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

Chicago, Illinois

For the Year Ended
December 31, 2015

Finance Department
JACQUELINE TORRES, Clerk/Director of Finance

Incorporated May 29, 1889

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I. INTRODUCTORY SECTION

MWRD President Mariyana T. Spyropoulos and US Army Corps of Engineers Lieutenant Colonel Kevin Lovell hold the large scissors to cut the ribbon on the Thornton Composite Reservoir on September 1, 2015. They are joined by MWRD Vice President Barbara J. McGowan, Chairman of Finance Frank Avila, and Commissioners Timothy Bradford, Cynthia M. Santos, Debra Shore and Kari K. Steele; MWRD Executive Director David St. Pierre; Senator Dick Durbin; Congresswoman Robin Kelly; USEPA Region 5 Administrator Susan Hedman, IEPA Director Lisa Bonnett; Secretary/Treasurer of Chicago Federation of Labor Robert Reiter; South Suburban Mayors Executive Director Ed Paesel; and Friends of Chicago River Executive Director Margaret Frisbie. The ribbon cutting was held to celebrate the connection of the tunnel system to the 7.9 billion gallon capacity reservoir, which provides flood protection benefits for 556,000 people in 14 communities throughout the south side of Chicago and south suburbs and improves water quality in the Calumet Rivers and Calumet-Sag Channel by preventing combined sewer overflows.

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Metropolitan Water Reclamation District of Greater Chicago

Board of Commissioners and Principal Officers

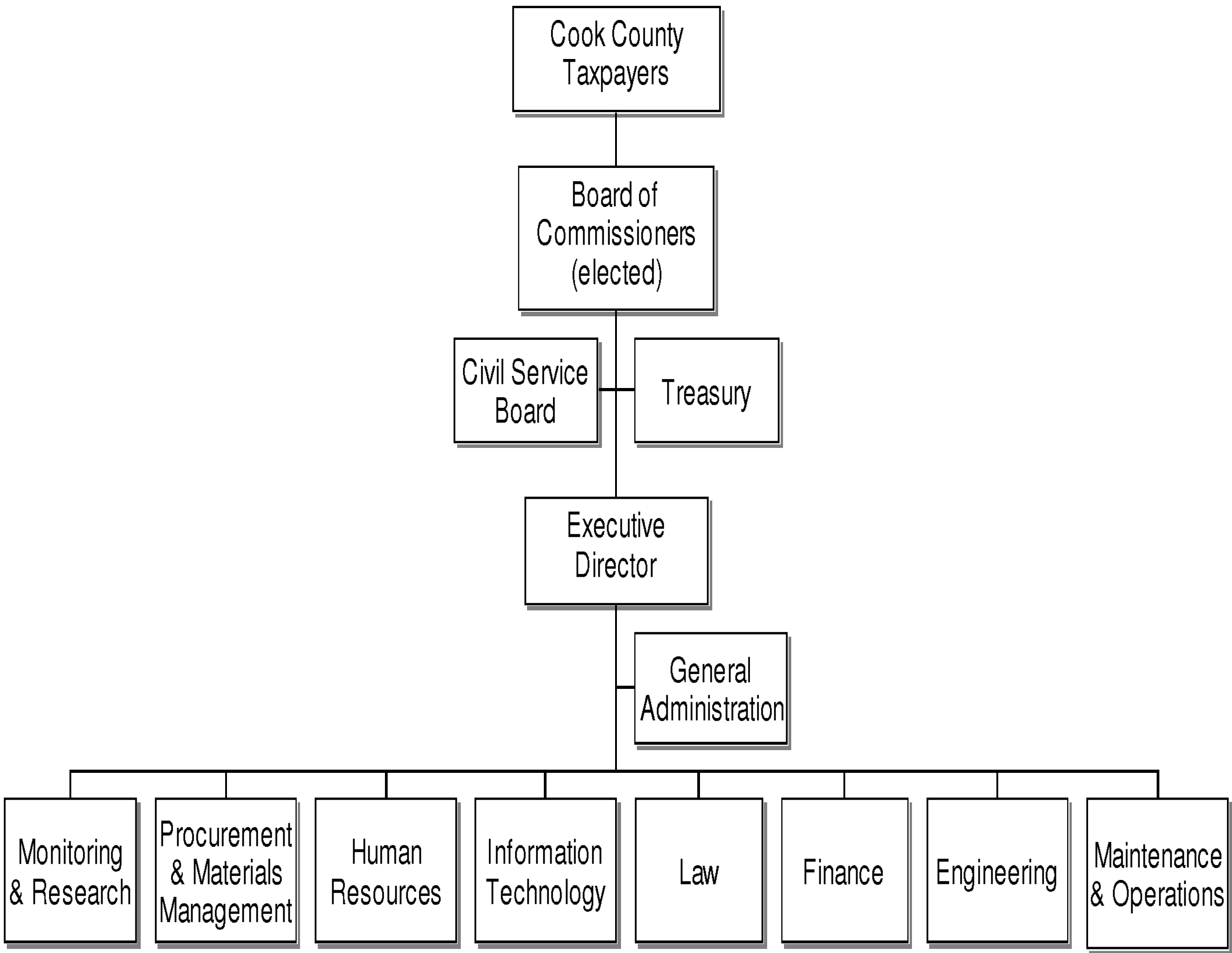
Board of Commissioners:
Honorable Mariyana T. Spyropoulos, President
Honorable Barbara J. McGowan, Vice President
Honorable Frank Avila, Chairman, Committee on Finance
Honorable Michael A. Alvarez
Honorable Timothy Bradford
Honorable Cynthia M. Santos
Honorable Debra Shore
Honorable Kari K. Steele
Honorable David J. Walsh

Principal Officers:
David St. Pierre, Executive Director
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
John Sudduth, Director of Information Technology
Jacqueline Torres, Clerk/Director of Finance

Main Office
100 East Erie Street
Chicago, Illinois 60611

Metropolitan Water Reclamation District of Greater Chicago

Organization Chart



1,982 Budgeted
Positions in 2015

Metropolitan Water Reclamation District of Greater Chicago

President's Annual Message 2015

This has been an exciting first year for me as president of the Metropolitan Water Reclamation District of Greater Chicago (MWRD) Board of Commissioners. We celebrated many achievements in 2015 while inching closer to completing other significant projects that make this agency a leader in water quality improvement and resource recovery. This message presents highlights from an extremely productive and eventful year.

Mariyana T. Spyropoulos
President of the Board of Commissioners

Building International Relations

We kicked off the year by signing a collaborative agreement with Aarhus Water, an independent regional water and wastewater enterprise owned by the municipality of Aarhus, Denmark. The MWRD and the Danish entities share many common goals such as effective water management, sustainable operations, efficient customer service and environmental stewardship. Since the signing, we sent staff to study in Denmark and hosted the Danish delegation to tours and presentations. We further established our connections abroad this year by welcoming dozens of delegations from across the world from such places like Australia, China and Ukraine to share knowledge about best management practices in water treatment.

Beneficial Use of Real Estate

The openings of the Cal Sag Trail and Centennial Trail means more access and opportunities for residents to enjoy local waterways. This summer, we participated in the unveiling of the west segment of the Cal-Sag Trail that will connect Southland communities seeking recreation along the Cal-Sag Channel. The MWRD dedicated half of the land on which the trail was built. When totally complete, the Cal-Sag Trail will connect 14 communities within the Southland and Millennium Reserve area, from Lemont all the way to the Burnham Greenway near the Indiana border.

In October we unveiled the Centennial Trail on our property at Columbia Woods Forest Preserve in Willow Springs that is leased to the Forest Preserves of Cook County. Two new foothills accessible to hikers were constructed as part of the project to remove 1.8 million cubic yards of overburden from the neighboring McCook Reservoir, a component of the Tunnel and Reservoir Plan (TARP).

TARP

When completed, McCook Reservoir will provide 10 billion gallons of storage to capture combined sewer overflows that discharge to waterways and cause sewer backups. Completed in two phases, the reservoir will also provide $114 million per year in flood control benefits to 3.1 million people living in 37 communities. Mining work is expected to be completed in 2016, with the first phase of the reservoir to come online in 2017. But 2015 belonged to the Thornton Composite Reservoir, the second of TARP's three reservoirs which came online this year. After hosting more than 3,000 residents to tours of the Thornton Reservoir this summer, we held a ribbon cutting ceremony in September. U.S. Senator Dick Durbin, U.S. Reps. Robin Kelly and Mike Quigley, U.S. Environmental Protection Agency Region 5 Administrator Susan Hedman, Illinois Environmental Protection Agency (IEPA) Director Lisa Bonnett and a host of other leaders helped celebrate the occasion by cutting a ribbon on the reservoir floor.

Major Legislative Achievement

The MWRD worked with the IEPA, Illinois Department of Agriculture and several environmental groups to develop legislation to amend the Illinois Environmental Protection Act to create the new definition of exceptional quality biosolids and make this recovered resource more accessible. Gov. Bruce Rauner signed

Public Act 99-0067 earlier this year. Recognition of Exceptional Quality biosolids in the state of Illinois is consistent with federal rules and is an important step towards achieving a resource recovery model. The law helps cement the MWRD's biosolids program which has received much acclaim from the farmers, golf course managers, landscapers, municipalities, park districts, and home owners that have used them. The MWRD is working on a plan to make biosolids available for public use and plans to have a distribution method in place by next spring. The MWRD is expanding the use of biosolids by mixing them with tree debris provided by the city of Chicago. This debris mix is composted into an organic material for use as a substitute for fertilizer, compost and soil amendment. This material is used for maintaining or establishing turf grass in parks, athletic fields and public access areas throughout Cook County.

Resource Recovery

Biosolids are one of the most prized resources recovered from the water treatment process, but the MWRD is also investing in recovering phosphorus, nitrogen and ammonia. Not only will this transformation reduce landfill usage, but we will see a reduction in greenhouse gases and in our carbon footprint. These innovative processes are good for the environment, good for the economy and good for residents.

PHOSPHORUS RECOVERY

Work continues on the world's largest phosphorus recovery facility that will come on line in 2016 at the Stickney Water Reclamation Plant. Ostara will produce between 9,000 to 10,000 tons of Crystal Green fertilizer annually. This facility will greatly reduce the MWRD's nutrient load to the receiving waterways.

ENERGY RECOVERY THROUGH DIGESTERS

The MWRD is working to maximize energy recovery through new feedstocks for existing digesters which will help us move toward our energy neutral goal by 2023. This process reduces cost and provides an additional revenue stream. This project has the potential to lower greenhouse gas emissions by 110,000 metric tons per year and deliver a significant return on investment for our taxpayers. We are also examining ways to reduce energy through the removal of nitrogen and ammonia at our Egan Water Reclamation Plant and optimizing aeration processes, while exploring algae nutrient reduction processes as an additional energy resource.

WATER REUSE

The MWRD is also pursuing reuse applications for the high quality water produced at our plants and for the capture and reuse of stormwater. By delivering this treated water to the industrial sector, we are relying less on Lake Michigan's precious waters and building partnerships to leverage funds. At the same time, we are also improving the quality of our waterways where this water reuse has taken on many meanings.

Improving Water Quality

Water quality ascended to a new threshold in 2015. In July, we celebrated the completion of this heightened standard in water quality by introducing a new disinfection facility at the Calumet Water Reclamation Plant. The chlorination/de-chlorination disinfection facility along with the ultraviolet disinfection system at O'Brien Water Reclamation Plant will drastically improve the quality of the region's waterways. I commend our staff and contractors who worked diligently to bring the CTA's Yellow Line back into service after a five-month hiatus due to an embankment collapse at the site of the O'Brien disinfection construction project.

WATER TREATMENT

The MWRD's core mission is to provide wastewater treatment for more than 5 million people living and working in Cook County. That work is strictly scrutinized and requires the monitoring, testing and the evaluation of hundreds of water samples on any given day, and a flaw in any one could affect a perfect score. All seven of our treatment facilities achieved 100 percent compliance for exceptional performance under National Discharge Elimination System (NPDES) permit requirements and federal Clean Water Act standards from the National Association of Clean Water Agencies' (NACWA). The MWRD received platinum peak performance honors for five of its plants for meeting full compliance for at least five consecutive years.

ADDING TO THE FLEET

During the spring we christened two new pollution control boats. Affectionately and aptly named "Skimmy Dipper" and "Skim Pickens," these two new vessels will ply Chicago area waterways removing debris and cleaning these vital waterways that have experienced a surge in recreation in recent years.

CHI-CAL RIVERS FUND

The MWRD continues to partner with seven private and public organizations to support regional efforts that are designed to improve the health, vitality and public access of the waterways in the Chicago and Calumet region. Administered by the National Fish and Wildlife Foundation, the Chi-Cal Rivers Fund (Fund) is a partnership between the MWRD, ArcelorMittal, The Chicago Community Trust, Crown Family Philanthropies, Gaylord and Dorothy Donnelley Foundation, Illinois Department of Natural Resources (IDNR), the Joyce Foundation, and the Wrigley Company Foundation. Partners committed $2.5 million to the Fund over three years beginning in 2013. This year the MWRD joined the Friends of the Chicago Rivers (FOCR) and the IDNR to release approximately 140,000 catfish into Chicago area waterways as part of the Chi-Cal Rivers Fund. The fund also awards grants to reduce stormwater runoff with green infrastructure, enhance fish and wildlife habitat, and improve public-use opportunities.

UNWANTED MEDICINE COLLECTIONS

To further improve water quality, the MWRD hosted unwanted medicine collections at the Calumet, Stickney and O'Brien plants, and more than 237 pounds of pharmaceuticals were removed from the waste stream. We are working on a partnership with the Cook County Sheriff's office to permanently collect unwanted medicines in the future.

STORMWATER MANAGEMENT

In 2004, the MWRD assumed responsibility for stormwater management in Cook County, and since then, the agency has over $300 million in regional stormwater projects underway which will yield over $400 million in benefits. Phase 1 of the MWRD's Stormwater Management Program (SMP) focuses projects conceived in Detailed Watershed Plans to address overbank flooding and streambank erosion along waterways in Cook County. MWRD has completed construction on five Phase I projects, initiated construction of two projects, and is currently designing 19 projects. Municipalities are designing two Phase 1 projects, preparing to award one project, and completed construction on one project in 2015. Phase 2 of the SMP was initiated in 2013 and addresses other flooding issues not necessarily related to waterways, such as lack of localized detention and insufficient conveyance capacity for stormwater drainage. MWRD worked with local municipalities to identify these types of projects and potential solutions; 23 shovel-ready projects were approved and 15 problem areas were identified for further study by the Board under Phase 2. The MWRD is performing preliminary engineering for the 15 problem areas, while 14 of the shovel-ready projects are under construction, and six of the remaining nine projects are under design by others. The three other problem areas that were identified will need further study before a potential solution can be designed; those investigations began in 2014. By early 2016, it is anticipated that several of the MWRD preliminary engineering projects will move into final design.

STORMWATER MASTER PLANS

Another aspect of the Phase 2 program is the creation of Stormwater Master Plans for all communities in Cook County. The goal of these plans is to analyze existing flooding problems and the potential for future issues to identify a comprehensive approach to address those problems. We are conducting five pilot studies at various locations impacted by flooding. These locations include the far South Side of Chicago; Harwood Heights; Northbrook; the Little Calumet/Cal-Sag Channel drainage area, comprised of Blue Island, Calumet Park, Riverdale, Robbins and Alsip; and the Roberts Road Study Area, which includes portions of Justice, Palos Hills, Hickory Hills, Bridgeview and Bedford Park. It is envisioned these studies will serve as the basis for subsequent studies that will ultimately cover the entire county.

ACQUIRING FLOOD-PRONE HOMES

The MWRD also began participating in a useful program this year to fund the purchase of homes at-risk to flooding. This project allows homeowners from select communities to voluntarily participate in the buyout of their flood-prone residences through contributions from the MWRD and the Federal Emergency Management Agency (FEMA). As a result of recent legislation signed last summer, the MWRD Board of Commissioners adopted a policy for the selection and prioritization of projects for acquiring flood-prone properties. The voluntary program assists in the acquisition of repetitive flooded homes, and already in its first year the MWRD has offered assistance to help purchase 17 flood-prone homes in Glenview and is working to finalize an Intergovernmental Agreement with Des Plaines for purchasing additional homes that have been impacted by flooding, providing a huge relief to homeowners. Additional acquisition projects throughout Cook County are being evaluated by MWRD, and agreements for the acquisition, structure removal, and transfer of property to the appropriate government agency will follow.

STORMWATER PROJECTS

In 2015, we completed several pivotal stormwater projects with local partners, while breaking ground on others to provide much needed flood relief in Cook County. For example, in August construction began on the long-awaited Busse Woods Reservoir South Dam Modification project in Elk Grove Village to relieve the impacts of flooding for those living and working along Salt Creek in both Cook and DuPage counties. That same month working together with federal leaders, the U.S. Army Corps of Engineers (USACE), various agencies, and northwest suburban communities surrounding the Des Plaines River, the MWRD helped open Levee 37 in Mount Prospect and Prospect Heights. Located between Palatine Road and Euclid Avenue on the west side of the Des Plaines River, it will protect more than 600 existing homes and dozens of businesses in Mount Prospect and Prospect Heights from future flooding, with an estimated annual savings of more than $3 million in avoided flood damage. The project became a reality after the MWRD stepped in to build a compensatory storage facility in Heritage Park in nearby Wheeling, which was needed to fill a 600-foot gap in the levee structure that could prevent additional water levels from escaping downstream. In September, the MWRD joined officials with the village of Glenview, Glenview Park District, Cook County and MWRD to celebrate the completion of the East of Harms Storm Relief Project and reopening of Cunliff Park in the north suburb. The flood control project will benefit 1,150 single-family homes east of Harms Road in Glenview that have been stricken by repeated flooding due to the low-lying location in relation to the main stem of the North Branch of the Chicago River.

SPACE TO GROW PARTNERSHIP

Since 2013 the MWRD has been working with the City of Chicago Department of Water Management (DWM), Chicago Public Schools, Openlands and Healthy Schools Campaign to minimize flooding and reduce stormwater runoff by replacing impermeable asphalt surfaces with green infrastructure, such as permeable pavement and rain gardens. We completed four elementary schools in 2014 and two more in 2015. DWM and the MWRD share the cost of the green infrastructure components and CPS assumes all costs associated with the recreational improvements. This work is transforming Chicago school grounds into green spaces that will improve student health. Previously covered with impervious asphalt surface, these schools now have rain gardens and other

Students and community members participate in a Space to Grow planting event at Leland Elementary School. One of four pilot schools participating in the District-funded Space To Grow program in 2014, Leland Elementary's grounds were transformed with green infrastructure improvements.

features that collect rainwater to help stop basement flooding and prevent pollution from flowing into the Chicago Area Waterways. This partnership has already received many awards, including the National Physical Activity Plan Champions Award, Illinois Association of Floodplain and Stormwater Management's Sustainability Award, and the American Council of Engineering Companies' Special Achievement Award. The U.S. Green Building Council Illinois chapter (USGBC-IL) rewarded Space to Grow with the Chapter Mission Award at the 10th annual Emerald Awards.

CHICAGO HOUSING AUTHORITY

Stormwater staff are working toward active control of stormwater detention facilities on Chicago Housing Authority properties with an eye toward water reuse for irrigation and more effective stormwater management. The project is currently in design and construction is anticipated to start next year.

RAIN BARRELS

Perhaps the most active program this year has been our successful rain barrel distribution program. The Board modified the rain barrel program in May and since then, we partnered with more than 60 local communities and 12 non government organizations to deliver 25,000 rain barrels at no cost to residents. We will continue this incredibly popular program in 2016.

Improving our Financial Environment

The MWRD accurately communicates its financial story to the public every year and again received awards for financial reporting excellence from the Government Finance Officers Association (GFOA) of the United States and Canada. Steven Gauthier, Director of the Technical Services Center for the GFOA, presented four distinguished awards for financial reporting excellence for 2013 and 2014. The GFOA awards are an independent attestation of the MWRD's prudent fiscal management.

Vendor Outreach

Qualified business owners seeking to register as a potential vendor with MWRD learned more about the process at two vendor outreach events. Contractors, consultants, subcontractors and potential vendors met with commissioners and staff to learn how to register as a vendor and secure a contract with either the MWRD or other business entity. These events aims to expand and maximize business opportunities for local Minority Business Enterprises (MBE), Women Business Enterprises (WBE) and Small Business Enterprises (SBE). More than 300 participants joined the MWRD to learn about future work opportunities at vendor outreach fairs held at Prairie State College in Chicago Heights in September and at the Gleacher Center in Chicago in November. The events brought together dozens of firms and government agencies to expose smaller firms to the various opportunities to grow business.

Board Changes

Patrick D. Thompson left the Board in May after being elected as a Chicago Alderman for the 11th Ward. We wish him the best of luck. Taking his seat is David J. Walsh who was appointed Sept. 28 by Gov. Rauner. Commissioner Walsh will serve as chairman of the Board of Commissioners' committees on Industrial Waste & Water Pollution and Monitoring & Research and vice chairman of the Information Technology and Judiciary committees. In April, we said farewell to former Commissioner Gloria Alitto Majewski. The respected commissioner served the MWRD from 1984 to November 2010 when she retired from office. Commissioner Majewski quickly became a distinguished leader on the Board and in 1986 made history when she became the first woman chosen by her fellow board members to serve as chairman of the Finance Committee, an office she retained until her last day of service.

Staff Celebrations, Honors, Achievements

Commissioners and staff celebrated African American History Month during a special event held in the Board Room in February, and we also hosted a Women's History Month ceremony in May. In November we commemorated our veterans with a special flag presentation by Electrical Mechanic Jack Vollreide who served the country in Afghanistan.

WEFTEC 2015 brought the world's water treatment issues to the forefront in Chicago, and many staff shared their expertise with a worldwide audience. One highlight during WEFTEC was a press conference to announce the Zee Lung process currently being investigated at the Egan WRP.

Community Outreach

Commissioners and staff engaged in community outreach events, gave numerous presentations, participated on panels, and presented papers and PowerPoints on a wide range of topics to help tell the MWRD's story. I will end the year by speaking to the City Club of Chicago. I'll take the opportunity to provide an overview of the MWRD's accomplishments over the past 126 years and demonstrate how the MWRD is not only the leading environmental agency in the U.S. but how it is the leading environmental agency around the globe.

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Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards

1975-2014
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting/Comprehensive Annual Financial Report

1993-2014
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

1985-2015
Government Finance Officers Association of the United States and Canada
Award for Distinguished Budget Presentation

2007-2014
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

Individual Year Awards (partial listing)

2011
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

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

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewage Agencies
NACWA Award for Compliance with National Pollutant Discharge Elimination System, Silver Award for John E. Egan Water Reclamation Plant

Metropolitan Water Reclamation District of Greater Chicago

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

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

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

2014

Academy of Interactive and Visual Arts

The Interactive Multimedia Communicator Award for "National Save for Retirement Week Campaign"

Center for Active Design

Excellence Award (Honorable Mention) for the Space to Grow program, a collaboration between the District, Chicago Public School Systems, and the City of Chicago Department of Water Management. Space to Grow was the only submission from Chicago to be recognized. Fellow award recipients span the globe

Illinois Association for Floodplain and Stormwater Management

Sustainability Award for the Space to Grow program for the redevelopment of four school properties using a variety of Best Management Practices for creating green space

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

Excellence in Management Platinum Award for excellence in utility management and successful implementation of programs that address the range of management challenges facing public wastewater utilities in today's competitive environment

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 23 consecutive years of full compliance for Calumet Water Reclamation Plant; Platinum Award for 18 consecutive years of full compliance for Lemont Water Reclamation Plant; Platinum Award for 10 consecutive years of full compliance for James C. Kirie Water Reclamation Plant; Platinum Award for 9 consecutive years of full compliance for Terrence J. O'Brien Water Reclamation Plant; and Platinum Award for 7 consecutive years of full compliance for Hanover Park Water Reclamation Plant

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

NACWA Award for Compliance with National Pollutant Discharge Elimination System, Gold Award for John E. Egan and Stickney Water Reclamation Plants

National Physical Plan Alliance

Champion Award for the Space to Grow program for the collaborative efforts of the District, Chicago Public Schools, and the Department of Water Management in transforming Chicago's underused and outdated schoolyards into vibrant outdoor spaces that benefit students, communities and the environment

2015

Chatham Business Association

Partner Award

Government Finance Officers Association of the United States and Canada

Budget document received outstanding in the overall category of Communications Device

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, 2014

Jeffrey R. Emser

Executive Director/CEO

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

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May 9, 2016

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, 2015. 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 Compiled Statutes, Act 2605/5.12, the District's basic financial statements for the period ended December 31, 2015, have been subject to an audit by independent accountants. The unmodified opinion of RSM US 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. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in accordance with GAAP. The cost of internal controls should not outweigh their benefits; therefore, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute assurance, that the financial statements will be free from material misstatement. Management understands the risks of financial processing and has implemented procedures to evaluate the effectiveness of these controls. District management and Internal Audit staff continually 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. The District's service area is 883.4 square miles of Cook County, Illinois. The District is committed to achieving the highest standards of excellence in fulfilling its mission.

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 1.3 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 Mariyana T. Spyropoulos and Chairman of Finance Frank Avila (Standing L to R) David J. Walsh, Cynthia M. Santos, Debra Shore, Kari K. Steele, Timothy Bradford and 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 560 miles of intercepting sewers and force mains. These intercepting sewers range in size from 6 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 $24.7 million. This money will primarily be used in the rehabilitation of deteriorated District interceptors.

Water Reclamation Plant 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 $133 million in construction projects will be awarded.

Biosolids Management

The District collects biosolids from the wastewater treatment processes. 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 $78.4 million.

The MWRD joined the Wheeling Park District and Village of Wheeling in opening the Heritage Park Flood Control Facility in Wheeling. The facility is situated in the Des Plaines River watershed near the intersection of Dundee and Wolf Roads in Wheeling. The complex provides compensatory floodwater storage upstream of the U.S. Army Corps of Engineers' Levee 37 flood control structure in Mount Prospect and Prospect Heights.

Students, teachers and parents plant bulbs in one of the raised gardens at the Orozco Community Academy's new Space to Grow schoolyard prior to the ribbon cutting celebration in October. The Space to Grow program is an innovative public-private partnership co-managed by the Healthy Schools Campaign and Openlands and funded in part by the MWRD. The program aims to develop Chicago schoolyards into centers of school and community life that support active and healthy lifestyles, outdoor learning, physical education and engagement with nature. Among those in attendance are Orozco Principal Efrain Martinez, MWRD President Mariyana T. Spyropoulos, and 25th Ward Alderman Danny Solis.

MWRD President Mariyana T. Spyropoulos (from left), Friends of the River Executive Director Margaret Frisbie, MWRD Vice President Barbara T. McGowan, MWRD Commissioner Debra Shore, MWRD Commissioner Kari K. Steele and MWRD Chairman of Finance Frank Avila introduced a new skimmer boat, "Skim Pickens," in May 2015. The boat will be used to remove floating debris from Chicago Area Waterways at least five days a week and up to seven depending on storms.

Workers gather for a unique portrait opportunity near the entrance to one of the tunnels at the McCook Reservoir, standing on some of the 4,600 tons of rock that had been blasted out using 1,000 tons of explosives. The blast opened the top portion of the 33-foot diameter tunnel to the reservoir. Work remains to be done before the first stage of the 10 billion gallon reservoir becomes operational in 2017, but the McCook Main Tunnel is now open to the reservoir. A major part of the Tunnel and Reservoir Plan (TARP), the McCook Reservoir will help reduce flooding and improve water quality within a 254.7 square mile area, including much of the city of Chicago and 36 other communities.

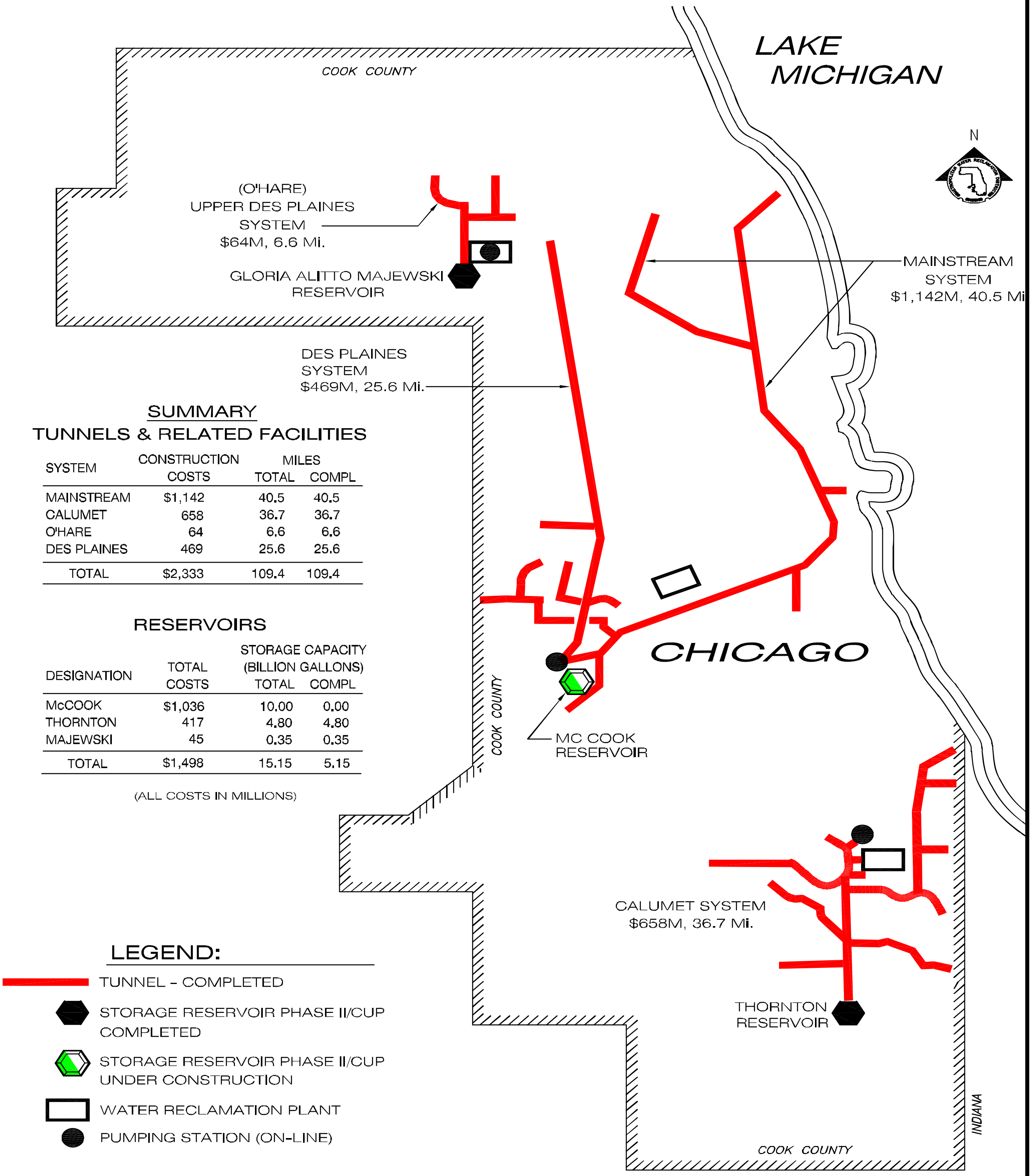
Tunnel and Reservoir Plan – Phase I

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 $1.5 billion, with the Corps and the District providing approximately $790 million and $710 million, respectively. The Gloria Alitto Majewski Reservoir, the smallest of the three, was completed in 1998 at a cost of $45 million. The Thornton Composite Reservoir became operational in 2015 with a capacity of 4.8 billion gallons at a cost of $417 million. Engineering design and construction for the McCook reservoir continues.

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. The accompanying exhibit on page 21 shows the status and components of both phases of TARP.



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	$1,036	10.00	0.00
THORNTON	417	4.80	4.80
MAJEWSKI	45	0.35	0.35
TOTAL	$1,498	15.15	5.15

(ALL COSTS IN MILLIONS)

TUNNEL and RESERVOIR PLAN PROJECT STATUS

Green Infrastructure and TARP

A consent decree between MWRDGC and the U.S. Department of Justice was entered into in 2014. One section of the consent decree is designed to foster the use of green infrastructure controls to reduce the amount of stormwater that flows into the sewer systems during a storm and requires MWRDGC to develop a Green Infrastructure Program Plan, which was approved by the Environmental Protection Agency in 2015. In 2014, MWRDGC partnered with Chicago Public Schools System (CPSS) and the Chicago Department of Water Management (CDWM) to incorporate stormwater retention at four elementary schools while reconstructing substandard playgrounds under a program known as Space to Grow. The projects serve to educate the public on the importance of stormwater management and the value of green infrastructure to reduce basement backup flooding. The success of this project led to MWRDGC, CPSS, and CDWM to agree to partner on 30 more schools from 2015 through 2019. In 2015, two more CPSS playgrounds were completed and it is anticipated 9 playgrounds will be improved in 2016. The District also completed construction of a green infrastructure project in the City of Blue Island where permeable pavement and rain gardens were installed to combat local flooding. The District partnered with the City of Evanston to install permeable pavement, swales, and rain gardens at the City's Civic Center. In 2016, the District will be partnering through intergovernmental agreements with the Village of Crestwood, City of Berwyn, Village of Kenilworth, Village of Niles, Village of Wilmette, Village of Northbrook, and Village of Skokie on various green infrastructure projects. The consent decree provides an enforceable schedule for implementing MWRDG'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.

Resource Recovery Projects

The District had voluntarily sought a phosphorus discharge limitation in our National Pollutant Discharge Elimination System (NPDES) permits and had decided we would pursue achieving this through our biological process. With one of the District's objectives of sustainability, at the Stickney WRP, the District is pursuing the recovery of phosphorus. We have entered into agreements for the design and construction of a phosphorus recovery facility. This facility will utilize the Pearl Reactor manufactured by Ostara to recovery a phosphorus product for the centrate streams of the pre- and post-digestion centrifuges. The facility is designed for potential recovery of approximately 9,500 tons/year of product. The construction of the facility continues with start-up projected in early 2016. A separate agreement has been issued to Ostara for the marketing and beneficial use of the produced product.

The anaerobic digesters at the Calumet Water Reclamation Plant produce biogas as a natural byproduct of the digestion process. The biogas contains methane gas, and is currently used as a fuel for the plant's boilers. The anaerobic digesters have the capacity to take in more organic material than is currently produced by the plant, thus increasing the volume of biogas that can be produced and used as a renewable energy source. The District will seek liquid organic waste material, such as high strength waste from food industries, and fats, oils, and grease from grease traps, for direct input into the anaerobic digesters to increase biogas gas production. The District is in the process of designing a receiving station at the Calumet Water Reclamation Plant to receive daily deliveries of the liquid organic waste. The receiving station will be advertised for receipt of construction bids in 2016. In addition, in 2015 the District awarded a design contract to a firm to design a cleaning facility to produce "biomethane," which will meet natural gas specifications, and inject the biomethane into a natural gas transmission pipeline. The biogas cleaning facility is planned to begin operation by the end of 2017. Through a proposal process, the District selected a transportation fuel company to purchase the biomethane from the District for both the commodity value of the biomethane and the environmental attributes associated with the renewable energy. The anaerobic digesters can accept up to an additional 200,000 gallons per day of liquid organic waste, which can increase biogas production up to 75% over current production volumes, and move the District to 40% of its goal of energy neutrality.

Stormwater Management

The District undertakes stormwater management projects under two phases of its Stormwater Management Program. Phase I consists of projects identified under Detailed Watershed Plans (DWPs), which were completed in 2010. Phase I projects address regional waterway overbank flooding and streambank stabilization concerns. In 2015, construction was completed on 3 Phase I projects and construction was initiated on 4 additional Phase I projects. It is anticipated 11 Phase I projects will be advertised in 2016. In addition, there are 10 Phase I projects in various stages of design. The District initiated Phase II of its Stormwater Management Program in 2013 to address local flooding problems not necessarily involving overbank flooding. In 2013, 2014 and 2015, several Phase II projects were approved by the District to assist communities and agencies across Cook County to address flooding issues. Twenty-six shovel-ready projects were approved for District funding assistance to local municipalities, and 15 problem areas were identified for further study by the District under Phase 2. Since late in 2014, MWRD has been performing preliminary engineering for the 15 problem areas, while 14 of the shovel-ready projects were under construction (three of those completed in 2015), and six of the remaining 12 projects are under design. The three other problem areas that were identified will need further study before a potential solution can be designed; those investigations began in 2014. In early 2016, it is anticipated that several of the MWRD preliminary engineering projects will move into final design.

For circumstances where a flood control project is not feasible, MWRD initiated a Flood-Prone Property Acquisition Program in 2015 and has partnered with the Village of Glenview and City of Des Plaines to acquire 30 properties. The structures on the acquired properties have been removed and a deed restriction requiring the property to remain as open space into perpetuity. The municipalities own the acquired properties and perform all required maintenance. In 2016, MWRD will be working with several municipalities to acquire additional flood-prone properties.

On October 3, 2013, the MWRD Board of Commissioners adopted the District's Watershed Management Ordinance (WMO), which replaced the Sewer Permit Ordinance and established uniform, minimum, countywide stormwater management regulations for new development and redevelopment in Cook County. Components regulated under the WMO include drainage and detention, volume control, floodplain management, isolated wetland protection, riparian environment protection, and soil erosion and sediment control. The WMO became effective on May 1, 2014. Since that time, over 500 permits have been issued. MWRD has conducted 16 training events in addition to presenting at various seminars and conferences hosted by professional organizations in the past two years. The rules and regulations of the WMO serve to prevent the flooding situation in Cook County from worsening through development or redevelopment.

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 expected construction cost over the next five years for the replacement and maintenance of facilities is $43.9 million. As discussed in the MD&A, condition assessments required under the modified approach alert management to the need for maintenance and preservation projects for its infrastructure assets.

Means of Financing

The primary source of financing construction projects is through State Revolving Fund (SRF) funding. 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. An additional source of financing construction projects is through the sale of Capital Improvement bonds.

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 .8% average growth rate over the last ten years and the current equalized assessed valuation of $125,736,187,743 is 1.8% higher 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

Sustainability is a key feature of the District's core values. 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 development of these initiatives includes the Triple Bottom Line approach, which aids to capture and expand the spectrum of values and criteria for measuring organizational success through sound economic, environmental and social decisions when appropriate.

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

- District issued the first ever green bonds in the State of Illinois to allow investors to invest directly into environmentally beneficial capital projects. The District defined four categories of green projects: TARP, stormwater management, resource recovery and plant expansions & system improvements.
- Worked with the IEPA to pass legislation in Illinois that would recognize the federal 'Class A" designation of biosolids, which will open up new markets for this valuable soil enhancement product and allow the District to reduce operating costs.
- 2015 was the first year operating under new policy guidelines established by the Board concerning the District's pension fund and the OPEB fund, which demonstrate the District's commitment to sound fiscal management.
- Established local collaborations to utilize woodchips and landscape wastes from the City of Chicago and other local entities for composting with District biosolids as a cost-effective option to generate Exceptional Quality biosolids compost for local beneficial reuse.
- Collaboration with U.S. Geological Survey and IEPA to evaluate groundwater in the TARP areas to reduce the groundwater monitoring requirement and costs associated with operation of TARP.
- Continue efforts to automate laboratory procedures to increase efficiency and reduce cost of laboratory operations.
- Developing a retiree benefit strategy to help control retiree health care costs and ensure the long-term viability of the program.
- Continued efforts to control health care costs through the Employee Wellness Program by conducting on-site health fairs and flu vaccinations.
- Utilize information technology to improve business processes through automation in workflow, eliminating unnecessary tasks, reducing errors, making business intelligence data more available for better decision making and making performance measurements more visible.
- Evaluate business practices to maximize the District's real estate portfolio. The District continues a balanced approach to maximize rental income while setting aside holdings for public recreational use.
- Continue long-term fiscal planning through the five-year budgetary forecast and the Strategic Business Plan.
- Maintain reserve funds sufficient to allow for flexibility and protection in a volatile financial environment.

Environmental Sustainability Initiatives

- Continue to implement strategies to meet the District's goal of becoming energy neutral by 2023; specifically, food-to-energy and double gas productions, maximize use of digester gas capacity, market electrical capacity at Lockport, explore algae nutrient process reduction processes, and reduce energy consumption by 25%.
- Recover phosphorous from the plant's liquid waste stream and turning the phosphorous into a fertilizer pellet and entered into an agreement for the eventual marketing and beneficial reuse of the recovered phosphorus product. By taking this approach, the District is recovering a non-renewable resource and placing it back into the food cycle, rather than letting it be diluted and lost to the water environment.
- Research technologies using algae as a means to recover nutrients from wastewater. The algae can be used in a sustainable manner such as compost, aquaculture food supplement, bioplastics, and commercial dyes.
- Continue the development of an Odor Master Plan for odor mitigation for all District facilities and install an odor monitoring system at Calumet WRP to improve environmental quality for surrounding communities and employees.
- Collaborated with non-point source stakeholders and University of Illinois to establish filed-scale research and demonstrations at the Fulton County site on best management practices for reducing nutrient loss from agricultural land as a means to foster collaboration between point and non-point source sectors.
- Update technology for laboratory operations that minimize hazardous waste and optimize safety.
- Evaluate opportunities to enter into an agreement with one or more firms to supply liquid organic waste to the Calumet WRP, which will maximize the production of biogas, a renewable energy source. The organic waste material will increase biogas production in the Calumet WRP's anaerobic digesters by 30%.
- Obtain the benefit of recent Illinois legislative changes to biosolids rules by increasing the use of Exceptional Quality biosolids within the 126 community service areas of the District annually to ensure most biosolids are beneficially reused locally. The District can also reduce its carbon footprint by reducing significant vehicle traffic as organics will no longer need to be hauled to landfills.
- Continue operation of the Heritage Park Flood Control Facility, which provides necessary compensatory storage for the USACE's Levee 37 project along the Des Plaines River. Sustainable elements of this project include native plantings, bioswales, natural stream bank stabilization, and the establishment of a riparian area.
- Replace wooden pallets with plastic pallets in the District's storerooms, increasing their useful life by 15 years.
- Update IT infrastructure to reduce electricity consumption needed to run computing, telecom equipment and datacenters; reduce resources consumed to build out new facilities and reduce electronic waste that results from equipment disposal.

Infrastructure Sustainability Initiatives

- Implement the District's Green Infrastructure Program Plan and Comprehensive Land Use Policy approved by the EPA in 2015.
- Providing flood relief to the Southern suburbs by completing construction of the 7.9 billion gallon Thornton Reservoir, this was placed into service in 2015.
- Implement ANITAtm Mox moving bed biofilm process at Egan WRP.
- Provide funding for the Space to Grow project through a partnership with Chicago Public Schools (CPS), whereby construction of green infrastructure was completed at four CPS campuses.
- Grow partnerships with communities throughout the county to address the serious issues of flooding.
- Implementation of the Project Vetting Process allowing for well-informed and objective decision making, appropriate allocation of limited resources and assigning priorities based on organizational goals and needs.
- Engage in full cost pricing and perform Triple Bottom Line analysis for all Engineering process system evaluations.
- Provide the talent required for current and future needs through effective recruitment, selection, and employee development and benefit programs.
- Provided internship opportunities for students to learn about District operations through direct experience, and promote careers in the water resource recovery field.
- Employed e-learning for mandatory employee training and expanded its use for other targeted training programs.

FINANCIAL POLICIES

In order 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. The Stormwater Management Fund policy and the Bond Interest Funds Investment Income Policy were amended on November 3, 2011.

To ensure the long-term financial health of the pension program and other post-employment benefits, the Pension Funding Policy and the amended OPEB Advance Funding Policy were adopted on October 2, 2014.

General Corporate Fund

- Corporate Fund undesignated 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, 0.05% of the Equalized Assessed Valuation, whenever 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 financially prudent. This level of funding will protect the District in the event that environmental remediation costs cannot be recovered from former industrial tenants of District properties, catastrophic failure of District operational infrastructure or other claims. As the District is partially self-insured, adequate reserves are critical.

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

Stormwater Management Fund

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

Capital Improvements Bond Fund Investment Income

Investment earnings from the Capital Improvements Bond Fund resulting from all future bond issues will fund an equity transfer to the Bond Redemption and Interest Funds and be used to abate property tax levies or for other corporate needs. This practice will also limit the payment of arbitrage rebates.

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.

Retirement Fund
The funding goal of the Policy is to contribute annually to the Fund an amount that over time will increase the ratio of the Fund assets to accrued liabilities to 100% by the year 2050. This is to be achieved by accumulating adequate resources for future benefit payments in a manner that fully funds the long-term costs of benefits and reduces volatility in the employer contribution amounts, in accordance with statutory requirements.

OPEB Trust
The OPEB Trust establishes a reserve that will help ensure the financial ability to provide health care coverage for District retirees and their beneficiaries in the future. The Advance Funding Policy for the OPEB Trust Fund, amended in October 2014, reflects a 100% funding goal to be achieved by 2027 with no further advance contributions required after 2026. The policy to increase the OPEB liability funding percentage helps to solidify the District's solid financial foundation and makes the retiree healthcare plan sustainable for the long-term.

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, 2014. This was the 40th 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, 2015. 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 31 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 2015 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

Matt Glavas

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 9, 2016

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, 2015, 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).

Mariyana T. Spyropoulos
President

David St. Pierre
Executive Director

Jacqueline Torres
Clerk/Director of Finance

Matthew Glavas
Comptroller

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II. FINANCIAL SECTION

On Sept. 26, water professionals from around the globe converged at Pershing East Magnet School, 3200 S. Calumet Ave., Chicago, to construct a green infrastructure learning garden as part of the Water Environment Federation's (WEF's) 88th Annual Technical Exhibition and Conference.

RSM US LLP

Independent Auditor's 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 (the District), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's 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 (Pension Fund), which represents 85 percent, and 59 percent, respectively, of the assets, and revenues/additions 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 the Pension 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 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 financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, 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, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the 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 15 to the financial statements, during the year ended December 31, 2015 the District implemented the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*, which required a restatement to opening net position. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The basic financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's basic financial statements for the year ended December 31, 2014, from which such partial information was derived. The basic financial statements as of and for the year ended December 31, 2014, were audited by other auditors whose report, dated May 11, 2015, expressed an unmodified opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, modified approach information, and pension and other postemployment benefit plans schedules on pages 35 – 50 and 112 – 119 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 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.

Other Information

Our audit for the year ended December 31, 2015 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining and Individual Fund Statements and Schedules and the Introductory and Statistical and Demographic Section for the year ended December 31, 2015 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 Combining and Individual Fund Statements and Schedules have been subjected to the auditing procedures applied in the audits of the financial statements for the year ended December 31, 2015 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 are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2015.

The District's basic financial statements for the year ended December 31, 2014 (not fully presented herein), were audited by other auditors whose report thereon dated May 11, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated May 11, 2015, stated that the Combining and Individual Fund Statements and Schedules for the year ended December 31, 2014 were subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2014.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and the Statistical 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 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
May 9, 2016

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 year's. 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.

2015 FINANCIAL HIGHLIGHTS

- The District's government-wide net position is $4,529,206,000. This can be attributed to the District's positive balance of $4,630,463,000 in net investment in capital assets.
- The District's government-wide net position increased by $37,750,000 in 2015. The increase is primarily due to an increase in capital assets, which is related to the new disinfection facilities and phosphorous recovery technologies being implemented to meet the District's goal of being environmentally responsible. This includes construction of disinfection facilities at the Calumet and O'Brien WRPs, improved settling tanks and aerated grit facility at the Stickney WRP, implementing a process at the Stickney WRP to recover phosphorous, continued construction of TARP tunnels, completion of the Thornton reservoir, and continued construction on the McCook reservoir to alleviate flooding throughout Cook County.
- The District's combined fund balances for its governmental funds at December 31, 2015 totaled $784,400,000, an increase of $165,000,000 from the prior year. The increase is primarily attributable to the issuance of general obligation bonds in 2015.
- The District's government-wide liabilities increased by $396,993,000 in 2015 which is largely attributable to the issuance of general obligation bonds. The District implemented GASB 68 in 2015, resulting in a restatement of 2014 net position. As a result of the implementation of GASB 68, the District was required to record a pension liability of $947,300,000 in 2015 and $914,578,000 in 2014.

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 (i.e. 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 between 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 2015, total property tax revenues increased by $4,681,000 in the District's Statement of Changes in Net Position, as shown on page 39. A significant portion of the increase in property taxes is due to an increase in the Bond and Interest Fund levy. The District issued "Green Bonds" in 2015 to fulfill its statutory responsibilities, but also to allow investors the opportunity to invest in these environmentally beneficial projects. Increases in the tax levy also occurred in the Stormwater Fund. A portion of the Stormwater levy will be used to fund the District's Green Bonds, which will be used for green Stormwater Management Program projects.

These environmentally friendly projects include identifying flood and erosion-prone areas while recommending projects to focus on concerns, address local drainage problems, develop Stormwater Master Plans across Cook County, and establish a program for purchasing flood-prone and flood-damaged property.

Interest. The decrease in interest income of $4,105,000 on page 39 is mainly attributable to a decrease in the average holdings in the U.S. Government Agencies and Municipal Bonds from $520,745,000 in 2014 to $388,940,000 in 2015.

Tax increment financing. The increase in other general revenues of $11,292,000, on page 39, is primarily due to the $8,144,000 increase in additional tax increment financing distributions received from the City of Chicago during 2015.

Construction costs. The decrease in construction costs of $7,757,000 on page 39 was primarily due to the completion of construction projects including the disinfection facilities at the Calumet and O'Brien WRPs and the Thornton Reservoir in 2015.

Employee costs. The District's employee-related expenditures are the largest single cost of the General Corporate Fund, comprising 66.6% of the total outlays for 2015. Employee costs are composed of regular pay, overtime, and health care benefits. The decrease in employee costs of $10,353,000 on page 41 was mostly attributable to a $15 million decrease in other post-employment benefit contributions (OPEB), offset by an approximate $4 million increase in wages due to 21 positions being added in 2015.

Energy costs. A significant amount of District expenditures are energy costs, mainly electricity and gas. In 2015, energy costs in the General Corporate Fund showed a slight increase of $24,000 as seen on page 41. Energy costs were held flat mostly due to fixed-rate electricity contracts, along with aggressive energy conservation efforts.

Pension costs. The annual amount expensed in connection to the District's net pension liability. There are a variety of costs included in this calculation including employee service cost, interest, benefit payments and differences between expected and actual experiences. Employee contributions and net investment income of the fund offset some of these annual expenses. The District implemented GASB 68, "*Accounting and Financial Reporting for Pensions*", in the current period. Please see Notes 7, 11 and 15 of the basic financial statements.

Claims and judgments. In 2015, the General Corporate Fund claims and judgments expenditures decreased $39,330,000, as shown on page 41, due to a settlement paid on a lawsuit from the Reserve Claim Fund in 2014. The claim had been properly accrued in the government-wide financial statements in the prior year, resulting in a minimal change in the Statement of Net Position for claims and judgments expense on page 39.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31, 2015 and 2014, is presented in the following schedule (in thousands of dollars):

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 1,349,680	$ 1,173,059	$ 176,621	15.1 %
Capital assets	7,282,020	7,040,441	241,579	3.4
Total assets	8,631,700	8,213,500	418,200	5.1
Deferred Outflows of Resources				
Loss on prior debt refunding	12,511	13,518	(1,007)	(7.4)
Deferred amounts related to pension	91,456	73,906	17,550	23.7
Total deferred outflows of resources	103,967	87,424	16,543	18.9
Liabilities:				
Current liabilities	303,102	279,344	23,758	8.5
Long-term liabilities	3,903,359	3,530,124	373,235	10.6
Total liabilities	4,206,461	3,809,468	396,993	10.4
Net Position:				
Net investment in capital assets	4,630,463	4,548,793	81,670	1.8
Restricted	654,897	665,612	(10,715)	(1.6)
Unrestricted (Deficit)	(756,154)	(722,949)	(33,205)	4.6
Total net position	$ 4,529,206	$ 4,491,456	$ 37,750	0.8 %

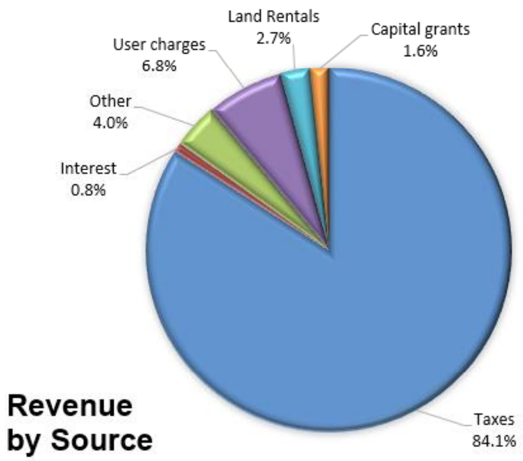
The above schedule reports that the District's net position totaled $4,529,206,000 at December 31, 2015, which represents the amount the District's assets and deferred outflows exceeded its liabilities. The largest portion of the net position, $4,630,463,000, represents the District's capital assets 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 totaled $654,897,000 and represents 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, tax levies for working cash, and debt service. The remaining portion of the unrestricted net position is a deficit of ($756,154,000).

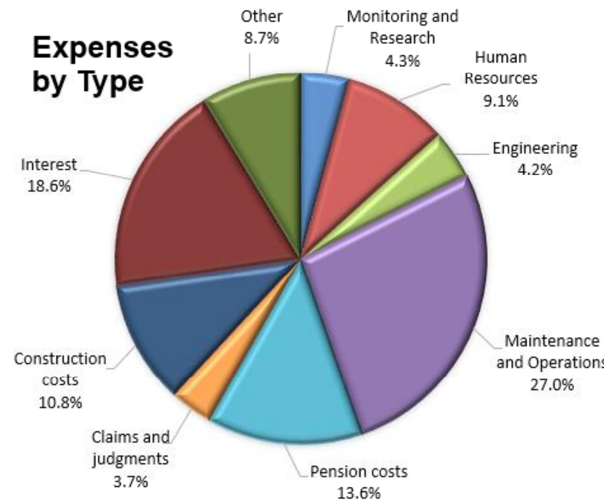
A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2015 and 2014 is presented in the following schedule (in thousands of dollars):

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
General Revenues:				
Taxes	$ 571,103	$ 566,422	$ 4,681	0.8 %
Interest	5,381	9,486	(4,105)	(43.3)
Other	22,145	10,853	11,292	104.0
Program Revenues:				
User charges	46,238	50,696	(4,458)	(8.8)
Land rentals	18,189	16,357	1,832	11.2
Fees, forfeits, and penalties	4,885	5,456	(571)	(10.5)
Capital grants	11,170	11,089	81	0.7
Total revenues	679,111	670,359	8,752	1.3
Expenses				
Board of Commissioners	3,671	3,721	(50)	(1.3)
General Administration	14,835	15,096	(261)	(1.7)
Monitoring and Research	27,259	26,922	337	1.3
Procurement and Materials Management	6,801	6,331	470	7.4
Human Resources	58,512	72,896	(14,384)	(19.7)
Information Technology	14,602	14,708	(106)	(0.7)
Law	6,008	6,812	(804)	(11.8)
Finance	3,401	3,433	(32)	(0.9)
Engineering	27,232	26,561	671	2.5
Maintenance and Operations	173,177	169,234	3,943	2.3
Pension costs	87,145	92,944	(5,799)	(6.2)
OPEB Trust Fund costs	(5,408)	(19,449)	14,041	(72.2)
Claims and judgments	23,560	2,660	20,900	785.7
Construction costs	69,434	77,191	(7,757)	(10.0)
Loss on disposal of capital assets	32	127	(95)	(74.8)
Unallocated depreciation	12,123	12,229	(106)	(0.9)
Interest	118,977	114,328	4,649	4.1
Total expenses	641,361	625,744	15,617	2.5
Increase in net position	37,750	44,615	(6,865)	(15.4)
Total net position, beginning of year as restated	4,491,456	4,446,841	44,615	1.0
Total net position, end of year as restated	$ 4,529,206	$ 4,491,456	$ 37,750	0.8 %

Total revenues increased by $8,752,000 in 2015, or 1.3% from the prior year and total expenses increased by $15,617,000 in 2015. The major reasons for the variances are detailed under "Key Financial Comparisons" on pages 36-37.

The following charts show the major sources of revenue and expenses for the year ended December 31, 2015:





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 2015, 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 $784,400,000, an increase of $165,000,000 or 26.6% from 2014. A total of $39,760,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled $684,237,000, Assigned fund balances totaled $127,920,000, and the remaining deficit of ($67,517,000) was unassigned.

General Corporate Fund

The General Corporate Fund is the principal operating fund of the District. 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 $287,112,000. The fund balance represented 84.3% of the General Corporate Fund expenditures, a good indication of the fund's liquidity. The total fund balance for the General Corporate Fund had a slight increase of $86,000 from 2014. 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 62-64.

The General Corporate Fund ended the year with an unassigned fund balance deficit of ($58,427,000) due to the required reserve claims restriction, non-spendable inventories and restricted working cash.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2015 and 2014 is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

	2015 Amount	2015 % of Total	2014 Amount	2014 % of Total	Increase (Decrease)	Percent Increase (Decrease)
Revenues:						
Property taxes	$ 225,861	66.3 %	$ 230,128	67.6 %	$ (4,267)	(1.9)%
Personal property replacement tax	25,295	7.4	27,309	8.0	(2,014)	(7.4)
Total tax revenue	251,156	73.7	257,437	75.5	(6,281)	(2.4)
Interest on investments	1,838	0.5	3,594	1.1	(1,756)	(48.9)
Land sales	3,164	0.9	8	0.0	3,156	395.5
Tax increment financing distributions	13,069	3.9	4,925	1.5	8,144	165.4
Claims and damage settlements	191	0.1	177	0.1	14	7.9
Government grants	-	0.0	21	0.0	(21)	(100.0)
Miscellaneous	3,486	1.0	2,908	0.9	578	19.9
User charges	45,938	13.5	50,396	14.8	(4,458)	(8.8)
Land rentals	18,189	5.3	16,357	4.8	1,832	11.2
Fees, forfeits, and penalties	3,667	1.1	3,959	1.2	(292)	(7.4)
Total revenues	$ 340,698	100.0 %	$ 339,782	100.0 %	$ 916	0.3 %

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, rental income and tax increment financing distributions. In 2015, General Corporate Fund revenues totaled $340,698,000, an increase of $916,000, or 0.3%, from 2014. The major variances in revenues are explained under "Key Financial Comparisons" on pages 36-37.

A comparative analysis of the General Corporate Fund expenditures by object class for the years ended December 31, 2015 and 2014, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Expenditures Schedule

	2015 Amount	2015 % of Total	2014 Amount	2014 % of Total	Increase (Decrease)	Percent Increase (Decrease)
Expenditures:						
Employee cost	$ 226,834	66.6 %	$ 237,187	61.1 %	$ (10,353)	(4.4)%
Energy cost	37,207	10.9	37,183	9.6	24	0.1
Chemicals	7,473	2.2	5,798	1.5	1,675	28.9
Solids disposal	10,356	3.0	9,007	2.3	1,349	15.0
Repair to structures/equipment	16,514	4.8	14,395	3.7	2,119	14.7
Materials, parts & supplies	11,486	3.4	11,914	3.1	(428)	(3.6)
Machinery & equipment	690	0.2	1,157	0.3	(467)	(40.4)
Land	326	0.1	-	0.0	326	326.0
Claims and judgments	5,658	1.7	44,988	11.6	(39,330)	(87.4)
All other	24,068	7.1	26,252	6.8	(2,184)	(8.3)
Total expenditures	$ 340,612	100.0 %	$ 387,881	100.0 %	$ (47,269)	(12.2)%

In 2015, General Corporate Fund expenditures totaled $340,612,000, an overall decrease of $47,269,000, or 12.2%, from 2014. Employee costs, energy costs, and repair to structures and equipment were the three largest expenditure components of the General Corporate Fund in 2015, accounting for 82.4% of total expenditures versus 74.4% in 2014. The major variances in expenses are explained under "Key Financial Comparisons" on pages 36-37.

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 $140,806,000. The fund balance represented 65.6% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by $644,000 in the current year, as a result of an increase to the fund's tax levy in order to make upcoming bond principal and interest payments.

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 fund loans. The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled $303,650,000. This amount will provide resources for the 2016 capital construction program. The fund balance represented 1.10% of the fund's expenditures. The fund balance increase of $181,961,000 in the current year was primarily due to the District issuing $225,000,000 of General Obligation Improvement Bonds in 2015.

The Retirement fund is classified as a major fund because total liabilities in prior years have been greater than 10% of the total governmental funds, and the fund is used for collection of the tax levy which is remitted to the Pension Board. This presentation remains for comparative purposes. 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 2015 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 2015 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 2015 General Corporate Fund budget and actual amounts 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	$ 242,261	$ 242,261	$ 242,264	$ 3
Adjustment for working cash borrowing	(4,446)	(4,446)	(4,446)	-
Adjustment for estimated tax collections	-	-	14,462	14,462
Tax revenue available for current operations	237,815	237,815	252,280	14,465
User charges	51,000	51,000	48,177	(2,823)
Interest on investments	1,700	1,700	1,407	(293)
Tax increment financing distributions	2,225	2,225	6,168	3,943
Land rentals	15,500	15,500	18,732	3,232
Land sales	1,250	1,250	3,164	1,914
Other	4,170	4,170	7,128	2,958
Total revenues	313,660	313,660	337,056	23,396
Operating expenditures:				
Board of Commissioners	4,178	4,178	3,660	518
General Administration	16,042	16,082	14,800	1,282
Monitoring and Research	28,432	28,373	26,892	1,481
Procurement and Materials Management	8,645	8,645	8,139	506
Human Resources	60,072	60,072	58,426	1,646
Information Technology	16,680	16,680	14,575	2,105
Law	7,766	7,766	6,018	1,748
Finance	3,573	3,592	3,426	166
Engineering	27,287	27,287	25,962	1,325
Maintenance and Operations	186,320	186,320	171,140	15,180
Claims and judgments	30,700	30,700	5,891	24,809
Total expenditures	389,695	389,695	338,929	50,766
Revenues over (under) expenditures	(76,035)	(76,035)	(1,873)	74,162
Fund balance at beginning of year	172,782	172,782	142,060	(30,722)
Net assets available for future use	(96,747)	(96,747)	-	96,747
Fund balance at beginning of year as adjusted	76,035	76,035	142,060	66,025
Fund balance at end of the year	$ -	$ -	$ 140,187	$ 140,187

Actual revenues on a budgetary basis for 2015 in the General Corporate Fund totaled $337,056,000, or $23,396,000 more than budgeted revenues, a 7.5% variation. Property taxes and personal property replacement taxes were $14,462,000 more than the budget, mostly due to additional receipts of PPRT $10,156,000 over the budgeted amount. User charge receipts were $2,823,000 less than the budget due to a rate decrease from 2014 to 2015. Interest on investments was $(293,000) under budget as of result of decreased investment earnings in the Corporate Fund. Land rentals were $3,232,000 more than the budget due to the increase in the number of leases and the expiration of older leases which are being renewed at their current market value.

The 2015 General Corporate Fund final appropriation of $389,695,000 did not change from the original amount. Actual budgetary expenditures totaled $338,929,000, or 87.0%, of the total appropriation. The $50,766,000 excess of appropriations over actual expenditures was primarily due to claims and judgments costs being $24,809,000 less than appropriations. The District's Reserve Claim fund actual payments were significantly lower than budgeted resulting in a large variance between budget and actual because it is the policy of the District to appropriate the entire Reserve Claim fund balance. 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 $15,180,000 below appropriations, for a variety of reasons including underutilization of the pelletizer facility, decreased repairs, and the related repair parts, and a decreased need for chemicals based on using more efficient processes.

CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2015, amounted to $7,282,020,000. Reportable capital assets, net of accumulated depreciation, for 2015 as compared to 2014 are as follows (in thousands of dollars):

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 130,573	$ 129,458	$ 1,115	0.9 %
Permanent easements	1,330	1,330	-	0.0
Buildings	7,354	7,539	(185)	(2.5)
Machinery and equipment	27,588	27,706	(118)	(0.4)
Computer software	1,549	2,248	(699)	(31.1)
Depreciable infrastructure	1,674,158	1,685,392	(11,234)	(0.7)
Modified infrastructure	4,662,520	4,356,999	305,521	7.0
Construction in progress	776,948	829,769	(52,821)	(6.4)
Total	$ 7,282,020	$ 7,040,441	$ 241,579	3.4 %

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

- Total capital asset additions exceeded retirements and depreciation by $241,579,000 in 2015.
- Construction in progress decreased by $52,821,000 from 2014 to 2015 due to the completion of the Thornton Composite Reservoir, the related Thornton Tollway Dam, and the Disinfecton facilities at the Calumet and O'Brien WRPs.
- Major projects which remained in progress during 2015 include: the Westside Primary Settling Tanks and Aerated Grit Facility at Stickney WRP, the West Weather Facility Reservoir at Lemont WRP, and the phosphorous recovery system at multiple water reclamation plants.

In addition to the above, commitments totaling $490,845,261 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 Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2015. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2014. 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, 2015, totaled $4,026,914,000. The breakdown of this debt and changes from 2014 to 2015 are as follows (in thousands of dollars):

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	$ 2,770,788	$ 2,500,785	$ 270,003	10.8 %
Bond anticipation notes	161,697	90,460	71,237	78.7
Claims payable	53,570	35,668	17,902	50.2
Compensated absences	25,153	27,564	(2,411)	(8.7)
Capital lease	43,405	45,653	(2,248)	(4.9)
Net Pension liability	947,300	914,578	32,722	3.6
Net OPEB obligation	25,001	30,409	(5,408)	(17.8)
Total	$ 4,026,914	$ 3,645,117	$ 381,797	10.5 %

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

- Bonds payable, net, increased by $270,003,000 in 2015 as a result of General Obligation bond issuances.
- Bond anticipation notes increased by $71,237,000 in 2015 as a result of the issuance of $181,537,000 in notes, the accrual of $1,663,000 of interest and the conversion of $111,963,000 from bond anticipation notes to bonds.
- Claims payable increased by $17,902,000 due to the increases in general and construction claims.

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

Standard & Poor's Corporation	AAA
Fitch, Inc.	AAA
Moody's Investors Service	Aa2

In August 2013, Moody's Investor Service downgraded the District's Bonds from Aaa to Aa1. In July 2015, Moody's further downgraded the District's Bonds from Aa1 to Aa2. The primary reason for the downgrades is the pressure on the District's tax base due to the significant debt burden and pension liabilities for major governmental agencies in Cook County, reflecting Moody's opinion on the affordability of possible tax increases by other agencies and how this could impact Cook County residents. 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. Additional disclosure on debt can be found in Note 11 to the basic financial statements.

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 $125,736,187,743 for the 2014 property tax levy. At December 31, 2015, the District's statutory debt limit of $7,229,830,795 exceeded the applicable net debt amount of $2,853,167,287 by $4,376,663,508.

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 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 $425,000,000 for the budget year ended December 31, 2015.

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 2015 levy year is $158,198,004 (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, 2015, the District's outstanding capital improvement and refunding bonds (excluding State Revolving Fund bonds and alternate bonds) of $1,933,805,000 did not exceed the limitation of $4,212,162,289.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2015, 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	408	11	397
2007	344	-	344
2009	600	600	-
2011	336	336	-
2014	246	175	71
Total bonds outstanding at December 31, 2015	1,934	$ 1,122	$ 812
Remaining bond authorization at December 31, 2015	2,278		
Total bond authorization at December 31, 2015	$ 4,212		

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.

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 .9% average growth rate over the last ten years although the 2014 equalized assessed valuation of $125,736,188,000 is 1.9% higher 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 Illinois. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division decreased to a seasonally adjusted rate of 5.8% for 2015 down from 7.0% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets had all been negatively impacted but are slowly improving. This trend is expected to continue through most, if not all, of 2016.

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 2016. The total appropriation for the Corporate Fund in 2016 is $366.3 million, an increase of $7.3 million, or 2.0% from the 2015 Adjusted Budget. The 2016 tax levy for the Corporate Fund is $226.1 million, a decrease of $1.1 million or .5% compared to the 2015 Adjusted Budget.

Continuing through 2016, economically sensitive non-property tax revenues, such as interest income, are expected to slowly improve 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 2016 is 16.87 cents, a decrease of .59 cents from 2015 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 2016 totals $40.5 million, a decrease of $6.1 million or 13.0% from the 2015 Adjusted Budget.

The District issued Alternate Revenue Bonds funded from the Stormwater Levy in 2015. The "green" projects financed by the bonds involves the development, design, planning and construction of regional and local stormwater facilities provided for in the countywide stormwater management plan and the acquisition of real property.

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 provides the required compensatory floodplain storage for the United States Army Corps of Engineer's Levee 37 project along the Des Plaines River. As described in an intergovernmental agreement between the District, the Wheeling Park District and the Village of Wheeling signed on April 1, 2010, this project also provides additional stormwater detention and recreational amenities. Construction of the project began in 2012, and the flood control components, including the compensatory storage required for Levee 37, are operational while work to complete site amenities will be performed in early 2015. Based on the District's completion of the flood control improvements at Heritage Park in 2014, the USACE has since finished constructing their floodwall/levee system which provides protection to over 600 structures from Des Plaines River flooding.

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 2016 is 2.56 cents, which is an increase of 0.71 cents from 2015 as adjusted.

Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund. The District's overall Capital Program includes 2016 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately $1.6 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non–structural improvements, and which cannot be removed without, in some way, impairing the facility or structure.

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

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

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 2016 totals $36.6 million, a decrease of $1.3 million or 3.4% from the 2015 Adjusted Budget.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2016 tax levy planned for the Construction Fund is $16.6 million, an increase of $.1 million or .06 percent from the 2015 Adjusted Levy.

Capital Improvements Bond Fund. The 2016 appropriation for the Capital Improvements Bond Fund is $483.8 million, an increase of $30.7 million or 6.8 percent from the 2015 Adjusted Budget. The appropriation is based on the scheduled award of $373.0 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2016 with estimated award values consist of one TARP project at $139 million; six plant expansion and improvement projects at $43.0 million; six facilities replacement projects at $42.9 million; fifteen stormwater management projects at $95.3 million, and two solids projects at $20.4 million.

The increase in appropriation for the Capital Improvements Bond Fund of $30.7 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 $110.8 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 2016 budget document.

A listing and description of proposed projects, and projects under construction, scheduled for 2016, can be found in the Capital Budget (Section V) of the 2016 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).

In 2007, the Board adopted an initial advance funding policy meant to (i) improve the District's financial position by reducing the amount of future contributions and (ii) serve to establish a reserve to help ensure the financial ability to provide healthcare coverage for District retirees and annuitants in the future. On October 2, 2014, the advance funding policy was amended by the Board with the following guidelines:

Target Funding Level:	100% maximum
Funding Period:	12 years
Funding Amount:	$5 million funding in each of the twelve years 2015 through 2026, with no further advance funding contribution required after 2026.

Beginning in 2027, cash to be withdrawn from the Trust to fund claims and insurance premiums will be determined by the Trust's actuary with the target funding level to be maintained at 100% for all future years. There is currently no legal requirement for the District to partially or fully fund the OPEB Trust Fund and any funding is on a voluntary basis.

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 $117.4 million into the OPEB Trust Fund. The District contributed $20.0 million in 2014 and $5.0 million in 2015 to reach that goal. Total net position was $149,329,000 as of December 31, 2015. The accumulated unfunded OPEB obligation was estimated at approximately $137 million and $139 million at December 31, 2015 and December 31, 2014, 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.

Upcoming Pension Reporting Changes. The District has implemented GASB 68, Accounting and Financial Reporting for Pensions, beginning with the year ended December 31, 2015. The implementation of this standard resulted in a net pension liability recognized by the District of $947.3 million; however, net position remained positive.

Organized Labor. The District has six collective bargaining agreements that cover sixteen unions and include approximately 760 of the District's employees for the purposes of establishing wages and benefits. Three-year successor agreements were negotiated with all bargaining units in 2014 and will expire in 2017.

Retirement Fund. On August 3, 2012 Governor Quinn signed House Bill 4513, now Public Act 97-0894, into law. The tax multiple, which is limited by state statute, was increased in 2013 from 2.19 to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior. The employee contributions for tier 1 employees (those hired before January 1, 2011) increased 1% each year for 3 years beginning January 1, 2013, increasing the contribution rate from 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.

BASIC FINANCIAL STATEMENTS

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

December 31, 2015
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2015	General Corporate Fund 2014	Debt Service Fund 2015	Debt Service Fund 2014	Capital Improvements Bond Fund 2015	Capital Improvements Bond Fund 2014
Assets and deferred outflows of resources						
Assets:						
Cash	$ 57,769	$ 45,390	$ 15,826	$ 2,065	$ 92,764	$ 6,574
Certificates of deposit (note 4)	4,498	10,295	2,014	7,013	16,617	6,002
Investments (note 4)	174,547	191,294	90,831	99,313	202,441	119,156
Prepaid insurance	2,137	2,143	-	-	-	-
Taxes receivable, net (note 5)	224,745	224,845	216,631	210,679	-	-
Other receivables, net (note 5)	8,720	4,380	-	928	41,521	32,908
Due from other funds (note 12)	77	52	-	-	-	-
Restricted deposits	1,405	1,409	-	-	-	-
Inventories	37,623	39,586	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	$ 511,521	$ 519,394	$ 325,302	$ 319,998	$ 353,343	$ 164,640
Deferred outflows of resources:						
Loss on prior debt refunding	-	-	-	-	-	-
Deferred amount related to pension	-	-	-	-	-	-
Total deferred outflows of resources	$ -	$ -	$ -	$ -	$ -	$ -
Liabilities, deferred inflows of resources, and fund balances/net position						
Liabilities:						
Accounts payable and other liabilities (note 5)	$ 28,815	$ 37,817	$ -	$ -	$ 48,760	$ 42,951
Due to Pension Trust Fund (note 12)	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-
Unearned Revenue (note 5)	4,222	3,686	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	33,037	41,503	-	-	48,760	42,951
Deferred inflows of resources:						
Unavailable tax revenue (note 5)	191,372	190,865	184,496	178,908	-	-
Other unavailable revenue (note 5)	-	-	-	928	933	-
Total deferred inflows of resources	191,372	190,865	184,496	179,836	933	-
Fund balances:						
Nonspendable:						
Prepaid insurance	2,137	2,143	-	-	-	-
Inventories	37,623	39,586	-	-	-	-
Restricted for:						
Deposits	1,405	1,409	-	-	-	-
Working cash	278,852	278,148	-	-	-	-
Reserve claims	25,522	27,590	-	-	-	-
Debt service	-	-	140,806	140,162	-	-
Capital projects	-	-	-	-	175,730	8,921
Construction	-	-	-	-	-	-
Stormwater management	-	-	-	-	-	-
Assigned	-	-	-	-	127,920	112,768
Unassigned (Deficit)	(58,427)	(61,850)	-	-	-	-
Total fund balances	287,112	287,026	140,806	140,162	303,650	121,689
Total liabilities, deferred inflows, and fund balances	$ 511,521	$ 519,394	$ 325,302	$ 319,998	$ 353,343	$ 164,640
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 Funds		Adjustments (Note 2a)		Statements of Net Position	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
$ -	$ -	$ 7,342	$ 3,244	$ 173,701	$ 57,273	$ -	$ -	$ 173,701	$ 57,273
-	-	502	1,801	23,631	25,111	-	-	23,631	25,111
-	-	50,305	71,555	518,124	481,318	-	-	518,124	481,318
-	-	-	-	2,137	2,143	-	-	2,137	2,143
61,566	54,678	39,131	37,056	542,073	527,258	-	-	542,073	527,258
-	-	745	745	50,986	38,961	-	-	50,986	38,961
-	-	-	-	77	52	(77)	(52)	-	-
-	-	-	-	1,405	1,409	-	-	1,405	1,409
-	-	-	-	37,623	39,586	-	-	37,623	39,586
-	-	-	-	-	-	5,571,371	5,317,556	5,571,371	5,317,556
-	-	-	-	-	-	1,710,649	1,722,885	1,710,649	1,722,885
$ 61,566	$ 54,678	$ 98,025	$ 114,401	$ 1,349,757	$ 1,173,111	$ 7,281,943	$ 7,040,389	$ 8,631,700	$ 8,213,500
-	-	-	-	-	-	12,511	13,518	12,511	13,518
-	-	-	-	-	-	91,456	73,906	91,456	73,906
$ -	$ -	$ -	$ -	$ -	$ -	$ 103,967	$ 87,424	$ 103,967	$ 87,424
$ -	$ -	$ 11,785	$ 12,337	$ 89,360	$ 93,105	$ -	$ -	$ 89,360	$ 93,105
13,867	13,293	-	-	13,867	13,293	57,174	41,385	71,041	54,678
-	-	77	52	77	52	(77)	(52)	-	-
-	-	-	-	-	-	14,924	13,623	14,924	13,623
-	-	-	-	4,222	3,686	-	(741)	4,222	2,945
-	-	-	-	-	-	123,555	114,993	123,555	114,993
-	-	-	-	-	-	3,903,359	3,530,124	3,903,359	3,530,124
13,867	13,293	11,862	12,389	107,526	110,136	4,098,935	3,699,332	4,206,461	3,809,468
47,699	41,385	33,331	31,489	456,898	442,647	(456,898)	(442,647)	-	-
-	-	-	-	933	928	(933)	(928)	-	-
47,699	41,385	33,331	31,489	457,831	443,575	(457,831)	(443,575))	-	-
-	-	-	-	2,137	2,143	(2,137)	(2,143)		
-	-	-	-	37,623	39,586	(37,623)	(39,586)		
-	-	-	-	1,405	1,409	(1,405)	(1,409)		
-	-	59,163	58,868	338,015	337,016	(338,015)	(337,016)		
-	-	-	-	25,522	27,590	(25,522)	(27,590)		
-	-	-	-	140,806	140,162	(140,806)	(140,162)		
-	-	-	-	175,730	8,921	(175,730)	(8,921)		
-	-	2,759	6,316	2,759	6,316	(2,759)	(6,316)		
-	-	-	5,339	-	5,339	-	(5,339)		
-	-	-	-	127,920	112,768	(127,920)	(112,768)		
-	-	(9,090)	-	(67,517)	(61,850)	67,517	61,850		
-	-	52,832	70,523	784,400	619,400	(784,400)	(619,400)		
$ 61,566	$ 54,678	$ 98,025	$ 114,401	$ 1,349,757	$ 1,173,111				
						4,630,463	4,548,793	4,630,463	4,548,793
						278,852	278,148	278,852	278,148
						6,499	7,764	6,499	7,764
						310,383	305,375	310,383	305,375
						-	15,457	-	15,457
						21,947	21,833	21,947	21,833
						37,216	37,035	37,216	37,035
						(756,154)	(722,949)	(756,154)	(722,949)
						$ 4,529,206	$ 4,491,456	$ 4,529,206	$ 4,491,456

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

Year ended December 31, 2015
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2015	General Corporate Fund 2014	Debt Service Fund 2015	Debt Service Fund 2014	Capital Improvements Bond Fund 2015	Capital Improvements Bond Fund 2014
Revenues						
General revenues:						
Property taxes	$ 225,861	$ 230,128	$ 212,150	$ 202,991	$ -	$ -
Personal property replacement tax	25,295	27,309	-	-	-	-
Interest on investments	1,838	3,594	887	1,342	1,975	3,283
Land sales	3,164	8	-	-	-	-
Tax increment financing distributions	13,069	4,925	-	-	-	-
Claims and damage settlements	191	177	-	-	127	452
Miscellaneous	3,486	2,908	4	5	2,377	2,396
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	45,938	50,396	-	-	-	-
Land rentals	18,189	16,357	-	-	-	-
Fees, forfeits, and penalties	3,667	3,959	-	-	-	-
Capital grants and contributions:						
Federal and state grants	-	21	-	11,141	11,165	-
Total revenues	340,698	339,782	213,041	215,479	15,644	6,131
Expenditures/Expenses						
Operations:						
Board of Commissioners	3,662	3,710	-	-	-	-
General Administration	14,833	14,829	-	-	-	-
Monitoring and Research	27,486	26,687	-	-	-	-
Procurement and Materials Management	6,885	6,325	-	-	-	-
Human Resources	58,441	72,879	-	-	-	-
Information Technology	14,697	14,582	-	-	-	-
Law	6,018	6,802	-	-	-	-
Finance	3,427	3,425	-	-	-	-
Engineering	25,971	25,278	-	-	-	-
Maintenance and Operations	173,534	168,376	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	5,658	44,988	-	-	-	-
Construction costs	-	-	-	-	271,269	186,112
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation and amortization (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds and capital lease	-	-	98,973	86,976	2,247	2,142
Interest and bond issuance costs	-	-	115,793	107,868	2,887	2,247
Total expenditures/expenses	340,612	387,881	214,766	194,844	276,403	190,501
Revenues over (under) expenditures	86	(48,099)	(1,725)	20,635	(260,759)	(184,370)
Other financing sources (uses):						
Payment to escrow agent for refunded bonds	-	-	(82,906)	-	-	-
Bond anticipation notes issued	-	-	-	-	181,537	81,721
Bond anticipation notes converted	-	-	-	-	111,964	27,623
Bond anticipation notes refunded	-	-	-	-	(111,964)	(27,623)
Refunding bonds issued	-	-	70,805	-	-	-
General obligation bonds issued	-	-	-	-	225,000	-
Premium on bonds issued	-	-	12,346	-	36,183	-
Transfers	-	-	2,124	(3,000)	-	(8,000)
Total other financing sources (uses)	-	-	2,369	(3,000)	442,720	73,721
Revenues and other financing sources (uses) over (under) expenditures	86	(48,099)	644	17,635	181,961	(110,649)
Change in net position	-	-	-	-	-	-
Fund balances/net position:						
Beginning of the year, as restated (note 15)	287,026	335,125	140,162	122,527	121,689	232,338
End of the year	$ 287,112	$ 287,026	$ 140,806	$ 140,162	$ 303,650	$ 121,689

See accompanying notes to the basic financial statements.

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Funds		Adjustments (Note 2b)		Statements of Activities	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
$ 49,929	$ 51,293	$ 37,362	$ 31,904	$ 525,302	$ 516,316	$ 7,938	$ 10,535	$ 533,240	$ 526,851
12,568	12,262	-	-	37,863	39,571	-	-	37,863	39,571
-	-	681	1,267	5,381	9,486	-	-	5,381	9,486
-	-	-	-	3,164	8	(3,164)	(8)	-	-
-	-	-	-	13,069	4,925	-	-	13,069	4,925
-	-	32	1	350	630	-	-	350	630
1	1	1	135	5,869	5,445	(65)	(155)	5,804	5,290
-	-	-	-	-	-	2,922	8	2,922	8
-	-	300	300	46,238	50,696	-	-	46,238	50,696
-	-	-	-	18,189	16,357	-	-	18,189	16,357
-	-	1,218	1,497	4,885	5,456	-	-	4,885	5,456
-	-	-	-	11,165	11,162	5	(73)	11,170	11,089
62,498	63,556	39,594	35,104	671,475	660,052	7,636	10,307	679,111	670,359
-	-	-	-	3,662	3,710	9	11	3,671	3,721
-	-	-	-	14,833	14,829	2	267	14,835	15,096
-	-	-	-	27,486	26,687	(227)	235	27,259	26,922
-	-	-	-	6,885	6,325	(84)	6	6,801	6,331
-	-	-	-	58,441	72,879	71	17	58,512	72,896
-	-	-	-	14,697	14,582	(95)	126	14,602	14,708
-	-	-	-	6,018	6,802	(10)	10	6,008	6,812
-	-	-	-	3,427	3,425	(26)	8	3,401	3,433
-	-	-	-	25,971	25,278	1,261	1,283	27,232	26,561
-	-	-	-	173,534	168,376	(357)	858	173,177	169,234
62,498	75,556	-	-	62,498	75,556	24,647	17,388	87,145	92,944
-	-	-	-	-	-	(5,408)	(19,449)	(5,408)	(19,449)
-	-	-	-	5,658	44,988	17,902	(42,328)	23,560	2,660
-	-	55,161	50,147	326,430	236,259	(256,996)	(159,068)	69,434	77,191
-	-	-	-	-	-	32	127	32	127
-	-	-	-	-	-	12,123	12,229	12,123	12,229
-	-	-	-	101,220	89,118	(101,220)	(89,118)	-	-
-	-	-	-	118,680	110,115	297	4,213	118,977	114,328
62,498	75,556	55,161	50,147	949,440	898,929	(308,079)	(273,185)	641,361	625,744
-	(12,000)	(15,567)	(15,043)	(277,965)	(238,877)	315,715	283,492		
-	-	-	-	(82,906)	-	82,906	-	-	-
-	-	-	-	181,537	81,721	(181,537)	(81,721)	-	-
-	-	-	-	111,964	27,623	(111,964)	(27,623)	-	-
-	-	-	-	(111,964)	(27,623)	111,964	27,623	-	-
-	-	-	-	70,805	-	(70,805)	-	-	-
-	-	-	-	225,000	-	(225,000)	-	-	-
-	-	-	-	48,529	-	(48,529)	-	-	-
-	12,000	(2,124)	(1,000)	-	-	-	-	-	-
-	12,000	(2,124)	(1,000)	442,965	81,721	(442,965)	(81,721)	-	-
-	-	(17,691)	(16,043)	165,000	(157,156)	(165,000)	157,156	-	-
-	-	-	-	-	-	37,750	44,615	37,750	44,615
-	-	70,523	86,566	619,400	776,556	-	-	4,491,456	4,446,841
$ -	$ -	$ 52,832	$ 70,523	$ 784,400	$ 619,400	$ -	$ -	$ 4,529,206	$ 4 ,491,456

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, 2015

(in thousands of dollars)

	Budget		Actual	Actual Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes:				
Gross levy	$ 227,196	$ 227,196	$ 227,196	$ -
Allowance for uncollectible taxes	(7,952)	(7,952)	(7,952)	-
Net property tax levy	219,244	219,244	219,244	-
Property tax collections	2,915	2,915	2,918	3
Personal property replacement tax:				
Entitlement	20,102	20,102	20,102	-
Total tax revenue	242,261	242,261	242,264	3
Adjustment for working cash borrowing	(4,446)	(4,446)	(4,446)	-
Adjustment for estimated tax collections	-	-	14,462	14,462
Tax revenue available for current operation	237,815	237,815	252,280	14,465
Interest on investments	1,700	1,700	1,407	(293)
Land sales	1,250	1,250	3,164	1,914
Tax increment financing distributions	2,225	2,225	6,168	3,943
Miscellaneous	3,420	3,420	6,050	2,630
User charges	51,000	51,000	48,177	(2,823)
Land rentals	15,500	15,500	18,732	3,232
Fees, forfeits, and penalties	750	750	1,078	328
Total revenues	313,660	313,660	337,056	23,396
Expenditures:				
Board of Commissioners	4,178	4,178	3,660	518
General Administration	16,042	16,082	14,800	1,282
Monitoring and Research	28,432	28,373	26,892	1,481
Procurement and Materials Management	8,645	8,645	8,139	506
Human Resources	60,072	60,072	58,426	1,646
Information Technology	16,680	16,680	14,575	2,105
Law	7,766	7,766	6,018	1,748
Finance	3,573	3,592	3,426	166
Engineering	27,287	27,287	25,962	1,325
Maintenance and Operations	186,320	186,320	171,140	15,180
Claims and judgments	30,700	30,700	5,891	24,809
Total expenditures	389,695	389,695	338,929	50,766
Revenues over (under) expenditures	(76,035)	(76,035)	(1,873)	74,162
Fund balances at beginning of year	172,782	172.782	142,060	(30,722)
Net assets available for future use	(96,747)	(96,747)	-	96,747
Fund balances at beginning of the year as adjusted	76,035	76,035	142,060	66,025
Fund balances at end of year	$ -	$ -	$ 140,187	$ 140,187

See accompanying notes to the basic financial statements.

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

Year ended December 31, 2015

(in thousands of dollars)

Retirement Fund	Final Budget	Actual on Budgetary Basis	Actual Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	$ 48,762	$ 49,929	$ 1,167
Personal property replacement tax	12,892	12,568	(324)
Miscellaneous	-	1	1
Total tax revenue	61,654	62,498	844
Operating expenditures:			
Pension costs	61,654	62,498	(844)
Total expenditures	61,654	62,498	(844)
Revenues over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	$ -	$ -	$ -

See accompanying notes to the basic financial statements.

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

December 31, 2015
(with comparative amounts for prior year)

	(in thousands of dollars)	
	2015	**2014**
Assets		
Cash	$ 104	$ 275
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of $5,252 in 2015; $3,495 in 2014)	70,772	61,654
Securities sold	10,565	9,929
Forward foreign exchange contracts	83,320	28,089
Accrued interest and dividends	4,463	4,600
Accounts receivable	53	40
Total receivables	169,173	104,312
Investments at fair value		
Corporate and governmental bonds and notes	312,644	252,271
Money market funds	550	13,857
Pooled funds - fixed income	179,025	246,148
Pooled funds - equities	66,652	59,949
Balanced funds	14,649	12,379
Common and preferred stocks	757,683	808,449
Short-term investments	39,867	34,621
Total investments	1,371,070	1,427,674
Securities lending capital	36,893	51,053
Total assets	$ 1,577,240	$ 1,583,314
Liabilities		
Accounts payable	$ 1,387	$ 1,660
Securities lending collateral	36,893	51,053
Forward foreign exchange contracts	83,320	28,089
Securities purchased	19,658	18,342
Total liabilities	141,258	99,144
Net position restricted for pension and OPEB benefits	$ 1,435,982	$ 1,484,170

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, 2015
(with comparative amounts for prior year)

	(in thousands of dollars)	
	2015	**2014**
Additions:		
Contributions:		
Employer contributions	$ 89,359	$ 107,623
Employee contributions	21,385	18,975
Retiree contributions	7,406	6,773
Total contributions	118,150	133,371
Investment income:		
Net appreciation (depreciation) in fair value of investments	(26,196)	65,857
Interest and dividend income	27,778	26,782
Total investment income	1,582	92,639
Less investment expenses	(5,585)	(5,942)
Investment income (loss) net of expenses	(4,003)	86,697
Securities lending activities:		
Securities lending income	98	64
Borrower rebates	645	506
Bank fees	(178)	(135)
Net income from securities lending activities	565	435
Other	29	4
Total additions	114,741	220,507
Deductions:		
Annuities and benefits:		
Employee annuitants	116,885	111,352
Retiree health care benefits	20,723	20,490
Surviving spouse annuitants	21,279	20,444
Child annuitants	116	157
Ordinary disability benefits	722	821
Duty disability benefits	159	140
Total annuities and benefits	159,884	153,404
Refunds of employee contributions	1,349	984
Administrative expenses	1,696	1,446
Total deductions	162,929	155,834
Net increase (decrease)	(48,188)	64,673
Net position restricted for pension and OPEB benefits		
Beginning of year	1,484,170	1,419,497
End of year	$ 1,435,982	$ 1,484,170

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 generally accepted accounting principles (GAAP) in the United States of America 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 of Commissioners. 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 or on their website: mwrdrf.org. 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 or on the District's website: mwrd.org.

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 contain charges for services including user charges, land rentals, fees, forfeitures, 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 an in-depth explanations offered in Note 2.

The District reports the following major governmental funds:

General Corporate Fund

The fund was 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, deferred inflows of resources and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2015 are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Assets				
Cash	$ 57,769	$ 53,861	$ 537	$ 3,371
Certificates of deposit	4,498	1,991	1,005	1,502
Investments	174,547	67,467	87,310	19,770
Prepaid insurance	2,137	2,137	-	-
Receivables:				
Property taxes receivable	240,435	234,638	-	5,797
Allowance for uncollectible taxes	(15,690)	(15,394)	-	(296)
Taxes receivable, net	224,745	219,244	-	5,501
User charges	782	782	-	-
Miscellaneous	7,938	7,658	-	280
Due from Stormwater Management Fund	77	77	-	-
Restricted deposits	1,405	1,405	-	-
Inventories	37,623	37,623	-	-
Total assets	$ 511,521	$ 392,245	$ 88,852	$ 30,424
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and other liabilities	$ 28,815	$ 28,610	$ -	$ 205
Unearned Revenue	4,222	4,222	-	-
Due to corporate fund from corporate working cash	-	190,000	(190,000)	-
Total liabilities	33,037	222,832	(190,000)	205
Deferred inflows of resources:				
Unavailable tax revenue	191,372	186,675	-	4,697
Total deferred inflows of resources	191,372	186,675	-	4,697
Fund balances:				
Nonspendable:				
Prepaid insurance	2,137	2,137	-	-
Inventories	37,623	37,623	-	-
Restricted for:				
Deposits	1,405	1,405	-	-
Working cash	278,852	-	278,852	-
Reserve claims	25,522	-	-	25,522
Unassigned (Deficit)	(58,427)	(58,427)	-	-
Total fund balances	287,112	(17,262)	278,852	25,522
Total liabilities, deferred inflows and fund balances	$ 511,521	$ 392,245	$ 88,852	$ 30,424

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, 2015, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Revenues:				
Property taxes	$ 225,861	$ 222,591	$ -	$ 3,270
Personal property replacement tax	25,295	25,295	-	-
Total tax revenue	251,156	247,886	-	3,270
Interest on investments	1,838	804	704	330
Land sales	3,164	3,164	-	-
Tax increment financing distributions	13,069	13,069	-	-
Claims and damage settlements	191	178	-	13
Miscellaneous	3,486	3,486	-	-
User charges	45,938	45,938	-	-
Land rentals	18,189	18,189	-	-
Fees, forfeits and penalties	3,667	3,667	-	-
Total revenues	340,698	336,381	704	3,613
Operations:				
Board of Commissioners	3,662	3,662	-	-
General Administration	14,833	14,833	-	-
Monitoring and Research	27,486	27,486	-	-
Procurement and Materials Management	6,885	6,885	-	-
Human Resources	58,441	58,441	-	-
Information Technology	14,697	14,697	-	-
Law	6,018	6,018	-	-
Finance	3,427	3,427	-	-
Engineering	25,971	25,971	-	-
Maintenance and Operations	173,534	173,534	-	-
Claims and judgments	5,658	-	-	5,658
Total expenditures	340,612	334,954	-	5,658
Revenues over (under) expenditures	86	1,427	704	(2,045)
Other financing sources (uses):				
Intrafund transfer	-	23	-	(23)
Net Change in Fund balance	86	1,450	704	(2,068)
Fund balance at the beginning of year	287,026	(18,712)	278,148	27,590
Fund balance at the end of year	$ 287,112	$ (17,262)	$ 278,852	$ 25,522

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 in accordance with statutory requirements to account for the annual property taxes and personal property replacement tax (PPRT), which are specifically levied to finance pension costs. These 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 finance smaller construction projects on a pay-as-you-go basis. The Fund is primarily financed with an annual property tax levy and certain other revenues to be used to finance modernization and rehabilitation projects. 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 2605/9(c) 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, deferred inflows of resources and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2015 are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Assets			
Cash	$ 4,561	$ 4,217	$ 344
Investments	21,843	12,240	9,603
Receivables:			
Property taxes receivable	17,062	17,062	-
Allowance for uncollectible taxes	(1,139)	(1,139)	-
Taxes receivable, net	15,923	15,923	-
Miscellaneous receivable	745	745	-
Total assets	$ 43,072	$ 33,125	$ 9,947
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 4,812	$ 4,812	$ -
Due to Construction Fund from Construction Working Cash	-	12,000	(12,000)
Total liabilities	4,812	16,812	(12,000)
Deferred inflows of resources:			
Unavailable tax revenue	13,554	13,554	-
Total deferred inflows of resources	13,554	13,554	-
Fund balances:			
Restricted for:			
Working cash	21,947	-	21,947
Capital projects	2,759	2,759	-
Total fund balances	24,706	2,759	21,947
Total liabilities, deferred inflows, and fund balances	$ 43,072	$ 33,125	$ 9,947

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, 2015, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Working Cash Division
Revenues:			
Property taxes	$ 16,617	$ 16,617	$ -
Total tax revenue	16,617	16,617	-
Interest on investments	332	218	114
User charge	300	300	-
Claims and damages settlements	32	32	-
Fees, forfeits and penalties	1,218	1,218	-
Total revenues	18,499	18,385	114
Construction Costs:			
Personal services	2,798	2,798	-
Contractual services	841	841	-
Materials and supplies	1,797	1,797	-
Machinery and equipment	3,125	3,125	-
Capital projects	13,381	13,381	-
Total expenditures	21,942	21,942	-
Revenues over (under) expenditures	(3,443)	(3,557)	114
Net Change in Fund balance	(3,443)	(3,557)	114
Fund balance at the beginning of year	28,149	6,316	21,833
Fund balance at the end of year	$ 24,706	$ 2,759	$ 21,947

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 2605/9(e) 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, deferred inflows of resources and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2015 are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Assets			
Cash	$ 2,781	$ 49	$ 2,732
Certificates of deposit	502	-	502
Investments	28,462	6,880	21,582
Receivables:			
Property taxes receivable	24,728	24,728	-
Allowance for uncollectible taxes	(1,520)	(1,520)	-
Taxes receivable, net	23,208	23,208	-
Total assets	$ 54,953	$ 30,137	$ 24,816
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 6,973	$ 6,973	$ -
Due to Corporate Fund	77	77	-
Due to Stormwater Management Fund from Stormwater Working Cash	-	12,400	(12,400)
Total liabilities	7,050	19,450	(12,400)
Deferred inflows of resources:			
Unavailable tax revenue	19,777	19,777	-
Total deferred inflows of resources	19,777	19,777	-
Fund balances:			
Restricted for:			
Working cash	37,216	-	37,216
Unassigned	(9,090)	(9,090)	-
Total fund balances	28,126	(9,090)	37,216
Total liabilities, deferred inflows, and fund balances	$ 54,953	$ 30,137	$ 24,816

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, 2015, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Revenues:			
Property taxes	$ 20,745	$ 20,745	$ -
Total tax revenue	20,745	20,745	-
Interest on investments	350	169	181
Total revenues	21,095	20,914	181
Construction Costs:			
Personal services	14,863	14,863	-
Contractual services	11,509	11,509	-
Materials and supplies	1,666	1,666	-
Capital projects	4,991	4,991	-
Fixed and other charges	190	190	-
Total expenditures	33,219	33,219	-
Revenues over (under) expenditures	(12,124)	(12,305)	181
Other financing sources (uses):			
Transfer out to Pension Fund	(2,124)	(2,124)	-
Total other financing sources (uses):	(2,124)	(2,124)	-
Net Change in Fund balance	(14,248)	(14,429)	181
Fund balance at the beginning of year	42,374	5,339	37,035
Fund balance at end of year	$ 28,126	$ (9,090)	$ 37,216

In addition, the District reports the following fiduciary funds:

Pension Trust Fund

This fund is 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 to the plan pursuant to legal requirements.

OPEB Trust Fund

This fund is a fund established (pursuant to 70 ILCS 2605/9.6(d)) to administer the defined benefit, post-employment health care plan. The intention of the District is that the Fund 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 they become 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 susceptible to accrual. In general, the revenue recognition period is limited to amounts collected during the period or within sixty days following year-end. Receivables that are unavailable are reported as deferred inflow of resources.

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 Board of Commissioners holds a public hearing on the Capital Improvement Program in October.

(3) 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.

(4) 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.

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

(6) 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.

(7) The budget implementation phase begins January 1.

(8) 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. For the Debt Service Fund and the Retirement Fund, the level of control is on a fund basis.

(9) 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.

(10) 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.

(11) 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 measured at the net asset value per share provided by the pool. 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 State Treasurer. 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.

i. Prepaid assets represent services the District has paid for but has not received the full benefit. Prepaids are recorded as expenditures/expenses when consumed.

Inventory balances and prepaid insurance at year-end are reported as nonspendable fund balance in the governmental funds.

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

k. Interfund transactions represent governmental fund transactions for the following: 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.

l. 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 WRPs 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 WRPs 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, O'Brien, Egan, Calumet, Lemont WRPs, 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 2014. The Egan and O'Brien networks each had its most recent condition assessment completed in 2013. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2012.

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 substantially complete.

m. 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, 2015, are liabilities for compensated absences of $2,563,000, due within one year, and $22,590,000, due in more than one year.

n. Deferred Outflows/Inflows of Resources - Deferred inflow of resources is an acquisition of net position by the government that is applicable to a future period. Deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

o. 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.

p. 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. The District has an assigned fund balance of $127,920,000 in the Capital Improvement Bond Fund, for future capital projects.

- 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. 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.

q. **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 $654,897,000 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."

r. **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.

s. **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. Certain prior year amounts have been reclassified to conform to the current year presentation.

t. **Use of Estimates –** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, 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.

u. **New Accounting Pronouncement -** Issued in 2012, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is designed to improve accounting and financial reporting for pensions. Additionally, GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date, was issued in November 2013 to address timing differences between employer contributions and the measurement date. These statements will replace GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and the requirements of GASB statement No. 50, Pension Disclosures. The District implemented these statements for the year ending December 31, 2015 and they have been incorporated.

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, 2015 (in thousands of dollars):

Total fund balances of governmental funds	$ 784,400
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	7,549,564
Accumulated depreciation/amortization	(267,544)
Capital assets, net	7,282,020
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	(25,153)
Claims and judgments	(53,570)
Capital lease	(43,405)
Bond anticipation notes	(161,697)
General obligation debt	(2,655,365)
Net OPEB obligation	(25,001)
Net Pension liability	(947,300)
Due to Pension Trust Fund	(57,174)
Total long-term liabilities	(3,968,665)
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	(115,423)
Bond refunding transactions	12,511
Total bond premium and refunding transactions	(102,912)
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 2015 amount is:	
Accrued interest	(14,924)
Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by deferred inflow of resources in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:	
Deferred property taxes and personal property replacement tax	456,898
Grants and rents	933
Adjustment to deferred inflow of resources	457,831
Deferred outflows of resources represent items related to pension, which will be recognized as a pension expense in future reporting periods. Deferred outflows consist of employer contributions and "other" which includes differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings on pension plan investments. However, these items are reported in the Statement of Net Position. They consist of:	
Deferred outflow for employer contributions subsequent to measurement date	71,041
Deferred outflows other pension related amounts	20,415
Adjustment to deferred outflows of resources	91,456
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	77
Due to other funds	(77)
Total interfund	-
Total net position of governmental activities	$ 4,529,206

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, 2015 (in thousands of dollars):

Net change in fund balances of governmental funds	$ 165,000
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	256,996
Depreciation expense-allocated to various departments	(2,955)
Depreciation/amortization expense-unallocated	(12,123)
Excess of construction and capital outlay costs over depreciation expense	241,918
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Position. In the current period, debt proceeds and related items were:	
General obligation bond proceeds	(295,805)
Bond issuance premium	(48,529)
Bond anticipation notes proceeds	(181,537)
Debt proceeds total	(525,871)
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:	
Payment to escrow agent for refunded bonds	82,906
Debt service principal retirement	101,220
Debt service principal retirement total	184,126
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	2,411
Change in claims and judgments	(17,902)
Change in bond interest	(315)
Change in bond anticipation notes interest	(2,404)
Amortization of bond issuance/refunding costs	(5,305)
Amortization of bond premium	7,727
Change in net pension liability	(15,172)
Due to Pension Trust Fund	(9,475)
Change in OPEB costs	5,408
Total additional expenses	(35,027)
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	(339)
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	7,938
Grant and rent adjustment	5
Total adjustments	7,943
Change in net position of governmental activities	$ 37,750

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	$	(1,873)
Adjustment from Budget to GAAP for:		
Tax revenues		(1,124)
Cash basis other revenues		4,766
GAAP versus budgetary expenditure differences		(1,683)
Revenues and other sources (uses) over (under) expenditures on GAAP basis	$	86

4. Deposits and Investments

Deposits

As of December 31, 2015 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, 2015 (in thousands of dollars):

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1- 5 Years**
U.S. Agencies	$ 222,192	$ 49,903	$ 172,289
Municipal Bonds	132,692	46,191	86,501
Commercial Paper	159,949	159,949	-
State Treasurer's Illinois Funds	2,418	2,418	-
Total Investments	$ 517,251	$ 258,461	$ 258,790

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 $873,000.

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, 2015 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	**Credit Ratings at 12/31/15 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	40.2%	
Federal Home Loan Mortgage Corporation (FHLMC)	AA+/Aaa/AAA	32.8%	
Federal Home Loan Banks (FHLB)	AA+/Aaa/NR	22.5%	
Federal Farm Credit Banks (FFCB)	AA+/Aaa/AAA	4.5%	
Total U.S. Agencies		100.0%	43.0%
Commercial Paper	A-1/P-1/F1	100.0%	30.9%
State Treasurer's Illinois Funds	AAAm/NR/NR	100.0%	0.5%
State of Illinois *	A-/Baa1/BBB+	26.8%	6.9%
Colorado Housing & Finance Authority *	NR/Aa2/AA	15.2%	3.9%
New York City Transitional Finance Authority *	AAA/Aa1/AAA	10.2%	2.6%
Illinois Sales Tax *	AAA/NR/AA+	7.5%	1.9%
Rosemont, Illinois *	AA/A3/NR	6.0%	1.6%
Dormitory Authority State of New York *	AAA/Aa1/AA+	4.4%	1.1%
Mississippi Development Bank, Jackson Public School District *	A/NR/NR	4.4%	1.1%
Waukegan, Illinois *	NR/A2/NR	3.3%	0.8%
Peoria County Illinois School District *	NR/Aa2/NR	3.3%	0.8%
Long Beach California Bond Finance Authority *	AA-/NR/AA-	3.2%	0.8%
State of Connecticut *	AA/Aa3/AA	2.3%	0.6%
Arizona School Facilities Board *	AAA/Aaa/AAA	2.3%	0.6%
Indiana University *	AA+/Aaa/NR	1.6%	0.4%
Holland, Michigan *	AA/NR/NR	1.5%	0.4%
University of Illinois *	AA-/Aa3/NR	1.4%	0.4%
New York State Urban Development Corporate *	AAA/Aa1/AA+	1.2%	0.3%
Cook County Illinois *	AA/A2/A+	1.1%	0.3%
California Department of Water Resources *	AAA/Aa1/NR	1.1%	0.3%
Houston Texas Utility System *	AA/Aa2/AA	0.9%	0.2%
Monmouth County Improvement Authority *	AAA/Aaa/AAA	0.9%	0.2%
Chicago Illinois Wastewater Transmission *	A/NR/AA	0.8%	0.2%
Tampa-Hillsborough County Florida Expressway Authority *	A/A2/NR	0.6%	0.2%
			100.0%

* Municipal Bond

NR - Not Rated

Concentration of Credit Risk

The District's goal is to limit the amount that can be invested in commercial paper to one-third of the District's total investments, and no more than 20% of the amount invested in commercial paper can be invested in any one entity. In 2015, the fair value of commercial paper represented 30.9% of the District's total investments. None of the District's commercial paper in any one entity exceeded the 20% goal. As of December 31, 2015, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
Federal National Mortgage Association (FNMA)	$ 89,465
Federal Home Loan Mortgage Corporation (FHLMC)	72,900
Federal Home Loan Bank (FHLB)	49,903
State of Illinois Municipal Bonds	45,687

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 uses the "prudent person rule" as the Fund's investment authority as set forth in the Illinois Compiled Statutes. The Fund's asset allocation policy allows investments in domestic equities, international equities and fixed income securities.

The OPEB Trust Fund is authorized under State Statute 70 ILCS 2605/9.6(d). 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. Investments shall be limited to publicly traded securities and mutual funds, adequately diversified among various market segments and sectors as well as other developed countries and emerging markets.

At December 31, 2015, the OPEB Trust's assets were invested in fixed income and equity open-ended 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.

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates becomes. One strategy to manage exposure to interest rate risk is to purchase a combination of short-term and long-term investments, while considering cash flow needs of the Pension Trust Fund. The Pension Trust Fund does not maintain an investment policy relative to interest rate risk; however, the Board of Trustees recognizes that its investments are subject to short-term volatility and their goal is to maximize total return within prudent risk parameters.

The following table categorizes the Pension Trust Fund's interest bearing investments and presents the fair value and segmented time distribution of debt securities held by the Pension Trust Fund as of December 31, 2015 (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**10+ Years**
Fixed Income:					
Pooled Funds - Long Term investments	$ 111,638	$ -	$ -	$ 111,638	$ -
Pooled Funds - Short Term investments	39,867	39,867	-	-	-
Corporate bonds and notes	197,386	4,115	60,585	58,379	74,307
Common collective trust	17,954	59	6,492	10,455	948
Municipal bonds	3,864	-	235	-	3,629
U.S. Governmental and government agency obligations	93,440	4,814	5,122	9,796	73,708
Total Fixed Income	464,149				
Equities:					
Common and Preferred Stock	757,683				
Securities lending Collateral	36,893				
Total Equities	794,576				
Total Investments	$ 1,258,725				

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, 2015 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Mutual Funds:			
Dodge & Cox Income	$ 29,982	44.5%	8.3
Payden Core Bond Fund	7,474	11.1%	7.7
Western Asset Core Plus	29,931	44.4%	11.8
Total Fixed Income	67,387		
Equities:			
Fidelity Contra Fund	11,183		
Vanguard Small Cap Index Instl.	5,555		
LSV Value Equity Institutional	10,909		
Spartan 500 Index Advantage Class	11,154		
Spartan Mid Cap Index	5,574		
Artisan International Investor Class	7,454		
Harbor International Instl.	14,823		
Total Equities Income	66,652		
Global Balanced Funds:			
PIMCO All Asset Institutional	14,649		
Money Market Funds:			
Illinois Funds Investment Pool	40		
Other Money Market Funds	510		
Total Money Market Funds	550		
Total Investments	$ 149,238		

Credit Risk

Credit risk is defined as the risk that the issuer of a debt security will not pay its par value upon maturity. The Illinois Statutes prescribe the "prudent person rule" as the Pension Trust Fund's investment authority and within the "prudent person" framework, the Board of Trustees adopts investment guidelines that consider credit risk for the Pension Trust Fund's investment managers which are included within their respective investment Management Agreements.

The following table presents a summarization of the Pension Trust Fund's credit quality ratings of the holdings within the investments at December 31, 2015 (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	U.S. Governmental and Government Agency	$ 93,440	20.1%
A2-A3	Municipal Bonds	400	0.1
Aa1-Aa3	Municipal Bonds	1,768	0.4
Aaa	Municipal Bonds	1,084	0.2
Not Rated	Municipal Bonds	612	0.1
		3,864	0.8
A, A-, A+	Corporate Bonds and Notes	4,755	1.0
A1-A3	Corporate Bonds and Notes	15,115	3.3
AA, AA-, AA+	Corporate Bonds and Notes	1,776	0.4
Aa1-Aa3	Corporate Bonds and Notes	9,413	2.0
Aaa	Corporate Bonds and Notes	18,878	4.1
B, B-, B+	Corporate Bonds and Notes	1,909	0.4
B1-B3	Corporate Bonds and Notes	10,239	2.2
Ba1-Ba3	Corporate Bonds and Notes	18,595	4.0
Baa1-Baa3	Corporate Bonds and Notes	39,297	8.5
BB, BB-, BB+	Corporate Bonds and Notes	3,422	0.7
BBB, BBB-	Corporate Bonds and Notes	11,760	2.5
Ca	Corporate Bonds and Notes	8	0.0
Caa1-Caa3	Corporate Bonds and Notes	1,780	0.4
CCC	Corporate Bonds and Notes	332	0.1
Not Rated	Corporate Bonds and Notes	60,107	12.9
		197,386	42.5
B1	Common collective trust-fixed income	17,954	3.9
A	Pooled funds - long term investments	11,655	2.5
Aa	Pooled funds - long term investments	5,024	1.1
Aaa	Pooled funds - long term investments	80,290	17.3
Baa	Pooled funds - long term investments	14,636	3.2
Below Baa	Pooled funds - long term investments	33	0.0
		111,638	24.1
Not Rated	Pooled funds - long term investments	39,867	8.6
		$ 464,149	100.0%

(1) Report details the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's, Moody's or Fitch 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 OPEB Trust Fund's debt securities at December 31, 2015; 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 Fund		Payden Core Bond Fund		Western Asset Core Plus Fund	
AAA	45.0	%	51.0	%	45.4	%
AA	3.1		4.0		4.3	
A	8.0		12.0		18.8	
BBB	32.8		33.0		16.3	
BB	8.5		0.0		4.9	
B	2.6		0.0		4.5	
Below B	0.0		0.0		3.8	
Not Rated	0.0		0.0		2.0	
	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.

The credit rating for the Illinois Funds money market investment pool was AAAm by Standard and Poor's at December 31, 2015. The Trust's investment in an additional money market fund was not individually rated by a nationally recognized statistical rating organization.

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, fixed income and foreign cash. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2015 was as follows:

Common Stock	Fair Value	%
Australian Dollar	$ 11,983,409	7.2
Canadian Dollar	4,666,082	2.8
Swiss Franc	16,812,203	10.1
Danish Krone	4,561,234	2.7
Euro	35,682,538	21.4
British Pound Sterling	38,841,400	23.2
Hong Kong Dollar	6,119,568	3.7
Israeli Shekel	1,607,225	1.0
Japanese Yen	35,101,257	21.0
Norwegian Krone	2,471,708	1.5
New Zealand Dollar	1,252,471	0.7
Swedish Krona	4,534,258	2.7
Singapore Dollar	3,443,343	2.0
Total	$ 167,076,696	100.0%

Corporate Bonds and Notes	Fair Value	%
Australian Dollar	$ 6,601,201	14.0
Canadian Dollar	2,729,878	5.8
Chinese Yuan	302,113	0.6
Euro	22,904,805	48.7
British Pound Sterling	2,359,590	5.0
Indian Rupee	1,052,705	2.2
Japanese Yen	5,367,154	11.4
Mexican New Peso	515,112	1.1
Norwegian Krone	1,762,331	3.7
New Zealand Dollar	1,077,818	2.3
Romanian Leu	277,338	0.6
Russian Ruble	544,498	1.2
Swedish Krona	495,490	1.1
Singapore Dollar	1,076,111	2.3
Total	$ 47,066,144	100.0%

Foreign Cash		Fair Value	%
Australian Dollar	$	45,273	3.7
Canadian Dollar		59,471	4.8
Swiss Franc		28,231	2.3
Chinese Yuan		9,879	0.8
Danish Krone		28,327	2.3
Euro		219,323	17.8
British Pound Sterling		45,284	3.7
Hong Kong Dollar		471,532	38.3
Israeli Shekel		5,669	0.5
Japanese Yen		157,947	12.8
Mexican New Peso		20,706	1.7
Norwegian Krone		81,814	6.7
New Zealand Dollar		4,361	0.4
Swedish Krona		25,844	2.1
Singapore Dollar		26,064	2.1
Total	$	1,229,725	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, 2015, 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.	$ 14,822
Artisan International Fund	7,454
	$ 22,276

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%. 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 4 days.

The relationship between the maturities of the investment pool and the Pension Trust Fund's loans is 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; as such, the collateral security or non-cash collateral is not reported in the financial statements.

Although the Fund's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. The contract with the lending agent requires it to indemnify the Fund if borrowers fail to return the securities or fail to pay the Fund for income distributions by the issuers of securities while the securities are on loan.

A summary of securities loaned at fair value as of December 31, 2015 is as follows:

Market value of securities loaned for cash collateral	$ 35,668,143
Market value of securities loaned for non-cash collateral	31,174,705
Total market value of securities loaned	$ 66,842,848
Market value of cash collateral from borrowers	$ 36,892,528
Market value of non-cash collateral from borrowers	31,907,193
Total market value of collateral	$ 68,799,721

The value of the cash collateral held and a corresponding liability to return the collateral have been reported in the accompanying statement of fiduciary net position.

The fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) with regards to their commingled index funds. 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.

5. Receivables, Deferred Inflow of Resources 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, 2015 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 Improve-ments Bond	Retirement	Other Govern-mental	Total Govern-mental	Statement of Net Position
Receivables at December 31, 2015:							
Property taxes:	$ 240,435	$ 231,539	$ -	$ 59,636	$ 41,790	$ 573,400	$ 573,400
Allowance for uncollectible taxes	(15,690)	(14,908)	-	(3,662)	(2,659)	(36,919)	(36,919)
Net property taxes	224,745	216,631	-	55,974	39,131	536,481	536,481
Personal property replacement tax	-	-	-	5,592	-	5,592	5,592
Total taxes receivable, net	224,745	216,631	-	61,566	39,131	542,073	542,073
Other receivables:							
User charges	782	-	-	-	-	782	782
State revolving fund loans	-	-	40,767	-	-	40,767	40,767
Miscellaneous	7,938	-	754	-	745	9,437	9,437
Total other receivables, net	8,720	-	41,521	-	745	50,986	50,986
Total net receivables, December 31, 2015	$ 233,465	$ 216,631	$ 41,521	$ 61,566	$ 39,876	$ 593,059	$ 593,059

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

Deferred Inflow of Resources

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, 2015 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Capital Improvements Bond	Retirement	Other Govern-mental	Total Govern-mental	Adjust-ments	Statement of Net Position
Deferred inflow of resources at December 31, 2015:								
Property tax revenue	$ 191,372	$ 184,496	$ -	$ 47,699	$ 33,331	$ 456,898	$ (456,898)	$ -
Other amounts:								
Grant revenue	-	-	933	-	-	933	(933)	-
Total deferred revenue at December 31, 2015	$ 191,372	$ 184,496	$ 933	$ 47,699	$ 33,331	$ 457,831	$ (457,831)	$ -

Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2015 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, 2015:							
Vouchers payable and other liabilities	$ 25,098	$ -	$ 48,760	$ -	$ 11,785	$ 85,643	$ 85,643
Accrued payroll and withholdings	2,650	-	-	-	-	2,650	2,650
Bid deposits	1,067	-	-	-	-	1,067	1,067
Unearned revenue	4,222	-	-	-	-	4,222	4,222
Total accounts payable and other liabilities as of December 31, 2015	$ 33,037	$ -	$ 48,760	$ -	$ 11,785	$ 93,582	$ 93,582

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2015, are as follows (in thousands of dollars):

	Balances January 1, 2015	Additions	Retirements	Balances December 31, 2015
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	$ 129,458	$ 1,357	$ 242	$ 130,573
Permanent easements	1,330	-	-	1,330
Construction in progress	829,769	268,671	321,492	776,948
Infrastructure under modified approach	4,356,999	309,069	3,548	4,662,520
Total capital assets not depreciated/amortized	5,317,556	579,097	325,282	5,571,371
Capital assets depreciated/amortized:				
Buildings	13,226	-	-	13,226
Equipment	58,137	2,749	633	60,253
Computer software	6,141	-	-	6,141
Infrastructure and easements	1,898,383	190	-	1,898,573
Total capital assets being depreciated/amortized	1,975,887	2,939	633	1,978,193
Less accumulated depreciation/amortization:				
Buildings	5,687	185	-	5,872
Equipment	30,431	2,770	536	32,665
Computer software	3,893	699	-	4,592
Infrastructure and easements	212,991	11,424	-	224,415
Total accumulated depreciation/amortization	253,002	15,078	536	267,544
Total capital assets depreciated/amortized, net	1,722,885	(12,139)	97	1,710,649
Governmental activities capital assets, net	$ 7,040,441	$ 566,958	$ 325,379	$ 7,282,020

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2015, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	$ 12
General Administration	172
Monitoring and Research	272
Procurement and Materials Management	7
Human Resources	17
Information Technology	105
Law	12
Finance	9
Engineering	1,523
Maintenance and Operations	826
Total allocated depreciation	2,955
Unallocated infrastructure depreciation	12,123
Total depreciation	$ 15,078

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) in accordance with 40 ILCS 5 of the Illinois Compiled Statutes. Article 13 of the Illinois Pension code grants the authority to establish the defined benefits of the Plan, as well as the employer and employee contribution levels of the Plan and may be amended only by the Illinois Legislature. The District contribution is currently calculated in accordance with state statute as to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior. For the year ended December 31, 2015, the District's average contribution rate was 40% of annual payroll. The District's actual contribution to the Retirement Fund was $71,041,361.

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 their website: www. mwrdrf.org.

The Pension Trust Fund provides retirement, death, and disability benefits to plan members and beneficiaries. Pension legislation (Public Act 96-0889) was approved in 2010 and established two tiers of members with different eligibility conditions and benefit provisions:

Tier 1 – Employees hired before January 1, 2011 are required to contribute 12% of their salary to the Fund
Tier 2 – Employees hired on or after January 1, 2011 are required to contribute 9% of their salary to the Fund.

The District is required to contribute the remaining amounts necessary to finance the requirements of the Plan on an actuarially funded basis.

Retirement Eligibility and Benefits

All full time employees of the District are eligible to participate in the retirement plan.

Tier 1 employees must have at least five years of service at age 60 and include service of 120 days or more per year to receive an undiscounted retirement benefit. Employees in this tier who reach age 55 (or 50 if hired on or before June 13, 1997) with at least ten years of service are entitled to receive a minimum retirement benefit; however, if the employee is less than age 60 or service less than 30 years, the normal retirement benefit is reduced by .5% for each full month the member is less than age 60 or service is less than 30 years, whichever is less. Upon withdrawal from service a Tier 1 employee under age 55 (50 if hired on or before June 13, 1997) or age 55 (50 if hired on or before June 13, 1997) and less than age 60 with less than 20 years of service or age 60 or over with less than 5 year of service, is eligible for a refund of accumulated employee contributions without interest upon request. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary. Tier 1 employees receive a 3% cost of living adjustment annually.

Tier 2 employees must have at least 10 years of service at age 67 to be eligible to receive an undiscounted retirement benefit. Employees in this tier who reach age 62 with at least ten years of service are entitled to receive a minimum retirement benefit; however, if the employee is less than age 67, the normal retirement benefit is reduced by .5% for each full month the member is less than age 67. A Tier 2 employee is eligible for a refund of accumulated employee contributions without interest if under age 62 regardless of service, or if less than 10 years of service regardless of age on withdrawal. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary. Pensionable salary is limited to $111,572 in 2015 for Tier 2 employees. Tier 2 employees receive a cost of living adjustment as the lesser of 3% and half of the CPI-u for the 12 months ending the September 30th prior to the increase date.

If a covered employee leaves employment before the age of 55, accumulated employee contributions are refundable without interest. Upon receipt of a refund, the employee forfeits rights to benefits from the fund.

There are two other types of annuities available to family members of the plan: Surviving Spouse Annuity and Children’s Annuity. The spouses of employees hired before June 13, 1997 are immediately eligible to receive a surviving spouse annuity; spouses of employees hired on or after June 13, 1997 are eligible after three years of member’s service. For all Tier1 employees hired before January 1, 2011, the surviving spouse annuity is equal to 60% of the employee’s retirement benefit at the time of death plus 1% for each year of total service to a maximum of 85%. For Tier 2 employees, an eligible surviving spouse will be entitled to an annuity equal to 66 2/3% of the employee’s retirement benefit at time of death. Each unmarried child, until the age of 18 (23 if full time student) of an employee that dies in service or of a former member that dies with at least ten years of service, is eligible for a monthly annuity of $500 per month (if one parent is living) and $1,000 per month (if neither parent is living) to a maximum total benefit of $5,000 per month.

Employees covered

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive Employees	
Employees or beneficiaries currently receiving benefits	2,359
Entitled but not yet receiving benefits	130
Active Employees	1,846
Total Members	4,335

Basis of Accounting

The Pension Plan's financial statements are prepared using the accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan's fiduciary net position is available in the separately issued Retirement Fund financial report. Page 90 has the information for obtaining those statements.

Net Pension Liability and the Changes in the Net Pension Liability

The District's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District implemented GASB 68 and restated December 31, 2014 Net Position for governmental activities. The net pension liability at December 31, 2015 is $947,300,000, which increased from the December 31, 2014 balance of $914,578,000.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at beginning of year Measurement Date	$ (2,213,192)	$ 1,298,614	$ (914,578)
Service Cost	(31,602)	-	(31,602)
Interest	(163,338)	-	(163,338)
Difference between expected and actual experiences	(10,861)	-	(10,861)
Benefit payments	133,898	(133,898)	-
Contributions-employer 2014	-	73,906	73,906
Contributions-employer 2015	-	-	-
Contributions-employee	-	18,975	18,975
Net investment income	-	81,601	81,601
Difference between projected and actual earnings	-	-	-
Current year amortization	-	-	-
Administrative expenses	-	(1,407)	(1,407)
Other	-	4	4
Balances at end of year Measurement Date	$ (2,285,095)	$ 1,337,795	$ (947,300)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands of dollars):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,051	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	11,364	-
	20,415	-

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands of dollars):

Year ended December 31:	
2016	$ 4,651
2017	4,651
2018	4,651
2019	4,651
2020	1,811
	$ 20,415

The Districts contributions to the Retirement Fund subsequent to the measurement date of the net pension liability (December 31, 2014) amounted to $71,041,000 and are reported as deferred outflows of resources.

Actuarial Methods and Assumptions

The District's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2014 actuarial valuation was determined using the Entry Age Normal actuarial cost method and using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	7.00% to 4.25%
Investment Rate of Return	7.50%, net of investment expense, including inflation
Cost of living adjustments	Tier 1: 3%
	Tier 2: the lesser of 3% and half of the CPI-u for the 12 months ending the September 30th prior to the increase date
	Surviving spouse annuitants: 1.25%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables with generational mortality improvements based on Scale AA. Pre-retirement mortality rates are the same as post-retirement rates.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for a five year period ending December 31, 2013.

Investment Allocation and Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Pension Board's adopted target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	42%	6.3%
International Equity	23%	5.7%
Bonds	35%	1.8%

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members; therefore, the long term expected rate of return of 7.5% was applied to all periods of projected benefit payments to determine the pension liability.

A sensitivity analysis is also completed to show the effect on the net pension liability if the discount rate was plus or minus one percentage point than the current rate (in thousands of dollars):

	1% Decrease 6.5%	Current Discount Rate of 7.5%	1% Increase 8.5%
Net Pension Liability	$ 1,217,730	$ 947,300	$ 720,079

Payable to the Pension Plan and Pension Expense

At December 31, 2015, the District reported a payable of $71,041,000 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015. The pension expense for the year ended December 31, 2015 was $87,145,000.

8. OPEB - Other Post-Employment Benefits

Plan Description

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing and payment of other post employment benefits for the Metropolitan Water Reclamation District of Greater Chicago. Pursuant to Illinois Statute 70 ILCS 2605/9.6(d), the District adopted the Metropolitan Water Reclamation District Retiree Health Care Plan (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 dependents 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, 2015 there are 2,775 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 100% with an expected funding period of 12 years (beginning in 2015). In 2015, $5,000,000 was contributed by the District to the OPEB Trust Fund bringing the total contributed through December 31, 2015 to $117,400,000. 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 35% of the premium and the District pays the remaining 65%. Each year for the next six 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 2015 by the District was $18,317,000, 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, 2015 (in thousands of dollars).

Annual required contribution (ARC)	$ 12,472
Interest on net OPEB obligation	2,053
Adjustment to annual required contribution	(1,616)
Annual OPEB cost	12,909
Contributions made	(18,317)
Increase (decrease) in net OPEB obligation	(5,408)
Net OPEB obligation beginning of year	30,409
Net OPEB obligation end of year	$ 25,001

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)
12/31/2015	12/31/2015	$ 149,329	$ 286,646	$ 137,317	52.1%	$ 176,757	77.7%

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 health care 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 actually contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". 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 entry age normal actuarial cost method and the level percentage of payroll amortization method. Additional assumptions are summarized in the following table:

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Amortization method and period	30 years, open, level percentage of payroll
Asset valuation method	Fair market value
Discount rate	6.75%
Inflation Rate	3.00%
Health care cost trend rates	8.0% Initial rate, 4.5% Ultimate rate, 2021 Ultimate Year
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, 2015, are presented below (in thousands of dollars):

Schedule of Employer Contributions

Period Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2015	$ 12,909	141.9%	$ 25,001
12/31/2014	14,268	236.3	30,409
12/31/2013	14,268	237.1	49,858

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of $2,190,239 at December 31, 2015. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $490,845,261 at December 31, 2015. State Revolving Fund Loan commitments of $152,090,821 at December 31, 2015, 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, 2015, the District has no arbitrage rebate liability.

The District participated in a rulemaking before the Illinois Pollution Control Board involving a Use Attainability Analysis (UAA)(Docket R08-9) that sought to upgrade the recreational and aquatic uses, and criteria protective of those uses, for the Chicago Area Waterway System (CAWS). In connection with the rulemaking, the District 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 $93 million. The Calumet WRP's disinfection facilities have been operational since July 2015. Disinfection facilities at the O'Brien WRP have been operational since February 2016. At this time, the District is not required to disinfect the effluent discharged from its Stickney WRP. The rulemaking has now been concluded.

National Pollutant Discharge Elimination System

NPDES Permits. The District operates its water reclamation plants (the "WRPs") in accordance with National Pollutant Discharge Elimination System ("NPDES") permits issued by the IEPA. The NPDES permits for the Stickney, Calumet and O'Brien WRPs expired in 2007 and the District timely reapplied for renewal.

After an extended public comment period, the IEPA issued renewed permits in December 2013. These permits included phosphorous limits of 1.0 mg/L at all three plants.

Several non-governmental organizations ("NGOs") filed a third party appeal of the NPDES permits for all three plants arguing that the 1.0 mg/L phosphorous limit was insufficient to meet water quality standards. The IPCB disposed of the case via summary judgment, but this ruling was recently overturned by the Illinois Court of Appeals. The Court of Appeals has remanded the case back to the IPCB, which must now rule on the factual evidence in the record.

While the District is in the midst of an overall phosphorous and nitrogen removal program, if the NGOs prevail in this case and the IPCB requires the IEPA to reduce the phosphorous limit, the costs for such reduction are estimated to be substantial. See "ENVIRONMENTAL MATTERS National Pollutant Discharge Elimination System – NPDES Suit (Citizen Suit Litigation)" below.

NPDES Consent Decree. The District's NPDES permits, in addition to controlling discharges from the WRPs, also impose conditions upon combined sewer system overflows (the "CSOs"). In compliance with the NPDES permits, the District's TARP was developed as a long term control plan to control CSOs. The USEPA alleged that discharges from the District's CSOs have and continue to violate certain permit requirements, including the prohibition on discharging pollutants into waters that cause or contribute to violations of applicable water quality standards for dissolved oxygen, solids, and floatables. IEPA joined the USEPA in alleging the stated water quality violations. Entities with combined sewer systems that allegedly are in violation of applicable water quality standards are subject to an enforceable schedule for the implementation of a long term control plan, with "enforceable" requiring a judgment or a consent decree entered in a federal district court.

In December 2011, the USEPA and IEPA filed a lawsuit against the District for the alleged violations, and lodged a consent decree negotiated between the USEPA, IEPA and the District. The case is captioned United States of America and State of Illinois v. Metropolitan Water Reclamation District of Greater Chicago, 11 CV 08859. Without an admission of liability, the consent decree resolved the federal and state claims associated with the District's CSOs. The consent decree, among other things: (a) establishes a construction schedule with interim milestones for completion and operation of portions of the District's TARP plan; (b) obligates the District to advance funds to the U.S. Army Corps of Engineers (the "Corps") for portions of the District's TARP for which the Corps is responsible should federal funds be unavailable to the Corps by the stated deadlines; (c) establishes performance criteria and develops post-construction monitoring for portions of the TARP system; (d) requires the District to continue seasonal operation of debris boats and pontoon boats to control floatables in the CAWS; (e) requires the District to submit annual reports on its compliance with the terms of the consent decree; (f) imposes stipulated penalties for violations of the decree; (g) imposes a total civil penalty of $675,000, which the District has already paid; (h) requires the District to implement one or more green infrastructure projects within one year for a minimum of $325,000, which the District has done; and (i) to implement additional green infrastructure projects staggered over the next 15 years that provide a minimum of 10 million gallons of design retention capacity in an individual storm.

In August 2012, the Natural Resources Defense Council, Inc., Sierra Club, Inc., Prairie Rivers Network, Alliance for the Great Lakes and Environmental Law and Policy Center ("Intervenors") were granted leave to intervene in the litigation. Intervenors opposed entry of the decree. On January 6, 2014, the United States District Court for the Northern District of Illinois ("District Court") entered the consent decree, and the Intervenors appealed. On July 9, 2015, the United States Court of Appeals for the Seventh Circuit issued its opinion captioned United States of America and State of Illinois v. Metropolitan Water Reclamation District of Greater Chicago, et al., 14-1776 & 14-1777 affirming the District court, thereby ending the litigation. The Court retained jurisdiction to enforce the terms of the decree.

NPDES Citizen Suit. In May 2011, the Natural Resources Defense Council, Sierra Club, and Prairie Rivers Network (the "NGOS") filed a Clean Water Act ("CWA") citizen suit against the District in the District Court alleging violations of CWA-based water quality standards. The complaint in Count I alleges that the District's CSO discharges into the CAWS violated certain conditions of the District's NPDES permits. Due to the duplicative nature between the relief sought and the subject of the District's approved Consent Decree, the parties have agreed to hold Count I in abeyance; the parties expect that Count I will ultimately be dismissed. The complaint in Count II alleges that the District's discharge of phosphorous from its three largest WRPs indirectly cause violations of narrative standards and water quality standards contained in the District's NPDES permits for those three WRPs.

The NGOS are seeking a permanent injunction preventing the alleged violations of the CWA, an order requiring the District to complete all actions necessary to comply with its permits and CWA, and an award of civil penalties as well as attorney's fees. An adverse ruling could result in significant costs and expenses to the District. Furthermore, if the District were required to reduce the phosphorus in its effluent at its three major WRPs, to a level more stringent than the existing 1.0 mg/l phosphorus effluent limit, the District could be obligated to incur substantial capital costs and increased ongoing operational expenses. The character and magnitude of any such capital costs would be materially different depending on the stringency of any standard that may be imposed by the court. The District is vigorously defending this lawsuit and denies that the NGOS are entitled to the relief sought. The court recently denied both parties motions for summary judgment and set the case for trial in early 2017.

The District has previously been and is presently a party to several proposed class action lawsuits in the Circuit Court of Cook County arising out of local sewer back-ups and basement flooding. The District is also in receipt of a number of flooding claims in which lawsuits have not yet been filed. The lawsuits and claims are generally brought in tort, or for constitutional or statutory violations. As of the date of this Official Statement, the Circuit Court of Cook County and the Illinois Appellate Court for the First District have ruled in the District's favor in every fully-adjudicated matter. A constitutional question is currently on appeal to the Illinois Supreme Court and other cases remain pending in the Circuit Court of Cook County Illinois Chancery Division.

The District will continue to vigorously contest liability in each of these matters.

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 for 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, 2015, is between $27.5 million and $42.4 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 $33,575,000 with an estimated cost recoverable amount of $22,150,000 resulting in $11,425,000 being recognized at December 31, 2015 in the liabilities of the government-wide financial statements. Of this amount, $2,000,000 is classified as a short-term liability and the remaining $9,425,000 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, 2015, are listed below. There were no reductions in insurance coverage from the prior year. Settled claims have not exceeded this coverage in any of the past three fiscal years. The current insurance coverage and risk retention related to these policies is as follows:

Marine Liability	
Aggregate	$10,000,000
Deductible	$10,000
Workers' Compensation	
Per Occurrence	Statutory
Deductible	$2,000,000
Excess Liability	
Aggregate	$50,000,000
Deductible	$1,000,000
Deductible - Flood Class Action	$5,000,000
Deductible - Employers Liability	$2,000,000
Government Crime	
Forgery or Alteration	
Per Occurrence	$750,000
Deductible	$50,000
Employee Theft (including Faithful Performance)	
Per Occurrence	$6,000,000
Deductible	$100,000
Computer Fraud	
Per Occurrence	$6,000,000
Deductible	$100,000
Funds Transfer Fraud	
Per Occurrence	$6,000,000
Deductible	$100,000

Property Insurance
Per Occurrence $1,500,000,000
Deductible $1,000,000
Earth Movement
Per Occurrence $250,000,000
Deductible $1,000,000
Flood and Water Damage
Per Occurrence $250,000,000
Deductible $1,000,000
Flood and Water Damage - Lockport Powerhouse
Per Occurrence $200,000,000
Deductible $1,000,000
Group Travel Accident
Aggregate Limit $10,000,000
Accidental Death
Per Employee (5 times salary up to this maximum) $500,000
Accidental Dismemberment, Paralysis and other Coverages
Per Loss .... % per Schedule
Pension & Welfare Fiduciary Liability
Aggregate $5,000,000
Self-Insured Retention........ $10,000
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):

	2015	2014
Claims Payable at January 1	$ 35,668	$ 77,996
Claims incurred	5,903	44,988
Changes in prior years' claims estimate	17,902	(42,328)
Claim payments	(5,903)	(44,988)
Claims Payable at December 31	$ 53,570	$ 35,668

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2015 (in thousands of dollars):

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
Governmental long-term liabilities:					
Bonds and notes payable:					
General obligation debt	$ 1,816,796	$ 295,805	$ (128,795)	$ 1,983,806	$ 49,630
Converted bond anticipation notes	605,824	111,964	(46,229)	671,559	50,682
Bond anticipation notes	90,460	183,201	(111,964)	161,697	-
Total bonds & notes payable	2,513,080	590,970	(286,988)	2,817,062	100,312
Other Bond Cost:					
Premium	78,165	48,529	(11,271)	115,423	8,051
Net bonds and notes payable	2,591,245	639,499	(298,259)	2,932,485	108,363
Other liabilities:					
Claims and judgments	35,668	23,805	(5,903)	53,570	10,271
Compensated absences	27,564	54	(2,465)	25,153	2,563
Capital lease (note 14)	45,653	-	(2,248)	43,405	2,358
OPEB obligation (note 8)	30,409	-	(5,408)	25,001	-
Net pension liability, (note 7) as restated	914,578	355,311	(322,589)	947,300	-
Total governmental long-term liabilities	$ 3,645,117	$ 1,018,669	$ (636,872)	$ 4,026,914	$ 123,555

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 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, 2015, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

Bonds Payable Maturity Table

Maturing	Capital Improvement & Alternate Revenue Bond Series (0.891-5.720%) (Issued 07/06 to 12/14)	Refunding (2.00-5.035%) (Issued 05/06 to 12/14)	State Revolving Funds Series (0.0-2.905%) (Issued 06/96 to 07/15)	Total Principal	Total Interest
2016	$ 28,775	$ 20,855	$ 50,682	$ 100,312	$ 115,735
2017	23,310	29,380	50,673	103,363	112,417
2018	29,450	26,000	47,987	103,437	108,875
2019	22,410	33,070	46,784	102,264	105,200
2020	13,740	35,530	44,435	93,705	101,550
2021-2025	82,360	194,050	213,753	490,163	457,093
2026-2030	132,265	232,425	157,819	522,509	365,174
2031-2035	366,470	240,470	59,427	666,367	239,516
2036-2040	391,785	-	-	391,785	69,865
2041-2044	81,460	-	-	81,460	10,431
	$ 1,172,025	$ 811,780	$ 671,560	$ 2,655,365	$ 1,685,856

Expenditures for principal and interest made on January 1, 2016 approximated $25,426,000 and $6,306,000, respectively.

2015 Bond Issues

In January 2015, the District issued $100,000,000 of Taxable General Obligation Capital Improvement Bonds, Unlimited Tax Series A (Green Bonds), with maturity dates from 2039 to 2044. The bonds were issued at a premium of $14,440,000. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In January 2015, the District issued $50,000,000 of Taxable General Obligation Bonds, (Alternate Revenue Source), Unlimited Tax Series B (Green Bonds), with maturity dates from 2016 to 2044. The bonds were issued at a premium of $7,720,129. Interest accrues on the bonds at rates ranging from 2.0% to 5.0%, payable on December 1 and June 1.

The $50.0 million 2014 Tax Series B bonds (Green Bonds) proceeds will be used to fund a portion of the Stormwater Management Program projects. The pledge of the Stormwater Water Fund tax levy will remain until the final maturity in December 2044. The District has covenanted in the Series 2014B Bond Ordinance to provide for, collect, and apply such Stormwater Management Tax Receipts to the payment of the 2014B Bonds and the provision of not less than an additional .25 times the annual debt service on the 2014B bonds. The amount of pledges remaining at December 31, 2015 is $98,844,900 as shown below (in thousands of dollars).

Issue	Pledged Revenue Collected	Debt Service Principal	Expenditures Interest	Total
2014 Tax Series B (Green Bonds)	$ 2,124	$ 50,000	$ 44,845	$ 94,845

In January 2015, the District issued $75,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series C (Green Bonds), with maturity dates from 2016 to 2028. The bonds were issued at a premium of $14,022,875. Interest accrues on the bonds at rates ranging from 2.0% to 5.0%, payable on December 1 and June 1.

In January 2015, the District issued $70,805,000 in General Obligation Refunding Bonds, Limited Tax Series D, with maturity dates from 2016 to 2022. The bonds were issued at a premium of $12,346,220. Interest accrues on the bonds at rates ranging from 2.0% to 5.0%, payable on December 1 and June 1. The bonds were issued to refund $76,050,000 of outstanding principal amount, plus accrued interest, of July 2006 Limited Tax Series.

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. An amount of $76,050,000 of these bonds was due to mature in the years 2017 to 2022, which was refunded in January 2015.

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 2014 in the amount of $425,000,000 for Capital Improvement Bonds, 2014 IEPA Series. The IEPA approves various capital improvements related to sewage treatment works and flood control facilities for funding from the State Water Pollution Control Revolving Loan Fund (SRF). 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 IEPA has approved the following loan amount:

2015	$ 54,600,000
2014	$ 83,600,000
2013	$ 17,400,000

In 2012, the District authorized the issuance of $ 300,000,000 of Capital Improvement Bonds, 2012 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2014 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:

2015	$ 13,700,000
2014	$ 61,900,000
2013	$194,900,000
2012	$ 15,000,000

State Revolving Fund (SRF) Loan proceeds of $181,537,000 are recognized as "other financing sources" in the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as SRF 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. As a result, there is no debt service required until these notes are converted into bonds. The District has accrued principal of $181,537,000 and interest of $1,663,000 through the balance sheet date on bond anticipation notes resulting in the total increase to long-term debt of $183,200,000.

The converted bond anticipation notes, a reduction of long-term debt, for $111,964,000 in 2015 represented the sum of converted bond anticipation note principal of $110,859,000 and interest in the amount of $1,105,000.

2015 Bond Issues and adjustments to existing issues under the IEPA 2004, 2009, and 2012 authority, included:

- July 2015 – The District issued $2,365,000 of Capital Improvement Bonds - IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of $2,339,000 and interest of $26,000 with maturity dates from January 1, 2016 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2015 – The District issued $9,002,000 of Capital Improvement Bonds - IEPA Series 09D, through the conversion of the sum of bond anticipation note principal of $8,875,000 and interest of $127,000 with maturity dates from January 1, 2016 to July 1, 2033. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- July 2015 – The District issued $42,000 of Capital Improvement Bonds – IEPA Series 09H, through the conversion of bond anticipation note principal of $42,000 with maturity dates from January 1, 2016 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal are made on January 1 and July 1.

- July 2015 – The District issued $807,000 of Capital Improvement Bonds - IEPA Series 12A, through the conversion of the sum of bond anticipation note principal of $793,000 and interest of $14,000 with maturity dates from January 1, 2016 to January 1, 2034. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- July 2015 – The District issued $840,000 of Capital Improvement Bonds - IEPA Series 12B, through the conversion of the sum of bond anticipation note principal of $826,000 and interest of $14,000 with maturity dates from January 1, 2016 to January 1, 2034. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- July 2015 – The District issued $26,910,000 of Capital Improvement Bonds - IEPA Series 12D, through the conversion of the sum of bond anticipation note principal of $26,600,000 and interest of $310,000 with maturity dates from January 1, 2016 to July 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2015 – The District issued $5,343,000 of Capital Improvement Bonds - IEPA Series 12E, through the conversion of the sum of bond anticipation note principal of $5,308,000 and interest of $35,000 with maturity dates from January 1, 2016 to January 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2015 – The District issued $33,670,000 of Capital Improvement Bonds - IEPA Series 12F, through the conversion of the sum of bond anticipation note principal of $33,388,000 and interest of $282,000 with maturity dates from January 1, 2016 to July 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2015 – The District issued $18,835,000 of Capital Improvement Bonds - IEPA Series 12H, through the conversion of the sum of bond anticipation note principal of $18,645,000 and interest of $190,000 with maturity dates from January 1, 2016 to July 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2015 – The District issued $2,189,000 of Capital Improvement Bonds - IEPA Series 12J, through the conversion of the sum of bond anticipation note principal of $2,172,000 and interest of $17,000 with maturity dates from January 1, 2016 to January 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2015 – The District issued $10,168,000 of Capital Improvement Bonds - IEPA Series 12K, through the conversion of the sum of bond anticipation note principal of $10,093,000 and interest of $75,000 with maturity dates from January 1, 2016 to July 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2015 – The District issued $1,793,000 of Capital Improvement Bonds - IEPA Series 12O, through the conversion of the sum of bond anticipation note principal of $1,778,000 and interest of $15,000 with maturity dates from January 1, 2016 to July 1, 2035. Interest on the bonds accrues at a rate of 1.995%, 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 $161,696,000 at December 31, 2015. Of the bond anticipation notes outstanding at December 31, 2015, $2,303,000 will be financed through IEPA Series 2009 bonds, $153,673,000 will be financed through IEPA Series 2012 bonds, and the remaining $5,720,000 will be financed through IEPA series 2014 bonds. None of these outstanding bond anticipation notes are expected to be repaid within the next calendar year; therefore, the notes are reported as 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 $300,809,000 were considered defeased at December 31, 2015. In 2015, a deposit of $82,906,000 was made to an escrow agent for the partial advanced refunding of the 2006 general obligation capital improvement bonds, with a net carrying value of $79,752,000, for a loss on refunding of $3,154,000. The new debt has a par value of $70,805,000 and a premium of $12,346,000. The District completed the refunding to reduce its total debt service payments over the next eight years by $6,695,000 resulting in an economic gain of $6,081,000.

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, 2015 are as follows (in thousands of dollars):

	Interfund	
	Receivables	**Payables**
General Corporate Fund	$ 77	$ -
Capital Projects Funds:		
Stormwater Management Fund (Nonmajor Fund)	-	77
	$ 77	$ 77

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund of $13,867,000 at December 31, 2015 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.

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 2015, the District incurred expenses of approximately $2,247,000 for principal and $2,142,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2015, 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
2016	2,358	2,032	4,390
2017	2,473	1,916	4,389
2018	2,595	1,795	4,390
2019	2,722	1,668	4,390
2020	2,856	1,534	4,390
2021-2025	16,523	5,425	21,948
2026-2029	13,878	1,204	15,082
Total Minimum Lease Payments	$ 43,405	$ 15,574	$ 58,979

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, 2015, (in thousands of dollars):

2016	$ 10,567
2017	10,322
2018	10,039
2019	9,657
2020	9,657
Later Years	239,696
Total Minimum Future Rental Income	$ 289,938

The cost of the land associated with the commercial leases is $5,458,200. The District does not lease any depreciable assets.

15. Restatement for Implementation of New Accounting Standard

The District's net position has been restated as of December 31, 2014. The restatement is a result of the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". The restatement is to record the effect of the net pension liability and deferred outflows of resources as of the measurement date for the previous year. The effect of the restatement on FY 2014 and the effect of the restatement on the partial summarized information for fiscal year 2013 included with this report is shown below (in thousands of dollars):

	Governmental Activities 2014	Governmental Activities 2013
Net position end of year, as previously reported	$ 5,228,778	$ 5,164,932
Implementation of GASB Statements No. 68 and 71:		
Net pension liability	(914,578)	(916,228)
Write-off the net pension obligation	103,350	105,193
Deferred outflow of resources - pension contributions subsequent to the measurement date	73,906	92,944
Net position end of year, as restated	$ 4,491,456	$ 4,446,841

The restatement of beginning net position adjusts the beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning net pension liability. Restatement of the beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions was not done because it was not practical to determine all such amounts.

16. Subsequent Events

On April 7, 2016, the District's Board of Commissioners adopted ordinances authorizing and providing for the issuance of General Obligation Capital Improvement Bonds at a maximum of $500,000,000. The types of bonds and maximum issuance amounts are as follows (in thousands of dollars):

TYPE	AMOUNT
Tax Qualified Energy Conservation Bonds	$ 4,000
Unlimited Tax Bonds (Alternate Revenue Source)	50,000
Limited Tax Capital Improvements	20,000
Unlimited Tax Capital Improvements	30,000
Limited Tax Refunding	50,000
Unlimited Tax Refunding	346,000
	$ 500,000

The proceeds of the refunding bonds are intended to refund certain maturities of the District's outstanding General Obligation Capital Improvement Bonds.

In February 2016, the Board of Commissioners approved an ordinance providing for a full abatement of $3,391,347 for the General Obligation Unlimited Tax Bonds (Alternate Revenue Source) 2014 Series B (Green Bonds). This amount will be reflected in the District's financial statements as of December 31, 2015.

On April 19, 2016, the Illinois Department of Revenue issued a statement that a recent tax system modernization initiative resulted in an overpayment of Personal Property Replacement Tax (PPRT) to the taxing districts that receive PPRT. The overpayment made to the District is currently estimated at $4,963,000. The District has reported a liability to the State of Illinois in the Corporate Fund for the subsequent repayment which is to occur over a two-year period commencing in January 2017.

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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 Egan and O'Brien networks were re-assessed in 2013, the Kirie, Central (Stickney), and Waterways networks were re-assessed in 2014, and the Hanover, Calumet, and Lemont networks were re-assessed in 2015.

Year ended December 31, 2015

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 - 2008	3	3	3	NA	NA
Subsequent assessment - 2011	3	3	3	NA	NA
Subsequent assessment - 2014	3	3	3	NA	NA
Hanover WRP Network					
Subsequent assessment - 2009	3	2	2	NA	2
Subsequent assessment - 2012	3	2	3	NA	2
Subsequent assessment - 2015	2	3	3	NA	3
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					
Subsequent assessment - 2008	3	3	3	NA	2
Subsequent assessment - 2011	3	3	3	NA	2
Subsequent assessment - 2014	3	3	3	NA	3
Waterways WRP Network					
Subsequent assessment - 2008	NA	NA	NA	2	NA
Subsequent assessment - 2011	NA	NA	NA	3	NA
Subsequent assessment - 2014	NA	NA	NA	3	NA
Calumet WRP Network					
Subsequent assessment - 2009	3	3	3	NA	2
Subsequent assessment - 2012	3	2	2	NA	2
Subsequent assessment - 2015	3	2	3	NA	2
Lemont WRP Network					
Subsequent assessment - 2009	3	3	3	NA	NA
Subsequent assessment - 2012	3	3	3	NA	NA
Subsequent assessment - 2015	3	3	3	NA	NA
Maintenance/Preservation Costs					
Kirie WRP Network					
Estimated 2015	$ 1,073,222	$ 670,865	$ 533,408	$ -	$ 528,008
Actual 2015	2,405,430	3,475,534	763,968	223,105	-
Estimated 2014	6,929,813	3,360,179	40,621	-	402,000
Actual 2014	8,799,253	3,344,290	35,258	-	142,921
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	-	-

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Hanover WRP Network					
Estimated 2015	$ 1,054,822	$ 696,765	$ 519,408	$ -	$ 517,408
Actual 2015	1,703,347	2,534,283	1,213,150	-	33,479
Estimated 2014	142,317	732,151	674,596	-	65,800
Actual 2014	243,960	855,994	543,204	-	-
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
Egan WRP Network					
Estimated 2015	$ 1,513,197	$ 4,403,940	$ 3,821,483	$ 610,475	$ -
Actual 2015	2,261,452	3,590,430	4,257,420	14,735	-
Estimated 2014	626,241	2,885,084	8,833,464	-	-
Actual 2014	862,655	3,026,570	5,957,431	-	-
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	-
O'Brien WRP Network					
Estimated 2015	$ 2,771,072	$ 6,201,615	$ 1,501,758	$ 2,740,624	$ -
Actual 2015	6,890,505	8,135,664	1,260,479	3,840,355	-
Estimated 2014	5,355,115	7,256,184	537,919	3,061,000	-
Actual 2014	5,618,267	8,380,776	432,517	2,732,851	-
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	-
Central (Stickney) WRP Network					
Estimated 2015	$ 51,338,722	$ 19,534,565	$ 8,059,908	$ 4,725,000	$ 4,528,808
Actual 2015	14,497,119	11,535,580	3,029,722	781,105	964,557
Estimated 2014	15,875,228	17,334,819	10,565,977	-	1,377,507
Actual 2014	10,557,770	20,427,807	10,398,973	121,615	2,444,671
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

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Waterways WRP Network					
Estimated 2015	$ -	$ -	$ -	$ 9,534,574	$ -
Actual 2015	-	-	-	6,365,775	-
Estimated 2014	-	-	-	1,314,200	-
Actual 2014	1,437	-	-	831,265	-
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	-
Calumet WRP Network					
Estimated 2015	$ 15,532,197	$ 3,612,840	$ 1,904,283	$ 21,221,249	$ 14,000
Actual 2015	5,004,441	7,014,378	3,798,937	5,119,450	780,400
Estimated 2014	5,891,856	6,156,523	2,241,157	1,949,900	-
Actual 2014	4,295,832	6,741,305	2,366,667	590,908	-
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	-
Lemont WRP Network					
Estimated 2015	$ 837,722	$ 443,665	$ -	$ -	$ -
Actual 2015	1,415,229	1,321,857	23,898	-	-
Estimated 2014	47,000	34,200	-	-	-
Actual 2014	17,475	417	-	-	-
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	-	-	-

Schedule of Changes in the District's Net Pension Liability
And Related Ratios
Last Ten Fiscal Years
(in thousands of dollars)

	2015
Total pension liability:	
Service cost	$ 31,602
Interest	163,338
Changes of benefit terms	-
Differences between expected and actual experience	10,861
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(133,898)
Net change in total pension liability	71,903
Total pension liability - beginning	2,213,192
Total pension liability - ending	2,285,095
Plan fiduciary net position:	
Contributions - employer	73,906
Contributions - employee	18,975
Net investment income	81,601
Benefit payments, including refunds of employee contributions	(133,898)
Administrative expense	(1,407)
Other	4
Net change in plan fiduciary net position	39,181
Plan fiduciary net position - beginning	1,298,614
Plan fiduciary net position - ending	1,337,795
Net pension liability - ending	$ 947,300
Plan fiduciary net position as a percentage of the total pension liability	58.54%
Covered-employee payroll	176,184
Net pension liability as a percentage of covered-employee payroll	537.68%

The District implemented the provisions of GASB 68 in Fiscal Year 2015. The District has presented as many years as are available.

Schedule of District Contributions
Last 10 Years
(in thousands of dollars)

Year	Actuarially Determined Contributions	Actual Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2015	$ 64,478	$ 73,906	$ (9,428)	$ 176,184	41.95%
2014	68,414	92,944	(24,530)	169,376	54.87%
2013	74,829	65,098	9,731	163,817	39.74%
2012	69,393	37,379	32,014	164,275	22.75%
2011	61,873	29,918	31,955	174,486	17.15%
2010	54,790	32,154	22,636	176,915	18.17%
2009	49,758	33,407	16,351	167,865	19.90%
2008	47,090	27,947	19,143	158,831	17.60%
2007	47,369	34,476	12,893	152,767	22.57%
2006	43,165	26,174	16,991	149,246	17.54%

Notes to the Schedule of District Contributions

Valuation Date: The actuarially determined contribution (ADC) is calculated as of December 31, 2013.

Methods and Assumptions used to determine the ADC:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay. Prior to 2013, 30 year open amortization. From the 2013 ADC calculation, closed to 2050.
Remaining amortization period	37 years remaining as of 1/1/14
Asset valuation method	5 years smoothed value
Investment rate of return	7.75%
Inflation	2.50%
Salary increases	5.00%
Payroll growth	3.70%
Termination rates	Termination rates are based on the most recent experience analysis and vary by age and service of member.
Mortality rates	UP-1994 (-2M, -1F) as of the 2011 ADC calculation
Retirement rates	Retirement rates are based on the most recent experience analysis and vary by age and service of member. Rates were reduced by 20% as of the 2011 ADC calculation to reflect actual experience.
Disability rates	A separate disability rate assumption was added as of the 2013 ADC calculation.

A copy of the Pension Plan CAFR may be obtained by accessing the Metropolitan Water Reclamation District Retirement Fund's website at www.mwrdrf.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)
12/31/2015	12/31/2015	$ 149,329	$ 286,646	$ 137,317	52.10%	$ 176,757	77.69%
12/31/2013	12/31/2013	120,883	260,364	139,481	46.43%	164,005	85.05%
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, 2015.

A copy of the OPEB Trust Fund CAFR 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, 2015
(with comparative amounts for prior year)

(in thousands of dollars)

	Construction Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2015	2014	2015	2014	2015	2014
Assets						
Cash	$ 4,561	$ 747	$ 2,781	$ 2,497	$ 7,342	$ 3,244
Certificates of deposit	-	800	502	1,001	502	1,801
Investments	21,843	29,997	28,462	41,558	50,305	71,555
Taxes receivable, net	15,923	16,791	23,208	20,265	39,131	37,056
Other receivable	745	745	-	-	745	745
Total assets	$ 43,072	$ 49,080	$ 54,953	$ 65,321	$ 98,025	$ 114,401
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable and other liabilities	$ 4,812	$ 6,648	$ 6,973	$ 5,689	$ 11,785	$ 12,337
Due to other funds	-	-	77	52	77	52
Total liabilities	4,812	6,648	7,050	5,741	11,862	12,389
Deferred inflows of resources:						
Unavailable tax revenue	13,554	14,283	19,777	17,206	33,331	31,489
Total deferred inflows of resources	13,554	14,283	19,777	17,206	33,331	31,489
Fund balances:						
Restricted for:						
Working Cash	21,947	21,833	37,216	37,035	59,163	58,868
Capital projects	2,759	6,316	-	5,339	2,759	11,655
Unassigned	-	-	(9,090)	-	(9,090)	-
Total fund balances	24,706	28,149	28,126	42,374	52,832	70,523
Total liabilities, deferred inflows, and fund balances	$ 43,072	$ 49,080	$ 54,953	$ 65,321	$ 98,025	$ 114,401

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

Year ended December 31, 2015
(with comparative amounts for prior year)

(in thousands of dollars)

	Construction Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2015	2014	2015	2014	2015	2014
Revenues						
Revenues:						
Property taxes	$ 16,617	$ 11,831	$ 20,745	$ 20,073	$ 37,362	$ 31,904
Interest on investments	332	564	349	703	681	1,267
Fees, forfeits and penalties	1,218	1,491	-	6	1,218	1,497
User charge	300	300	-	-	300	300
Claims and damage settlements	32	1	-	-	32	1
Miscellaneous	-	-	1	135	1	135
Total revenues	18,499	14,187	21,095	20,917	39,594	35,104
Expenditures						
Current Operations:						
Construction costs	21,942	22,754	33,219	27,393	55,161	50,147
Total expenditures	21,942	22,754	33,219	27,393	55,161	50,147
Revenues over (under) expenditures	(3,443)	(8,567)	(12,124)	(6,476)	(15,567)	(15,043)
Other financing sources (uses):						
Transfer out to Debt Service Fund	-	-	(2,124)	-	(2,124)	-
Transfer out to Retirement Fund	-	-	-	(1,000)	-	(1,000)
Total other financing sources (uses)	-	-	(2,124)	(1,000)	(2,124)	(1,000)
Revenues over (under) expenditures and other financing uses	(3,443)	(8,567)	(14,248)	(7,476)	(17,691)	(16,043)
Fund balances						
Beginning of the year	28,149	36,716	42,374	49,850	70,523	86,566
End of the year	$ 24,706	$ 28,149	$ 28,126	$ 42,374	$ 52,832	$ 70,523

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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, 2015

(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	$ 3,401	$ -	$ 3,401	$ 3,161	$ 240
Compensation plan adjustments	45	-	45	14	31
Tuition and training payments	15	-	15	4	11
Payment for professional services	355	35	390	180	210
Personal services not otherwise classified	288	(35)	253	247	6
Total personal services	4,104	-	4,104	3,606	498
Contractual services					
Travel	10	-	10	6	4
Meals and lodging	20	-	20	12	8
Subscriptions and membership dues	33	-	33	31	2
Contractual services not otherwise classified	1	-	1	-	1
Total contractual services	64	-	64	49	15
Materials and supplies					
Office, printing, and photographic supplies	10	-	10	5	5
Total materials and supplies	10	-	10	5	5
Board of Commissioners total	4,178	-	4,178	3,660	518
General Administration:					
Personal Services					
Salaries of regular employees	10,106	(500)	9,606	9,148	458
Compensation plan adjustments	846	500	1,346	1,208	138
Tuition and training payments	50	-	50	31	19
Payment for professional services	604	24	628	610	18
Total personal services	11,606	24	11,630	10,997	633
Contractual services					
Travel	10	-	10	8	2
Meals and lodging	20	(3)	17	14	3
Postage, freight, and delivery charges	117	(10)	107	84	23
Compensation for personally owned autos	6	2	8	5	3
Motor vehicle operating expenditures	80	(11)	69	64	5
Reprographic services	53	-	53	18	35
Electrical energy	365	10	375	363	12
Natural gas	35	-	35	26	9
Water and water services	5	-	5	5	-
Communication services	3	-	3	3	-
Subscriptions and membership dues	450	81	531	510	21
Rental charges	35	(12)	23	18	5
Advertising	15	-	15	14	1
Administration building operation	1,030	(8)	1,022	933	89

(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	$ 750	$ (32)	$ 718	$ 655	$ 63
Contractual services not otherwise classified	381	(2)	379	238	141
Repairs to buildings	242	(36)	206	113	93
Repairs to office furniture and equipment	100	-	100	78	22
Communication equipment maintenance	16	-	16	16	-
Repairs to vehicle equipment	400	42	442	433	9
Total contractual services	4,113	21	4,134	3,598	536
Materials and supplies					
Electrical parts and supplies	17	-	17	7	10
Plumbing accessories and supplies	18	-	18	14	4
Hardware	17	-	17	14	3
Vehicle parts and supplies	-	9	9	8	1
Office, printing, and photographic supplies	145	3	148	109	39
Cleaning supplies	2	-	2	1	1
Wearing apparel	40	(4)	36	21	15
Books, maps, and charts	5	(3)	2	-	2
Materials and supplies not otherwise classified	69	-	69	31	38
Total materials and supplies	313	5	318	205	113
Machinery and equipment					
Machinery and equipment not otherwise classified	10	(10)	-	-	-
Total machinery and equipment	10	(10)	-	-	-
General Administration total	16,042	40	16,082	14,800	1,282
Monitoring and Research:					
Personal services					
Salaries of regular employees	25,239	-	25,239	24,596	643
Compensation plan adjustments	929	(34)	895	716	179
Salaries of non-budgeted employees	-	34	34	28	6
Tuition and training payments	50	2	52	50	2
Payment for professional services	202	(67)	135	55	80
Total personal services	26,420	(65)	26,355	25,445	910
Contractual services					
Travel	11	1	12	8	4
Meals and lodging	28	8	36	30	6
Postage, freight, and delivery charges	7	-	7	5	2
Compensation for personally owned autos	45	-	45	28	17
Motor vehicle operating services	3	-	3	1	2
Reprographic services	1	-	1	1	-
Water and water services	1	-	1	-	1

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2015

(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):					
Rental charges	$ 3	$ -	$ 3	$ 2	$ 1
Governmental services charges	17	-	17	17	-
Contractual services not otherwise classified	398	6	404	235	169
Repairs to marine equipment	61	-	61	20	41
Repairs to testing and laboratory equipment	463	-	463	391	72
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	1,039	15	1,054	738	316
Materials and supplies					
Office, printing, and photographic supplies	31	(2)	29	25	4
Farming supplies	34	-	34	23	11
Laboratory testing supplies and small equipment	371	(2)	369	313	56
Wearing apparel	17	7	24	16	8
Books, maps, and charts	1	-	1	-	1
Computer supplies	3	-	3	2	1
Fuel	35	(5)	30	11	19
Communications supplies	1	-	1	-	1
Materials and supplies not otherwise classified	60	(2)	58	53	5
Total materials and supplies	553	(4)	549	443	106
Machinery and equipment					
Testing and laboratory equipment	420	(5)	415	266	149
Total machinery and equipment	420	(5)	415	266	149
Monitoring and Research total	28,432	(59)	28,373	26,892	1,481
Procurement and Materials Management:					
Personal Services					
Salaries of regular employees	5,361	(46)	5,315	5,027	288
Compensation plan adjustments	72	46	118	114	4
Tuition and training payments	4	-	4	1	3
Total personal services	5,437	-	5,437	5,142	295
Contractual services					
Travel	1	(1)	-	-	-
Meals and lodging	3	(3)	-	-	-
Compensation for personally owned autos	2	1	3	3	-
Advertising	110	31	141	130	11
Contractual services not otherwise classified	5	(5)	-	-	-
Repairs to buildings	1	2	3	2	1
Repairs to office furniture and equipment	2	2	4	3	1
Computer software maintenance	3	-	3	2	1
Repairs to vehicle equipment	8	3	11	8	3
Total contractual services	135	30	165	148	17

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Procurement and Materials Management (continued):					
Materials and supplies					
Metals	$ 121	$ -	$ 121	$ 95	$ 26
Electrical parts and supplies	311	-	311	310	1
Plumbing accessories and supplies	282	(20)	262	216	46
Hardware	40	-	40	40	-
Buildings, grounds, paving materials, and supplies	104	5	109	108	1
Fiber, paper and insulation materials	39	-	39	39	-
Paints, solvents, and related materials	39	-	39	39	-
Vehicle parts and supplies	10	-	10	10	-
Mechanical and repair parts	117	2	119	119	-
Office, printing, and photographic supplies	17	9	26	19	7
Laboratory testing supplies and small equipment	566	30	596	595	1
Cleaning supplies	244	-	244	241	3
Tools and supplies	66	-	66	65	1
Wearing apparel	118	13	131	131	-
Safety and medical supplies	123	(62)	61	60	1
Computer supplies	80	-	80	75	5
Fuel	369	(68)	301	221	80
Gas (in containers)	45	31	76	67	9
Communications supplies	10	-	10	8	2
Lubricants	239	-	239	238	1
Materials and supplies not otherwise classified	53	30	83	79	4
Total materials and supplies	2,993	(30)	2,963	2,775	188
Machinery and equipment					
Machinery and equipment not otherwise classified	80	-	80	74	6
Total machinery and equipment	80	-	80	74	6
Procurement and Materials Management total	8,645	-	8,645	8,139	506
Human Resources:					
Personal services					
Salaries of regular employees	5,921	-	5,921	5,745	176
Compensation plan adjustments	154	(3)	151	149	2
Social security and medicare contributions	2,693	-	2,693	2,631	62
Salaries of non-budgeted employees	-	3	3	2	1
Employee claims	60	-	60	38	22
Tuition and training payments	668	-	668	510	158
Payment for professional services	1,324	-	1,324	1,211	113
Health and life insurance premiums	44,526	-	44,526	44,187	339
Personal services not otherwise classified	162	-	162	102	60
Total personal services	55,508	-	55,508	54,575	933

(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, 2015

(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 (continued):					
Contractual services					
Travel	$ 4	$ -	$ 4	$ 3	$ 1
Meals and lodging	8	2	10	9	1
Postage, freight, and delivery charges	3	(2)	1	-	1
Compensation for personally owned autos	8	-	8	6	2
Court reporting services	20	-	20	12	8
Medical services	227	-	227	124	103
Subscription and membership dues	4	-	4	2	2
Insurance premiums	3,500	-	3,500	3,129	371
Rental charges	20	-	20	19	1
Contractual services not otherwise classified	57	-	57	49	8
Safety repairs services	224	45	269	188	81
Computer software maintenance	92	(40)	52	12	40
Total contractual services	4,167	5	4,172	3,553	619
Materials and supplies					
Office, printing, and photographic supplies	18	-	18	13	5
Books, maps, and charts	6	-	6	6	-
Safety medical supplies	365	(24)	341	256	85
Materials and supplies not otherwise classified	8	-	8	4	4
Total materials and supplies	397	(24)	373	279	94
Machinery and equipment					
Computer software	-	19	19	19	-
Total machinery and equipment	-	19	19	19	-
Human Resources total	60,072	-	60,072	58,426	1,646
Information Technology:					
Personal services					
Salaries of regular employees	7,923	(150)	7,773	7,017	756
Compensation plan adjustments	141	150	291	287	4
Tuition and training payments	90	-	90	78	12
Payment for professional services	435	-	435	219	216
Total personal services	8,589	-	8,589	7,601	988
Contractual services					
Travel	5	-	5	-	5
Meals and lodging	10	-	10	2	8
Compensation for personally owned autos	5	-	5	5	-
Communication services	1,391	-	1,391	1,141	250
Rental charges	310	-	310	267	43
Contractual services not otherwise classified	32	-	32	-	32
Computer equipment maintenance	643	-	643	510	133
Computer software maintenance	3,577	-	3,577	3,464	113

(continued)

(in thousands of dollars)

Corporate Division (continued)	**Budget Amounts** Original	**Budget Amounts** Net Transfers	**Budget Amounts** Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
Information Technology (continued):					
Communication equipment maintenance	$ 719	$ -	$ 719	$ 652	$ 67
Total contractual services	6,692	-	6,692	6,041	651
Materials and supplies					
Office, printing, and photographic supplies	19	5	24	23	1
Computer software	253	(8)	245	159	86
Computer supplies	838	3	841	546	295
Communication supplies	90	-	90	85	5
Total materials and supplies	1,200	-	1,200	813	387
Machinery and equipment					
Computer equipment	52	-	52	25	27
Computer software	26	-	26	15	11
Communication equipment	121	-	121	80	41
Total machinery and equipment	199	-	199	120	79
Information Technology total	16,680	-	16,680	14,575	2,105
Law:					
Personal Services					
Salaries of regular employees	4,650	-	4,650	4,456	194
Compensation plan adjustments	45	-	45	12	33
Tuition and training payments	14	-	14	12	2
Payment for professional services	2,067	-	2,067	688	1,379
Total personal services	6,776	-	6,776	5,168	1,608
Contractual services					
Travel	6	-	6	4	2
Meals and lodging	9	(1)	8	3	5
Postage, freight, and delivery charges	1	1	2	1	1
Compensation for personally owned autos	3	-	3	1	2
Reprographic services	48	-	48	1	47
Court reporting services	50	(5)	45	4	41
Contractual services not otherwise classified	77	5	82	79	3
Total contractual services	194	-	194	93	101
Materials and supplies					
Office, printing, and photographic supplies	7	-	7	4	3
Books, maps, and charts	17	-	17	9	8
Materials and supplies not otherwise classified	2	-	2	1	1
Total materials and supplies	26	-	26	14	12
Fixed and other charges					
Taxes on real estate	770	-	770	743	27
Total fixed and other charges	770	-	770	743	27
Law total	7,766	-	7,766	6,018	1,748

(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, 2015

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Finance:					
Personal services					
Salaries of regular employees	$ 3,112	$ -	$ 3,112	$ 3,008	$ 104
Compensation plan adjustments	43	-	43	21	22
Tuition and training payments	28	-	28	28	-
Payment for professional services	311	-	311	289	22
Total personal services	3,494	-	3,494	3,346	148
Contractual services					
Travel	3	(1)	2	2	-
Meals and lodging	5	1	6	6	-
Postage, freight, and delivery charges	3	(1)	2	-	2
Compensation for personally owned autos	-	1	1	1	-
Reprographic services	3	-	3	2	1
Court reporting services	50	-	50	40	10
Contractual services not otherwise classified	1	14	15	13	2
Repairs to office furniture and equipment	5	-	5	5	-
Total contractual services	70	14	84	69	15
Materials and supplies					
Office, printing, and photographic supplies	8	5	13	10	3
Books, maps, and charts	1	-	1	1	-
Total materials and supplies	9	5	14	11	3
Finance total	3,573	19	3,592	3,426	166
Engineering:					
Personal services					
Salaries of regular employees	25,560	(272)	25,288	24,340	948
Compensation plan adjustments	251	186	437	419	18
Tuition and training payments	96	46	142	113	29
Payments for professional services	576	(51)	525	454	71
Personal service expenditure - preliminary engineering reports and studies	50	91	141	100	41
Total personal services	26,533	-	26,533	25,426	1,107
Contractual services					
Travel	10	-	10	9	1
Meals and lodging	20	-	20	19	1
Postage, freight, and delivery charges	1	1	2	2	-
Compensation for personally owned autos	39	(1)	38	25	13
Motor vehicle operating services	1	-	1	-	1
Reprographic services	7	-	7	4	3
Water and water services	3	-	3	3	-
Rental charges	4	-	4	4	-
Contractual services not otherwise classified	579	(330)	249	79	170
Repairs to waterway facilities	10	-	10	10	-

(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)
Engineering (continued):					
Repairs to testing and laboratory equipment	$ 3	$ -	$ 3	$ 1	$ 2
Repairs not otherwise classified	19	-	19	8	11
Total contractual services	696	(330)	366	164	202
Materials and supplies					
Office, printing, and photographic supplies	41	-	41	31	10
Wearing apparel	5	-	5	5	-
Books, maps, and charts	7	-	7	7	-
Materials and supplies not otherwise classified	5	-	5	3	2
Total materials and supplies	58	-	58	46	12
Land	-	330	330	326	4
Engineering total	27,287	-	27,287	25,962	1,325
Maintenance and Operations:					
Personal services					
Salaries of regular employees	88,484	(1,173)	87,311	83,833	3,478
Compensation plan adjustments	4,375	358	4,733	4,643	90
Salaries of non-budgeted employees	25	65	90	31	59
Tuition and training payments	248	-	248	169	79
Payment for professional services	783	150	933	506	427
Total personal services	93,915	(600)	93,315	89,182	4,133
Contractual services					
Travel	63	-	63	11	52
Meals and lodging	102	-	102	40	62
Compensation for personally owned autos	182	-	182	174	8
Motor vehicle operating services	2	-	2	-	2
Electrical energy	32,993	601	33,594	34,855	(1,261)
Natural gas	2,398	-	2,398	1,963	435
Water and water services	1,584	99	1,683	1,660	23
Communications services	570	-	570	410	160
Testing and inspection services	163	100	263	182	81
Rental charges	177	-	177	153	24
Governmental service charges	3,283	-	3,283	3,207	76
Maintenance of grounds and pavements	1,937	-	1,937	1,541	396
Contractual services not otherwise classified	693	-	693	543	150
Waste material disposal charges	14,395	(2,358)	12,037	10,355	1,682
Farming services	22	8	30	30	-
Sludge disposal	5,522	-	5,522	3,604	1,918
Repairs to collection facilities	3,249	240	3,489	2,893	596
Repairs to waterway facilities	101	-	101	15	86
Repairs to process facilities	6,252	485	6,737	5,985	752
Repairs to railroads	324	-	324	264	60

(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, 2015

(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):					
Repairs to buildings	$ 1,601	$ -	$ 1,601	$ 805	$ 796
Repairs to material handling and farm equipment	331	140	471	364	107
Safety repairs and services	221	-	221	125	96
Repairs to marine equipment	80	-	80	53	27
Computer software maintenance	5	-	5	3	2
Communication equipment maintenance	40	-	40	-	40
Repairs to vehicle equipment	118	-	118	85	33
Repairs not otherwise classified	16	-	16	5	11
Total contractual services	76,424	(685)	75,739	69,325	6,414
Materials and supplies					
Metals	43	-	43	39	4
Electrical parts and supplies	1,426	-	1,426	1,250	176
Plumbing accessories and supplies	760	-	760	593	167
Hardware	31	-	31	21	10
Buildings, grounds, paving materials, and supplies	300	-	300	136	164
Fiber, paper and insulation materials	15	-	15	9	6
Paints, solvents, and related materials	5	-	5	5	-
Vehicle parts and supplies	180	-	180	82	98
Mechanical repair parts	2,932	-	2,932	2,107	825
Manhole materials	11	-	11	10	1
Office, printing, and photographic supplies	57	-	57	50	7
Farming supplies	5	-	5	5	-
Processing chemicals	8,950	1,253	10,203	7,473	2,730
Laboratory testing supplies and small equipment	23	-	23	17	6
Cleaning supplies	5	-	5	2	3
Tools and supplies	215	-	215	200	15
Wearing apparel	3	-	3	2	1
Books, maps, and charts	1	-	1	-	1
Safety and medical supplies	175	-	175	78	97
Computer software	7	-	7	6	1
Computer supplies	19	-	19	15	4
Fuel	455	-	455	224	231
Gas (in containers)	12	-	12	4	8
Communication supplies	11	-	11	2	9
Lubricants	24	-	24	16	8
Materials and supplies not otherwise classified	66	-	66	56	10
Total materials and supplies	15,731	1,253	16,984	12,402	4,582
Machinery and equipment					
Equipment for collection facilities	106	4	110	81	29
Equipment for process facilities	128	22	150	140	10
Material handling and farming equipment	-	6	6	5	1

(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):					
Testing and laboratory equipment	$ 16	$ -	$ 16	$ 5	$ 11
Total machinery and equipment	250	32	282	231	51
Maintenance and Operations total	186,320	-	186,320	171,140	15,180
Corporate Division Total					
Total all departments:					
Personal services	$ 242,382	$ (641)	$ 241,741	$ 230,488	$ 11,253
Contractual services	93,594	(930)	92,664	83,778	8,886
Materials and supplies	21,290	1,205	22,495	16,993	5,502
Machinery and equipment	959	36	995	710	285
Land	-	330	330	326	4
Fixed and other charges	770	-	770	743	27
Total Corporate Division	358,995	-	358,995	333,038	25,957
Reserve Claim Division					
Employee claims	10,000	-	10,000	4,100	5,900
General claims and emergency repair and replacement cost over $10,000	20,700	-	20,700	1,791	18,909
Total Reserve Claim Division	30,700	-	30,700	5,891	24,809
Total General Corporate Fund	$ 389,695	$ -	$ 389,695	$ 338,929	$ 50,766

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

Year ended December 31, 2015
(with comparative amounts for prior year)

	(in thousands of dollars) 2015	2014	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2015
Personal services:					
Salaries and wages	$ 178,323	$ 174,227	$ 4,096	2 %	52 %
Employee health and life insurance premiums	44,187	59,015	(14,828)	(25)	13
Payment for professional services	4,211	5,469	(1,258)	(23)	1
Social security and medicare contributions	2,631	2,428	203	8	1
Tuition and training payments	998	867	131	15	0
Other	138	198	(60)	(30)	0
Total personal services	230,488	242,204	(11,716)	(5)	67
Contractual services:					
Electrical energy	35,219	33,477	1,742	5	10
Natural gas	1,988	3,706	(1,718)	(46)	1
Postage, freight, and delivery charges	93	111	(18)	(16)	0
Waste material disposal charges	10,356	9,007	1,349	15	3
Administration building operation	1,588	1,617	(29)	(2)	1
Communication services	1,553	1,718	(165)	(10)	1
Farming services	30	24	6	25	0
Court reporting services	56	78	(22)	(28)	0
Water and water services	1,668	1,569	99	6	1
Motor vehicle operating services	65	76	(11)	(14)	0
Employee travel and transportation	433	498	(65)	(13)	0
Medical services	124	129	(5)	(4)	0
Rental charges	463	251	212	84	0
Maintenance of grounds and pavements	1,540	1,636	(96)	(6)	0
Governmental service charges	3,223	3,663	(440)	(12)	1
Repairs to process facilities	5,985	3,675	2,310	63	2
Other repairs	10,529	10,720	(191)	(2)	3
Other contractual services	8,835	9,162	(327)	(4)	3
Total contractual services	83,748	81,117	2,631	3	26
Materials and supplies:					
Processing chemicals	7,473	5,798	1,675	29	2
Laboratory testing supplies	959	903	56	6	0
Mechanical repair parts	2,557	1,956	601	31	1
Fuels and lubricants	762	1,008	(246)	(24)	0
Electrical parts and supplies	1,805	1,831	(26)	(1)	1
Plumbing accessories and supplies	841	1,309	(468)	(36)	0
Office, printing, and photographic supplies	294	398	(104)	(26)	0
Buildings, grounds, paving materials, and supplies	280	259	21	8	0
Cleaning supplies	251	240	11	5	0
Metals	140	171	(31)	(18)	0
Computer supplies	726	799	(73)	(9)	0
Other materials and supplies	2,871	3,040	(169)	(6)	1
Total materials and supplies	18,959	17,712	1,247	7	5

(continued)

	(in thousands of dollars)				
	2015	**2014**	**Increase (Decrease)**	**Percent Increase (Decrease)**	**Percent of Total 2015**
Machinery and equipment:					
Testing and laboratory equipment	$ 272	$ 461	$ (189)	(41)	0
Equipment for collection facilities	81	11	70	636	0
Computer software	34	82	(48)	(59)	0
Communication equipment	80	285	(205)	(72)	0
Other machinery and equipment	223	318	(95)	(30)	0
Total machinery and equipment	690	1,157	(467)	(40)	0
Land:	326	-	326	100	0
Fixed other charges:					
Taxes on real estate	743	703	40	6	0
Total fixed other charges	743	703	40	6	0
Claims and judgments	5,658	44,988	(39,330)	(87)	2
Total expenditures	$ 340,612	$ 387,881	$ (47,269)		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, 2015

(in thousands of dollars)

	Final Budget	Actual on Budgetary Basis	Actual Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	$ 212,000	$ 211,785	$ (215)
Total tax revenue	212,000	211,785	(215)
Interest on investments	1,500	1,039	(461)
Miscellaneous	-	4	4
Total revenues	213,500	212,828	(672)
Expenditures:			
Debt service	216,501	214,526	1,975
Revenues over (under) expenditures	(3,001)	(1,698)	1,303
Other financing sources (uses):			
Premium on bonds	-	12,346	12,346
Refunding transaction costs	-	(241)	(241)
Sale of refunding bonds	-	70,805	70,805
Transfer to escrow agent	-	(82,906)	(82,906)
Transfers from Stormwater Fund	-	2,124	2,124
Total other financing sources (uses)	-	2,128	2,128
Revenues and Other financing (use) over (under) expenditures	(3,001)	430	3,431
Fund balances at beginning of year	111,128	108,500	(2,628)
Fund balances at end of the year	$ 108,127	$ 108,930	$ 803

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, 2015

(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	$ 3,759	$ 111	$ 3,870	$ 2,252	$ 1,618
Preliminary engineering reports and studies	543	(29)	514	425	89
Construction drawings, specifications, and cost estimates	3,489	-	3,489	-	3,489
Post-award engineering for construction projects	192	(72)	120	120	-
Total personal services	7,983	10	7,993	2,797	5,196
Contractual services					
Testing and inspection services	10	-	10	1	9
Court reporting services	5	-	5	-	5
Soil and rock mechanics investigation	40	-	40	-	40
Contractual services not otherwise classified	400	(100)	300	152	148
Repairs to collection facilities	515	-	515	487	28
Other contractual services	625	100	725	201	524
Total contractual services	1,595	-	1,595	841	754
Materials and supplies					
Vehicle parts and supplies	50	(25)	25	-	25
Mechanical repair parts	2,624	-	2,624	1,777	847
Lab testing supplies, small equipment, and chemicals	20	-	20	19	1
Computer supplies	200	(200)	-	-	-
Total materials and supplies	2,894	(225)	2,669	1,796	873
Machinery and equipment					
Equipment for waterway facilities	120	182	302	119	183
Equipment for process facilities	1,045	1,500	2,545	1,373	1,172
Marine equipment	266	(266)	-	-	-
Computer equipment	534	200	734	731	3
Computer software	40	-	40	-	40
Vehicle equipment	1,429	(343)	1,086	493	593
Machinery and equipment not otherwise classified	746	(56)	690	409	281
Total machinery and equipment	4,180	1,217	5,397	3,125	2,272
Capital Projects					
Collection facilities structures	740	(222)	518	302	216
Process facility structures	3,891	276	4,167	3,010	1,157
Buildings	3,573	1,161	4,734	3,368	1,366
Capital projects not otherwise classified	1,831	(1,355)	476	-	476
Preservation of collection facility structures	1,064	437	1,501	806	695

(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	$ 562	$ (62)	$ 500	$ -	$ 500
Preservation of process facility structures	7,996	(1,562)	6,434	4,978	1,456
Preservation of buildings	1,272	-	1,272	779	493
Preservation capital projects not otherwise classified	330	4	334	101	233
Total capital projects	21,259	(1,323)	19,936	13,344	6,592
Land	-	321	321	-	321
Construction Fund Summary:					
Personal services	7,983	10	7,993	2,797	5,196
Contractual services	1,595	-	1,595	841	754
Materials and supplies	2,894	(225)	2,669	1,796	873
Machinery and equipment	4,180	1,217	5,397	3,125	2,272
Capital projects	21,259	(1,323)	19,936	13,344	6,592
Land	-	321	321	-	321
Construction Fund total	37,911	-	37,911	21,903	16,008
Stormwater Management Fund:					
Personal services					
Salaries of regular employees	5,506	-	5,506	5,134	372
Compensation plan adjustments	163	-	163	101	62
Tuition and training payments	10	-	10	2	8
Payment for professional services	275	(40)	235	10	225
Health and life insurance	578	-	578	522	56
Preliminary engineering reports and studies	10,348	1,996	12,344	7,816	4,528
Construction drawings, specifications, and cost estimates	2,247	(112)	2,135	1,249	886
Post-award engineering for construction projects	358	(200)	158	29	129
Total personal services	19,485	1,644	21,129	14,863	6,266
Contractual services					
Travel	2	-	2	1	1
Meals and lodging	5	-	5	2	3
Postage and delivery charges	1	-	1	1	-
Compensation for personally owned autos	24	-	24	19	5
Motor vehicle operating services	1	-	1	-	1
Testing and inspection services	20	-	20	1	19
Court reporting services	10	-	10	9	1

(continued)

Exhibit E-1 (continued)
Capital Projects Funds
Schedule of Appropriations and Expenditures on Budgetary Basis
Year ended December 31, 2015

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget - Positive (Negative)
	Original	Net Transfers	Final	Actual Amounts	
Stormwater Management Fund (continued):					
Contractual services (continued)					
Soil and rock mechanics investigation	$ 25	$ -	$ 25	6	19
Intragovernmental agreements	-	7,915	7,915	6,571	1,344
Contractual services not otherwise classified	11,759	(9,115)	2,644	2,615	29
Waste material disposal charges	54	-	54	37	17
Repairs to collection facilities	50	-	50	-	50
Repairs to waterways facilities	2,500	-	2,500	2,247	253
Repairs not otherwise classified	5	-	5	-	5
Total contractual services	14,456	(1,200)	13,256	11,509	1,747
Materials and supplies					
Office, printing, and photo supplies	5	-	5	-	5
Processing chemicals	5	-	5	2	3
Tools and supplies	2	-	2	1	1
Wearing apparel	2	-	2	1	1
Materials and supplies not otherwise classified	330	1,475	1,805	1,646	159
Total materials and supplies	344	1,475	1,819	1,650	169
Capital Projects					
Waterways facilities structure	4,352	(1,309)	3,043	1,457	1,586
Capital projects not otherwise classified	448	(420)	28	-	28
Preservation of waterway facility structures	4,064	(190)	3,874	3,534	340
Total capital projects	8,864	(1,919)	6,945	4,991	1,954
Fixed and other charges					
Equity transfer	3,190	-	3,190	2,124	1,066
Payments for easements	250	-	250	190	60
Total fixed and other charges	3,440	-	3,440	2,314	1,126
Stormwater Management Fund Summary:					
Personal services	19,485	1,644	21,129	14,863	6,266
Contractual services	14,456	(1,200)	13,256	11,509	1,747
Material and supplies	344	1,475	1,819	1,650	169
Capital projects	8,864	(1,919)	6,945	4,991	1,954
Fixed and other charges	3,440	-	3,440	2,314	1,126
Stormwater Management Fund total	46,589	-	46,589	35,327	11,262

(continued)

(in thousands of dollars)

	Budget Amounts				
	Original	**Net Transfers**	**Final**	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
Capital Improvements Bond Fund Summary:					
Personal services	$ 14,850	$ -	$ 14,850	$ (30,284)	45,134
Contractual services	9,449	34,000	43,449	19,922	23,527
Machinery and equipment	423	-	423	423	-
Capital projects	416,301	(34,000)	382,301	102,221	280,080
Land	10,300	-	10,300	1,045	9,255
Fixed and other charges	1,750	-	1,750	761	989
Capital Improvements Bond Fund total *	453,073	-	453,073	94,088	358,985
Capital Projects Funds total	$ 537,573	$ -	$ 537,573	$ 151,318	$ 386,255

* 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, 2015
(with comparative amounts for prior year)

(in thousands of dollars)

	Pension Trust Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2015	2014	2015	2014	2015	2014
Assets						
Cash	$ 104	$ 275	$ -	$ -	$ 104	$ 275
Receivables						
Employer contributions-taxes (net of allowance for uncollectible $5,252 in 2015; $3,495 in 2014)	70,772	61,654	-	-	70,772	61,654
Securities sold	10,565	9,929	-	-	10,565	9,929
Forward foreign exchange contracts	83,320	28,089	-	-	83,320	28,089
Accrued interest and dividends	4,368	4,529	95	71	4,463	4,600
Accounts receivable	53	40	-	-	53	40
Total receivables	169,078	104,241	95	71	169,173	104,312
Investments at fair value						
Corporate and governmental bonds and notes	312,644	252,271	-	-	312,644	252,271
Money market funds	-	-	550	13,857	550	13,857
Pooled funds - fixed income	111,638	186,016	67,387	60,132	179,025	246,148
Pooled funds - equities	-	-	66,652	59,949	66,652	59,949
Balanced funds	-	-	14,649	12,379	14,649	12,379
Common and preferred stocks	757,683	808,449	-	-	757,683	808,449
Short-term investments	39,867	34,621	-	-	39,867	34,621
Total investments	1,221,832	1,281,357	149,238	146,317	1,371,070	1,427,674
Securities lending capital	36,893	51,053	-	-	36,893	51,053
Total assets	1,427,907	1,436,926	149,333	146,388	1,577,240	1,583,314
Liabilities						
Accounts payable	1,383	1,646	4	14	1,387	1,660
Securities lending collateral	36,893	51,053	-	-	36,893	51,053
Forward foreign exchange contracts	83,320	28,089	-	-	83,320	28,089
Securities purchased	19,658	18,342	-	-	19,658	18,342
Total liabilities	141,254	99,130	4	14	141,258	99,144
Net position restricted for pension and OPEB benefits	$ 1,286,653	$ 1,337,796	$ 149,329	$ 146,374	$ 1,435,982	$ 1,484,170

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

Year ended December 31, 2015
(with comparative amounts for prior year)

(in thousands of dollars)

	Pension Trust Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2015	2014	2015	2014	2015	2014
Additions:						
Contributions:						
Employer contributions	$ 71,042	$ 73,906	$ 18,317	$ 33,717	$ 89,359	$ 107,623
Employee contributions	21,385	18,975	-	-	21,385	18,975
Retiree contributions	-	-	7,406	6,773	7,406	6,773
Total contributions	92,427	92,881	25,723	40,490	118,150	133,371
Investment income:						
Net appreciation (depreciation) in fair value of investments	(20,895)	63,590	(5,301)	2,267	(26,196)	65,857
Interest and dividend income	24,444	23,476	3,334	3,306	27,778	26,782
Total investment income (loss)	3,549	87,066	(1,967)	5,573	1,582	92,639
Less investment expenses	(5,543)	(5,900)	(42)	(42)	(5,585)	(5,942)
Investment income (loss) net of expenses	(1,994)	81,166	(2,009)	5,531	(4,003)	86,697
Security lending activities:						
Security lending income	98	64	-	-	98	64
Borrower rebates	645	506	-	-	645	506
Bank fees	(178)	(135)	-	-	(178)	(135)
Net income from securities lending activities	565	435	-	-	565	435
Other	29	4	-	-	29	4
Total additions	91,027	174,486	23,714	46,021	114,741	220,507
Deductions:						
Annuities and benefits						
Employee annuitants	116,885	111,352	-	-	116,885	111,352
Retiree health care benefits	-	-	20,723	20,490	20,723	20,490
Surviving spouse annuitants	21,279	20,444	-	-	21,279	20,444
Child annuitants	116	157	-	-	116	157
Ordinary disability benefits	722	821	-	-	722	821
Duty disability benefits	159	140	-	-	159	140
Total annuities and benefits	139,161	132,914	20,723	20,490	159,884	153,404
Refunds of employee contributions	1,349	984	-	-	1,349	984
Administrative expenses	1,660	1,406	36	40	1,696	1,446
Total deductions	142,170	135,304	20,759	20,530	162,929	155,834
Net increase (decrease)	(51,143)	39,182	2,955	25,491	(48,188)	64,673
Net position held in trust for pension and OPEB benefits						
Beginning of year	1,337,796	1,298,614	146,374	120,883	1,484,170	1,419,497
End of year	$ 1,286,653	$ 1,337,796	$ 149,329	$ 146,374	$ 1,435,982	$ 1,484,170

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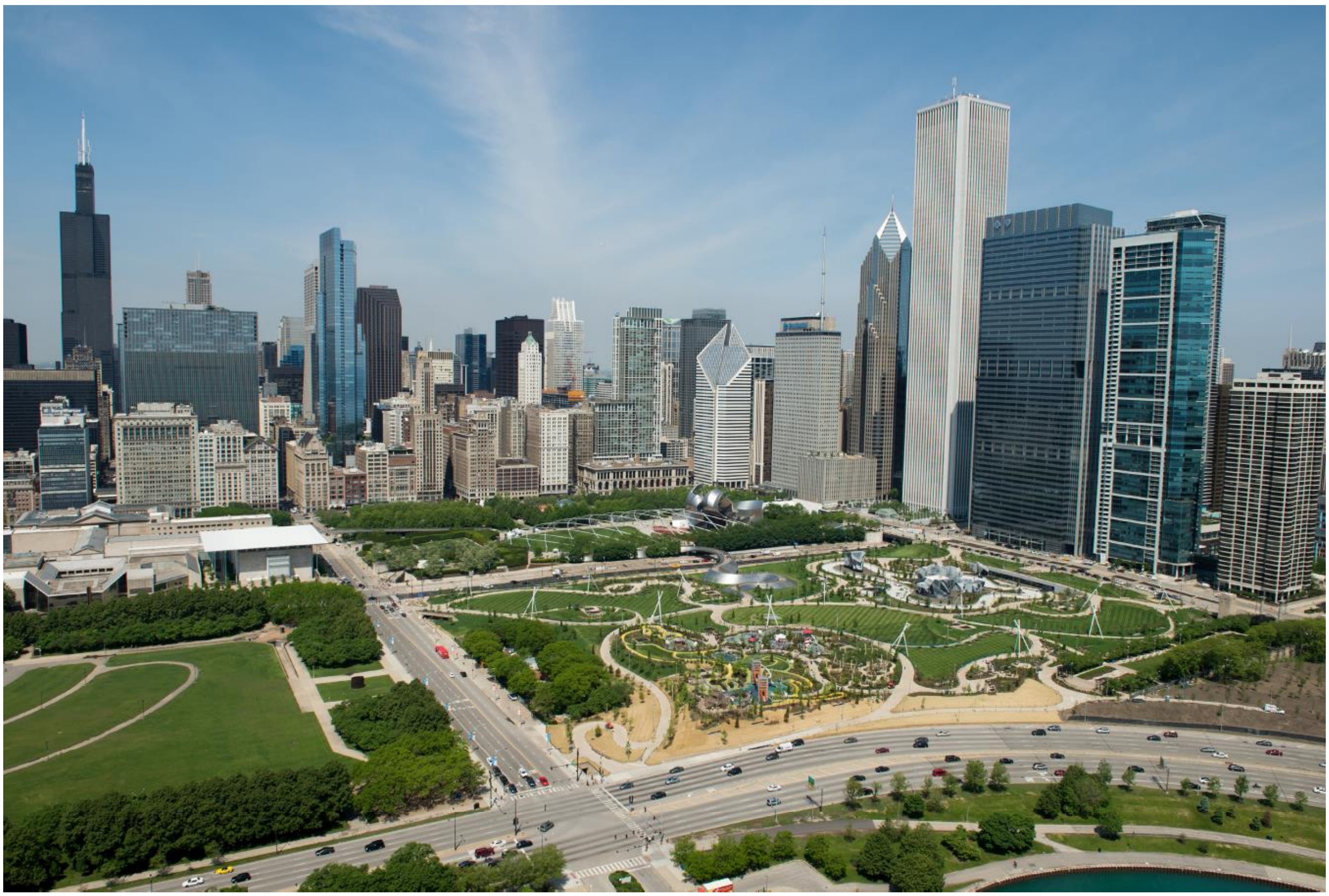
III.
STATISTICAL AND DEMOGRAPHICS SECTION



MWRD biosolids were mixed with soil to improve the quality of the fields at the new Maggie Daley Park in downtown Chicago. With improved soil quality, the turf grass is healthier, more durable and requires less maintenance. Biosolids provide nutrients but also improve soil structure, help retain moisture and prevent erosion.

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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)

	2015	2014	2013	2012
Net investment in capital assets	$ 4,630,463	$ 4,548,793	$ 4,506,950	$ 4,514,633
Restricted				
Restricted for corporate working cash	278,852	278,148	276,894	277,006
Restricted for reserve claim	6,499	7,764	9,861	4,524
Restricted for debt service	310,383	305,375	278,970	268,760
Restricted for capital projects	-	15,457	28,886	18,828
Restricted for construction working cash	21,947	21,833	21,644	21,649
Restricted for stormwater working cash	37,216	37,035	37,690	37,737
Unrestricted (Deficit)	(756,154)	(722,949)	(714,054)	(1,006)
Total net position	$ 4,529,206	$ 4,491,456	$ 4,446,841	$ 5,142,131

2011	2010	2009	2008	2007	2006
$ 4,506,544	$ 4,492,811	$ 4,559,884	$ 4,575,974	$ 4,580,604	$ 4,541,778
277,270	277,249	275,459	272,120	267,848	263,229
6,211	22,521	25,073	35,817	31,295	
257,418	227,320	232,815	212,353	203,656	220,306
29,908	38,018	-	13,412	18,656	1,044
21,611	27,377	27,286	27,005	26,313	25,750
39,573	39,554	38,953	37,902	35,275	32,064
(53,477)	(96,934)	(49,191)	47,316	70,431	95,357
$ 5,085,058	$ 5,027,916	$ 5,110,279	$ 5,221,899	$ 5,234,078	$ 5,179,528

Exhibit I-2
Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

	2015	2014	2013	2012
Revenues				
General Revenues:				
Property taxes	$ 533,240	$ 526,851	$ 470,855	$ 486,316
Personal property replacement tax	37,863	39,571	40,737	35,605
Interest on investments	5,381	9,486	3,051	11,123
Tax increment financing distributions	13,069	4,925	3,361	6,239
Claims and damage settlements	350	630	2,271	1,472
Miscellaneous	5,804	5,290	4,765	5,822
Gain on sale of capital assets	2,922	8	923	-
Total general revenues	598,629	586,761	525,963	546,577
Program Revenues:				
Charges for services				
User charges	46,238	50,696	49,182	69,322
Land rentals	18,189	16,357	14,851	12,081
Fees, forfeits and penalties	4,885	5,456	3,396	3,353
Capital grants and contributions				
Federal grants	11,170	11,089	11,110	22,164
Total program revenues	80,482	83,598	78,539	106,920
Total revenues	679,111	670,359	604,502	653,497
Expenses				
Board of Commissioners	3,671	3,721	3,520	3,471
General Administration	14,835	15,096	14,426	14,296
Monitoring and Research	27,259	26,922	25,294	24,689
Procurement and Materials Management	6,801	6,331	5,660	5,694
Human Resources	58,512	72,896	67,841	63,103
Information Technology	14,602	14,708	14,331	13,714
Law	6,008	6,812	6,975	5,942
Finance	3,401	3,433	3,394	3,175
Engineering	27,232	26,561	25,051	4,332
Maintenance and Operations	173,177	169,234	162,372	161,919
Pension costs	87,145	92,944	52,065	78,360
OPEB Trust Fund costs (1)	(5,408)	(19,449)	(19,567)	(7,155)
Claims and judgments	23,560	2,660	3,369	25,738
Construction costs	69,434	77,191	88,528	75,496
Loss on sale of capital assets	32	127	173	147
Depreciation (unallocated)	12,123	12,229	12,020	12,459
Interest on bonds	118,977	114,328	116,249	111,044
Total expenses	641,361	625,744	581,701	596,424
Change in Net Position	$ 37,750	$ 44,615	$ 22,801	$ 57,073

(1) The 2012 decrease resulted from a reduction in the liability estimate for OPEB.

2011	2010	2009	2008	2007	2006
$ 506,888	$ 409,550	$ 429,968	$ 432,412	$ 370,777	$ 392,775
36,849	39,352	37,477	42,527	45,935	37,743
13,156	9,119	7,632	27,112	48,750	43,659
12,715	6,818	1,359	797	644	1,167
1,298	285	695	606	64	614
4,859	5,181	6,642	5,450	3,434	2,584
676	2,736	-	-	21	-
576,441	473,041	483,773	508,904	469,625	478,542
57,469	49,433	47,886	49,439	54,612	53,986
12,161	10,040	9,660	9,572	9,243	7,972
3,279	2,731	4,305	4,357	3,383	4,693
17,218	17,156	5,518	896	253	-
90,127	79,360	67,369	64,264	67,491	66,651
666,568	552,401	551,142	573,168	537,116	545,193
3,348	3,627	3,680	3,748	3,513	3,422
14,844	15,767	19,046	18,438	16,875	17,293
25,221	28,450	29,252	27,612	26,178	25,317
6,928	6,447	6,196	5,398	6,631	5,480
47,683	46,882	43,670	61,465	61,878	35,216
14,423	16,127	20,611	20,767	16,475	11,312
7,151	8,132	7,491	7,274	6,147	5,748
2,962	3,189	3,233	3,238	3,109	3,218
4,028	6,245	9,284	8,144	4,483	4,519
178,438	191,090	209,488	196,612	179,938	156,984
70,331	62,996	54,804	45,343	49,891	42,320
10,251	24,540	25,464	8,920	7,405	-
25,488	9,134	17,536	9,174	17,606	876
84,240	104,947	131,095	93,421	56,914	70,594
95	381	436	750	273	4,430
12,235	11,428	9,227	9,224	9,216	9,216
101,760	95,382	72,249	65,819	64,584	81,876
609,426	634,764	662,762	585,347	531,116	477,821
$ 57,142	$ (82,363)	$ (111,620)	$ (12,179)	$ 6,000	$ 67,372

Exhibit I-3
Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2015	2014	2013	2012	2011
General Corporate Fund					
Nonspendable:					
Prepaid insurance	$ 2,137	$ 2,143	$ 2,391	$ -	$ -
Inventories	37,623	39,586	40,136	39,467	38,922
Restricted	305,779	307,147	344,558	344,186	342,398
Unassigned (Deficit)	(58,427)	(61,850)	(51,960)	(19,151)	(96,225)
Total General Corporate Fund	287,112	287,026	335,125	364,502	285,095
All Other Governmental Funds					
Restricted	378,458	219,606	328,953	575,796	763,064
Assigned	127,920	112,768	112,478	-	-
Unassigned	(9,090)	-	-	-	-
Total Governmental Funds	$ 784,400	$ 619,400	$ 776,556	$ 940,298	$ 1,048,159

2010	2009	2008	2007	2006
$ -	$ -	$ -	$ -	$ -
38,924	38,761	38,067	35,787	36,326
341,381	338,602	333,650	323,238	306,705
(175,521)	(166,687)	(142,300)	(124,515)	(98,053)
204,784	210,676	229,417	234,510	244,978
519,456	773,035	464,633	631,736	750,189
-	-	-	-	-
-	-	-	-	-
$ 724,240	$ 983,711	$ 694,050	$ 866,246	$ 995,167

Exhibit I-4
Changes in Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2015	2014	2013	2012	2011
Revenues					
General Revenues:					
Property taxes	$ 525,302	$ 516,316	$ 454,966	$ 489,168	$ 492,751
Personal property replacement tax	37,863	39,571	40,737	35,605	36,849
Interest on investments	5,381	9,486	3,051	11,123	13,156
Land sales	3,164	8	2,575		2,326
Tax increment financing distributions	13,069	4,925	3,361	6,239	12,715
Claims and damage settlements	350	630	2,271	1,472	1,298
Miscellaneous	5,869	5,445	4,765	5,822	4,859
Program Revenues:					
Charges for services					
User charges	46,238	50,696	49,182	69,322	57,469
Land rentals	18,189	16,357	14,851	12,081	12,161
Fees, forfeits and penalties	4,885	5,456	3,396	3,353	2,534
Capital grants and contributions					
Government grants	11,165	11,162	11,110	22,164	17,218
Total revenues	671,475	660,052	590,265	656,349	653,336
Expenditures					
Operations:					
Board of Commissioners	3,662	3,710	3,514	3,463	3,344
General Administration	14,833	14,829	14,111	13,877	14,332
Monitoring and Research	27,486	26,687	25,128	24,495	25,084
Procurement and Materials Management	6,885	6,325	5,671	5,698	6,949
Human Resources	58,441	72,879	67,856	63,105	47,710
Information Technology	14,697	14,582	14,024	13,167	13,820
Law	6,018	6,802	6,984	5,942	7,166
Finance	3,427	3,425	3,393	3,172	2,965
Engineering	25,971	25,278	23,987	3,229	2,975
Maintenance and Operations	173,534	168,376	161,787	161,188	177,908
Pension costs	62,498	75,556	67,523	66,191	36,635
Claims and judgments	5,658	44,988	4,970	5,998	6,923
Construction costs	326,430	236,259	199,231	259,315	337,051
Debt service:					
Redemption of bonds	101,220	89,118	85,709	71,400	64,112
Interest on bonds	118,680	110,115	111,665	118,854	98,015
Total expenditures	949,440	898,929	795,553	819,094	844,989
Revenues over (under) expenditures	(277,965)	(238,877)	(205,288)	(162,745)	(191,653)
Other Financing Sources (Uses)					
Payment to escrow agent	(82,906)	-	-	-	(253)
State revolving fund loan proceeds	181,537	81,721	41,546	54,884	78,481
Sale of refunding bonds	70,805	-	-	-	-
Proceeds from sale of bonds	225,000	-	-	-	400,000
Premium on sale of bonds	48,529	-	-	-	37,344
Proceeds from capital lease		-	-	-	-
Total other financing sources (uses)	442,965	81,721	41,546	54,884	515,572
Net change in fund balance	$ 165,000	$ (157,156)	$ (163,742)	$ (107,861)	$ 323,919
Debt service as a percentage of non-capital expenditures	31.7%	26.9%	28.8%	29.9%	27.4%

2010	2009	2008	2007	2006
$ 410,663	$ 418,077	$ 399,917	$ 376,757	$ 380,675
39,352	37,477	42,527	45,935	37,743
9,119	7,632	27,112	48,750	43,659
3,045	6	6	28	516
6,818	1,359	797	644	1,167
285	695	606	64	614
5,181	6,642	5,450	3,495	2,729
49,433	47,886	49,439	54,117	52,504
10,040	9,660	9,572	9,243	7,972
2,731	4,305	4,357	3,383	4,693
20,233	1,440	896	253	-
556,900	535,179	540,679	542,669	532,272
3,628	3,659	3,721	3,496	3,401
15,411	18,555	17,958	16,491	16,974
28,445	28,891	27,146	25,892	24,985
6,493	6,156	5,341	6,556	5,352
46,944	43,603	61,385	61,841	35,162
15,823	20,200	19,328	16,125	11,034
8,164	7,446	7,211	6,121	5,709
3,203	3,208	3,205	3,093	3,197
5,367	7,951	6,703	4,331	4,318
191,165	208,123	194,916	179,012	155,899
30,099	31,744	28,937	31,115	30,071
6,728	9,464	7,626	9,353	4,954
496,885	397,265	191,415	194,151	164,157
60,602	73,105	112,577	90,466	83,692
104,414	67,148	66,591	68,148	88,177
1,023,371	926,518	754,060	716,191	637,082
(466,471)	(391,339)	(213,381)	(173,522)	(104,810)
-	-	-	(437,621)	(416,000)
152,465	81,000	41,185	47,104	27,464
-	-	-	382,020	397,390
-	600,000	-	-	350,000
-	-	-	53,098	24,594
54,535	-	-	-	-
207,000	681,000	41,185	44,601	383,448
$ (259,471)	$ 289,661	$ (172,196)	$ (128,921)	$ 278,638
26.1%	21.2%	27.3%	27.4%	31.6%

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
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	550,135,369	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	414,382,389	32.2
2013	62,363,876	61,055,668	123,419,544	0.417	459,860,597	26.8
2014	64,908,057	60,828,131	125,736,188	0.430 (3)	459,860,597 (2)	27.3

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

(1) Tax rates per $100 equalized assessed valuation

(2) Current data not available from Civic Federation

(3) Does not include values for Railroad, Pollution Control or the part of O'Hare Airport located in DuPage County.

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)

	2015 (1)	2014	2013	2012	2011	2010	2009	2008	2007	2006
District direct rates										
Corporate	$ 0.175	$ 0.183	$ 0.182	$ 0.179	$ 0.168	$ 0.144	$ 0.135	$ 0.141	$ 0.150	$ 0.151
Reserve Claim	0.004	0.002	0.005	0.005	0.002	0.001	0.002	0.004	0.004	0.004
Retirement	0.044	0.040	0.042	0.021	0.019	0.016	0.016	0.015	0.016	0.018
Debt Service	0.175	0.174	0.163	0.135	0.114	0.094	0.097	0.083	0.087	0.087
Construction	0.013	0.014	0.009	0.015	0.001	0.005	0.006	-	0.003	0.013
Stormwater Management	0.019	0.017	0.016	0.015	0.016	0.014	0.005	0.009	0.003	0.011
Total direct rate	$ 0.430	$ 0.430	$ 0.417	$ 0.370	$ 0.320	$ 0.274	$ 0.261	$ 0.252	$ 0.263	$ 0.284
Major local governments' tax rates (2)										
City of Chicago	-	$ 1.193	$ 1.209	$ 1.151	$ 0.999	$ 0.914	$ 0.887	$ 0.928	$ 1.004	$ 1.012
Chicago Board of Education	-	3.660	3.671	3.422	2.875	2.581	2.366	2.472	2.583	2.697
Chicago Park District	-	0.401	0.420	0.395	0.346	0.319	0.309	0.323	0.355	0.379
Cook County	-	0.568	0.560	0.531	0.462	0.423	0.394	0.415	0.446	0.500
Cook County Forest Preserve Dist.	-	0.069	0.069	0.063	0.058	0.051	0.049	0.051	0.053	0.057
City Colleges of Chicago	-	0.193	0.199	0.190	0.165	0.151	0.150	0.156	0.159	0.205
Chicago School Finance Authority	-	-	-	-	-	-	-	-	0.091	0.118
City of Chicago Library Fund	-	0.134	0.135	0.128	0.111	0.102	0.099	0.102	0.040	0.050
City of Chicago School Bldg/Imprvmt	-	0.146	0.152	0.146	0.119	0.116	0.112	0.117	-	-
District's tax levies by fund *(in thousands)*										
Corporate	$227,196	$230,000	$224,400	$237,247	$249,828	$240,059	$236,027	$240,082	$233,982	$213,860
Stormwater Management	24,050	21,000	20,000	20,000	24,100	24,029	8,849	15,212	3,942	15,508
Reserve Claim	5,700	3,000	6,171	6,670	3,400	1,951	3,182	7,073	6,530	5,957
Retirement	58,004	50,531	51,621	28,490	28,163	26,478	26,751	25,664	24,843	25,072
Debt Service	227,879	218,319	201,388	180,748	169,645	156,090	169,051	140,614	135,730	123,608
Construction	16,500	17,400	11,079	20,418	1,819	8,749	10,411	-	5,181	17,766
Total tax levies	$559,329	$540,250	$514,659	493,573	$476,955	$457,356	$454,271	$428,645	$410,208	$401,771

Source: Cook County Clerk

(1) District's tax rates are estimated based on 2015 equalized assessed valuation of $126 billion.

(2) Major local governments' rates for 2015 are not yet available.

Exhibit I-7
Principal Property Taxpayers

2014 and Nine Years Ago

(in thousands of dollars)

Taxpayer	Type of Business	2014 (1) Equalized Assessed Value (3)	2014 (1) Rank	2014 (1) Percentage of Total Equalized Assessed Value	2005 Equalized Assessed Value	2005 Rank	2005 Percentage of Total Equalized Assessed Value
Willis Tower	Retail & Office	$ 364,454	1	0.29%	$ 519,080	1	0.40%
Aon Center	Insurance	241,083	2	0.19	341,767	2	0.26
Merchandise Mart	Retail & Office	236,632	3	0.19	-	-	-
Citadel Center	Office	233,798	4	0.19	-	-	-
Hyatt Center	Office	223,714	5	0.18	-	-	-
CME Center (2)	Office	220,757	6	0.18	341,076	3	0.26
One North Wacker Drive	Office	215,718	7	0.17	-	-	-
Blue Cross Blue Shield Tower	Office	206,782	8	0.16	-	-	-
Water Tower Place	Retail & Office	195,486	9	0.16	183,187	9	0.14
Chase Tower	Banking	194,963	10	0.16	218,014	6	0.17
AT & T Corporate Center	Communications	-	-	-	268,519	4	0.21
One Prudential Plaza	Financial Services	-	-	-	266,283	5	0.20
Citigroup Center	Banking	-	-	-	196,622	7	0.15
Leo Burnett Building	Advertising	-	-	-	188,219	8	0.14
R.R. Donnelley & Sons	Publishing	-	-	-	177,418	10	0.14
		$ 2,333,387		1.87%	$ 2,700,185		2.07%

Source: Cook County Treasurer's Office and Cook County Clerk's Office

(1) 2015 information is unavailable

(2) Two adjoining tower office buildings; formerly referred to as Equity Office

(3) The Equalized Assessed Valuation for 2014 is $125,736,187,743

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		
		Amount	Percentage of Levy	Final Due Date
2006	$ 401,771	$ 353,566	88.0%	12/03/07
2007	410,208	390,440	95.2	11/03/08
2008	428,645	400,048	93.3	12/01/09
2009	455,360	383,612	84.2	12/13/10
2010	457,356	435,009	95.1	11/01/11
2011	476,955	460,618	96.6	08/01/12
2012	493,573	476,881	96.6	08/01/13
2013	514,659	497,452	96.7	08/01/14
2014	540,250	523,203	96.8	08/01/15
2015	560,179	-	-	08/01/16

Exhibit I-9
User Charge Rates

Last Ten Fiscal Years

	2015	2014 (1)	2013	2012	2011
Large Commercial/Industrial User Rates (2)					
Flow per million gallons	$ 250.51	$ 246.08	$ 241.73	$ 256.48	$ 243.99
5-day BOD per 1,000 lbs. (5)	240.49	245.75	250.76	259.22	247.48
SS per 1,000 lbs. (6)	154.08	159.72	165.24	195.95	194.18
Tax-Exempt User Rates (3)					
Flow per million gallons	$ 250.51	$ 246.08	$ 245.18	$ 263.48	$ 250.31
5-day BOD per 1,000 lbs. (5)	240.49	245.75	254.34	266.27	253.89
SS per 1,000 lbs. (6)	154.08	159.72	167.60	201.24	199.21
OM&R Rate (4)	0.3910	0.4350	0.4240	0.4860	0.4730

(1) The Large Commercial-Industrial and Tax-Exempt Users Rates are the same beginning with tax year 2014.

(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

2010	2009	2008	2007	2006
$ 262.44	$ 229.37	$ 223.72	$ 224.87	$ 225.80
270.68	231.90	229.23	228.39	239.79
200.33	174.25	178.11	173.01	183.41
$ 269.25	$ 235.96	$ 230.29	$ 231.07	$ 235.40
277.70	238.56	235.98	234.69	249.99
205.53	179.25	183.35	177.77	191.20
0.5570	0.5040	0.4990	0.5040	0.5680

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)
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	2,609,741	136,173	2,473,568	1.79	506.75	0.60	480.30
2013	2,481,973	35,809	47,795	2,565,577	122,527	2,443,050	1.73	489.52	0.59	466.14
2014	2,500,785	90,460	45,653	2,558,733	140,162	2,418,571	1.77	481.15	0.58	454.79
2015	2,770,788	161,697	43,405	2,860,467	140,806	2,719,661	1.84	543.82	0.59	517.05

(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, 2015

(In thousands of dollars)

Direct debt				
Bonds and notes payable				$ 2,655,365
Capital lease				43,405
Overlapping bonded debt of major local governments (1)	Net Debt (2)	% Applicable (3)	Applicable Amount	
City of Chicago	$ 9,106,165	100.00%	$ 9,106,165	
Chicago Board of Education	6,130,423 (4)(5)	100.00	6,130,423 (4)	
Chicago Park District	798,045 (4)	100.00	798,045 (4)	
City Colleges (District 508)	245,995	100.00	245,995	
Cook County	3,477,527	97.96	3,406,585	
Cook County Forest Preserve District	163,117	97.96	159,789	
Total overlapping debt (6)				19,847,002
Total direct and overlapping debt				$ 22,545,772

(1) Excludes outstanding tax anticipation notes and warrants. Except as stated, does not include debt issued by other taxing authorities in Cook County.

(2) Source: Each of the respective taxing districts, current as of 1/21/2016.

(3) Based on 2013 Equalized Assessed Valuations, which are the most recent available.

(4) Includes approximately $246 million, $5.18 billion and $303 million of general obligation bonds of the City Colleges (District 508), 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 approximately $158 million of Public Building Commission Bonds debt.

(6) Source of data: U.S. Census Estimate.

(7) Source of data: The Civic Federation, Chicago, Illinois (based upon information from the Illinois Department of Revenue).

Exhibit I-12
Computation of Statutory Debt Margin

Last Ten Fiscal Years

(in thousands of dollars)

	2015 (1)	2014	2013	2012	2011
Equalized assessed valuation	$ 125,736,188	$ 125,736,188	$ 123,419,544	$ 133,397,995	$ 149,048,493
Statutory debt limit (5.75% of equalized assessed valuation)	7,229,831	7,229,831	7,096,624	7,670,385	8,570,288
Total debt applicable to debt limit:					
General obligation bonds outstanding	2,655,365	2,422,620	2,481,973	2,515,375	2,466,464
Less: alternate bonds (2)	(50,000)	-	-	-	-
Adjusted general obligation bonds outstanding	2,605,365	2,422,620	2,481,973	2,515,375	2,466,464
Bond anticipation notes outstanding	161,697	90,460	35,809	44,527	108,008
Capital lease outstanding	43,405	45,653	47,795	49,837	51,784
Liabilities of tax financed funds:					
Corporate	23,647	37,136	30,150	30,076	35,347
Stormwater	6,973	5,689	3,515	2,496	1,956
Debt service	-	-	-	-	-
Reserve claim	205	681	380	1,110	1,381
Construction	4,812	6,648	2,816	4,062	1,542
Total applicable debt	2,846,104	2,608,887	2,602,438	2,647,483	2,666,482
Less applicable assets:					
Debt service funds unrestricted cash and investments	108,671	108,392	98,006	105,285	114,344
Interest payable in the next twelve months	(115,735)	(106,175)	(107,868)	(109,300)	(116,410)
Total applicable assets	7,064	2,217	(9,862)	(4,015)	(2,066)
Total net debt applicable to debt limit	2,853,168	2,606,670	2,612,300	2,651,498	2,668,548
Statutory debt margin	$ 4,376,663	$ 4,623,161	$ 4,484,324	$ 5,018,887	$ 5,901,740
Total applicable net debt as a percentage of statutory debt limit	39.5%	36.1%	36.8%	34.6%	31.1%

(1) Debt limit calculation based on 2014 equalized assessed valuation since 2015 value is not yet available.
(2) Alternate bonds do not count against the debt limit.

2010	2009	2008	2007	2006
$ 166,918,066	$ 174,467,643	$ 170,097,382	$ 155,972,794	$ 141,468,642
9,597,789	10,031,889	9,780,599	8,968,436	8,134,447
1,961,974	1,979,203	1,392,699	1,465,854	1,579,401
-	-	-	-	-
1,961,974	1,979,203	1,392,699	1,465,854	1,579,401
196,225	86,286	64,894	63,131	25,261
53,688	-	-	-	-
45,381	45,260	42,374	38,699	27,233
2,496	1,101	1,470	1,179	340
-	-	-	-	56
410	327	1,036	1,243	1,495
1,732	4,236	2,855	2,662	2,810
2,261,906	2,116,413	1,505,328	1,572,768	1,636,596
88,710	88,849	89,397	77,599	108,814
(92,619)	(59,873)	(73,103)	(68,877)	(69,111)
(3,909)	28,976	16,294	8,722	39,703
2,265,815	2,087,437	1,489,034	1,564,046	1,596,893
$ 7,331,974	$ 7,944,452	$ 8,291,565	$ 7,404,390	$ 6,537,554
23.6%	20.8%	15.2%	17.4%	19.6%

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
2015	5,260	$ 155,734,043	$ 29,607	$ 54,461	5.8%
2014	5,318	144,394,219	27,152	53,653	7.0
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

Source: Population, Personal Income and Median Household Income is for Cook County, Illinois. Population, Median Household Income and Personal Income information is provided by The Nielsen 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

2015 and Nine Years Ago

	2015			2006		
Employer	Employees	Rank	Percentage of Total Employment (5)	Employees	Rank	Percentage of Total Employment
U.S. Government (1)	45,673	1	0.87%	51,700	1	0.97%
Chicago Public Schools (2)	38,933	2	0.74	43,783	2	0.83
City of Chicago (2)	30,345	3	0.58	39,675	3	0.75
Cook County (3)	21,622	4	0.41	25,482	5	0.48
Advocate Health Care	18,556	5	0.35	25,279	6	0.48
University of Chicago (2)	16,025	6	0.30	-	-	-
J.P. Morgan Chase & Co.	15,015	7	0.29	-	-	-
State of Illinois (2)	14,925	8	0.28	17,056	8	0.32
Northwestern Memorial Healthcare (4)	14,550	9	0.28	-	-	-
United Continental Holdings Inc.	14,000	10	0.27	-	-	-
Jewel-Osco	-	-	-	34,037	4	0.64
United Parcel Service of America, Inc.	-	-	-	19,000	7	0.36
SBC Communications, Inc.	-	-	-	16,500	9	0.31
Wal-Mart Stores Inc.	-	-	-	16,350	10	0.31
Total	229,644		4.37%	288,862		5.45%

(1) Fiscal year ends in September
(2) Fiscal year ends in June
(3) Fiscal year ends in November
(4) Fiscal year ends in August
(5) Total employment for 2015 based on a population of 5,260,069; total employment for 2006 based on a population of 5,306,935 employees.

Source: Reprinted with permission, *Crain's Chicago Business* [December 21, 2015] © Crain Communications, Inc.

Exhibit I-15
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

	Budgeted Positions									
Fund/Department	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
General Corporate Fund										
Board of Commissioners	37	37	37	37	40	45	45	45	45	45
General Administration	119	112	109	114	125	124	146	138	144	145
Monitoring and Research	297	288	286	280	303	308	308	309	311	317
Procurement and Materials Management	63	62	62	62	69	70	70	70	70	70
Human Resources	74	72	58	57	59	60	54	54	53	53
Information Technology	70	70	70	69	71	71	72	72	66	63
Law	37	36	38	37	38	40	40	40	40	41
Finance	29	29	29	29	31	31	31	33	34	35
Engineering (Corporate Fund) (1)	242	241	242	29	32	34	34	34	33	33
Maintenance & Operations	955	951	947	943	1,029	1,047	1,046	1,045	1,044	1,071
Total General Corporate Fund	1,923	1,898	1,878	1,657	1,797	1,830	1,846	1,840	1,840	1,873
Engineering (Construction Fund) (2)	0	0	0	21	28	45	45	45	49	63
Engineering (Stormwater Management)	59	63	49	48	44	50	49	47	48	38
Engineering (Capital Improvements Bond Fund) (2)	0	0	0	196	202	191	191	177	157	133
Grand Total	1,982	1,961	1,927	1,922	2,071	2,116	2,131	2,109	2,094	2,107

(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)
2015	883	129	5,260,069	4,500,000	10,000	4,000,000	1,244,200	2,000,000
2014	883	129	5,318,365	4,500,000	10,000	4,000,000	1,288,600	2,000,000
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

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

Exhibit I-17
Capital Asset Statistics

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Miles of intercepting sewers and force mains operated	560	560	560	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+	13,796+	13,796+	13,000+	13,000+
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	22	22	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	109.4	109.4
Number of TARP reservoirs constructed	2	1	1	1	1	1	1	1	1	1
Number of TARP reservoirs under construction	1	2	2	2	2	2	2	2	2	2
Number of flood control reservoirs	35	33	31	31	31	31	31	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 gather for a quick tutorial on the Chicago River near Clark Street in July. Improvements to water quality and the newly opened Chicago Riverwalk are drawing more and more people to the Chicago river.

RSM

RSM US LLP

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

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

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 Metropolitan Water Reclamation District of Greater Chicago (the District) , as of and for the year ended December 31, 2015, 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 9, 2016. 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 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 a 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 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.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 entity'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.

RSM US LLP

Chicago, Illinois
May 9, 2016

PRADO & RENTERIA
Certified Public Accountants

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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 (the "Schedule") of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), for the year ended December 31, 2015 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 this financial statement 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 financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on this financial statement 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 the audit requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 financial statement 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 financial statement.

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

Opinion
In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the District for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements
In accordance with Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), we have also issued a report dated May 9, 2016 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 the Uniform Guidance. That report is an integral part of an audit performed in accordance with the Uniform Guidance and should be read in conjunction with this report.

Prado & Renteria

Chicago, Illinois
May 9, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Prado & Renteria

Chicago, Illinois
May 9, 2016

Schedule of Expenditures of Federal Awards

Year ended December 31, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Date	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. Environmental Protection Agency					
Passed through Illinois Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds					
Project Descriptions					
Westside Primary Settling Tanks & Aerated Grit Tanks, Stickney WRP	66.458	L173076	December 2014	-	5,404,100
Sludge Thickening Facilities at Stickney Water Reclamation Plant	66.458	L174558	May 2012	-	416,500
Des Plaines River Intercepting Sewer Rehabilitation, SSA	66.458	L174621	May 2014	-	1,947,737
Calumet TARP Pumping Station Improvements, Calumet WRP	66.458	L174923	May 2013	-	446,800
Wet Weather Treatment Facility and Reservoir, Lemont WRP	66.458	L174924	September 2013	-	2,474,400
TARP Control Structure Rehabilitation, NSA, SSA, CSA	66.458	L174925	December 2013	-	289,400
Disinfection Facilities at the Calumet WRP	66.458	L174988	August 2013	-	1,165,500
Disinfection Facilities at the Terrence J. O'Brien WRP	66.458	L174989	August 2013	-	1,914,100
Phosphorus Recovery Facility at Stickney WRP	66.458	L175161	December 2014	-	7,206,400
Coarse Screens and RSP Slide Gates Replacements at Egan WRP	66.458	L175164	September 2014	-	280,800
Rehab of Final Settling Tanks 11-14 in Batteries A, B and C, OWRP	66.458	L175172	October 2013	-	122,600
Battery C Airlift & Air Main Rehab and Aeration Tanks 6-8 DP Rplc SWRP	66.458	L175222	November 2014	-	724,500
	Total U.S. Environmental Protection Agency Funding of Capitalization Grants for Clean Water State Revolving Funds				$22,392,837
		Total Federal Expenditures			**$22,392,837**

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2015

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Metropolitan Water Reclamation District of Greater Chicago (the "District") under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and the respective change in financial positon of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District does not receive funding for indirect costs.

Note 3 – Program Descriptions

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

The Capitalization Grants for Clean Water State Revolving Funds create 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 of 2009 (ARRA) are funded 50% from ARRA funds and 50% from SRFs. There were no loans awarded under ARRA for the year ended December 31, 2015.

Note 4 – Project Descriptions

Descriptions of projects, funded wholly or partially by federal sources, for which the District received funds during the year ended December 31, 2015:

<u>State Revolving Fund Loans</u>

Loan #L173076 was awarded to the District on December 18, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Westside Primary Settling Tanks 1-9 and Aerated Grit Facility, SWRP, Project 04-128-3P. The maximum SRF loan amount is $80,000,000. The maximum pass through federal funding is $66,664,000. A total of $5,404,100 in federal funds was disbursed by the Illinois Environmental Protection Agency (IEPA) during fiscal year 2015. As of December 31, 2015, $53,611,194 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174558 was awarded to the District on May 8, 2012, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Sludge Thickening Facilities at the Stickney Water Reclamation Plant, Project 09-176-3P. The maximum SRF loan amount is $40,000,000. The maximum pass through federal funding is $33,332,000. A total of $416,500 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $2,302,783 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Note 4 – Project Descriptions – Continued

Loan #L174621 was awarded to the District on May 8, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Des Plaines River Intercepting Sewer Rehabilitation, SSA, Project 06-158-3S. The maximum SRF loan amount is $13,628,725. The maximum pass through federal funding is $11,356,817. A total of $1,947,737 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $10,295,663 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174923 was awarded to the District on May 2, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Calumet TARP Pump Station Improvements, Project 06-212-3M. The maximum SRF loan amount is $32,893,059. The maximum pass through federal funding is $27,409,786. A total of $446,800 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $15,405,089 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174924 was awarded to the District on September 27, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Wet Weather Treatment Facility and Reservoir at the Lemont WRP, Project 10-716-3P. The maximum SRF loan amount is $29,787,157. The maximum pass through federal funding is $24,821,638. A total of $2,474,400 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $9,232,439 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174925 was awarded to the District on December 13, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for TARP Control Structure Rehabilitation, NSA, SSA, CSA, Project 10-880-3H. The maximum SRF loan amount is $14,828,138. The maximum pass through federal funding is $12,356,287. A total of $289,400 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $2,116,102 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174988 was awarded to the District on August 22, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Disinfection Facilities, Calumet WRP, Project 11-241-3P. The maximum SRF loan amount is $34,973,952. The maximum pass through federal funding is $29,143,794. A total of $1,165,500 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $5,257,318 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174989 was awarded to the District on August 22, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Disinfection Facilities, Terrence J. O'Brien WRP, Project 11-054-3P. The maximum SRF loan amount is $66,136,932. The maximum pass through federal funding is $55,111,905. A total of $1,914,100 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $19,531,167 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175161 was awarded to the District on December 18, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Phosphorus Recovery Facility, SWRP, Project 11-195-3P. The maximum SRF loan amount is $32,802,513. The maximum pass through federal funding is $27,334,334. A total of $7,206,400 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $27,931,171 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175164 was awarded to the District on September 16, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Coarse Screens and RSP Slide Gates Replacement, EWRP, Project 11-405-3M. The maximum SRF loan amount is $2,795,420. The maximum pass through federal funding is $2,329,423. A total of $280,800 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $1,967,120 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2015

Note 4 – Project Descriptions – Continued

Loan #L175172 was awarded to the District on October 30, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Rehabilitation of Final Settling Tanks 11, 12, 13 and 14 in Batteries A, B and C, OWRP, Project 08-041-3P. The maximum SRF loan amount is $2,758,546. The maximum pass through federal funding is $2,298,696. A total of $122,600 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $402,042 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175222 was awarded to the District on November 19, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Battery C Airlift and Air Main Rehabilitation and Aeration Tanks 6, 7 and 8 Diffuser Plate Replacement, SWRP, Project 09-181-3P. The maximum SRF loan amount is $5,021,765. The maximum pass through federal funding is $4,184,637. A total of $724,500 in federal funds was disbursed by the IEPA during fiscal year 2015. As of December 31, 2015, $3,398,515 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Schedule of Findings and Questioned Costs

Year ended December 31, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? _____Yes __X__No

Significant deficiency(ies) identified?
_____Yes __X__None reported

Noncompliance material to financial statements noted?
_____Yes __X__No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____Yes __X__No

Significant deficiency(ies) identified?
_____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 CFR 200.516(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: $750,000

Auditee qualified as low-risk auditee? __X__Yes _____No

Schedule of Findings and Questioned Costs

Year ended December 31, 2015

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

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None