,398	341,381	338,602
Unassigned (Deficit)	(51,960)	(19,151)	(96,225)	(175,521)	(166,687)
Total General Corporate Fund	335,125	364,502	285,095	204,784	210,676
All Other Governmental Funds					
Restricted	441,431	575,796	763,064	519,456	773,035
Total governmental funds	$ 776,556	$ 940,298	$ 1,048,159	$ 724,240	$ 983,711

2008		2007		2006		2005		2004
$ 38.067		$ 35,787		$ 36,326		$ 35,907		$ 34,914
333,650		323,238		306,705		283,767		272,096
(142,300)		(124,515)		(98,053)		(120,465)		(138,999)
229,417		234,510		244,978		199,209		168,011
464,633		631,736		750,189		517,320		599,658
$ 694,050		$ 866,246		$ 995,167		$ 716,529		$ 767,669

Exhibit I-4
Changes in Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2013	2012	2011	2010	2009
Revenues					
General Revenues:					
Property taxes	$ 454,966	$ 489,168	$ 492,751	$ 410,663	$ 418,077
Personal property replacement tax	40,737	35,605	36,849	39,352	37,477
Interest on investments	3,051	11,123	13,156	9,119	7,632
Land sales	2,575	-	2,326	3,045	6
Tax increment financing distributions	3,361	6,239	12,715	6,818	1,359
Claims and damage settlements	2,271	1,472	1,298	285	695
Miscellaneous	4,765	5,822	4,859	5,181	6,642
Program Revenues:					
Charges for services					
User charges	49,182	69,322	57,469	49,433	47,886
Land rentals	14,851	12,081	12,161	10,040	9,660
Fees, forfeits and penalties	3,396	3,353	2,534	2,731	4,305
Capital grants and contributions					
Government grants	11,110	22,164	17,218	20,233	1,440
Total revenues	590,265	656,349	653,336	556,900	535,179
Expenditures					
Operations:					
Board of Commissioners	3,514	3,463	3,344	3,628	3,659
General Administration	14,111	13,877	14,332	15,411	18,555
Monitoring and Research	25,128	24,495	25,084	28,445	28,891
Procurement and Materials Management	5,671	5,698	6,949	6,493	6,156
Human Resources	67,856	63,105	47,710	46,944	43,603
Information Technology	14,024	13,167	13,820	15,823	20,200
Law	6,984	5,942	7,166	8,164	7,446
Finance	3,393	3,172	2,965	3,203	3,208
Engineering	23,987	3,229	2,975	5,367	7,951
Maintenance and Operations	161,787	161,188	177,908	191,165	208,123
Pension costs	67,523	66,191	36,635	30,099	31,744
Claims and judgments	4,970	5,998	6,923	6,728	9,464
Construction costs	199,231	259,315	337,051	496,885	397,265
Debt service:					
Redemption of bonds	85,709	71,400	64,112	60,602	73,105
Interest on bonds	111,665	118,854	98,015	104,414	67,148
Total expenditures	795,553	819,094	844,989	1,023,371	926,518
Revenues over (under) expenditures	(205,288)	(162,745)	(191,653)	(466,471)	(391,339)
Other Financing Sources (Uses)					
Payment to escrow agent	-	-	(253)	-	-
State revolving fund loan proceeds	41,546	54,884	78,481	152,465	81,000
Sale of refunding bonds		-	-	-	-
Proceeds from sale of bonds		-	400,000	-	600,000
Premium on sale of bonds		-	37,344	-	-
Proceeds from capital lease		-	-	54,535	-
Total other financing sources (uses)	41,546	54,884	515,572	207,000	681,000
Net change in fund balance	$ (163,742)	$ (107,861)	$ 323,919	$ (259,471)	$ 289,661
Debt service as a percentage of non-capital expenditures	28.8%	29.9%	27.4%	24.1%	22.8%

2008	2007	2006	2005	2004
$ 399,917	$ 376,757	$ 380,675	$ 423,941	$ 360,326
42,527	45,935	37,743	36,031	25,961
27,112	48,750	43,659	19,693	9,943
6	28	516	100	3,608
797	644	1,167	1,634	604
606	64	614	77	450
5,450	3,495	2,729	2,573	1,872
49,439	54,117	52,504	45,983	47,757
9,572	9,243	7,972	6,310	6,160
4,357	3,383	4,693	4,748	3,800
896	253	-	867	1
540,679	542,669	532,272	541,957	460,482
3,721	3,496	3,401	3,323	3,552
17,958	16,491	16,974	17,259	15,538
27,146	25,892	24,985	24,787	24,030
5,341	6,556	5,352	5,023	5,932
61,385	61,841	35,162	32,900	35,877
19,328	16,125	11,034	10,811	10,574
7,211	6,121	5,709	6,168	5,018
3,205	3,093	3,197	3,102	3,033
6,703	4,331	4,318	9,538	6,273
194,916	179,012	155,899	157,612	160,299
28,937	31,115	30,071	31,561	27,372
7,626	9,353	4,954	4,368	3,829
191,415	194,151	164,157	133,599	127,155
112,577	90,466	83,692	107,767	92,560
66,591	68,148	88,177	61,252	63,465
754,060	716,191	637,082	609,070	584,507
(213,381)	(173,522)	(104,810)	(67,113)	(124,025)
-	(437,621)	(416,000)	-	-
41,185	47,104	27,464	15,973	52,720
-	382,020	397,390	-	-
-	-	350,000	-	-
-	53,098	24,594	-	-
-	-	-	-	-
41,185	44,601	383,448	15,973	52,720
$ (172,196)	$ (128,921)	$ 278,638	$ (51,140)	$ (71,305)
28.2%	27.4%	33.4%	32.2%	33.4%

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
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	449,811,540	37.1
2011	75,122,914	73,925,579	149,048,493	0.320	442,787,689	33.7
2012	65,250,387	68,147,608	133,397,995	0.370	442,787,689 (2)	30.1

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
District direct rates										
Corporate	$ 0.177	$ 0.179	$ 0.168	$ 0.144	$ 0.135	$ 0.141	$ 0.150	$ 0.151	$ 0.158	$ 0.167
Corporate Working Cash		-	-	-	-	-	-	-	-	-
Reserve Claim	0.005	0.005	0.002	0.001	0.002	0.004	0.004	0.004	0.004	0.004
Retirement	0.040	0.021	0.019	0.016	0.016	0.015	0.016	0.018	0.018	0.024
Debt Service	0.160	0.135	0.114	0.094	0.097	0.083	0.087	0.087	0.113	0.139
Construction	0.009	0.015	0.001	0.005	0.006	-	0.003	0.013	0.014	0.013
Stormwater Management (2)	0.016	0.015	0.016	0.014	0.005	0.009	0.003	0.011	0.008	-
Total direct rate	$ 0.407	$ 0.370	$ 0.320	$ 0.274	$ 0.261	$ 0.252	$ 0.263	$ 0.284	$ 0.315	$ 0.347
Major local governments' tax rates (3)										
City of Chicago	-	$ 1.151	$ 0.999	$ 0.914	$ 0.887	$ 0.928	$ 1.004	$ 1.012	$ 1.153	$ 1.188
Chicago Board of Education	-	3.422	2.875	2.581	2.366	2.472	2.583	2.697	3.026	3.104
Chicago Park District	-	0.395	0.346	0.319	0.309	0.323	0.355	0.379	0.443	0.431
Cook County	-	0.531	0.462	0.423	0.394	0.415	0.446	0.500	0.533	0.593
Cook County Forest Preserve Dist.	-	0.063	0.058	0.051	0.049	0.051	0.053	0.057	0.060	0.060
City Colleges of Chicago	-	0.190	0.165	0.151	0.150	0.156	0.159	0.205	0.234	0.242
Chicago School Finance Authority	-	-	-	-	-	-	0.091	0.118	0.127	0.177
City of Chicago Library Fund	-	0.128	0.111	0.102	0.099	0.102	0.040	0.050	0.090	0.114
City of Chicago School Bldg/Imprvmt	-	0.146	0.119	0.116	0.112	0.117	-	-	-	-
District's tax levies by fund *(in thousands)*										
Corporate	$224,100	$237,247	$249,828	$240,059	$237,116	$240,082	$233,982	$213,860	$206,565	$198,676
Stormwater Management (2)	20,000	20,000	24,100	24,029	8,849	15,212	3,942	15,508	10,451	-
Corporate Working Cash	-	-	-	-	-	-	-	-	-	-
Reserve Claim	6,500	6,670	3,400	1,951	3,182	7,073	6,530	5,957	5,513	5,142
Retirement	51,621	28,490	28,163	26,478	26,751	25,664	24,843	25,072	23,598	28,247
Debt Service	202,290	180,748	169,645	156,090	169,051	140,614	135,730	123,608	147,281	166,152
Construction	11,079	20,418	1,819	8,749	10,441	-	5,181	17,766	17,940	14,847
Total tax levies	$515,590	493,573	$476,955	$457,356	$455,360	$428,645	$410,208	$401,771	$411,348	$413,064

Source: Cook County Clerk

(1) District's tax rates are estimated based on 2012 equalized assessed valuation of $133 billion.

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

(3) Major local governments' rates for 2013 are not yet available.

Exhibit I-7
Principal Property Taxpayers

2012 and Nine Years Ago

(in thousands of dollars)

Taxpayer	Type of Business	2012 (1) Equalized Assessed Value (3)	2012 (1) Rank	2012 (1) Percentage of Total Equalized Assessed Value	2003 Equalized Assessed Value	2003 Rank	2003 Percentage of Total Equalized Assessed Value
Willis Tower	Retail & Office	$ 386,267	1	0.29%	$ 467,362	1	0.42%
Aon Center	Insurance	255,346	2	0.19	307,715	2	0.28
Merchandise Mart	Retail & Office	243,605	3	0.18	-	-	-
Citadel Center	Office	237,236	4	0.18	-	-	-
One Prudential Plaza	Financial Services	234,963	5	0.18	266,448	4	0.24
Equity Office (2)	Property Management	209,267	6	0.16	307,093	3	0.28
Blue Cross Blue Shield Tower	Office	205,275	7	0.15	-	-	-
Water Tower Place	Retail & Office	201,246	8	0.15	-	-	-
Chase Tower	Banking	200,707	9	0.15	233,214	5	0.21
One North Wacker Drive	Office	191,524	10	0.14	144,867	8	0.13
Citicorp Center	Banking	-	-	-	185,968	6	0.17
Three First National Plaza	Retail & Office	-	-	-	171,376	7	0.16
AT & T Corporate Center	Communications	-	-	-	138,142	9	0.13
311 South Wacker	Investments	-	-	-	124,511	10	0.11
		$ 2,365,436		1.77%	$ 2,346,696		2.13%

Source: Cook County Treasurer's Office and Cook County Clerk's Office
(1) 2013 information is unavailable
(2) Equity Office owns and manages two adjoining tower office buildings
(3) The Equalized Assessed Valuation for 2012 is $133,397,995,365

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
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	5,393	395,833	96.5
2008	428,645	400,048	93.3	12/01/09	13,987	414,035	96.6
2009	455,360	383,612	84.2	12/13/10	58,471	442,083	97.1
2010	457,356	435,009	95.1	10/01/11	13,246	448,255	98.0
2011	476,955	460,618	96.6	08/01/12	8,666	469,284	98.4
2012	493,573	476,881	96.6	08/01/13	-	476,881	96.6
2013	515,590	-	-	08/01/14	-	-	-

Exhibit I-9
User Charge Rates

Last Ten Fiscal Years

	2013 (1)	2012	2011	2010	2009
Large Commercial/Industrial User Rates (2)					
Flow per million gallons	$ 241.73	$ 256.48	$ 243.99	$ 262.44	$ 229.37
5-day BOD per 1,000 lbs. (5)	250.76	259.22	247.48	270.68	231.90
SS per 1,000 lbs. (6)	165.24	195.95	194.18	200.33	174.25
Tax-Exempt User Rates (3)					
Flow per million gallons	$ 245.18	$ 263.48	$ 250.31	$ 269.25	$ 235.96
5-day BOD per 1,000 lbs. (5)	254.34	266.27	253.89	277.70	238.56
SS per 1,000 lbs. (6)	167.60	201.24	199.21	205.53	179.25
OM&R Rate (4)	0.4240	0.4860	0.4730	0.5570	0.5040

(1) The current year's rates are calculated using financial data from the prior year's Budget, operating costs and loading data from two years prior. The decrease in user charge rates in 2013 as compared to 2012 is attributable to a decrease to the District's 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

2008	2007	2006	2005	2004
$ 223.72	$ 224.87	$ 225.80	$ 210.91	$ 202.39
229.23	228.39	239.79	226.64	215.86
178.11	173.01	183.41	174.33	168.16
$ 230.29	$ 231.07	$ 235.40	$ 219.30	$ 209.31
235.98	234.69	249.99	235.65	223.25
183.35	177.77	191.20	181.26	173.92
0.4990	0.5040	0.5680	0.5680	0.5690

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)
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	0.47	400.92
2011	2,466,464	108,008	51,784	2,626,256	137,217	2,489,039	1.87	503.50	0.56	477.19
2012	2,515,376	44,527	49,838	2,609,740	136,173	2,473,567	1.79	506.75	0.56	480.30
2013	2,481,973	35,809	47,795	2,565,577	122,527	2,443,050	1.73	489.52	0.55	466.14

(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, 2013

(In thousands of dollars)

Direct debt				
Bonds and notes payable				$ 2,600,808
Capital lease				49,795

Overlapping bonded debt of major local governments (1)	Net Debt (2)	% Applicable (3)	Applicable Amount	
City of Chicago	$ 7,670,298	100.00%	$ 7,670,298	
Chicago Board of Education	6,507,791 (4)(5)	100.00	6,507,791 (4)	
Chicago Park District	865,665 (4)	100.00	865,665 (4)	
City Colleges of Chicago	250,000	100.00	250,000	
Cook County	3,578,905	97.95	3,505,681	
Cook County Forest Preserve District	179,665	97.95	175,989	
Total overlapping debt (6)				18,975,424
Total direct and overlapping debt				$ 21,624,027

(1) Excludes outstanding tax anticipation notes and warrants.

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

(3) Based on 2012 Equalized Assessed Valuation, the most recent available. For 2012, the Equalized Assessed Valuation from the portion of the District within the City of Chicago was $65,250,387,267.

(4) Includes approximately $6.3 billion and $407.0 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 ($254 million) and a revolving credit facility with a maximum authorization of $300 million.

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

Exhibit I-12
Computation of Statutory Debt Margin

Last Ten Fiscal Years

(in thousands of dollars)

	2013 (1)	2012	2011	2010	2009
Equalized assessed valuation	$ 133,397,995	$ 149,048,493	$ 149,048,493	$ 166,918,066	$ 174,467,643
Statutory debt limit (5.75% of equalized assessed valuation)	7,670,385	8,570,288	8,570,288	9,597,789	10,031,889
Total debt applicable to debt limit:					
General obligation bonds outstanding	2,481,973	2,515,376	2,466,464	1,961,974	1,979,203
Bond anticipation notes outstanding	35,809	44,527	108,008	196,225	86,286
Capital lease outstanding	47,795	49,837	51,784	53,688	-
Liabilities of tax financed funds:					
Corporate	30,150	30,076	35,347	45,381	45,260
Stormwater	3,515	2,496	1,956	2,496	1,101
Debt service	-	-	-	-	-
Reserve claim	380	1,110	1,381	410	327
Construction	2,816	4,062	1,542	1,732	4,236
Total applicable debt	2,602,438	2,647,484	2,666,482	2,261,906	2,116,413
Less applicable assets:					
Debt service funds unrestricted cash and investments	98,006	105,285	114,344	88,710	88,849
Interest payable in the next twelve months	(107,868)	(109,300)	(116,410)	(92,619)	(59,873)
Total applicable assets	(9,862)	(4,015)	(2,066)	(3,909)	28,976
Total net debt applicable to debt limit	2,612,300	2,651,499	2,668,548	2,265,815	2,087,437
Statutory debt margin	$ 5,058,085	$ 5,918,790	$ 5,901,740	$ 7,331,974	$ 7,944,452
Total applicable net debt as a percentage of statutory debt limit	34.1%	30.9%	31.1%	23.6%	20.8%

(1) Debt limit calculation based on 2012 equalized assessed valuation since 2013 value is not yet available.

2008	2007	2006	2005	2004
$ 170,097,382	$ 155,972,794	$ 141,468,642	$ 130,586,921	$ 119,038,560
9,780,599	8,968,436	8,134,447	7,508,748	6,844,717
1,392,699	1,465,854	1,579,401	1,280,569	1,329,123
64,894	63,131	25,261	48,238	90,473
-	-	-	-	-
42,374	38,699	27,233	25,394	29,112
1,470	1,179	340	72	-
-	-	56	154	212
1,036	1,243	1,495	124	276
2,855	2,662	2,810	3,949	6,333
1,505,328	1,572,768	1,636,596	1,358,500	1,455,529
89,397	77,599	108,814	127,860	125,441
(73,103)	(68,877)	(69,111)	(55,119)	(60,902)
16,294	8,722	39,703	72,741	64,539
1,489,034	1,564,046	1,596,893	1,285,759	1,390,990
$ 8,291,565	$ 7,404,390	$ 6,537,554	$ 6,222,989	$ 5,453,727
15.2%	17.4%	19.6%	17.1%	20.3%

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
2013	5,241	$ 148,352,487	$ 28,304	$ 51,391	9.1%
2012	5,150	145,456,281	28,246	53,852	8.8
2011	5,216	140,483,393	26,933	54,036	9.8
2010	5,240	153,959,010	29,381	59,201	10.4
2009	5,269	141,675,329	26,888	53,709	10.1
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	6.0
2004	5,364	137,820,341	25,694	50,093	6.3

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 and 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

2013 and Nine Years Ago

Employer	2013 Employees	2013 Rank	2013 Percentage of Total Employment	2004 Employees	2004 Rank	2004 Percentage of Total Employment
U.S. Government	49,860	1	0.95%	88,000	1	1.64%
Chicago Public Schools	39,094	2	0.75	39,402	2	0.73
City of Chicago	30,340	3	0.58	35,978	4	0.67
Cook County	21,482	4	0.41	26,505	5	0.49
Advocate Health Care	18,512	5	0.35	25,196	6	0.47
J.P. Morgan Chase & Co.	16,045	6	0.31	-	-	-
University of Chicago	15,452	7	0.29	-	-	-
State of Illinois	14,731	8	0.28	17,222	8	0.32
AT&T Inc.	14,000	T9	0.27	17,000	9	0.32
United Continental Holdings Inc. (1)	14,000	T9	0.27	15,830	10	0.30
Jewel-Osco	-	-	-	36,749	3	0.69
United Parcel Service of America Inc.	-	-	-	19,563	7	0.36
Total	233,516		4.46%	321,445		5.99%

(1) Owns and operates United Airlines

Source: Reprinted with permission, *Crain's Chicago Business* [January 20, 2014] © Crain Communications, Inc.

Exhibit I-15
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

	Budgeted Positions									
Fund/Department	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
General Corporate Fund										
Board of Commissioners	37	37	40	45	45	45	45	45	46	46
General Administration	109	114	125	124	146	138	144	145	146	147
Monitoring and Research	286	280	303	308	308	309	311	317	321	326
Procurement and Materials Management	62	62	69	70	70	70	70	70	71	75
Human Resources	58	57	59	60	54	54	53	53	56	56
Information Technology	70	69	71	71	72	72	66	63	64	64
Law	38	37	38	40	40	40	40	41	41	41
Finance	29	29	31	31	31	33	34	35	35	37
Engineering (Corporate Fund) (1)	242	29	32	34	34	34	33	33	33	32
Maintenance & Operations	947	943	1,029	1,047	1,046	1,045	1,044	1,071	1,124	1,137
Total General Corporate Fund	1,878	1,657	1,797	1,830	1,846	1,840	1,840	1,873	1,937	1,961
Engineering (Construction Fund) (2)	0	21	28	45	45	45	49	63	63	117
Engineering (Stormwater Management)	49	48	44	50	49	47	48	38	9	-
Engineering (Capital Improvements Bond Fund) (2)	0	196	202	191	191	177	157	133	134	83
Grand Total	1,927	1,922	2,071	2,116	2,131	2,109	2,094	2,107	2,143	2,161

(1) Increase due to the transfer of positions from the Capital Improvements Bond and Construction Funds to the Corporate Fund
(2) Decrease due to the transfer of positions from the Capital Improvements Bond and Construction Funds to the Corporate Fund

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 Sewage Processed per Day (4)	Daily Sewage Treatment Capacity (4)
2013	884	126	5,241,489	4,500,000	10,000	4,000,000	1,218,200	2,000,000
2012	884	126	5,149,578	4,500,000	10,000	4,000,000	1,070,200	2,000,000
2011	884	126	5,215,968	4,500,000	10,000	4,000,000	1,342,800	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

(1) In square miles
(2) Including the City of Chicago
(3) Claritas Data Service
(4) In thousands of gallons
.

Exhibit I-17
Capital Asset Statistics

Last Ten Fiscal Years

	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Miles of intercepting sewers and force mains operated	560	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+	13,796+	13,796+	13,000+	13,000+	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	22	22	23	23	23	23
Miles of TARP tunnels constructed for pollution and flood control	109.4	109.4	109.4	109.4	109.4	109.4	109.4	109.4	101.5	101.5
Miles of TARP tunnels under construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.9	7.9
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	2
Number of flood control reservoirs	31	31	31	31	31	32	32	32	32	32
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

Kayakers enjoy the Chicago River near the Columbus Drive bridge in August.

BAKER TILLY

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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*

Independent Auditors' Report

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

We have audited, 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, 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 (the "District") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 7, 2014. Our report includes a reference to other auditors who 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 of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
May 7, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Schedule of Expenditures of Federal Awards

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, 2013 and the related notes to the Schedule.

Management's Responsibility for the Schedule of Expenditures of Federal Awards
Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

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

Opinion

In our opinion, the 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, 2013 in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, we have also issued a report dated May 7, 2014 on our consideration of the District's compliance with requirements that could have a direct and material effect on the 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
May 7, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for the Major Federal Program

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, 2013. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Prado & Renteria

Chicago, Illinois
May 7, 2014

Year ended December 31, 2013

Federal CFDA Number(A)	Grant/ Identifying Number(B)	Award Date(C)	Project Description(D)	Total 2013 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	L172625	September, 2007	Hydraulic Improvements at Calumet Water Reclamation Plant	1,213,701
66.458	L174710	October, 2012	North Side 8 Intercepting Sewer and the 43rd Street Connection Structure	4,471,654
		Total U.S. Environmental Protection Agency Funding of Capitalization Grants for Clean Water State Revolving Funds		$ 5,685,355
			Total Federal Expenditures	**$ 5,685,355**

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2013

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 (CFDA), 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, 2013.

<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 inter-municipal 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 (ARRA) of 2009 are funded 50% from ARRA funds and 50% from SRFs.

Note 4 – Grant Project Descriptions

<u>State Revolving Fund Loans</u>

Loan #L172625 was awarded to the District on September 11, 2007, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Hydraulic Improvement at the Calumet Water Reclamation Plant, Project 93-232-2M. The maximum loan amount is $43,000,000 and the maximum pass through federal funding is $35,831,900. A total of $1,213,701 in federal funds was disbursed by the Illinois Environmental Protection Agency (IEPA) during fiscal year 2013. As of December 31, 2013, $1,456,500 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174710 was awarded to the District on October 12, 2012, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the North Side 8 Intercepting Sewer and the 43rd Street Connection Structure, Project 10-050-3S. The maximum loan amount is $7,575,320 and the maximum pass through federal funding is $6,312,514. A total of $4,471,654 in federal funds was disbursed by the Illinois Environmental Protection Agency (IEPA) during fiscal year 2013. As of December 31, 2013, $6,564,645 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

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, 2013.

Year ended December 31, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? _____Yes __X__No

Significant deficiencies identified that are not considered to be material weakness(es)?
_____Yes __X__None reported

Noncompliance material to financial statements noted?
_____Yes __X__No

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____Yes __X__No

Significant deficiencies identified not considered to be material weaknesses?
_____Yes __X__None reported

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

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: $300,000

Auditee qualified as low-risk auditee? __X__Yes _____No

Year ended December 31, 2013

<u>SECTION II – FINANCIAL STATEMENT FINDINGS</u> – 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

<u>Item 2012-01 - Health Care Payment Process</u>

This item has been resolved.