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

Chicago, Illinois

For the Year Ended December 31, 2008

Finance Department
JACQUELINE TORRES, Clerk/Director of Finance

Incorporated May 29, 1889

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I.
INTRODUCTORY SECTION

MWRDGC Board President Terrence J. O'Brien receives the Outstanding Public Official award from Water Environment Federation President, Adam Zabinski, at the opening ceremonies of WEFTEC '08 on October 19, 2008. The award is presented annually to only two individuals world-wide and is given in recognition of leadership and outstanding contributions to the protection and enhancement of the water environment.

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Metropolitan Water Reclamation District of Greater Chicago

Board of Commissioners and Principal Officers

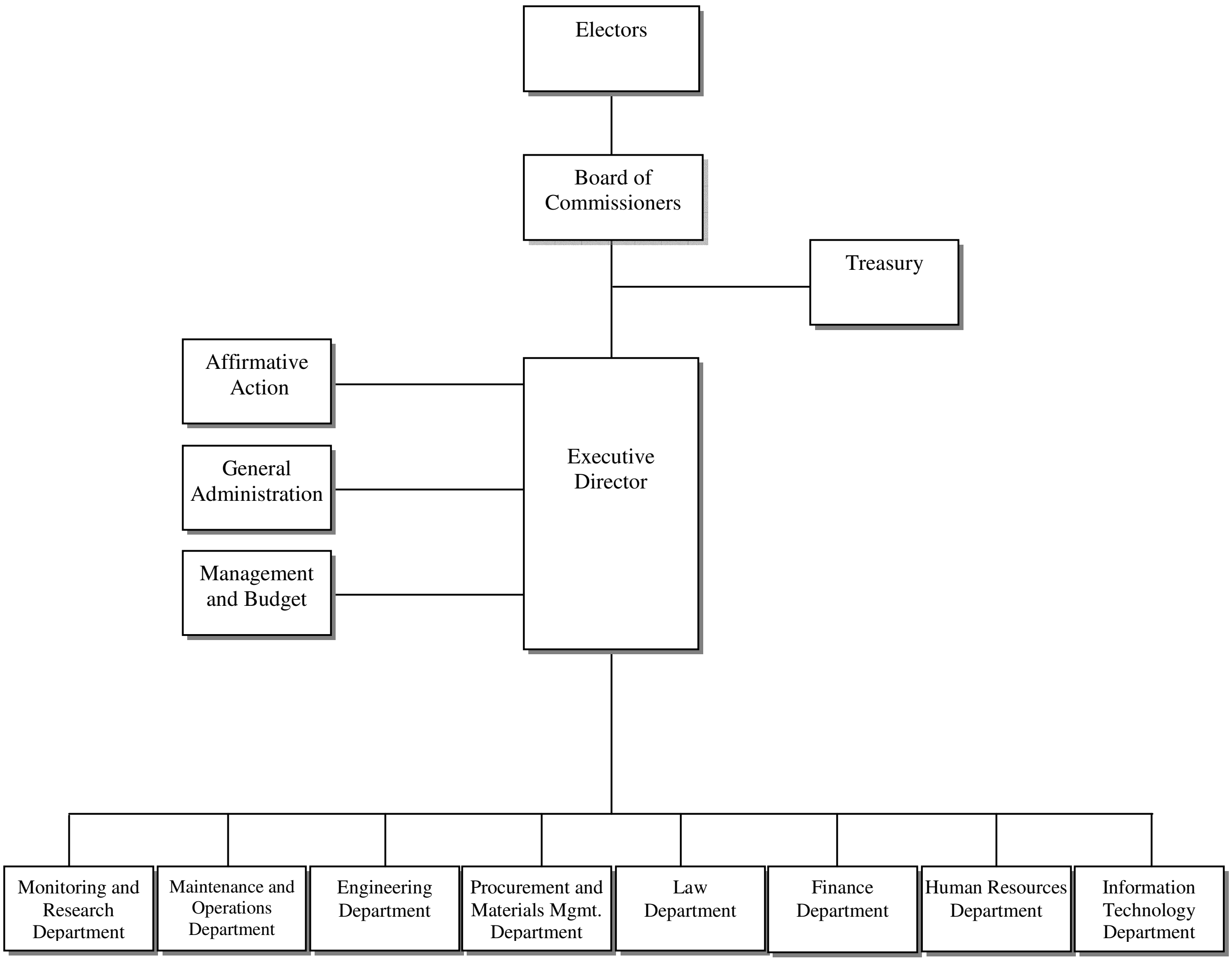
Board of Commissioners:
Honorable Terrence J. O'Brien, President
Honorable Kathleen Therese Meany, Vice President
Honorable Gloria Alitto Majewski, Chairman, Committee on Finance
Honorable Frank Avila
Honorable Patricia Horton
Honorable Barbara McGowan
Honorable Cynthia M. Santos
Honorable Debra Shore
Honorable Patricia Young

Principal Officers:
Richard Lanyon, Executive Director
Harold G. Downs, Treasurer
Frederick Feldman, General Counsel
Patrick J. Foley, Director of Human Resources
Osoth Jamjun, Director of Maintenance and Operations
Louis Kollias, Director of Monitoring and Research
Darlene A. LoCascio, Director of Procurement and Materials Management
Keith D. Smith, Director of Information Technology
Joseph P. Sobanski, Director of Engineering
Jacqueline Torres, Clerk/Director of Finance

Main Office
100 East Erie Street
Chicago, Illinois 60611

Metropolitan Water Reclamation District of Greater Chicago

Organization Chart



2,109 Budgeted
Positions in 2008

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago
100 East Erie Street Chicago, Illinois 60611-3154 f: 312.751.5670 312.751.5700

April 22, 2009

Terrence J. O'Brien
President
terrence.o'brien@mwrd.org

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

This letter transmits the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Water Reclamation District of Greater Chicago for the year ended December 31, 2008. I am honored and pleased to report that the District continued to serve the Greater Chicago Metropolitan Area with distinction and efficiency throughout 2008, its 119th year of operation.

The Triple Bottom Line approach captures an expanded spectrum of values and criteria for measuring organizational success: economic, environmental and social. A core value of this evaluation is the concept of *sustainability.* In 2008, full effort has been thrust toward the challenge, analysis, and implementation of minimizing the use of resources to their highest efficiency.

In our own environment, the District is responding to high energy costs and climate changes as we initiated a five-year energy conservation program with a goal of reducing energy usage and carbon emissions. The District continues development of the comprehensive Cook County Watershed Management Ordinance (WMO). The WMO will establish uniform, minimum stormwater management regulations throughout Cook County. It is anticipated that a draft version of the WMO will be distributed for public review in 2009.

The taxpayers of the District have reason to be proud of the people of the District on so many levels. Particularly in these economic times, the District yet sustains a Triple-A bond rating. The District, for the 33rd consecutive year respectively has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the fiscal year ending December 31, 2007. In addition, the District has been presented the Distinguished Budget Presentation Award for the 24th consecutive year by the GFOA for the fiscal year beginning January 1, 2008.

In its business affairs we have begun the implementation of our Information Technology Strategic Plan. This plan provides alignment between the District's business strategies and the information systems that support them. Construction work is well under way on several large projects identified under our Master Plan for the Calumet Water Reclamation Plant.

The Tunnel and Reservoir Plan (TARP) continued with the development of the reservoirs. The Thornton Composite Reservoir is on schedule with approximately 58.7 million tons of rock (77% of the total) having been mined as of July 2008. At the McCook Reservoir, overburden removal from both the Stage I and Stage II areas is substantially complete. The gyratory crusher and related conveyance facilities are operational and Vulcan is nearing completion of its first year of mining operations for the construction of the "rough hole" for the McCook Reservoir.

An eight year drive with the National Biosolids Partnership's (NBP) Environmental Management System (EMS) was successfully completed this year as the District became only the 22nd agency in the country to become certified for producing excellence in our biosolids program; not just the product and management but the District also received two separate awards from the 2008 USEPA and the National Association of Clean Water Agencies (NACWA) for public education.

In October 2008, the Board of Commissioners abated $56,213,000 of the 2007 tax levy resulting in a new adjusted 2007 Bond and Interest Funds tax levy of $135,730,343. Earlier in 2008, the District abated $7,100,000 of the same 2007 tax levy.

Every new year will bring forward new challenges; some we have never faced before and others of which we are well aware. In addition, 2009 brings the District into its 120th anniversary of service to the citizens of this region. I am confident and most proud that this Board of distinguished Commissioners, our leadership and 2,000 employees will sustain our record of vigilance to regularly exceed our goals.

Respectfully submitted,

Terrence J. O'Brien
President

Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards

1975-2007
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting/Comprehensive Annual Financial Report

1993-2007
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

1985-2008
Government Finance Officers Association of the United States and Canada
Award for Distinguished Budget Presentation

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

Individual Year Awards (partial listing)

2000
American Public Works Association
Reversal of the Chicago River, one of the "Top Ten Projects of the Century"

American Public Works Association, Chicago Metro Chapter
TARP Phase 1, "One of the Top Ten Projects of the Century"

American Society of Civil Engineers
District's Wastewater Treatment System "One of the Monuments of the Millennium"

Illinois Safety Council and Greater Chicago Safety Council
Outstanding Safety Performance in Maintaining a Safe and Healthy Working Environment for its Employees

The Mayor's Office for People with Disabilities
Best Practices Award to the District's Personnel Department

2001
National Environmental Achievement Award for Excellence in Research and Technology

Chicago Federation of Labor – AFL CIO
Michael J. Bruton Workplace Safety Award

2002
Chicago Women-In-Trade Council
Award for District's Women-In-Trade Program

Illinois Safety Council
2001 Transportation Award for Outstanding Safety Performance

2003
American Society of Civil Engineers
Outstanding Civil Engineering Award
Over 5 million Category, for the Thornton Transitional Reservoir

American Public Works Association
Environmental Project of the Year
Over 10 million Category, for the Thornton Transitional Reservoir

Individual Year Awards (continued)

Illinois Safety Council and Greater Chicago Safety Council
Health and Safety Award - District-Wide

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

United States Department of Defense
Certificate of Appreciation for Excellence in Public Procurement

United States Environmental Protection Agency
Certificate of Recognition as a Clean Water Partner for the 21st century

2004

Illinois Safety Council and Greater Chicago Safety Council
Outstanding Safety Performance Award

United States Environmental Protection Agency
National Second Place Clean Water Act Recognition Award, Kirie Water Reclamation Plant, for Outstanding Operations and Maintenance, Large-Advanced Plant

2005

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

National Purchasing Institute
Achievement of Excellence in Procurement

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

2006

National Institute of Government Purchasing
Outstanding Agency Accreditation Achievement Award

National Purchasing Institute
Achievement of Excellence in Procurement

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

2007

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

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

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewerage Agencies
NACWA Award for Full Compliance with National Pollutant Discharge Elimination System-Gold Award For the John Egan, James Kirie and North Water Reclamation Plants

2008

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

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, 2007

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

President

Executive Director

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312•751•5600

April 22, 2009

Jacqueline Torres
Clerk/Director of Finance

312-751-6500 FAX 312-751-5965 312-894-1104

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, 2008. The Statutes require that the Clerk/Director of Finance prepare and publish the financial statements and any other data necessary to reflect the true financial condition and operations of the Metropolitan Water Reclamation District of Greater Chicago, (the "District,") within six months of the close of each fiscal year.

The CAFR's basic financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). In accordance with Chapter 70, ILCS 2605/5.12, of the Illinois Compiled Statutes, the District's basic financial statements for the period ended December 31, 2008, have been subject to an audit by independent accountants. The unqualified opinion of McGladrey & Pullen, LLP, has been included in the Financial Section of this report.

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

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

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

MISSION STATEMENT

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

BACKGROUND

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

The District operates primarily within the boundaries of Cook County. Although the District exercises no direct control over wastewater collection and transmission systems maintained by cities, towns, and villages in Cook County, it does control municipal sewer construction by permits in suburban Cook County. Furthermore, the District provides the main sewer lines for the collection of wastewater from local sewer systems together with the treatment and disposal thereof. Combined sewage and stormwater runoff is stored, treated, and released using District facilities. The District owns and operates seven water reclamation plants (WRP) and 22 pumping stations that treat an average of 1.3 billion gallons of wastewater each day. The Central (Stickney) WRP is the largest plant in the world. The District controls approximately 76 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 and procedures. As one of the world's largest wastewater treatment, flood control, and stormwater management agencies, the MWRD commissioners direct the $1.4 billion taxpayer supported budget necessary to manage an economically efficient and environmentally sound operation. The District's 884 square mile service area accommodates an effective equivalent of ten million residential and industrial constituents. Candidates vying for a seat on the board of commissioners are elected countywide for six year terms. Every two years, one-third of the board is up for election.

REPORTING ENTITY

The District is governed by a nine-member Board of Commissioners, elected at large for six-year terms. The terms are staggered so that three Commissioners are elected every two years. The Executive Director, who is appointed by the Commissioners, manages and controls all District operations, and serves as the Chief Executive Officer. On January 6, 2009 Patricia Young resigned from her position as Commissioner.

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

MAJOR INITIATIVES

Intercepting Sewers

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

The expected construction cost over the next five years for the sewer program is $244 million. This money will primarily be used in the rehabilitation of deteriorated District interceptors.

Water Reclamation Plant (WRP) Expansions and Improvements

The District has a total secondary treatment capacity of approximately 2 billion gallons per day. To ensure that the District continues to provide high quality service in the future, master planning studies for the major treatment plants have been initiated. The Calumet, Central (Stickney), and North Side Master Plans 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 $1.1 billion in construction projects will be awarded.

Biosolids Management

The District collects biosolids from wastewater treatment. The effective dewatering and drying of these biosolids is a major District undertaking. As discussed in the Notes to Basic Financial Statements (Note 9), 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. Testing of the facility is expected to commence in 2009 and the facility is expected to be operational by the end of 2009. The projected cost over the next five years for the Biosolids Management program is $312 million.

Pollution Control Officer Ken Johnson directs students from the Newberry Academy at Erie Park and the Chicago River for field study testing of water quality in April, 2008. The District organized the event as part of World Water Monitoring Day, an international education and outreach program aimed towards increasing awareness of and protection for water resources.

A record breaking weather event caused the world's largest pumping station at Racine Avenue to lose power and ultimately flood in early August. Fourteen 22,000 pound pumps were dismantled, repaired, and reinstalled. Here, MWRD operators carefully transfer a giant stator to a flatbed truck on its way to be refurbished. Diligent and meticulous effort by staff resulted in a restored pump house within 14 days.

In an ultimate demonstration of public, private and intergovernmental co-operation, and as a key sponsor of creating a rain garden at Pulaski Park in Chicago, Commissioner Horton, President O'Brien, and Commissioners Shore and Young participate in the "hose cutting" ceremony along with representatives from the Center for Neighborhood Technology, Water Environment Federation Young Professionals, and the Chicago Park District. More than 750 gallons of rain water will feed the beautifully landscaped area instead of going into the sewer during a rain event, not to mention conserving our supply of drinking water.

MWRD carpenter Patrick Sullivan applies an adhesive sealant while building sewer model boxes in the Stickney carpenter shop in September, 2008. The boxes replicate primary and secondary treatment processes as a part of our sewer model to be used for education and display. They will be showcased at The Field Museum Water exhibit opening in June 2009.

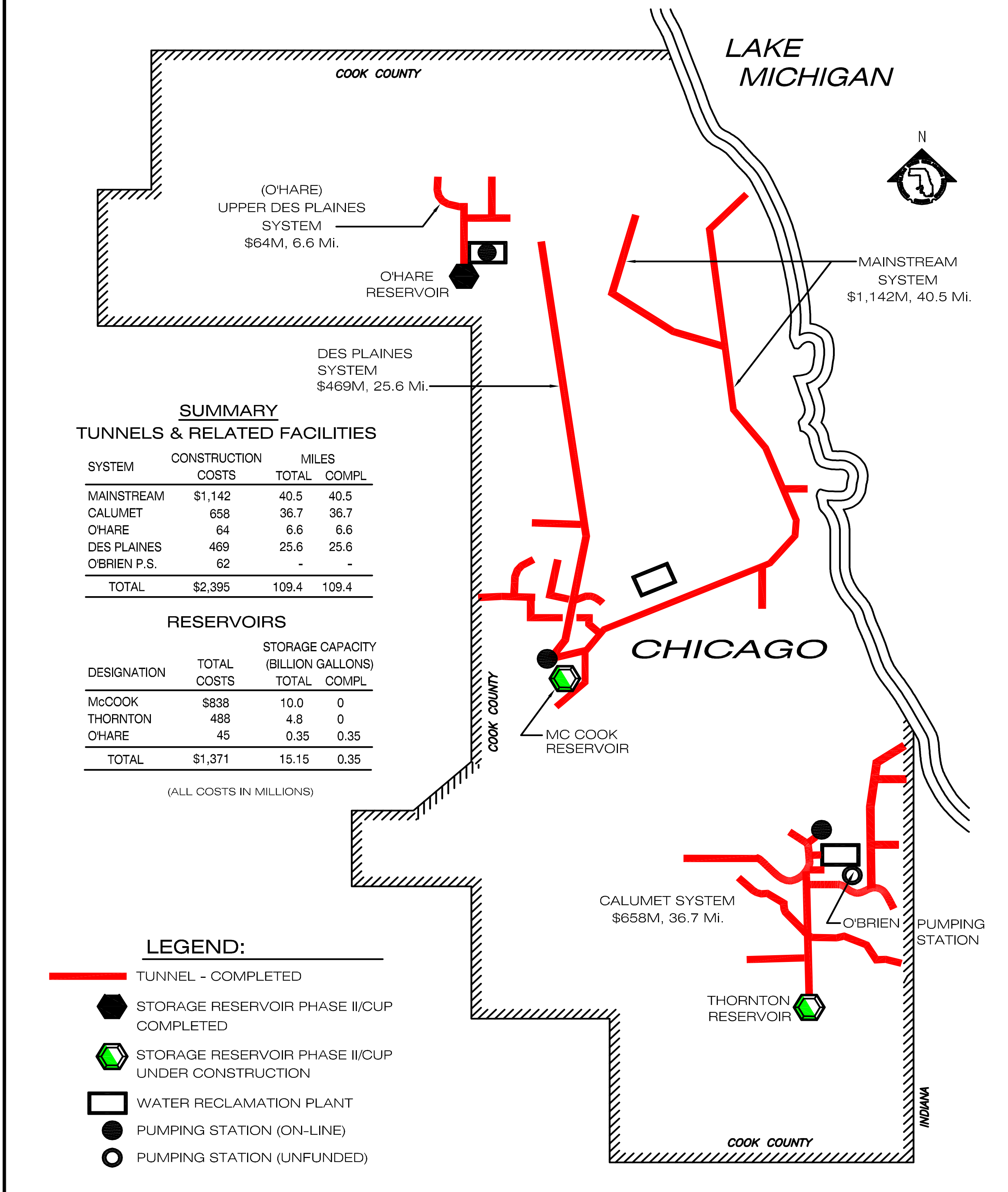
Tunnel and Reservoir Plan – Phase I

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 the Chicago rivers, including the quality of life for residents and visitors to the Chicagoland area. Marked visible improvement in water quality of local rivers has increased recreational use and tourism, and has spurred real estate development of riverside hotels, restaurants, promenades, marinas, and apartment buildings.

Tunnel and Reservoir Plan – Phase II

Phase II is the flood control segment of TARP and consists of three storage reservoirs to serve as outlets for combined sewer overflows (CSO's). The three reservoirs – O'Hare, 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 (PCA) 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 $1,371 million, with the Corps and the District providing approximately $835 million and $536 million, respectively. The O'Hare Reservoir, the smallest of the three, was completed in 1998 at a cost of $45 million. Engineering design and construction for McCook and Thornton reservoirs are currently underway.



SUMMARY

TUNNELS & RELATED FACILITIES

SYSTEM	CONSTRUCTION COSTS	MILES TOTAL	MILES COMPL
MAINSTREAM	$1,142	40.5	40.5
CALUMET	658	36.7	36.7
O'HARE	64	6.6	6.6
DES PLAINES	469	25.6	25.6
O'BRIEN P.S.	62	-	-
TOTAL	$2,395	109.4	109.4

RESERVOIRS

DESIGNATION	TOTAL COSTS	STORAGE CAPACITY (BILLION GALLONS) TOTAL	STORAGE CAPACITY (BILLION GALLONS) COMPL
McCOOK	$838	10.0	0
THORNTON	488	4.8	0
O'HARE	45	0.35	0.35
TOTAL	$1,371	15.15	0.35

(ALL COSTS IN MILLIONS)

TUNNEL AND RESERVOIR PLAN PROJECT STATUS

METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO
ENGINEERING DEPARTMENT

TARP & PROJECT SUPPORT MVL/KMF:JJK

Some construction contracts for the McCook Reservoir have been completed and others are currently in progress. The overburden removal for the McCook Reservoir has been substantially completed and mining began in March 2008. Mining of the North lobe of the Thornton Composite Reservoir began in 1998 and is on schedule to be completed in 2012. The Composite Reservoir will then be completed in 2014. The accompanying exhibit on page 17 shows the status and components of both phases of TARP.

Stormwater Management

The District began developing Detailed Watershed Plans (DWP's) in 2007. The DWP's will provide comprehensive evaluations of existing conditions and stormwater management in each of the watersheds in Cook County, and include recommendations as to the remedial measures that should be taken. In 2008, the District continued work on the DWP's for the Little Calumet River, Calumet-Sag Channel, Upper Salt Creek, Lower Des Plaines River, North Branch of the Chicago River, and Popular Creek watersheds. It is anticipated that the initial DWP's will be completed in 2009. The projects recommended in the DWP's will then be evaluated to determine the future capital improvement program for the Stormwater Management Fund. Prior to the completion of the DWP's, the District will look to fund projects that have been approved for funding by agencies such as the U.S. Army Corps of Engineers and the Illinois Department of Natural Resources/Office of Water Resources.

Replacement and Maintenance of Facilities

Many of the District's plants and interceptor sewers were placed in service over 50 years ago. In order to maintain continuous operations, the District has initiated a Master Plan to replace physically deteriorating facilities through rehabilitation, alteration or expansion. The cost for the Master Plan improvements is estimated to average $60 million per year over the course of the next five years. Costs for additional construction projects under the Master Plan is estimated at $267 million.

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

Means of Financing

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

BUDGET PROCESS

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

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 and Retirement Funds, 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 for the District has experienced a 7.78% average growth rate over the last ten years and the current equalized assessed valuation of $155,972,794,427 is 10.3% 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.

FINANCIAL POLICIES

The Board of Commissioners amended the following policies:

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, approximately $40 to $50 million. 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 of the Corporate Fund in the event of the typical and extraordinary delays in second installment real estate tax collections; and

- Reserve Claim Fund is to be kept at the maximum level permitted by statute, or 0.05% of the Equalized Assessed Valuation. This will be financed through tax levies. This level of funding will protect the District in the event of catastrophic failure of District operational infrastructure or other claims. As the District is primarily self-insured, adequate reserves are critical.

The District will appropriate funds from the unreserved/undesignated 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, 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.

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 Debt Service Funds and be used to abate property tax levies for other corporate needs. This practice will also limit the payment of arbitrage rebates.

Debt Service Funds Investment Income

Fund balances in the Debt Service Fund that might accumulate due to investment income will be identified and used to abate Debt Service property tax levies. This is being done to appropriately reduce property tax levies by the amount earned on invested balances above what is necessary to pay principal and interest due over the following 12 months, while still maintaining appropriate fund balances. This policy, and the subsequent tax abatements, will assist in compliance with the Board's overall tax levy policy (not to exceed a 5% increase over prior year, excluding the Stormwater Management Fund tax levy).

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 be used primarily for capital projects. Capital projects are generally in the CIBF; however, critically important capital projects in the Construction or Corporate Funds may be financed by transfers from this revenue source. Excess funds may be transferred to the Debt Service Funds to be used to abate property taxes, or may be used for other corporate needs as necessary.

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, 2007. This was the 33rd 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, 2008. 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 24 consecutive years.

ACKNOWLEDGMENTS

Preparation of this report reflects the combined efforts of the dedicated professional and support personnel of the Finance Department. Their expertise, enthusiasm, and unswerving focus on excellence are gratefully acknowledged. The Board of Commissioners and the general citizenry, in our opinion, may fully rely on the 2008 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

Jacqueline Torres
Clerk/Director of Finance

Matthew 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

April 22, 2009

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, that 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, 2008, in accordance with accounting principles generally accepted in the United States of America;

- The statements contain no untrue statement of material facts; and

- There are no omissions of material fact(s).

Terrence J. O'Brien
President

Richard Lanyon
Executive Director

Jacqueline Torres
Clerk/Director of Finance

Matthew Glavas
Comptroller

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II.
FINANCIAL SECTION

National Operations Challenge at WEFTEC '08 included the MWRD team shown here competing in the Safety Challenge; (L) Paul Wysocki, (C) Jim Kaminski, (R) Jim McNamara. In the hole, Rich Stubing's helmet is visible. The District team also including Ed Staudacher, Bob Jones, and Tom Ryan improved their standing up to 6th from 26th place previously by markedly cutting their 2007 timing of 11 minutes, 18 seconds to 4 minutes, 45 seconds in 2008.

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McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (District), as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the District's pension trust fund, which represents 87% of the total assets, and 45% of total revenues (contributions) of the aggregate remaining fund information of the District. 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 trust fund is based solely on the report of the other auditors. The District's financial statements include partial prior-year comparative information. Such information does not include notes to the basic financial statements which are required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2007, from which such partial information was derived.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Corporate Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information which includes management's discussion and analysis (pages 27– 42), the modified approach for eligible infrastructure (pages 88 – 92) and pension and OPEB related information (page 92) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical and Demographics sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Schaumburg, Illinois
April 22, 2009

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

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

2008 FINANCIAL HIGHLIGHTS

- The District ended the 2008 fiscal year with assets exceeding liabilities by $ 5,221,899,000. This amount represents the District's net assets and it includes $47,316,000 of unrestricted net assets which may be used to meet the District's future obligations.

- The District's total net assets decreased by $12,179,000 in 2008. This was a result of expenses exceeding revenues.

- The District's combined fund balances for its governmental funds at December 31, 2008 totaled $694,050,000, a decrease of $172,196,000 from the prior year, based on expenditures and other financing uses exceeding revenues and other financing sources.

- The District's total long-term liabilities decreased by $68,987,000 in 2008, primarily due to the retirement of general obligation bonds.

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 Assets 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. They do not include the Pension Trust or the OPEB Trust fiduciary funds, whose resources are not available to finance the District's operations.

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

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

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

The 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 Fiduciary Net Assets and Statements of Changes in Fiduciary Net Assets report the net assets available for future pension and OPEB benefits and the change in net assets, 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 Assets in a combined financial statement presentation (Exhibit A-1). Likewise, the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances are reconciled to the Statements of Activities in a combined financial statement presentation (Exhibit A-2).

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

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

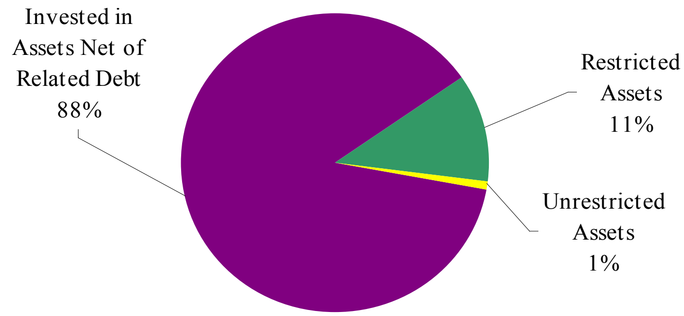
A condensed comparison of the Statements of Net Assets for December 31, 2008 and 2007, is presented in the following schedule (in thousands of dollars):

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 1,158,718	$ 1,291,852	$ (133,134)	(10.3)%
Capital assets	5,776,028	5,691,890	84,138	1.5
Total assets	6,934,746	6,983,742	(48,996)	(0.7)
Liabilities:				
Current liabilities	157,416	125,246	32,170	25.7
Long-term liabilities	1,555,431	1,624,418	(68,987)	(4.2)
Total liabilities	1,712,847	1,749,664	(36,817)	(2.1)
Net Assets:				
Invested in capital assets, net of related debt	4,575,974	4,580,604	(4,630)	(0.1)
Restricted	598,609	583,043	15,566	2.7
Unrestricted	47,316	70,431	(23,115)	(32.8)
Total net assets	$ 5,221,899	$ 5,234,078	$ (12,179)	(0.2)%

The previous schedule reports that the District's net assets totaled $5,221,899,000 at December 31, 2008, which represents the amount by which the District's assets exceed its liabilities. The largest portion of the net assets, $4,575,974,000 is made up of capital assets, net of related debt. This amount represents the cost of the District's capital assets used to provide services to taxpayers, net of the debt related to these assets. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets total $598,609,000 and represent resources that are subject to external or legal restrictions as to how they may be spent, such as federal grants or state loans, capital bond proceeds, or tax levies for working cash, and debt service. The remaining balance of net assets of $47,316,000 is unrestricted.

The chart on the right reports the percentage of net assets in the three categories as of December 31, 2008.

2008 Net Assets by Components



Investment in capital assets, net of related debt, decreased by $4,630,000 in 2008 as a result of the following:

- Capital assets increased by $84,138,000 in 2008 due to new construction.
- Bonded debt related to capital assets increased by $88,768,000 in 2008 due to a decrease in unspent bond proceeds.

The increase in restricted net assets of $15,566,000 resulted from the following:

- Net assets restricted for Debt Service increased by $8,697,000 due to increases to the levy.
- Net assets restricted for working cash increased by $7,591,000 due to increases to the levy.
- Net assets restricted for capital projects decreased by $5,244,000 as a result of expenditures exceeding revenues.
- Net assets restricted for reserve claims increased by $4,522,000 due to revenues exceeding expenditures.

The decrease in unrestricted net assets of $23,115,000 resulted from expenditures in excess of revenues in the Corporate accounts of the General Corporate Fund.

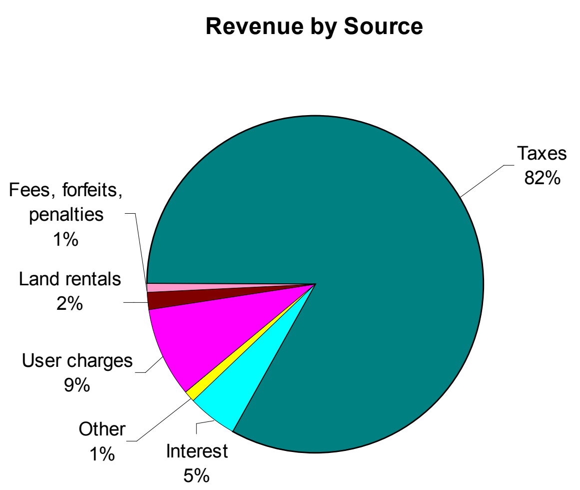
A comparison of the changes in net assets resulting from the District's operations for the years ended December 31, 2008 and 2007, is presented in the following schedule (in thousands of dollars):

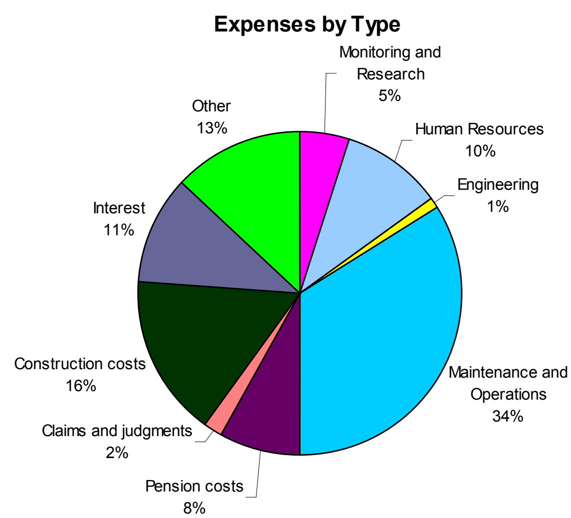
	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
General Revenues:				
Taxes	$ 474,939	$ 416,712	$ 58,227	14.0 %
Interest	27,112	48,750	(21,638)	(44.4)
Other	6,853	4,163	2,690	64.6
Program Revenues:				
User charges	49,439	54,612	(5,173)	(9.5)
Land rentals	9,572	9,243	329	3.6
Fees, forfeits, and penalties	4,357	3,383	974	28.8
Capital grants	896	253	643	254.2
Total revenues	573,168	537,116	36,052	6.7
Expenses				
Board of Commissioners	3,748	3,513	235	6.7
General Administration	18,438	16,875	1,563	9.3
Monitoring and Research	27,612	26,178	1,434	5.5
Procurement and Materials Management	5,398	6,631	(1,233)	(18.6)
Human Resources	61,465	61,878	(413)	(0.7)
Information Technology	20,767	16,475	4,292	26.1
Law	7,274	6,147	1,127	18.3
Finance	3,238	3,109	129	4.1
Engineering	8,144	4,483	3,661	81.7
Maintenance and Operations	196,612	179,938	16,674	9.3
Pension costs	45,343	49,891	(4,548)	(9.1)
OPEB Trust Fund costs	8,920	7,405	1,515	20.5
Claims and judgments	9,174	17,606	(8,432)	(47.9)
Construction costs	93,421	56,914	36,507	64.1
Loss on disposal of capital assets	750	273	477	174.7
Unallocated depreciation	9,224	9,216	8	0.1
Interest	65,819	64,584	1,235	1.9
Total expenses	585,347	531,116	54,231	10.2
Increase (decrease) in net assets	(12,179)	6,000	(18,179)	(303.0)
Total net assets, beginning of year	5,234,078	5,228,078	6,000	0.1
Total net assets, end of year	$ 5,221,899	$ 5,234,078	$ (12,179)	(0.2)%

- Total revenues increased by $36,052,000 in 2008 or 6.7% from the prior year. Property tax revenues increased by $61,635,000 as a result of an increase in the tax levy and higher collections of prior year taxes in 2008 than 2007. Personal property replacement taxes decreased by $3,408,000 as a result of decreased earnings by corporations in 2008. Interest on investments decreased by $21,638,000 in 2008 due to lower investment balances resulting from capital improvement expenditures and as well as from lower interest rates during the year. Other general revenues increased by $2,690,000 in 2008 due to an increase in collections of claims and judgments. Program revenues decreased by $3,227,000 as a result of a decrease in User Charge revenues of $5,173,000 which was offset by a increase in rental revenues of $329,000, and an increase in fees, forfeits, and penalties of $974,000. Capital grants and contributions increased by $643,000 as a result of federal grants received for disaster area flooding.

- Total expenses in 2008 were $585,347,000. This represents a $54,231,000, or 10.2%, increase from the previous year. Vehicle expenses are responsible for General Administration's increase of $1,563,000. The decrease in Human Resources' expenses of $413,000 is attributed to lower-than-anticipated health care costs. The Information Technology Department expenses were $4,292,000 higher because of an increase in computer and communication equipment purchases. Engineering expenses increased in 2008 by $3,661,000 because of a greater number of repair projects scheduled for WRP facilities over the prior year. The Maintenance and Operations Department's expenses increased by $16,674,000 in 2008, due mostly to the increased cost of natural gas and electricity and to upgrades to the control systems at the WRP facilities. The Monitoring and Research Department expenses were $1,434,000 higher due to increased monitoring of the District's waterways. The 2008 pension cost decrease of $4,548,000 is based on the actuarial pension cost calculation. The OPEB Trust Fund's expenses increased by $1,515,000 as a result of the increase in the actuarial cost calculation. Claims and judgment expenses in 2008 were $8,432,000 lower than 2007 because of a decrease in estimates for claims and contingent environmental liabilities. Construction expenses increased in 2008 by $36,507,000 as a result of new construction. Interest expense was higher by $1,235,000 due to accrued interest on bond anticipation notes. The increase in the loss on disposal of capital assets of $477,000 was due to the write-off of obsolete equipment. All other expenses increased by $266,000 in 2008.

The following percentage charts show the major sources of revenue and expenses for the year ended December 31, 2008:





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 difference between assets and liabilities in the governmental funds is fund balance, which is made up of reserved fund balance and unreserved fund balance. Reserved fund balance is not available for new discretionary spending, while the unreserved fund balance serves as a measure of a fund's net resources available for new spending at the end of the year. 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 2008, the District reports four major funds and two non-major funds. The four major governmental funds are the General Corporate Fund, the Construction Fund, the Capital Improvements Bond Fund, and the Debt Service Fund. The non-major governmental funds are the Special Revenue Retirement Fund and the Capital Projects Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of $694,050,000, a decrease of $172,196,000 or 19.9%, from 2007. The decrease is a result of expenditures exceeding revenues by $213,381,000 offset by net financing sources of $41,185,000. A total of $357,023,000, or 51.4%, of the fund balances represent unreserved and undesignated fund balances that are available for current spending in accordance with the purposes of the specific funds. The remainder of the fund balances of $337,027,000 is reserved for the Working Cash accounts.

General Corporate Fund. The General Corporate Fund is the principal operating fund of the District and it includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund's fund balance at the end of the current fiscal year totaled $229,417,000. The fund balance represented 64.7% of the General Corporate Fund expenditures, a good indication of the fund's liquidity. The total fund balance for the General Corporate Fund decreased by $5,093,000 in the current year as a result of expenditures exceeding revenues by $8,393,000, and a $3,300,000 net transfer out of accumulated interest income from the Capital Improvements Bond Fund. The Corporate Fund ended the year with an unreserved fund balance deficit of $42,703,000. The deficit unreserved fund balance of $42,703,000 is due to the requried working cash reservation as well as expenditures exceeding revenues.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2008 and 2007, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

	2008		2007			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Revenues:						
Property taxes	$ 234,857	67.8%	$ 207,566	64.2%	$ 27,291	13.1 %
Personal property replacement tax	34,862	10.1	35,032	10.8	(170)	(0.5)
Total tax revenue	269,719	77.9	242,598	75.0	27,121	11.2
Interest on investments	6,493	1.9	11,473	3.6	(4,980)	(43.4)
Land sales	6	0.0	28	0.0	(22)	(78.6)
Tax increment financing distributions	797	0.2	644	0.2	153	23.8
Claims and damage settlements	606	0.2	64	0.0	542	846.9
Miscellaneous	5,931	1.7	2,824	0.9	3,107	110.0
User charges	49,139	14.2	53,817	16.7	(4,678)	(8.7)
Land rentals	9,572	2.8	9,243	2.9	329	3.6
Fees, forfeits, and penalties	3,884	1.1	2,422	0.7	1,462	60.4
Total revenues	$ 346,147	100.0%	$ 323,113	100.0%	$ 23,034	7.1 %

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, and rental income. In 2008, General Corporate Fund revenues totaled $346,147,000, an increase of $23,034,000, or 7.1%, from the 2007 revenues of $323,113,000. Total tax revenues increased by $27,121,000, or 11.2%, to $269,719,000 for the year 2008, as a result of increases in property taxes of $27,291,000, or 13.1%, and a decrease in personal property replacement taxes of $170,000, or 0.5%. The increase in property taxes resulted from increased tax levies. The decrease in personal property replacement tax collection resulted from a downturn in the State's economy.

Interest earned on General Corporate Fund investments for 2008 decreased to $6,493,000 from $11,473,000 in 2007. The decrease can be attributed to the decrease in interest rates earned on investments in 2008. Revenues from user charges decreased by $4,678,000 in 2008 due to a downturn in the economy on the state and national levels. All other revenues, including miscellaneous revenue, increased by $5,571,000 in 2008.

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

General Corporate Fund
Comparative Expenditures Schedule

	2008		2007			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Expenditures:						
Employee cost	$ 206,818	58.3%	$ 200,803	60.4%	$ 6,015	3.0 %
Energy cost	47,848	13.5	42,910	12.9	4,938	11.5
Chemicals	6,753	1.9	5,605	1.7	1,148	20.5
Solids disposal	12,518	3.5	11,461	3.4	1,057	9.2
Repair to structures/equipment	27,758	7.8	24,776	7.5	2,982	12.0
Materials, parts & supplies	14,537	4.1	16,289	4.9	(1,752)	(10.8)
Machinery & equipment	8,788	2.5	4,144	1.2	4,644	112.1
Land	72	0.0	467	0	(395)	(84.6)
Claims and judgments	7,626	2.2	9,353	2.8	(1,727)	(18.5)
All other	21,822	6.2	16,503	5.0	5,319	32.2
Total expenditures	$ 354,540	100.0%	$ 332,311	100.0%	$ 22,229	6.7 %

In 2008, General Corporate Fund expenditures totaled $354,540,000, an overall increase of $22,229,000, or 6.7%, over 2007 expenditures. Employee and energy costs were the two largest expenditure components of the General Corporate Fund in 2008, accounting for 71.8% of total expenditures versus 73.3% in 2007.

Employee costs, which include salaries and wages, group life and health insurance, medicare contributions, and tuition and training, increased by $6,015,000, or 3.0%, from 2007. Salaries and wages during 2008 amounted to $148,509,000, which was $6,179,000, or 4.0%, higher than 2007. This change resulted from cost of living adjustments and annual step increases. The District's contribution for employee health insurance decreased by $762,000, or 1.0%, in 2008 to $53,776,000. The combination of all other employee related costs increased by $598,000.

Energy costs have increased by $4,938,000 in 2008, or 11.5%, due mainly to the higher cost of electricity and natural gas.

Repairs of structures and equipment increased by $2,982,000 in 2008, or 12.0%, due to the scheduling of more repair projects for District facilities.

Purchases of machinery and equipment were $4,644,000 higher in 2008 because of an increase in expenditures for vehicles, equipment in labs and process facilities, and computer software.

Expenditures for solids disposal were $1,057,000 higher in 2008 because of an increase in charges for waste material disposal. Lower demand for materials, parts, and supplies resulted in a decrease of $1,752,000 in 2008 expenditures.

Expenditures for all other categories increased by $4,345,000 in 2008 mainly as a result of an increase in consulting and contractual services.

Other Major Funds. The District's Debt Service Fund accounts for property tax revenues and interest earnings used for the payment of principal and interest on bonded debt. The Debt Service Fund's fund balance at the end of the current fiscal year totaled $101,053,000. The fund balance represented 56.4% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Bond Fund increased by $3,561,000 in the current year, which represents the amount revenues and transfers exceeded debt service costs. The decrease in the interest on bonds was primarily due to early redemption of callable bonds in 2008.

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

The fund balance of the Construction Fund at the end of the current fiscal year totaled $46,583,000 including a reservation for working cash of $27,005,000. The fund balance represented 389% of the total Construction Fund expenditures. The fund balance for the Construction Fund decreased by $3,919,000 due to an increase in construction costs in 2008.

The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled $270,521,000. This amount will provide resources for the 2009 construction program. The fund balance represented 163.3% of the fund's expenditures. The fund balance decrease of $161,668,000 in the current year was a result of expenditures exceeding revenues by $151,279,000. The Capital Improvements Bond Fund recorded other financing uses of $10,389,000, which is comprised of sources of $41,185,000 in state revolving fund loan proceeds and a $51,574,000 transfer out to the Debt Service Fund. Revenues decreased by $12,848,000 due to significantly lower investment income, while expenditures decreased by $11,448,000.

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 2008 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 2008 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 2008 General Corporate Fund budget is presented in the following schedule (in thousands of dollars):

	Budget		Actual	Actual Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property and personal property replacement taxes	$ 267,668	$ 267,668	$ 268,262	$ 594
Adjustment for working cash borrowing	(4,890)	(4,890)	(4,890)	-
Adjustment for estimated tax collections	-	-	5,154	5,154
Tax revenue available for current operations	262,778	262,778	268,526	5,748
User charges	48,000	48,000	54,142	6,142
Interest on investments	10,766	10,766	6,654	(4,112)
Land rentals	9,001	9,001	9,457	456
Other	6,224	6,224	10,917	4,693
Total revenues	336,769	336,769	349,696	12,927
Operating expenditures:				
Board of Commissioners	4,277	4,277	3,724	553
General Administration	29,205	29,705	21,594	8,111
Monitoring and Research	30,059	29,984	26,535	3,449
Procurement and Materials Management	9,808	9,808	8,719	1,089
Human Resources	64,434	64,434	61,379	3,055
Information Technology	21,883	21,783	19,250	2,533
Law	7,970	9,020	7,207	1,813
Finance	3,655	3,655	3,201	454
Engineering	16,027	14,652	6,697	7,955
Maintenance and Operations	209,869	209,869	194,457	15,412
Claims and judgments	55,500	55,500	7,627	47,873
Total expenditures	452,687	452,687	360,390	92,297
Revenues over (under) expenditures	(115,918)	(115,918)	(10,694)	105,224
Other financing sources (uses):				
Transfers	7,000	7,000	7,000	-
Revenue and other financing sources (uses) over (under) expenditures	(108,918)	(108,918)	(3,694)	105,224
Fund balance at beginning of year	148,497	148,497	158,777	10,280
Net assets available for future use	(39,579)	(39,579)	-	39,579
Fund balance at beginning of year as adjusted	108,918	108,918	158,777	49,859
Fund balance at end of the year	$ -	$ -	$ 155,083	$ 155,083

Actual revenues on a budgetary basis for 2008 in the General Corporate Fund totaled $349,696,000 or $12,927,000 more than budgeted revenues, a 3.8% variation. Property taxes and personal property replacement taxes were $5,748,000 more than the budget because of the adjustment for estimated tax collections over and above the working cash borrowings. User charge receipts were $6,142,000 more than the budget because of several large commercial users increasing their loadings and associated expenses. Interest on investments had a $4,112,000 negative variance over budget because of the collapse of major financial markets in the forth quarter of 2008. Land rentals increased by $456,000 due to new and updated lease terms. All other revenues had a $4,693,000 positive variance because of better-than-expected results for land sales, fines, and revenues from tax increment financing districts.

The 2008 General Corporate Fund final appropriation of $452,687,000 did not change from the original amount. Actual budgetary expenditures totaled $360,390,000, or 79.6%, of the total appropriation. The $92,297,000 excess of appropriations over actual expenditures was primarily due to claims and judgments being $47,873,000 less than appropriations. This is consistent with the Board of Commissioners' policy to accumulate sufficient reserves for payment of future claims without exposing the District to financial risk that could curtail normal operations. Expenditures for the Maintenance & Operations Department were $15,412,000 below appropriations, mainly because of variances for electricity, chemicals, waste disposal costs, repairs, and repair parts. The increase in the Human Resources budget was due mainly to funding OPEB. Budget versus actual variances of $7,955,000 for Engineering Department were due to the scheduling of projects for repairs to process facilities and buildings. Management controls placed on staffing and other appropriation accounts also contributed to the total variance.

CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2008, amounted to $5,776,028,000. Reportable capital assets, net of accumulated depreciation, for 2008 as compared to 2007 are as follows (in thousands of dollars):

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 127,043	$ 127,043	$ -	0.0 %
Buildings	8,650	8,835	(185)	(2.1)
Machinery and equipment	34,285	16,921	17,364	102.6
Depreciable infrastructure	1,697,988	1,705,172	(7,184)	(0.4)
Modified infrastructure	3,397,976	3,354,350	43,626	1.3
Construction in progress	510,086	479,569	30,517	6.4
Total	$ 5,776,028	$ 5,691,890	$ 84,138	1.5 %

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

- Modified infrastructure assets increased by $43,626,000 in 2008 as a result of completed infrastructure projects. Total capital asset additions exceeded retirements by $84,138,000 in 2008.

- Construction in progress increased by $30,517,000 from 2007 to 2008 due to the ongoing construction of infrastructure projects. Major projects such as the McCook Reservoir accounted for $17,000,000 in 2008, and on going work on the Calumet Isolation Chamber amounted to $29,000,000.

In addition to the above, commitments totaling $688,932,400 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 so that the District's bond rating is maintained at the highest level.

The Kirie, Hanover, Egan, Central (Stickney), North Side, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Kirie network had a additional condition assessments completed in 2005 and 2008, the Hanover network had a second condition assessment completed in 2006, and Egan and Northside had second assessments in 2007. Central (Stickney) and Waterways network had a second condition assessment completed in 2008 (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, 2008, totaled $ 1,555,431,000. The breakdown of this debt and changes from 2007 to 2008 are as follows (in thousands of dollars):

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	$ 1,429,273	$ 1,503,471	$ (74,198)	(4.9)%
Bond anticipation notes	64,894	63,131	1,763	2.8
Claims payable	30,813	29,265	1,548	5.3
Compensated absences	30,451	28,551	1,900	6.7
Total	$ 1,555,431	$ 1,624,418	$ (68,987)	(4.2)%

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

- Bonds payable, net, decreased by $74,198,000 in 2008 as a result of the conversion to bonds of $39,422,000 in bond anticipation note principal and interest, the reduction of bond principal of $112,577,000, and the amortization of $1,043,000 for issuance costs, premiums, and refunding transactions.
- Bond anticipation notes increased by $1,763,000 in 2008 as a result of the issuance of $31,501,000 in notes, the accrual of $9,684,000 in note receivables, and the conversion of $39,422,000 from bond anticipation notes to bonds.
- Claims payable increased due to increased environmental remediation liability.
- Compensated absences increased as a result of fewer retirement payouts.

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

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

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

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

The amount of the District's debt may not exceed 5.75% of the last published equalized assessed valuation of taxable real estate within the District, which was $155,972,794,427 for the 2007 property tax levy. At December 31, 2008, the District's statutory debt limit of $8,968,436,000 exceeded the applicable net debt amount of $1,489,034,000 by $7,479,402,000.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Starting in 2003, bonds may be issued during any budget year in an amount not to exceed $150 million ($100 million in prior years), plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. Bonds authorized and unissued from the budget years ended December 31, 2008 and 2007 are $600,000,000 and $400,000,000, respectively.

The District has non-referendum bonding authority until the year 2016. When the Property 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 1995, the Local Government Debt Reform Act was amended to allow governmental entities which already had non-referendum bonding authority to issue limited bonds. The amount which could be levied in any levy year to pay principal and interest on limited bonds was capped at $141,500,000, the amount of the debt service extension base for the 1994 levy year. 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, 2008, the District's outstanding capital improvement and refunding bonds (excluding bonds treated as outstanding State Revolving Fund bonds) of $1,029,775,000 did not exceed the limitation of $5,225,088,600.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2008, 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
1992	15	-	15
1997	16	-	16
2002	79	79	-
2006	537	140	397
2007	383	-	383
Total bonds outstanding at December 31, 2008	1,030	$ 219	$ 811
Remaining bond authorization at December 31, 2008	4,195		
Total bond authorization at December 31, 2008	$ 5,225		

The amount of non-referendum Corporate Working Cash Fund bonds, when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax. At December 31, 2008, the District's remaining Corporate Working Cash Fund bond authorization is $271,616,000.

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

ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT

The equalized assessed valuation of the District has experienced a 7.78% average growth rate over the last ten years. 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. The boundaries of the District encompass 91% of the area of Cook County. The District is located in one of the strongest and economically diverse geographical areas of Cook County. While the area's economy held up longer than other areas of the country, the recession is now significantly impacting the area. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division increased to a seasonally adjusted rate of 6.3% for 2008 from 4.9% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have all been negatively impacted. This trend is expected to continue through most, if not all, of 2009.

Corporate Fund. The Corporate Fund is the District's General Fund and includes appropriation requests for all the day-to-day operational costs anticipated for 2009. The total appropriation for the Corporate Fund in 2009 is $395.0 million, a decrease of $2.2 million, or .05 percent from 2008.

The 2009 tax levy for the Corporate Fund is $242.0 million, an increase of $2.7 million or 1.1 percent compared to 2008. It is the District's intent to maintain the fund balance, or net assets appropriable for the Corporate Fund in the $45 to $55 million range. This fund balance level balances the competing imperatives of minimizing the annual levy and providing for unexpected shortfalls in revenues. In order to draw down fund balance and achieve the intended level, $69.7 million of the 2008 ending fund balance projected at $90.6 million will be appropriated to fund 2009 expenditures.

Continuing through 2009 economically sensitive non-property tax revenues are expected to increase slightly based on declining 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 2009 is 15.52 cents. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to their sewage discharges, in excess of property taxes collected. The major categories of payers, chemical manufacturers, food processors, and government services, are generally expected to maintain their recent level of discharges.

Capital Program, Construction Fund, and Capital Improvements Bond Fund. The District's overall Capital Program includes 2009 project awards, land, support, future projects, and projects under construction, with a total cost of approximately $3.4 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, which cannot be removed without in some way impairing the facility or structure.

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

The District utilizes two funds for its Capital program, the Construction Fund and the Capital Improvements Bond Fund. The Construction Fund is utilized as a "pay as you go" capital rehabilitation and modernization program. Capital projects are financed by a tax levy sufficient to pay for project costs as they are constructed. As the District replaces, rehabilitates, and modernizes aged and less effective infrastructure, capital projects are assigned to the Corporate, Construction, or Capital Improvements Bond Fund based on the nature of the project, dollar magnitude, and useful life of the improvement. The Construction Fund is used for operations related projects, where the useful life of the improvement is less than 20 years or when the values are less than $1 million dollars.

The District's 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 available for 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 no 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. These changes allow the District to effectively utilize "limited bonds" as a source of financing.

Construction Fund. The Construction Fund appropriation for 2009 totals $35.6 million, an increase of $3.5 million from 2008. Five projects are budgeted for award in 2009, at a total contract cost of $10.2 million and requiring an appropriation of $5.8 million. The remaining $29.8 million appropriation is required for salaries, support, and projects under construction. In 2008, five new projects were appropriated for $17.2 million; and the appropriation for projects under construction, salaries, and support required $29.7 million.

Beginning in 2002, the budgeting of Engineering staff working on Capital projects was split between the Construction Fund and the Capital Improvements Bond Fund. For 2009, 45 positions are budgeted in the Construction Fund and 191 positions are budgeted in the Capital Improvements Bond Fund. Directly budgeting staff and personnel-related costs such as health care in the several funds avoids complicated interfund reimbursement procedures and accounting with no negative financial impact. The distribution of positions between the funds is re-evaluated annually to reflect current projects.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap limitation. 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. The 2009 tax levy for the Construction Fund of $11.4 million is a 100.0 percent increase from 2008, when there was no levy.

Capital Improvements Bond Fund. The 2009 appropriation for the Capital Improvements Bond Fund is $932.9 million, an increase of $189.5 million, or 25.5 percent from 2008. The appropriation is based on the scheduled award of $861.2 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2009 with estimated award values consist of two Tunnel and Reservoir Plan projects at $317.0 million, six plant expansion and improvement projects at $102.6 million; four solids management projects at $106.1 million; seven collection projects at $70.2 million and thirteen replacements of facilities projects at $265.3 million.

The increase in appropriation for the Capital Improvements Bond Fund of $189.5 million reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also carried forward from the prior year.

The remaining $71.7 million appropriation for this Fund will provide for salaries, studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative and exhibits detailing our entire Capital program is provided in the District's Budget document.

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

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

- 50 percent funded level target;
- 50 years to reach funding level;
- $10 million funding in each of the first 5 years beginning in 2007 from the Corporate Fund;
- An initial investment mixture of 50 percent equities and 50 percent bonds with a maximum limit of 65 percent equities that allows for investment growth.

The policy adopted by the District is cautious by design, and will provide ample opportunity for adjustment as experience is gained. Future direction may also be changed significantly by national health care policies and programs. The accumulated unfunded OPEB obligation was estimated at approximately $443 million for 2007 and 2008.

In 2006, the District proposed state legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 26, 2007. An initial contribution of $15 million was budgeted in 2007. Following establishment of the trust, additional funding of $10 million was placed in the OPEB trust for a total of $25 million. This additional funding was due to surpluses in the Personnel Department health insurance account and the deferral of projects and purchases in other departments. In 2008, an additional $22,000,000 was budgeted and transferred into the OPEB trust fund making the fund balance $47,797,000 as of December 31, 2008.

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

Energy. In April 2006, the District accepted a proposal and entered into a three-year open market agreement with Integrys Energy Services also known as Peoples Energy for supplying electricity beginning January 1, 2007 for the District's major facilities. A two-year extension of the agreement was signed with an expiration date of December 31, 2011. We are seeing an increase in overall rates for the electricity generation component of approximately 31 percent over existing rates, based on a mixture of daily and seasonally specific rates, plus an additional 5 percent for Com Ed's revised distribution tariffs. Revenue from the Lockport Powerhouse hydroelectric generation is estimated at $2.1 million in 2009.

Organized Labor. The District has six collective bargaining agreements that cover fifteen unions and include approximately 860 of the District's employees for purposes of determining wages and benefits. Three-year successor agreements were negotiated with all bargaining units in 2008 and will expire in 2011.

REQUESTS FOR ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

December 31, 2008 (with comparative amounts for prior year)

(in thousands of dollars)

	General Corporate Fund		Debt Service Fund		Capital Improvements Bond Fund	
	2008	2007	2008	2007	2008	2007
Assets						
Cash	$ 1,510	$ 326	$ 3,531	$ 341	$ 168	$ 100
Certificates of deposit (note 4)	142,674	10,187	55,755	-	133,391	141,154
Investments (note 4)	67,574	187,226	30,111	77,258	160,554	314,062
Taxes receivable, net (note 5)	237,713	231,208	134,097	137,832	-	-
Other receivables, net (note 5)	1,983	6,735	-	-	9,685	5,741
Due from other funds (note 12)	682	475	-	-	-	-
Inventories	38,067	35,787	-	-	-	-
Restricted cash	1,878	1,851	-	-	-	553
Capital assets not being depreciated (note 6)	-	-	-	-	-	-
Capital assets being depreciated, net (note 6)	-	-	-	-	-	-
Total assets	$ 492,081	$ 473,795	$ 223,494	$ 215,431	$ 303,798	$ 461,610
Liabilities, Fund Balances / Net assets						
Liabilities:						
Deferred tax revenue (note 5)	$ 216,839	$ 196,695	$ 122,441	$ 117,939	$ -	$ -
Other deferred/unearned revenue (note 5)	2,115	2,348	-	-	-	-
Accounts payable and other liabilities (note 5)	43,410	39,942	-	-	32,824	29,124
Due to Pension Trust Fund (note 12)	-	-	-	-	-	-
Due to other funds (note 12)	300	300	-	-	453	297
Accrued interest payable	-	-	-	-	-	-
Net OPEB obligation (note 8)	-	-	-	-	-	-
Net pension liability (note 7)	-	-	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	262,664	239,285	122,441	117,939	33,277	29,421
Fund balances/net assets						
Fund balances:						
Reserved for working cash	272,120	267,842	-	-	-	-
Unreserved (note 1.p):						
General corporate fund	(42,703)	(33,332)	-	-	-	-
Debt service fund	-	-	101,053	97,492	-	-
Capital projects funds	-	-	-	-	270,521	432,189
Total fund balances	229,417	234,510	101,053	97,492	270,521	432,189
Total liabilities and fund balances	$ 492,081	$ 473,795	$ 223,494	$ 215,431	$ 303,798	$ 461,610
Net assets:						
Invested in capital assets, net of related debt						
Restricted for corporate working cash						
Restricted for reserve claim						
Restricted for debt service						
Restricted for capital projects						
Restricted for construction working cash						
Restricted for stormwater working cash						
Unrestricted						
Total net assets						

See accompanying notes to the basic financial statements.

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2a)		Statements of Net Assets	
2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
$ 1,331	$ 17	$ 854	$ 11	$ 7,394	$ 795	$ -	$ -	$ 7,394	$ 795
23,476	15,161	24,176	26,879	379,472	193,381	-	-	379,472	193,381
24,445	36,110	21,852	24,443	304,536	639,099	-	-	304,536	639,099
-	4,999	43,893	33,871	415,703	407,910	-	-	415,703	407,910
-	-	-	-	11,668	12,476	-	-	11,668	12,476
302	300	-	-	984	775	(984)	(775)	-	-
-	-	-	-	38,067	35,787	-	-	38,067	35,787
-	-	-	-	1,878	2,404	-	-	1,878	2,404
-	-	-	-	-	-	4,035,105	3,960,962	4,035,105	3,960,962
-	-	-	-	-	-	1,740,923	1,730,928	1,740,923	1,730,928
$ 49,554	$ 56,587	$ 90,775	$ 85,204	$ 1,159,702	$ 1,292,627	$ 5,775,044	$ 5,691,115	$ 6,934,746	$ 6,983,742
$ (10)	$ 3,317	$ 36,119	$ 22,572	$ 375,389	$ 340,523	$ (375,389)	$ (340,523)	$ -	$ -
-	-	-	-	2,115	2,348	(17)	(23)	2,098	2,325
2,855	2,662	1,470	1,179	80,559	72,907	-	-	80,559	72,907
-	-	6,605	9,828	6,605	9,828	22,608	20,237	29,213	30,065
126	106	105	72	984	775	(984)	(775)	-	-
-	-	-	-	-	-	10,392	10,121	10,392	10,121
-	-	-	-	-	-	16,325	7,405	16,325	7,405
-	-	-	-	-	-	18,829	2,423	18,829	2,423
-	-	-	-	-	-	82,939	87,296	82,939	87,296
-	-	-	-	-	-	1,472,492	1,537,122	1,472,492	1,537,122
2,971	6,085	44,299	33,651	465,652	426,381	1,247,195	1,323,283	1,712,847	1,749,664
27,005	26,313	37,902	35,275	337,027	329,430	(337,027)	(329,430)		
-	-	-	-	(42,703)	(33,332)	42,703	33,332		
-	-	-	-	101,053	97,492	(101,053)	(97,492)		
19,578	24,189	8,574	16,278	298,673	472,656	(298,673)	(472,656)		
46,583	50,502	46,476	51,553	694,050	866,246	(694,050)	(866,246)		
$ 49,554	$ 56,587	$ 90,775	$ 85,204	$ 1,159,702	$ 1,292,627				
						4,575,974	4,580,604	4,575,974	4,580,604
						272,120	267,848	272,120	267,848
						35,817	31,295	35,817	31,295
						212,353	203,656	212,353	203,656
						13,412	18,656	13,412	18,656
						27,005	26,313	27,005	26,313
						37,902	35,275	37,902	35,275
						47,316	70,431	47,316	70,431
						$ 5,221,899	$ 5,234,078	$ 5,221,899	$ 5,234,078

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

Year ended December 31, 2008
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2008	General Corporate Fund 2007	Debt Service Fund 2008	Debt Service Fund 2007	Capital Improvements Bond Fund 2008	Capital Improvements Bond Fund 2007
Revenues						
General revenues:						
Property taxes	$ 234,857	$ 207,566	$ 131,086	$ 116,574	$ -	$ -
Personal property replacement tax	34,862	35,032	-	-	-	-
Interest on investments	6,493	11,473	3,147	5,266	14,322	27,214
Land sales	6	28	-	-	-	-
Tax increment financing distributions	797	644	-	-	-	-
Claims and damage settlements	606	64	-	-	-	-
Miscellaneous	5,170	2,824	222	229	44	-
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	49,139	53,817	-	-	-	-
Land rentals	9,572	9,243	-	-	-	-
Fees, forfeits and penalties	3,884	2,422	-	-	-	-
Capital grants and contributions:						
Federal grants	761	-	-	-	-	-
Total revenues	346,147	323,113	134,455	122,069	14,366	27,214
Expenditures/Expenses						
Operations:						
Board of Commissioners	3,721	3,496	-	-	-	-
General Administration	17,958	16,491	-	-	-	-
Monitoring and Research	27,146	25,892	-	-	-	-
Procurement and Materials Management	5,341	6,556	-	-	-	-
Human Resources	61,385	61,841	-	-	-	-
Information Technology	19,328	16,125	-	-	-	-
Law	7,211	6,121	-	-	-	-
Finance	3,205	3,093	-	-	-	-
Engineering	6,703	4,331	-	-	-	-
Maintenance and Operations	194,916	179,012	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	7,626	9,353	-	-	-	-
Construction costs	-	-	-	-	165,645	177,093
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds	-	-	112,577	90,466	-	-
Interest on bonds	-	-	66,591	68,148	-	-
Total expenditures/expenses	354,540	332,311	179,168	158,614	165,645	177,093
Revenues over (under) expenditures	(8,393)	(9,198)	(44,713)	(36,545)	(151,279)	(149,879)
Other financing sources (uses):						
Payment to escrow agent for refunded bonds	-	-	-	(437,621)	-	-
State revolving fund loans	-	-	-	-	41,185	47,104
Bond anticipation notes converted	-	-	-	-	39,422	9,234
Bond anticipation notes refunded	-	-	-	-	(39,422)	(9,234)
Refunding bonds issued	-	-	-	382,020	-	-
Premium on sale of bonds	-	-	-	53,098	-	-
Transfers	3,300	(1,270)	48,274	12,000	(51,574)	(8,000)
Total other financing sources (uses)	3,300	(1,270)	48,274	9,497	(10,389)	39,104
Revenues and other financing sources (uses) over (under) expenditures	(5,093)	(10,468)	3,561	(27,048)	(161,668)	(110,775)
Change in net assets	-	-	-	-	-	-
Fund balances/net assets:						
Beginning of the year	234,510	244,978	97,492	124,540	432,189	542,964
End of the year	$ 229,417	$ 234,510	$ 101,053	$ 97,492	$ 270,521	$ 432,189

See accompanying notes to the basic financial statements.

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2b)		Statements of Activities	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
$ 4,682	$ 15,409	$ 29,292	$ 37,208	$ 399,917	$ 376,757	$ 32,495	$ (5,980)	$ 432,412	$ 370,777
1,000	1,097	6,665	9,806	42,527	45,935	-	-	42,527	45,935
1,592	2,321	1,558	2,476	27,112	48,750	-	-	27,112	48,750
-	-	-	-	6	28	(6)	(28)	-	-
-	-	-	-	797	644	-	-	797	644
-	-	-	-	606	64	-	-	606	64
8	413	6	29	5,450	3,495	-	(61)	5,450	3,434
-	-	-	-	-	-	-	21	-	21
300	300	-	-	49,439	54,117	-	495	49,439	54,612
-	-	-	-	9,572	9,243	-	-	9,572	9,243
473	961	-	-	4,357	3,383	-	-	4,357	3,383
-	-	135	253	896	253	-	-	896	253
8,055	20,501	37,656	49,772	540,679	542,669	32,489	(5,553)	573,168	537,116
-	-	-	-	3,721	3,496	27	17	3,748	3,513
-	-	-	-	17,958	16,491	480	384	18,438	16,875
-	-	-	-	27,146	25,892	466	286	27,612	26,178
-	-	-	-	5,341	6,556	57	75	5,398	6,631
-	-	-	-	61,385	61,841	80	37	61,465	61,878
-	-	-	-	19,328	16,125	1,439	350	20,767	16,475
-	-	-	-	7,211	6,121	63	26	7,274	6,147
-	-	-	-	3,205	3,093	33	16	3,238	3,109
-	-	-	-	6,703	4,331	1,441	152	8,144	4,483
-	-	-	-	194,916	179,012	1,696	926	196,612	179,938
-	-	28,937	31,115	28,937	31,115	16,406	18,776	45,343	49,891
-	-	-	-	-	-	8,920	7,405	8,920	7,405
-	-	-	-	7,626	9,353	1,548	8,253	9,174	17,606
11,974	9,534	13,796	7,524	191,415	194,151	(97,994)	(137,237)	93,421	56,914
-	-	-	-	-	-	750	273	750	273
-	-	-	-	-	-	9,224	9,216	9,224	9,216
-	-	-	-	112,577	90,466	(112,577)	(90,466)	-	-
-	-	-	-	66,591	68,148	(772)	(3,564)	65,819	64,584
11,974	9,534	42,733	38,639	754,060	716,191	(168,713)	(185,075)	585,347	531,116
(3,919)	10,967	(5,077)	11,133	(213,381)	(173,522)	201,202	179,522		
-	-	-	-	-	(437,621)	-	437,621	-	-
-	-	-	-	41,185	47,104	(41,185)	(47,104)	-	-
-	-	-	-	39,422	9,234	(39,422)	(9,234)	-	-
-	-	-	-	(39,422)	(9,234)	39,422	9,234	-	-
-	-	-	-	-	382,020	-	(382,020)	-	-
-	-	-	-	-	53,098	-	(53,098)	-	-
-	(2,730)	-	-	-	-	-	-	-	-
-	(2,730)	-	-	41,185	44,601	(41,185)	(44,601)	-	-
(3,919)	8,237	(5,077)	11,133	(172,196)	(128,921)	172,196	128,921	-	-
-	-	-	-	-	-	(12,179)	6,000	(12,179)	6,000
50,502	42,265	51,553	40,420	866,246	995,167	-	-	5,234,078	5,228,078
$ 46,583	$ 50,502	$ 46,476	$ 51,553	$ 694,050	$ 866,246	$ -	$ -	$ 5,221,899	$ 5,234,078

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, 2008

(in thousands of dollars)

	Budget Original	Budget Final	Actual Amounts	Actual Variance With Final Budget - Positive (Negative)
Revenues:				
Property taxes:				
Gross levy	$ 239,262	$ 239,262	$ 239,262	$ -
Allowance for uncollectible taxes	(8,374)	(8,374)	(8,374)	-
Net property tax levy	230,888	230,888	230,888	-
Property tax collections	6,328	6,328	6,753	425
Personal property replacement tax:				
Entitlement	26,002	26,002	26,002	-
Collections	4,450	4,450	4,619	169
Total tax revenue	267,668	267,668	268,262	594
Adjustment for working cash borrowing	(4,890)	(4,890)	(4,890)	-
Adjustment for estimated tax collections	-	-	5,154	5,154
Tax revenue available for current operation	262,778	262,778	268,526	5,748
Interest on investments	10,766	10,766	6,654	(4,112)
Land sales	2	2	-	(2)
Tax increment financing distributions	925	925	858	(67)
Miscellaneous	3,090	3,090	8,552	5,462
User charges	48,000	48,000	54,142	6,142
Land rentals	9,001	9,001	9,457	456
Claims and damage settlements	5	5	606	601
Fees, forfeits and penalties	2,202	2,202	901	(1,301)
Total revenues	336,769	336,769	349,696	12,927
Expenditures:				
Board of Commissioners	4,277	4,277	3,724	553
General Administration	29,205	29,705	21,594	8,111
Monitoring and Research	30,059	29,984	26,535	3,449
Procurement and Materials Management	9,808	9,808	8,719	1,089
Human Resources	64,434	64,434	61,379	3,055
Information Technology	21,883	21,783	19,250	2,533
Law	7,970	9,020	7,207	1,813
Finance	3,655	3,655	3,201	454
Engineering	16,027	14,652	6,697	7,955
Maintenance and Operations	209,869	209,869	194,457	15,412
Claims and judgments	55,500	55,500	7,627	47,873
Total expenditures	452,687	452,687	360,390	92,297
Revenues over (under) expenditures	(115,918)	(115,918)	(10,694)	105,224
Other financing sources (uses)				
Transfers	7,000	7,000	7,000	-
Fund balances at beginning of year	148,497	148,497	158,777	10,280
Net assets available for future use	(39,579)	(39,579)	-	39,579
Fund balances at beginning of the year as adjusted	108,918	108,918	158,777	49,859
Fund balances at end of year	$ -	$ -	$ 155,083	$ 155,083

See accompanying notes to the basic financial statements.

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

December 31, 2008
(with comparative amounts for prior year)

(in thousands of dollars)

	2008	2007
Assets		
Cash	$ 131	$ 112
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of $3,991 in 2008; $5,554 in 2007)	31,314	30,067
Securities sold	2,798	7,391
Accrued interest and dividends	1,013	1,757
Accounts receivable	52	51
Total receivables	35,177	39,266
Investments at fair value		
U.S. Treasuries	11,212	27,888
U.S. Agencies	4,036	19,285
Corporate bonds and notes	6,567	34,590
Mortgage backed securities	14,787	34,375
Asset backed securities	1,794	8,275
Collateralized mortgage obligations	-	18,725
Pooled funds- fixed income	402,598	402,465
Pooled funds - equities	50,274	171,943
Common and preferred stocks	392,504	488,380
Short-term investments	14,487	14,517
Total investments	898,259	1,220,443
Securities lending capital	20,173	171,496
Total assets	$ 953,740	$ 1,431,317
Liabilities		
Accounts payable	$ 902	$ 713
Securities lending collateral	20,173	171,496
Securities purchased	6,071	2,015
Total liabilities	27,146	174,224
Net assets held in trust for pension and OPEB benefits	$ 926,594	$ 1,257,093

See accompanying notes to the basic financial statements.

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

Year ended December 31, 2008
(with comparative amounts for prior year)

(in thousands of dollars)

	2008	2007
Additions:		
Contributions:		
Employer contributions	$ 55,407	$ 52,947
Employee contributions	14,778	15,628
Total contributions	70,185	68,575
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(311,205)	51,318
Interest on fixed income investments	4,106	5,399
Interest on short-term investments	1,472	847
Dividend income	9,192	7,487
Total investment income (loss)	(296,435)	65,051
Less investment expenses	(2,507)	(2,563)
Investment income net of expenses	(298,942)	62,488
Security lending activities		
Security lending income	3,691	1,860
Borrower rebates	(2,913)	(1,655)
Bank fees	(195)	(51)
Net income from securities lending activities	583	154
Other	18	54
Total additions	(228,156)	131,271
Deductions:		
Annuities and benefits		
Employee annuitants	83,948	79,417
Surviving spouse annuitants	14,934	13,961
Child annuitants	123	126
Ordinary disability benefits	846	1,100
Duty disability benefits	218	242
Total annuities and benefits	100,069	94,846
Refunds of employee contributions	965	1,164
Administrative expenses	1,309	1,465
Total deductions	102,343	97,475
Net increase (decrease)	(330,499)	33,796
Net assets held in trust for pension and OPEB benefits		
Beginning of year	1,257,093	1,223,297
End of year	$ 926,594	$ 1,257,093

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the Basic Financial Statements

Year ended December 31, 2008

Index to Notes

Note **Page Number**

1. Summary of Significant Accounting Policies

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

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

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

The government-wide financial statements include the Statements of Net Assets and the Statements of Activities, and contain information for all the District's governmental activities but excludes 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 Assets 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 assets. 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 assets. Expenses are reported by department while revenues are segregated by program revenues and general revenues. Program revenues include charges for services (i.e., user charges, land rentals, fees, forfeitures, and penalties), and capital grants. General revenues include taxes, interest on investments, and all other revenues not classified as program revenues.

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

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

The District reports the following major governmental funds:

General Corporate Fund

Established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District for the sole purpose of 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 was established for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2008, are as follows (in thousands of dollars):

	Total General Corporate Fund	Reclass-ification	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Assets					
Cash	$ 1,510	$ -	$ 853	$ 555	$ 102
Certificates of deposit	142,674	-	102,050	19,501	21,123
Investments	67,574	-	28,644	64	38,866
Receivables:					
Property taxes receivable	272,835	-	264,949	117	7,769
Allowance for uncollectible taxes	(35,122)	-	(34,062)	(117)	(943)
Taxes receivable, net	237,713	-	230,887	-	6,826
User charges	1,242	-	1,242	-	-
Miscellaneous	741	-	741	-	-
Due from Capital Improvements Bond Fund	453	-	453	-	-
Due from Construction Fund	124	-	124	-	-
Due from Stormwater Management Fund	105	-	105	-	-
Due from Corporate Fund	-	-	(252,000)	252,000	-
Inventories	38,067	-	38,067	-	-
Restricted cash	1,878	-	1,878	-	-
Total assets	$ 492,081	$ -	$ 153,044	$ 272,120	$ 66,917
Liabilities and Fund Balances					
Liabilities:					
Deferred tax revenue	$ 216,839	$ -	$ 210,610	$ -	$ 6,229
Other deferred revenue	2,115	-	2,115	-	-
Accounts payable and other liabilities	43,410	-	42,374	-	1,036
Due to other funds	300	-	300	-	-
Total liabilities	262,664	-	255,399	-	7,265
Fund balances-reserved:					
Working cash	272,120	-	-	272,120	-
Fund balances-unreserved:					
Designated for payment of future claims (note 13)	-	(59,652)	-	-	59,652
Undesignated	(42,703)	59,652	(102,355)	-	-
Total fund balances	229,417	-	(102,355)	272,120	59,652
Total liabilities and fund balances	$ 492,081	$ -	$ 153,044	$ 272,120	$ 66,917

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, 2008, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Revenues:				
Property taxes	$ 234,857	$ 228,477	$ (30)	$ 6,410
Personal property replacement tax	34,862	25,988	4,255	4,619
Total tax revenue	269,719	254,465	4,225	11,029
Interest on investments	6,493	4,353	53	2,087
Land sales	6	6	-	-
Tax increment financing distributions	797	797	-	-
Claims and damage settlements	606	-	-	606
Miscellaneous	5,170	5,159	-	11
User charges	49,139	49,139	-	-
Land rentals	9,572	9,572	-	-
Fees, forfeits and penalties	3,884	3,884	-	-
Federal grants	761	761	-	-
Total revenues	346,147	328,136	4,278	13,733
Operations:				
Board of Commissioners	3,721	3,721	-	-
General Administration	17,958	17,958	-	-
Research and Development	27,146	27,146	-	-
Purchasing	5,341	5,341	-	-
Personnel	61,385	61,385	-	-
Information Technology	19,328	19,328	-	-
Law	7,211	7,211	-	-
Finance	3,205	3,205	-	-
Engineering	6,703	6,703	-	-
Maintenance and Operations	194,916	194,916	-	-
Claims and judgments	7,626	-	-	7,626
Total expenditures	354,540	346,914	-	7,626
Revenues over (under) expenditures	(8,393)	(18,778)	4,278	6,107
Other financing sources (uses):				
Transfer from the Debt Service Fund	3,300	3,300	-	-
Net Change in Fund Balance	(5,093)	(15,478)	4,278	6,107
Fund balance at the beginning of year	234,510	(86,877)	267,842	53,545
Fund balance at the end of year	$ 229,417	$ (102,355)	$ 272,120	$ 59,652

Debt Service Fund

A sinking fund established to account for annual property tax levies and certain other revenues, principally interest on investments, which are 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 to be used in connection with improvements, replacements, and additions to designated environmental improvement projects.

Construction Fund

A capital projects fund established to account for the annual property tax levy and certain other revenues to be used for the acquisition of capital assets used in the principal functions of the District. Included in this fund are accounts maintained by the District for the sole purpose of making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9c of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2008, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Assets			
Cash	$ 1,331	$ 113	$ 1,218
Certificates of deposit	23,476	7,009	16,467
Investments	24,445	15,125	9,320
Receivables:			
Interfund receivable - Corporate Fund	302	302	-
Total assets	$ 49,554	$ 22,549	$ 27,005
Liabilities and Fund Balances			
Liabilities:			
Deferred tax revenue	$ (10)	$ (10)	$ -
Accounts payable and other liabilities	2,855	2,855	-
Due to Corporate Fund	126	126	-
Total liabilities	2,971	2,971	-
Fund balances-reserved:			
Working cash	27,005	-	27,005
Fund balances-unreserved:			
Undesignated	19,578	19,578	-
Total fund balances	46,583	19,578	27,005
Total liabilities and fund balances	$ 49,554	$ 22,549	$ 27,005

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, 2008, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Revenues:			
Property taxes	$ 4,682	$ 4,682	$ -
Personal property replacement tax	1,000	1,000	-
Total tax revenue	5,682	5,682	-
Interest on investments	1,592	900	692
Miscellaneous	8	8	-
User charge	300	300	-
Fees, forfeits and penalties	473	473	-
Total revenues	8,055	7,363	692
Construction Costs:			
Personal services	8,446	8,446	-
Contractual services	391	391	-
Materials and supplies	116	116	-
Machinery and equipment	340	340	-
Capital projects	2,681	2,681	-
Total expenditures	11,974	11,974	-
Revenues over (under) expenditures	(3,919)	(4,611)	692
Net change in fund balance	(3,919)	(4,611)	692
Fund balance at the beginning of year	50,502	24,189	26,313
Fund balance at the end of year	$ 46,583	$ 19,578	$ 27,005

The District reports the following non-major governmental funds:

Retirement Fund

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

Stormwater Management Fund

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

The assets, liabilities, and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2008, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Assets			
Cash	$ 854	$ 251	$ 603
Certificates of deposit	24,176	12,686	11,490
Investments	21,852	10,443	11,409
Receivables:			
Property taxes receivable	15,767	15,767	-
Allowance for uncollectible taxes	(1,088)	(1,088)	-
Taxes receivable, net	14,679	14,679	-
Total assets	$ 61,561	$ 38,059	$ 23,502
Liabilities and Fund Balances			
Liabilities:			
Deferred tax revenue	$ 13,510	$ 13,510	$ -
Accounts payable and other liabilities	1,470	1,470	-
Due to Corporate Fund	105	105	-
Due to Stormwater Management Fund	-	14,400	(14,400)
Total liabilities	15,085	29,485	(14,400)
Fund balances-reserved:			
Working cash	37,902	-	37,902
Fund balances-unreserved:			
Undesignated	8,574	8,574	-
Total fund balances	46,476	8,574	37,902
Total liabilities and fund balances	$ 61,561	$ 38,059	$ 23,502

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, 2008, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Revenues:			
Property taxes	$ 5,048	$ 5,048	$ -
Personal property replacement tax	1,972	-	1,972
Total tax revenue	7,020	5,048	1,972
Interest on investments	1,558	903	655
Miscellaneous	6	6	-
Federal grants	135	135	-
Total revenues	8,719	6,092	2,627
Construction Costs:			
Personal services	9,898	9,898	-
Contractual services	2,516	2,516	-
Materials and supplies	56	56	-
Machinery and equipment	384	384	-
Capital projects	942	942	-
Total expenditures	13,796	13,796	-
Revenues over (under) expenditures	(5,077)	(7,704)	2,627
Net change in fund balance	(5,077)	(7,704)	2,627
Fund balance at the beginning of year	51,553	16,278	35,275
Fund balance at end of year	$ 46,476	$ 8,574	$ 37,902

In addition, the District reports the following fiduciary funds:

Pension Trust Fund

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

OPEB Trust Fund

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

c. Basis of Accounting and Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) All governmental funds have legally adopted budgets.

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

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

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

h. **Inventory**, consisting mainly of materials, supplies, and repair parts which extend the life of the District's treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-wide Statements of Net Assets. 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. The District has elected not to reserve a portion of the fund balance for inventory, since the full inventory is available for use (National Council on Governmental Accounting Statement 1.)

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

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

k. **Capital assets** including land (and land improvements), buildings, equipment, infrastructure, and construction in progress are recorded at historical cost or estimated historical cost in the government-wide financial statements. Retirements of capital assets are recorded at historical cost. 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

Depreciation 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

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 and 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. Pursuant to GASB 34, the District had until its 2006 fiscal year to complete the initial condition assessments of its networks and report existing assets in its government-wide financial statements. Condition assessments of eligible infrastructure assets must be completed at least every three years following the initial assessments. The WRPs at Kirie, Central (Stickney), Hanover, North Side, Egan, Calumet, Lemont, and the Waterways had their initial condition assessments completed between 2002 and 2006. Subsequent condition assessments were completed at Kirie WRP in 2005, Hanover WRP in 2006, and Egan and Northside WRPs in 2007. Subsequent condition assessments were performed in 2008 on Central (Stickney), Waterways, and Kirie in 2008. Currently, all the District's WRPs infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements.

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

l. **Compensated Absences** for accumulated unpaid vacation, holiday, overtime, severance, and sick leave are paid to employees at retirement or termination. An employee is paid one hundred percent of accumulated vacation, holiday, overtime, and severance pay, and fifty percent 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 Assets at December 31, 2008, are liabilities for compensated absences of $1,243,000, due within one year, and $29,208,000, due in more than one year.

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

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

n. **Fund Balances and Net Assets -** Reserves and designations are portions of the fund balance in the fund financial statements that are segregated for future use and are not available for appropriation or expenditure. Designations of unreserved fund balances in governmental funds indicate management's tentative plans for use of financial resources in a future period. See Note 13 for discussion of the fund balance designated for payment of future claims liabilities. Net Assets are displayed in three components in the government-wide Statements of Net Assets:

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

- Restricted - This consists of net assets that are legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net assets restricted for working cash are based on legal restrictions, while net assets restricted for debt service and capital projects are based on legal restrictions and/or outside parties. The government-wide statement of net assets reports $598,609,000 of restricted net assets, none of which is restricted by enabling legislation.

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

When both restricted and unrestricted resources are available for use, it is generally the District's practice to use restricted resources first, and then unrestricted resources when they are needed.

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

p. **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 reclassifications have been made to the prior period financial statements in order to conform to the current period presentation.

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

r. **New Accounting Pronouncements -** Issued in 2008, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The District is required to implement this Statement for the year ending December 31, 2010.

Issued in 2008, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The District is required to implement this Statement for the year ending December 31, 2010.

Issued in 2009, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The District is required to implement this Statement for the year ending December 31, 2011.

2. Reconciliation of Fund and Government-wide Financial Statements

a. Reconciliation of Total Fund Balances to the Total Net Assets - The following explanations are provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Assets at December 31, 2008 (in thousands of dollars):

Total fund balances of governmental funds	$ 694,050
Amounts reported for governmental activities in the Statements of Net Assets 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 Assets. The cost of capital assets and accumulated depreciation is as follows:	
Capital assets	5,944,659
Accumulated depreciation	(168,631)
Capital assets, net	5,776,028
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 Assets. The long-term liabilities consist of :	
Compensated absences	(30,451)
Claims and judgments	(30,813)
Bond anticipation notes	(64,894)
General obligation debt	(1,392,699)
Total long-term liabilities	(1,518,857)
Bond issuance costs are recorded as expenditures in governmental funds while bond premiums and discounts are recorded as other financing sources and uses, respectively. These items are deferred and amortized over the life of the bonds for the Statements of Net Assets. They consist of:	
Deferral of bond premium	(69,286)
Deferral of bond issuance costs and refunding transactions	32,712
Total deferrals	(36,574)
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 Assets. The 2008 amount is:	
Accrued interest	(10,392)
Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by deferred revenues (liabilities) in the governmental funds. However, these assets increase net assets in the Statements of Net Assets. They consist of:	
Property taxes and personal property replacement tax deferrals	375,389
Adjustment for pension trust fund	(22,608)
Installment sale	17
Adjustment to deferred revenues	352,798
Some liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, these liabilities are reported in the Statement of Net Assets. They consist of :	
Net pension liability	(18,829)
Net OPEB obligation	(16,325)
Adjustment to liabilities	(35,154)
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	984
Due to other funds	(984)
Total interfund	-
Total net assets of governmental activities	$ 5,221,899

b. Reconciliation of the Change in Fund Balances to the Change in Net Assets - 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, 2008 (in thousands of dollars):

Net change in fund balances of governmental funds	$ (172,196)
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	97,994
Depreciation expense-allocated to various departments	(3,882)
Depreciation expense-unallocated	(9,224)
Excess of construction and capital outlay costs over depreciation expense	84,888
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Assets. In the current period, debt proceeds and related items were:	
Bond anticipation notes issued	(41,185)
Debt proceeds total	(41,185)
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 Assets. In the current year, the repayments consists of :	
Bond principal retirement	112,577
Bond principal retirement total	112,577
Some expenses reported in the Statements of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Change in compensated absences-allocated to various departments	(1,900)
Change in claims and judgments	(1,548)
Change in bond interest	226
Bond anticipation notes accrued interest	(497)
Change in net pension asset/obligation	(16,406)
Amortization of bond issuance/refunding costs	(3,209)
Amortization of bond premium	4,252
Change in OPEB costs	(8,920)
Total additional expenses	(28,002)
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 Assets 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	(756)
Deferred tax revenues and certain other revenues that are earned but "unavailable" for the current period are not recognized in governmental funds. These revenues consist of:	
Property tax - net	32,495
Total adjustments	32,495
Change in net assets of governmental activities	$ (12,179)

3. Reconciliation of Budgetary Basis Accounting to GAAP Basis Accounting

In reporting to the public, 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. In order 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	$ (10,694)
Adjustment from Budget to GAAP for:	
Tax revenues	1,193
Transfers (to) from other funds	
Transfer from Capital Improvement Bond Fund to Corporate Fund	7,000
Transfer from Corporate Fund to Debt Service Fund	(3,700)
Cash basis other revenues	(4,742)
GAAP versus budgetary expenditure differences	5,850
Revenues and other sources (uses) over (under) expenditures on GAAP Basis	$ (5,093)

4. Deposits and Investments

Deposits

As of December 31, 2008, both the District and the Pension 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 and Prime Funds; and (8) money market mutual funds and certain other instruments. District policies require that repurchase agreements be collateralized only with direct U.S. Treasury securities that are maintained at a value of at least 102% of the investment amount (at market).

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December 31, 2008 (in thousands of dollars):

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1 Year	1- 3 Years
U.S. Agencies	$ 228,230	$ 163,290	$ 64,940
Commercial Paper	25,235	25,235	-
State Treasurer's Illinois Funds and Prime Funds	49,211	49,211	-
Treasury Bills	1,860	1,860	-
Total Investments	$ 304,536	$ 239,596	$ 64,940

The Illinois Funds and Prime 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.

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 three (3) 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 three (3) years from the date of purchase.

Credit Risk

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

Credit ratings for the District's investments in debt securities as described by Standard & Poor's and Moody's at December 31, 2008 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	Credit Ratings	% of Investment Type	% of Total Investments
U.S. Agencies	AAA/Aaa	100.0%	75%
Commercial Paper	A-1/P-1	91.5%	8%
Commercial Paper	A-3/P-2	8.5%	1%
State Treasurer's Illinois Funds and Prime Funds	AAAm	100.0%	16%

Concentration of Credit Risk

The District 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 2008 the market value of commercial paper represented 9% of the District's total investments. With the collapse of the commercial paper market, the District made the decision to liquidate the majority of its holdings as they matured. The commercial papers of three entities were held at year end; one entity representing two thirds of the total par value. All three investments matured at par value in January 2009. As of December 31, 2008, the following investments were greater than 5% of total investments:

Investment	Market Value
Federal National Mortgage Association	$ 67,344,405
Federal Home Loan Banks	64,612,152
Federal Home Loan Mortgage Corporation	94,501,667
	$ 226,458,224

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. All cash and certificates of deposit are adequately insured or collateralized at year end.

Trust Fund's Investments

The Pension Trust Fund is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; and other investment vehicles as set forth in the Illinois Compiled Statutes. Certain investments are held by a bank-administered trust fund.

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities (using the weighted average maturity method) for the Pension Trust Fund's investments at December 31, 2008, (in thousands of dollars):

Investment Type	Fair Value	Average Maturities (years)
Fixed Income:		
U.S. Treasuries	$ 11,212	6.9
U.S. Agencies	4,036	3.0
Corporate Bonds and Notes	6,557	12.6
Mortgage-Backed Securities	14,787	1.6
Asset-Backed Securities	1,794	0.8
Pooled Funds - Long Term investments	354,790	5.4
Pooled Funds - Short Term investments	14,487	0.1
Total Fixed Income	407,663	
Equities:		
Common and Preferred Stock	392,504	
Pooled Funds and Mutual Funds	50,274	
Securities lending collateral	20,173	
Total Equities	462,951	
Total Investments	$ 870,614	

Pooled fund and mutual fund maturities are generally under one year, based on the weighted-average maturities of the individual pools.

The OPEB Trust investments are part of the Illinois Funds Prime Fund. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, the price for which the investments could be sold.

The Trust is authorized under State Statute 70 ILCS 2605/9.6d to direct the investment of its assets in any manner, subject only to the prudent investor standard and any requirements of applicable federal law. The limitations of any statute affecting the investment allocation of District funds shall not apply to the OPEB Trust.

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities (using the segmented time distribution method) for the OPEB Trust Fund's investments at December 31, 2008, (in thousands of dollars):

		Investment Maturities (in Years)		
Investment Type	Fair Value	0 - 5 Years	6 - 10 Years	Greater than 10 Years
Fixed Income:				
Pooled Funds & Mutual Funds	$ 47,808	$ 47,808	$ -	$ -
Total Investments	$ 47,808	$ 47,808	$ -	$ -

Interest Rate Risk

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

The OPEB Trust Fund does not have a written investment policy. The Trust's investments in the Illinois Funds have a weighted average maturity of less than 30 days.

Credit Risk

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

The following reports the credit ratings for the Fund's debt securities at December 31, 2008, (in thousands of dollars); excluded are U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government which are classified under the headings U.S. Treasuries which are not considered to have credit risk:

Disclosure Ratings for Debt Securities (S&P/ Moody's)
(As a percentage of total fair value for debt securities)

Credit Rating	Investment Type	Fair Value	%
AAA	U.S. Agencies	$ 4,036	1.0
AAA	Mortgage-Backed Securities	14,787	3.7
AAA	Asset-Backed Securities	1,794	0.4
AAA/Aaa	Pooled Funds - Long Term investments	282,298	71.2
AA/Aa-/Aa	Pooled Funds - Long Term investments	15,773	4.0
A	Pooled Funds - Long Term investments	33,857	8.5
BAA/Baa	Pooled Funds - Long Term investments	22,827	5.8
below Baa/NR	Pooled Funds - Long Term investments	35	0.0
AAA	Pooled Funds - Short Term investments	14,487	3.7
BBB+	Corporate bonds and notes	6,557	1.7
		$ 396,451	100.0%

The OPEB Trust Fund does not have a written investment policy. As of December 31, 2008, the credit rating for the Illinois Funds Prime Fund was AAA by Standard & Poor's.

Disclosure Ratings for Debt Securities (Standard & Poor's)
(As a percentage of total fair value for debt securities)

	AAA
Pooled Funds and Mutual Funds	100.00%

Foreign Currency Risk

The Pension Trust Fund recognizes foreign currency risk as the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments are in equities and cash. The Plan does not maintain an investment policy relative to foreign currency risk. The Plan's exposure to foreign currency risk at December 31, 2008, was as follows:

Currency	Fair Value	%
Australian Dollar	1,627,307	4.6%
Belgium Euro	147,048	0.4%
Danish Krone	363,374	1.0%
Euro	12,513,663	35.6%
Hong Kong Dollar	1,424,516	4.1%
Japanese Yen	8,411,289	23.9%
Norwegian Krone	279,147	0.8%
Swedish Krona	521,139	1.5%
Swiss Franc	3,662,535	10.4%
British Pound Sterling	6,217,960	17.7%
Total	$ 35,167,978	

The OPEB does not hold any foreign currency and therefore does not have any foreign currency risk.

Securities Lending

The Pension Trust Fund (Fund) lends its equity securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, lends for collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and international securities for collateral worth at least 105%. Securities lent at year end (totaling $19,988,574 at fair value) were all collateralized with cash collateral. At year-end, the Fund has no credit risk exposure to borrowers because the exact amount the Fund owes to the borrowers exceeds the amounts the borrowers owe to the Fund. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan. All securities loans can be terminated on demand by either the 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 2 days. The lending agent's short-term investment pool is not rated.

The relationship between the maturities of the investment pool and the 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.

5. Receivables, Deferred Revenues and Payables

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

Receivables

Receivables as of December 31, 2008 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improvements Bond	Construction	Other Governmental /	Total Governmental /	Statement of Net Assets
Receivables at December 31, 2008:							
Property taxes:	$ 272,835	$ 156,612	$ -	$ 2,189	$ 44,524	$ 476,160	$ 476,160
Allowance for uncollectible taxes	(35,122)	(22,515)	-	(2,189)	(5,079)	(64,905)	(64,905)
Net property taxes	237,713	134,097	-	-	39,445	411,255	411,255
Personal property replacement tax	-	-	-	-	4,448	4,448	4,448
Total taxes receivable, net	237,713	134,097	-	-	43,893	415,703	415,703
Other receivables:							
User charges	1,242	-	-	-	-	1,242	1,242
State revolving fund loans	-	-	9,685	-	-	9,685	9,685
Miscellaneous	741	-	-	-	-	741	741
Total other receivables, net	1,983	-	9,685	-	-	11,668	11,668
Total net receivables, December 31, 2008	$ 239,696	$ 134,097	$ 9,685	$ -	$ 43,893	$ 427,371	$ 427,371

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

Deferred Revenues

Deferred tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. In addition, other deferred revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Assets for rental resources that have been received, but not earned. A summary of deferred revenue as of December 31, 2008 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Construction	Other Governmental /	Total Governmental /	Adjustments	Statement of Net Assets
Deferred revenue at December 31, 2008:							
Deferred tax revenue	$ 216,839	$ 122,441	$ (10)	$ 36,119	$ 375,389	$ (375,389)	$ -
Other deferred revenue:							
Rental income	2,115	-	-	-	2,115	6	2,121
Grant revenue	-	-	-	-	-	(23)	(23)
Total other deferred revenue	2,115	-	-	-	2,115	(17)	2,098
Total deferred revenue at December 31, 2008	$ 218,954	$ 122,441	$ (10)	$ 36,119	$ 377,504	$ (375,406)	$ 2,098

Payables

Payables reported as "Accounts payable and other liabilities" as of December 31, 2008 in the District's governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	General Corporate	Capital Improve-ments Bond	Construc-tion	Other Govern-mental /	Total Govern-mental /	Statement of Net Assets
Accounts payable and other liabilities at December 31, 2008:						
Vouchers payable and other liabilities	$ 34,439	$ 32,824	$ 2,855	$ 1,470	$ 71,588	$ 71,588
Accrued payroll and withholdings	5,936	-	-	-	5,936	5,936
Bid deposits	3,035	-	-	-	3,035	3,035
Total accounts payable and other liabilities as of December 31, 2008	$ 43,410	$ 32,824	$ 2,855	$ 1,470	$ 80,559	$ 80,559

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2008, are as follows (in thousands of dollars):

	Balances January 1, 2008	Additions	Retirements	Balances December 31, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 127,043	$ -	$ -	$ 127,043
Construction in progress	479,569	96,011	65,494	510,086
Infrastructure under modified approach	3,354,350	44,470	844	3,397,976
Total capital assets not being depreciated	3,960,962	140,481	66,338	4,035,105
Capital assets being depreciated:				
Buildings	13,226	-	-	13,226
Equipment	31,614	21,811	2,371	51,054
Infrastructure	1,843,234	2,040	-	1,845,274
Total capital assets being depreciated	1,888,074	23,851	2,371	1,909,554
Less accumulated depreciation:				
Buildings	4,391	185	-	4,576
Equipment	14,693	3,697	1,621	16,769
Infrastructure	138,062	9,224	-	147,286
Total accumulated depreciation	157,146	13,106	1,621	168,631
Total capital assets being depreciated, net	1,730,928	10,745	750	1,740,923
Governmental activities capital assets, net	$ 5,691,890	$ 151,226	$ 67,088	$ 5,776,028

Depreciation expense in the government-wide Statements of Activities, for the year ended December 31, 2008, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	$ 10
General Administration	361
Monitoring and Research	211
Procurement and Materials Management	7
Human Resources	16
Information Technology	1,354
Law	10
Finance	9
Engineering	1,151
Maintenance and Operations	753
Total allocated depreciation	3,882
Unallocated infrastructure depreciation	9,224
Total depreciation	$ 13,106

7. Pension Plan

Plan Description

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

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

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as additions in the period in which employee services are performed. Employer contributions 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. Administrative costs are not paid from any specific resource.

Annual Pension Cost and Net Pension Asset (Obligation)

The annual pension cost and net pension asset (obligation) of the Plan for the year ended December 31, 2008, were as follows:

Annual required contribution	$ 49,758,238
Interest on net pension obligation	187,783
Adjustment to annual required contribution	(133,301)
Annual pension cost	49,812,720
Contributions made	33,406,819
Increase in net pension obligation	16,405,901
Net pension obligation beginning of year	2,423,005
Net pension obligation end of year	$ 18,828,906

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

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the December 31, 2008, actuarial valuation, using the Entry Age Normal actuarial cost method and the Level Dollar amortization method. The actuarial assumption includes: (a) 7.75% per year rate of return on investments, net of investment expense, compounded annually; (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation as well as seniority and merit increases; (c) post-retirement benefit compound increases of 3.0% per year for employee and surviving spouse annuitants; and (d) 4.00% inflation rate. The actuarial value of assets was determined by using the five-year Smoothed Market method. The unfunded actuarial accrued liability is being amortized as a level percent of payroll on an open basis. The amortization period at December 31, 2008, was 30 years. A schedule of the progress in funding the Pension Trust Fund can be found in Required Supplementary Information immediately following the notes.

Trend Information

The annual pension cost, percentage of annual pension contributed and net pension asset (obligation) for the past three years ending December 31, 2008, are presented below:

	Employer Contributions		
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (Obligation)
12/31/2008	$ 49,812,720	67.06%	$ (18,828,906)
12/31/2007	46,722,753	59.81%	(2,423,005)
12/31/2006	46,725,756	73.78%	16,352,652

Funding Status of Plan

The funding status of the plan as of December 31, 2008, is presented below (in thousands of dollars):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/2008	$ 1,211,838	$ 1,852,280	$ 640,442	65.40%	$ 167,865	381.52%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial valueof plan assets is increasing or decreasing over time releative to the actuarial accrued liability for benefits.

8. OPEB - Other Post-Employment Benefits

Plan Description

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing of OPEB and the payment of benefits for the Metropolitan Water Reclamation District of Greater Chicago (District). Pursuant to Illinois Statute 70 ILCS 2605/9.6d, the District adopted the Metropolitan Water Reclamation District Retiree Health Care Plan (the "Plan") effective December 6, 2007. The purpose of the "Plan" is to provide postretirement medical and prescription drug coverage benefits to retirees as well as spouses and dependants of retirees that fulfill certain eligibility requirements. Retirees and annuitants receiving a pension through the Pension Trust Fund are eligible for District-sponsored health insurance. As of December 31, 2008, there are 1,964 active employees and 1,873 retirees and beneficiaries currently receiving health care coverage.

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

Basis of Accounting

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

Contributions

The District has not entered into any long-term contracts for contributions to the plan as of the date of this report. State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners discretionary authority to determine contribution amounts to be paid by the District. In accordance with the legislation, the Board of Commissioners has established an initial pre-funding policy for the OPEB liability that includes $15,000,000 funding in each of the first two years and $10,000,000 for the next three years beginning in 2008 from the Corporate Fund. Subsequent funding will be based on a percentage of payroll expenditure. In 2007, an initial contribution of $25,000,000 was placed in the OPEB trust. In 2008, $22,000,000 was contributed to the Trust.

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 25% of the premium and the District pays the remaining 75%. Each year, the Board approves an appropriation to fund retiree medical costs as part of the Personnel Department, General Corporate Fund budget. The amount of OPEB expenditure recognized during 2008 by the District was $35,819,281, which includes $22,000,000 for the funding of the Trust and $13,819,281 of 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, 2008.

Annual OPEB cost	$ 44,739,006
Contributions made	35,819,281
Increase in net OPEB obligation	8,919,725
Net OPEB obligation at 12/31/07	7,405,141
Net OPEB obligation at 12/31/08	$ 16,324,866

(*) The trust was established in 2007. The actuarial valuation performed on January 1, 2007, was the first valuation performed. As such, there is no interest on the NPO and there is no actuarial adjustment to the ARC.

Funding Status and Progress

The funding status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Acutarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01/01/2007	$ -	$ 442,682,586	$ (442,682,586)	0.00%	$ 154,900,000	(286%)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, compares whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The OPEB Trust Fund was established in 2007 and had no plan assets at the time of the actuarial evaluation. As a result, the trend information in the schedule of funding progress currently presents the most recent actuarial valuation.

The information included in this report is based on the actuarial valuation performed January 1, 2007. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is January 1, 2009. As such, all actuarial valuation information presented in this report is the same as that which was presented in the Comprehensive Annual Financial Report (CAFR) for the period ended December 31, 2007.

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

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

The annual required contribution for the current year was determined as part of the January 1, 2007, actuarial valuation using the Project Unit Credit actuarial cost method and the Closed Level Dollar amortization method. Additional assumptions are summarized in the following table:

Valuation date	January 1, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	30 Years
Asset valuation method	*
Investment rate of return	*
Discount rate	5.5% Compounded Annually
Health care cost trend rate	10% Initial, 5% Ultimate

*As of the date of the initial actuarial valuation, the Trust had no assets.

Trend Information

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2008 and 2007, are presented below:

Schedule of Employer Contributions

Period Ended	OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2008	$ 44,739,006	80.1%	$ 16,324,866
12/31/2007	44,739,006	83.4%	7,405,141

* The OPEB Trust was first established in 2007.

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of $10,745,900 at December 31, 2008. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $688,932,400 at December 31, 2008. State Revolving Fund Loan commitments of $69,928,600 at December 31, 2008, are also collectible as contract expenditures are incurred.

In December 2000, the Board of Commissioners authorized the District to enter into a long-term contract with a contractor to design, build, finance, own, operate, and maintain a 150 dry ton per day biosolids processing facility at the District's Central (Stickney) Water Reclamation Plant. The contractor shall obtain its own financing to design, build, and own the facility and the method of financing shall be determined by and be the sole responsibility of the contractor. Any loan or bonds used to finance the facility shall be non-recourse to the District and shall not use any of the District's bonding capacity to support the financing.

Construction of the project was substantially completed in 2007. Acceptance testing of the process is anticipated to begin in May 2009. Once completed and accepted for operation by the District, a 20-year operational contract will follow. The District will begin payment on the contract only after the facility is completed and accepted for operation.

The first payment is a facility fee estimated at $4.7 million annually for the first 19 years of operation. The facility will become the property of the District at the end of the contract. The second payment is a dollar per ton cost for the processing and disposal of biosolids. The first year's estimated cost is $7.1 million (based on 54,600 tons of biosolids). This cost is subject to annual adjustments based on the Consumer Price Index and the Producer Price Index.

The District 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. Payments are estimated at $258,866,476 for the full term of the contract. The District expects the facility fee will be paid from the Capital Improvements Bond Fund, while the processing and disposal costs will be paid from the General Corporate Fund. Under Illinois law this contract will constitute indebtedness includible within the District's 5.75% general debt limit once the facility is completed, but it will not be includible in the District's 3.35% non-referendum bonded debt limit.

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, 2008, the District owes an arbitrage rebate of $748,512. As such, the District has recorded a long-term liability for arbitrage in the financial statements.

10. Risk Management and Claims

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

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

Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its leased-out properties. The District has developed a preliminary estimate of environmental remediation costs for major lease sites. The range of such estimated costs at December 31, 2008, is between $14.5 million and $46.0 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 under way between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. As a result of the implementation of GASB Statement No. 49, it was determined that current estimated cost to be $30,250,000 with an estimated cost recoverable of $21,650,000 resulting in $11,600,000 being recognized at December 31, 2008, in the long-term liabilities of the government-wide financial statements. 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. The District estimated a liability of $3,041,000 in the government-wide financial statement at December 31, 2008, for its self-insured plans. This amount is based on claims incurred in prior periods. There was a $18,000 decrease in the estimate from 2007.

Additional insurance policies in effect at December 31, 2008, 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 four fiscal years.

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

Automobiles, Trucks, and Trailers	
Excess liability	$5,000,000
Deductible	$1,000,000
Public Employee Dishonesty	
Aggregate Limit	$6,000,000
Deductible	$100,000
Faithful Performance	
Aggregate Limit	$5,000,000
Deductible	$100,000
Public Employee Forgery or Alteration	
Each occurrence	$500,000
Deductible	$500
Marine Liability	
Excess liability	$10,000,000
Deductible	$10,000
Group Travel Accidental	
Accidental death benefits	$500,000
Dismemberment benefits	sliding scale
Aggregate limits	$5,000,000
Non-owned Aircraft Liability	
Each occurrence	$5,000,000

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):

	2008	2007
Claims Payable at January 1	$ 29,265	$ 21,012
Claims incurred	7,626	9,353
Changes in prior years' claims estimate	1,548	8,253
Claim payments	(7,626)	(9,353)
Claims Payable at December 31	$ 30,813	$ 29,265

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2008, (in thousands of dollars):

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due Within One Year
Governmental long-term liabilities:					
Bonds and notes payable:					
General obligation debt	$ 1,456,620	$ -	$ (112,577)	$ 1,344,043	$ 46,000
Converted bond anticipation notes	9,234	39,422	-	48,656	27,103
Total general obligation debt	1,465,854	39,422	(112,577)	1,392,699	73,103
Deferred amounts:					
Issuance costs	(1,313)	-	171	(1,142)	(171)
Premium	73,538	-	(4,252)	69,286	4,252
Refunding transactions	(34,608)	-	3,038	(31,570)	(3,038)
Bonds payable, net	1,503,471	39,422	(113,620)	1,429,273	74,146
Bond anticipation notes	63,131	41,185	(39,422)	64,894	-
Net bonds and notes payable	1,566,602	80,607	(153,042)	1,494,167	74,146
Other liabilities:					
Claims and judgments	29,265	9,174	(7,626)	30,813	7,550
Compensated absences	28,551	1,994	(94)	30,451	1,243
Total governmental long-term liabilities	$ 1,624,418	$ 91,775	$ (160,762)	$ 1,555,431	$ 82,939

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

As of December 31, 2008, the annual debt service requirements for general obligation bonds are shown below.

Bonds Payable Maturity Table

(in thousands of dollars)

Maturing	Capital Improvement Bond Series (3.0-5.375%) (Issued 12/02 to 07/06)	Refunding (4.00-6.05%) (Issued 08/92 to 03/07)	State Revolving Funds Series (2.5-3.745%) (Issued 12/91 to 03/07)	Total Principal	Total Interest
2009	$ 14,400	$ 31,600	$ 27,103	$ 73,103	$ 61,345
2010	29,730	-	27,828	57,558	57,992
2011	28,795	-	28,574	57,369	55,788
2012	28,880	-	28,262	57,142	53,620
2013	17,400	-	27,321	44,721	51,442
2014-2018	46,430	96,990	118,253	261,673	230,032
2019-2023	53,130	128,220	79,123	260,473	177,383
2024-2028	-	215,965	26,460	242,425	121,241
2029-2033	-	246,390	-	246,390	62,098
2034-2035	-	91,845	-	91,845	7,230
	$ 218,765	$ 811,010	$ 362,924	$ 1,392,699	$ 878,171

Expenditures for principal and interest made on January 1, 2009, approximated $13,461,800 and $4,755,000 respectively.

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

The District refunded the 2002 Series and 2006 Series to further reduce its total debt service payments and to eliminate the risk associated with variable rate debt and interest rate swaps while retaining the majority of the levy savings generated by the 2002 Series. The aggregate difference in debt service between the refunding debt and refunded debt was $36,297,824. The economic gain (difference between the present values of the debt service payments on the old and new debt) was $16,862,855.

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.

The variable rate bonds were redeemed on June 5, 2006 at the redemption price of par plus accrued interest to the redemption date. The District had previously entered into interest rate swap agreements with respect to the variable rate interest payable and subsequently terminated said agreements on June 5, 2006 with all termination payments included as a cost of refunding. The District deposited in trust with an escrow agent an amount sufficient to provide for the punctual payment when due (i) the redemption price of the refunded bonds, on the redemption date, (ii) the interest on the refunded bonds to the redemption date, and (iii) the termination payments due to the providers under the Swap Agreements.

The District refunded the 2002 Series to further reduce its total debt service payments and to eliminate the risk associated with variable rate debt and interest rate swaps while retaining the majority of the levy savings generated by the 2002 Series. The aggregate difference in debt service between the refunding debt and refunded debt was $19,874,760. The economic gain (difference between the present values of the debt service payments on the old and new debt) was $9,351,407.

In July 2006, the District issued $250,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series, with maturity dates from 2010 to 2033. The bonds were issued at a premium of $9,323,100. Interest accrues on the bonds at a rate of 5.0%, payable December 1 and June 1. $110,435,000 of these bonds were due to mature in the years 2027 to 2033 and were refunded in March 2007.

2002 Bond Issues

In December 2002, the District issued $64,000,000 of Fixed Rate General Obligation Capital Improvement Bonds, Unlimited Tax Series C, with maturity dates from 2013 to 2016. The bonds were issued at a premium of $5,896,955. Interest on the bonds accrues at a rate of 5.375%, payable June 1 and December 1. $57,900,000 of principal related to the bonds was refunded as part of the 2007 Unlimited Tax Series A Capital Refunding Bond issuance. Also in December 2002, the District issued $100,000,000 of Fixed Rate General Obligation Capital Improvement Bonds, Limited Tax Series D, with maturity dates from 2008 to 2013. The bonds were issued at a premium of $8,677,545. Interest on the bonds accrues at rates ranging from 3.00% to 5.375%, payable June 1 and December 1. The outstanding balances of Unlimited Tax Series C and Limited Tax Series D at December 31, 2008 were $6,100,000 and $73,100,000, respectively.

Capital Improvement Bonds, IEPA Series

In 2007, the District authorized the issuance of $160,000,000 of Capital Improvement Bonds, 2007 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The Illinois Environmental Protection Agency (IEPA) has approved partial funding of the costs through the State Water Pollution Control Revolving Fund (SRF). Under the terms of the SRF, the District will issue bond anticipation notes in the amount of interim project loan advances to pay project costs. When advances equal the loan amount (or the project has been completed) the District will refinance the bond anticipation notes, plus accrued interest thereon. Under this authority, the IEPA has subsequently approved the following loan amounts:

2008	$11,559,927

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

2007	$2,065,000
2006	$61,423,000
2005	$58,333,000

In 2001 the District authorized the issuance of $180,000,000 of Capital Improvement Bonds, 2001 IEPA series, to finance the ongoing environmental clean up associated with the Calumet TARP – Little Calumet Leg Tunnel project. The terms and conditions are similar to the 2004 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts:

2002	$57,000,000
2003	$58,000,000
2004	$57,200,000

In 1997 the District authorized the issuance of $190,000,000 of Capital Improvement Bonds, 1997 IEPA series, to finance the cost of the Calumet TARP – Torrence Avenue Tunnel. The terms and conditions are similar to the 2004 IEPA Series. Under this authority, the IEPA has approved the following approximate loan amounts:

1998	$49,400,000
1999	$10,000,000
2000	$35,500,000
2001	$22,800,000

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

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

The converted amount of $39,422,000 in 2008 represented the sum of bond anticipation note principal of $38,400,000 and interest of $1,022,000.

2008 Bond Issues and adjustments to existing issues under the IEPA 1997, 2001, 2004, and 2007 authority included:

- June 2008 – The District issued $5,095,000 of Capital Improvement Bonds – IEPA Series 01C, through the conversion of the sum of bond anticipation note principal of $4,896,000 and interest of $199,000 with maturity dates from January 1, 2009 to January 1, 2026. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- June 2008 – The District issued $8,023,000 of Capital Improvement Bonds – IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of $7,798,000 and interest of $225,000 with maturity dates from January 1, 2009 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July1.

- June 2008 – The District issued $20,678,000 of Capital Improvement Bonds – IEPA Series 04B, through the conversion of the sum of bond anticipation note principal of $20,125,000 and interest of $553,000 with maturity dates from January 1, 2009 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July1.

- June 2008 - The District issued $5,626,000 of Capital Improvement Bonds - IEPA Series 04E, through the conversion of the sum of bond anticipation note principal of $5,581,000 and interest of $45,000 with maturity dates from January 1, 2009 to January 1, 2028. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes was $66,987,038 at December 31, 2008. Of the bond anticipation notes outstanding at December 31, 2008, $1,396,300 will be refinanced through IEPA Series 2007 bonds. The remaining $65,590,738 will be refinanced through IEPA series 2004 bonds. The conversion of these bond anticipation notes to Capital Improvement Bonds is not expected to occur within the next calendar year; therefore, the notes will be reported as a part of long term-debt.

Total amounts conveted through the issuance of capital improvement bonds and still owing as of December 31, 2008, total approximately $363 million.

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 $593,095,000 were considered defeased at December 31, 2008.

Redemption Transactions

On December 1, 2008, the District redeemed $43,700,000 of General Obligation Refunding Bonds-Series of July 1997, at the redemption price of 102%. During July 1997, the District issued $116.33 million of General Obligation Refunding Bonds – Series of July 1997 with maturity dates ranging from December 1, 1997, to December 14, 2014, and interest rates ranging from 3.75% to 5.25%. The outstanding balance of General Obligation Refunding Bonds - Series of July 1997 at December 31, 2008 was $16,200,000.

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 Assets. 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, 2008 are as follows (in thousands of dollars):

	Interfund Receivables	Interfund Payables
General Corporate Fund	$ 682	$ 300
Capital Projects Funds:		
Capital Improvements Bond Fund	-	453
Construction Fund	302	126
Stormwater Management Fund	-	105
	$ 984	$ 984

In addition to the above, amounts were due from the Primary Government to the Pension Trust Fund at December 31, 2008 that represented earned but uncollected property taxes in the Retirement Fund and the government-wide Statements of Net Assets.

Transfers between funds as authorized in the budget are recorded as "other financing sources (uses)" in the fund operating statements. Transfers are eliminated in the government-wide Statements of Activities. During the year ended December 31, 2008, the Board of Commissioners authorized net transfers to the Corporate Fund of $3,300,000 ($7,000,000 to the Corporate Fund from the Capital Improvement Bond Fund and $3,700,000 from the Corporate Fund to the Debt Service Fund.) In addition, the Board authorized a transfer of $44,574,000 from the Capital Improvements Bond Fund to the Debt Service Fund. The purpose of the transfer of $44,574,000 to the Debt Service Fund is to fund the bond call of July 1997 bonds.

13. Designated Fund Balances

The Reserve Claim account division of the General Corporate Fund reports a fund balance designation for payment of future claims liabilities in the amount of $59,652,000 at December 31, 2008. This designation provides resources to meet potential claims liabilities without detrimental impact on future years' operating budgets.

14. Property Tax Extension Limitation Act

Effective March 1, 1995, the Property Tax Extension Limitation Act (PTELA) 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 the new 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 new Stormwater Management Fund levy cannot exceed .05% of the equalized assessed valuation as a result of statutory changes.

15. Operating Leases

The District leases land to governmental and commercial tenants for periods of up to 99 years. There were no contingent lease rentals for the period. The commercial leases are considered non-cancelable and the following is a summary of the minimum future rentals for these leases at December 31, 2008, (in thousands of dollars):

2009	$	6,441
2010		6,383
2011		6,274
2012		6,247
2013		6,240
Later Years		181,032

The cost of the land associated with the commercial leases is $8,424,000. The District does not lease any depreciable assets.

16. Subsequent Events

On January 22, 2009, the District authorized the issuance of $258,000,000 of Capital Improvement Bonds, 2009 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The Illinois Environmental Protection Agency (IEPA) has approved partial funding of the costs through the State Water Pollution Control Revolving Fund (SRF). Under the terms of the SRF, the District will issue bond anticipation notes in the amount of interim project loan advances to pay project costs. When advances equal the loan amount (or the project has been completed) the District will refinance the bond anticipation notes, plus accrued interest thereon.

Subsequent to the end of the District's fiscal year, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Pension Trust Fund's investments have likely incurred a decline in fair value since December 31,2008. In addition, certain non-readily marketable investments are significantly less liquid than they have been historically.

REQUIRED SUPPLEMENTARY INFORMATION (RSI) OTHER THAN MD&A

Modified Approach for Eligible Infrastructure Assets

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

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

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

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

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

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

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

Condition assessments of each network will continue at least every three years following the initial assessment. The Hanover WRP was re-assessed in 2006, the Northside and Egan plants were re-assessed in 2007, and Kirie, Central (Stickney), and Waterways were re-assessed in 2008.

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

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Condition Assessment Ratings					
Kirie WRP Network					
Initial Condition Assessment - 2002	3	3	2	NA	NA
Subsequent assessments					
2005	3	2	3	NA	NA
2008	3	3	3	NA	NA
Hanover WRP Network					
Initial Condition Assessment - 2003	2	2	2	NA	2
Subsequent assessments - 2006	3	2	2	NA	2
Egan WRP Network					
Initial Condition Assessment - 2004	2	2	2	NA	NA
Subsequent assessments - 2007	3	2	2	NA	NA
North Side WRP Network					
Initial Condition Assessment - 2004	3	3	3	NA	NA
Subsequent assessments - 2007	3	3	3	NA	NA
Central (Stickney) WRP Network					
Initial Condition Assessment - 2005	3	3	2	NA	2
Subsequent assessments - 2008	3	3	3	NA	2
Waterways WRP Network					
Initial Condition Assessment - 2005	NA	NA	NA	2	NA
Subsequent assessments - 2008	NA	NA	NA	2	NA
Calumet WRP Network					
Initial Condition Assessment - 2006	3	3	3	NA	3
Lemont WRP Network					
Initial Condition Assessment - 2006	2	3	2	NA	NA
Maintenance/Preservation Costs					
Kirie WRP Network					
Estimated 2008	$ 406,633	$ 8,782,250	$ 158,500	NA	NA
Actual 2008	531,475	4,413,531	545,837	NA	NA
Estimated 2007	$ 387,569	$ 6,957,162	$ 158,200	NA	NA
Actual 2007	623,569	3,611,678	47,587	NA	NA
Estimated 2006	$ 339,148	$ 7,354,372	$ 72,650	NA	NA
Actual 2006	313,452	3,579,654	43,089	NA	NA
Estimated 2005	$ 294,300	$ 3,779,522	$ 1,456,050	NA	NA
Actual 2005	319,306	2,524,861	1,080,823	NA	NA
Estimated 2004	$ 497,904	$ 2,542,711	$ 16,500	NA	NA
Actual 2004	630,803	1,902,280	13,269	NA	NA
Hanover WRP Network					
Estimated 2008	$ 133,069	$ 904,488	$ 326,827	NA	$ 79,447
Actual 2008	111,148	909,123	286,703	NA	68,470
Estimated 2007	$ 119,500	$ 851,062	$ 291,000	NA	$ 82,600
Actual 2007	147,885	750,227	275,058	NA	79,862
Estimated 2006	$ 161,550	$ 740,550	$ 177,350	NA	$ 96,525
Actual 2006	165,853	781,741	188,604	NA	97,414

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
Hanover WRP Network *(continued)*					
Estimated 2005	$ 130,450	$ 1,150,850	$ 154,550	NA	$ 40,925
Actual 2005	121,250	767,602	116,440	NA	46,520
Estimated 2004	$ 172,682	$ 1,346,374	$ 179,246	NA	$ 46,700
Actual 2004	176,831	1,106,536	154,638	NA	52,622
Egan WRP Network					
Estimated 2008	$ 448,270	$ 10,155,227	$ 882,962	$ 65,600	NA
Actual 2008	515,844	8,811,776	940,624	69,120	NA
Estimated 2007	$ 395,121	$ 7,084,810	$ 704,115	$ 55,200	NA
Actual 2007	499,403	7,271,168	813,324	159,168	NA
Estimated 2006	$ 587,466	$ 3,280,167	$ 713,447	$ 83,700	NA
Actual 2006	589,661	1,524,100	731,626	76,342	NA
Estimated 2005	$ 471,071	$ 2,022,631	$ 816,384	$ 71,900	NA
Actual 2005	470,620	2,035,112	673,924	48,386	NA
Estimated 2004	$ 1,103,505	$ 1,767,877	$ 473,487	$ 72,800	NA
Actual 2004	765,214	1,637,495	676,192	65,681	NA
North Side WRP Network					
Estimated 2008	$ 4,969,702	$ 7,469,780	$ 592,619	$ 393,700	NA
Actual 2008	4,664,926	7,583,178	661,543	308,518	NA
Estimated 2007	$ 5,646,911	$ 5,634,418	$ 600,944	$ 32,500	NA
Actual 2007	4,715,211	5,148,533	564,643	34,332	NA
Estimated 2006	$ 4,620,150	$ 4,837,668	$ 801,569	$ 35,415	NA
Actual 2006	4,144,520	4,559,225	835,542	20,655	NA
Estimated 2005	$ 4,208,167	$ 4,600,789	$ 793,796	$ 39,674	NA
Actual 2005	3,946,173	4,953,214	852,700	25,827	NA
Estimated 2004	$ 3,683,361	$ 4,898,752	$ 783,180	$ 27,600	NA
Actual 2004	3,618,074	4,627,969	881,502	27,358	NA
Central (Stickney) WRP Network					
Estimated 2008	$ 20,412,124	$ 17,058,681	$ 15,947,999	NA	$ 5,365,073
Actual 2008	14,528,403	15,329,846	16,639,862	NA	1,651,578
Estimated 2007	$ 17,171,976	$ 12,916,324	$ 8,075,458	NA	$ 6,414,560
Actual 2007	13,549,178	15,427,294	12,873,386	NA	7,350,596
Estimated 2006	$ 14,094,070	$ 16,606,449	$ 13,624,331	NA	$ 10,849,650
Actual 2006	11,725,879	14,280,229	12,097,382	NA	8,702,241
Estimated 2005	$ 14,369,199	$ 22,514,878	$ 14,566,168	NA	$ 16,002,887
Actual 2005	12,398,675	24,588,624	14,252,397	NA	13,612,168
Waterways WRP Network					
Estimated 2008	$ 1,800	NA	NA	$ 1,800,451	NA
Actual 2008	1,546	10,720	NA	1,315,055	NA
Estimated 2007	$ 80,000	NA	NA	$ 1,739,312	NA
Actual 2007	1,369	9,054	NA	1,534,846	NA
Estimated 2006	$ 118,060	$ 492,618	NA	$ 1,941,405	NA
Actual 2006	103,452	25,635	NA	1,527,290	NA

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
Waterways WRP Network (continued)					
Estimated 2005	NA	NA	NA	$ 3,322,428	NA
Actual 2005	NA	NA	NA	2,558,953	NA
Calumet WRP Network					
Estimated 2008	$ 6,980,720	$ 38,323,961	$ 3,099,557	$ 3,142,376	NA
Actual 2008	6,332,135	37,285,024	3,821,253	1,734,287	NA
Estimated 2007	$ 6,374,829	$ 40,832,405	$ 2,727,321	$ 1,709,048	NA
Actual 2007	5,878,452	31,105,454	6,265,556	1,058,458	NA
Estimated 2006	$ 6,071,807	$ 11,623,792	$ 5,992,113	$ 1,438,577	NA
Actual 2006	5.121,568	7,383,164	7,877,502	1,328,582	NA
Lemont WRP Network					
Estimated 2008	$ 47,000	$ 44,200	NA	NA	NA
Actual 2008	14,516	23,966	NA	NA	NA
Estimated 2007	$ 32,000	$ 35,900	NA	NA	NA
Actual 2007	22,706	28,056	NA	NA	NA
Estimated 2006	$ 30,900	$ 179,820	$ 10,720	NA	NA
Actual 2006	24,068	165,430	62	NA	NA

Progress in Funding the Pension Trust Fund

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

(in thousands of dollars)

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)
12/31/2008	$ 1,211,838	$ 1,852,280	$ 640,442	65.40%	$ 167,865	381.52%
12/31/2007	1,256,890	1,795,177	538,287	70.00%	158,832	338.90%
12/31/2006	1,209,604	1,724,705	515,101	70.10%	152,767	337.20%

Progress in Funding Other Post Employment Trust Funds

The following schedule presents the progress in funding the OPEB Trust Fund:

(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2007	$ -	$ 442,683	$ 442,683	0.00%	$ 154,900	285.79%

The trust was established in 2007. Actuarial valuations are required to be completed every two years.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

CAPITAL PROJECTS FUND

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

Exhibit B-1

Combining Balance Sheets - Nonmajor Governmental Funds

December 31, 2008
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2008	2007	2008	2007	2008	2007
Assets						
Cash	$ -	$ -	$ 854	$ 11	$ 854	$ 11
Certificates of deposit	-	-	24,176	26,879	24,176	26,879
Investments	-	-	21,852	24,443	21,852	24,443
Taxes receivable, net	29,214	30,066	14,679	3,805	43,893	33,871
Total assets	$ 29,214	$ 30,066	$ 61,561	$ 55,138	$ 90,775	$ 85,204
Liabilities and Fund Balances						
Liabilities:						
Deferred tax revenue	$ 22,609	$ 20,238	$ 13,510	$ 2,334	$ 36,119	$ 22,572
Accounts payable and other liabilities	-	-	1,470	1,179	1,470	1,179
Due to Pension Trust Fund	6,605	9,828	-	-	6,605	9,828
Due to other funds	-	-	105	72	105	72
Total liabilities	29,214	30,066	15,085	3,585	44,299	33,651
Fund balances:						
Reserved for working cash	-	-	37,902	35,275	37,902	35,275
Unreserved						
Undesignated	-	-	8,574	16,278	8,574	16,278
Total fund balances	-	-	46,476	51,553	46,476	51,553
Total liabilities and fund balances	$ 29,214	$ 30,066	$ 61,561	$ 55,138	$ 90,775	$ 85,204

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

Year ended December 31, 2008
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2008	2007	2008	2007	2008	2007
Revenues						
Revenues:						
Property taxes	$ 24,244	$ 23,391	$ 5,048	$ 13,817	$ 29,292	$ 37,208
Personal property replacement tax	4,693	7,724	1,972	2,082	6,665	9,806
Interest on investments	-	-	1,558	2,476	1,558	2,476
Government grants	-	-	-	253	-	253
Miscellaneous	-	-	6	29	6	29
Federal grants	-	-	135	-	135	-
Total revenues	28,937	31,115	8,719	18,657	37,656	49,772
Expenditures						
Current Operations:						
Pension costs	28,937	31,115	-	-	28,937	31,115
Construction costs	-	-	13,796	7,524	13,796	7,524
Total expenditures	28,937	31,115	13,796	7,524	42,733	38,639
Revenues over (under) expenditures	-	-	(5,077)	11,133	(5,077)	11,133
Fund balances						
Beginning of the year as restated	-	-	51,553	40,420	51,553	40,420
End of the year	$ -	$ -	$ 46,476	$ 51,553	$ 46,476	$ 51,553

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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, 2008

(in thousands of dollars)

Corporate Division	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Board of Commissioners:					
Personal services					
Salaries of regular employees	$ 3,286	$ -	$ 3,286	$ 2,908	$ 378
Compensation plan adjustments	68	25	93	90	3
Tuition and training payments	18	-	18	14	4
Payment for professional services	529	(90)	439	340	99
Personal services n.o.c.*	276	65	341	307	34
Total personal services	4,177	-	4,177	3,659	518
Contractual services					
Travel	10	-	10	6	4
Meals and lodging	19	(3)	16	12	4
Motor vehicle operating services	1	-	1	1	-
Subscriptions and membership dues	32	-	32	30	2
Contractual services n.o.c.	-	3	3	3	-
Computer software maintenance	1	-	1	-	1
Total contractual services	63	-	63	52	11
Materials and supplies					
Office, printing and photographic supplies	37	(1)	36	13	23
Books, maps, and charts	-	1	1	-	1
Total materials and supplies	37	-	37	13	24
Board of Commissioners total	4,277	-	4,277	3,724	553
General Administration:					
Personal Services					
Salaries of regular employees	10,598	(230)	10,368	10,242	126
Compensation plan adjustments	700	210	910	898	12
Tuition and training payments	84	-	84	41	43
Payment for professional services	811	(145)	666	449	217
Personal services n.o.c.	150	20	170	152	18
Total personal services	12,343	(145)	12,198	11,782	416
Contractual services					
Travel	24	(3)	21	10	11
Meals and lodging	52	(5)	47	40	7
Postage, freight, and delivery charges	211	25	236	233	3
Compensation for personally owned autos	20	12	32	29	3

(continued)

**n.o.c. = not otherwise classified*

(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)
General Administration (continued):					
Motor vehicle operating expeditures	$ 183	$ -	$ 183	$ 182	$ 1
Reprographic services	124	-	124	67	57
Electrical energy	470	55	525	525	-
Natural gas	61	-	61	50	11
Water and water services	3	1	4	3	1
Communications services	5	-	5	2	3
Subscriptions and membership dues	441	-	441	402	39
Rental charges	36	10	46	19	27
Administration building operation	783	-	783	753	30
Administrative building operation annex	670	15	685	554	131
Contractual services n.o.c.	220	65	285	244	41
Waste material disposal charges	98	-	98	68	30
Repairs to buildings	427	(131)	296	96	200
Safety repairs and services	401	(25)	376	155	221
Repairs to office furniture and equipment	234	-	234	167	67
Computer software maintenance	24	-	24	3	21
Repairs to vehicle equipment	483	26	509	468	41
Repairs n.o.c.	6	-	6	1	5
Total contractual services	4,976	45	5,021	4,071	950
Materials and supplies					
Electrical parts and supplies	12	-	12	11	1
Plumbing accessories and supplies	4	13	17	17	-
Hardware	12	4	16	7	9
Buildings, grounds, paving materials, and supplies	2	2	4	2	2
Mechanical and repair parts	215	(2)	213	165	48
Wearing apparel	48	-	48	32	16
Books, maps, and charts	40	-	40	32	8
Safety and medical supplies	237	(12)	225	110	115
Computer software	254	(233)	21	10	11
Computer supplies	129	(72)	57	24	33
Materials and supplies n.o.c.	113	-	113	100	13
Total materials and supplies	1,066	(300)	766	510	256
Machinery and equipment					
Office furniture and equipment	400	-	400	333	67
Computer Software	35	-	35	35	-
Vehicle equipment	900	900	1,800	1,163	637

(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, 2008

(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)
General Administration (continued):					
Machinery and equipment n.o.c.	$ 10	$ -	$ 10	$ -	$ 10
Total machinery and equipment	1,345	900	2,245	1,531	714
Fixed and other charges					
Transfer	9,475	-	9,475	3,700	5,775
Total fixed and other charges	9,475	-	9,475	3,700	5,775
General Administration total	29,205	500	29,705	21,594	8,111
Monitoring and Research:					
Personal services					
Salaries of regular employees	22,867	-	22,867	22,404	463
Compensation plan adjustments	779	-	779	711	68
Salaries of non-budgeted employees	10	-	10	-	10
Tuition and training payments	115	10	125	67	58
Payment for professional services	1,562	(85)	1,477	525	952
Personal services n.o.c.	252	-	252	232	20
Total personal services	25,585	(75)	25,510	23,939	1,571
Contractual services					
Travel	28	-	28	17	11
Meals and lodging	92	-	92	67	25
Postage, freight, and delivery charges	19	-	19	10	9
Compensation for personally owned autos	33	24	57	52	5
Motor vehicle operating services	4	-	4	2	2
Reprographic services	5	-	5	2	3
Water and water services	9	-	9	4	5
Communication services	2	-	2	-	2
Rental charges	47	-	47	21	26
Governmental services charges	147	-	147	64	83
Contractual services n.o.c.	881	(10)	871	551	320
Repairs to marine equipment	97	61	158	52	106
Computer software maintenance	214	(70)	144	92	52
Communication equipment maintenance	5	(5)	-	-	-
Repairs to testing and laboratory equipment	598	-	598	428	170
Repairs n.o.c.	9	-	9	2	7
Total contractual services	2,190	-	2,190	1,364	826

(continued)

(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)**
Monitoring and Research (continued):					
Materials and supplies					
Office, printing, and photographic supplies	$ 58	$ -	$ 58	$ 45	$ 13
Farming supplies	11	-	11	10	1
Laboratory testing supplies and small equipment	701	(107)	594	453	141
Wearing apparel	34	-	34	24	10
Books, maps, and charts	5	-	5	-	5
Safety and medical supplies	-	1	1	-	1
Computer software	5	-	5	-	5
Computer supplies	18	-	18	3	15
Fuel	58	(1)	57	34	23
Communications supplies	5	-	5	-	5
Materials and supplies n.o.c.	134	107	241	174	67
Total materials and supplies	1,029	-	1,029	743	286
Machinery and equipment					
Marine equipment	1,235	-	1,235	482	753
Testing and laboratory equipment	20	-	20	7	13
Total machinery and equipment	1,255	-	1,255	489	766
Monitoring and Research total	30,059	(75)	29,984	26,535	3,449
Procurement and Materials Management:					
Personal services					
Salaries of regular employees	5,009	-	5,009	4,738	271
Compensation plan adjustments	208	-	208	90	118
Tuition and training payments	20	-	20	4	16
Payments for professional services	75	-	75	-	75
Personal services n.o.c.	59	-	59	49	10
Total personal services	5,371	-	5,371	4,881	490
Contractual services					
Travel	2	-	2	1	1
Meals and lodging	4	-	4	1	3
Postage, freight, and delivery charges	1	-	1	1	-
Compensation for personally owned autos	3	1	4	3	1
Motor vehicle operating services	1	-	1	-	1
Testing and inspection services	3	-	3	-	3
Subscriptions and membership dues	5	-	5	1	4

(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, 2008

(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)
Procurement and Materials Management (continued):					
Advertising	$ 196	$ (3)	$ 193	$ 135	$ 58
Contractual services n.o.c.	5	-	5	-	5
Repairs to buildings	2	2	4	3	1
Repairs to office furniture and equipment	5	-	5	2	3
Computer software maintenance	7	-	7	3	4
Communication equipment maintenance	2	-	2	2	-
Repairs to vehicle equipment	27	-	27	10	17
Repairs n.o.c.	1	-	1	-	1
Total contractual services	264	-	264	162	102
Materials and supplies					
Metals	200	20	220	219	1
Electrical parts and supplies	437	(90)	347	323	24
Plumbing accessories and supplies	317	75	392	369	23
Hardware	79	10	89	76	13
Buildings, grounds, paving materials, and supplies	129	35	164	163	1
Fiber, paper and insulation materials	39	10	49	45	4
Paints, solvents, and related materials	41	20	61	52	9
Vehicle parts and supplies	9	-	9	8	1
Mechanical and repair parts	168	(20)	148	131	17
Office, printing, and photographic supplies	196	(45)	151	140	11
Laboratory testing supplies and small equipment	518	114	632	583	49
Cleaning supplies	289	40	329	299	30
Tools and supplies	139	5	144	139	5
Wearing apparel	134	40	174	169	5
Safety and medical supplies	69	(5)	64	53	11
Computer supplies	296	(155)	141	132	9
Fuel	669	(60)	609	495	114
Gas (in containers)	60	25	85	42	43
Communications supplies	19	(4)	15	10	5
Lubricants	206	30	236	218	18
Materials and supplies n.o.c.	159	(45)	114	10	104
Total materials and supplies	4,173	-	4,173	3,676	497
Procurement and Materials Management total	9,808	-	9,808	8,719	1,089

(continued)

(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)
Human Resources:					
Personal services					
Salaries of regular employees	$ 4,082	$ -	$ 4,082	$ 3,655	$ 427
Compensation plan adjustments	275	-	275	106	169
Social security and medicare contributions	1,950	253	2,203	2,161	42
Salaries of non-budgeted employees	10	-	10	-	10
Employee claims	100	-	100	64	36
Tuition and training payments	564	(50)	514	403	111
Payment for professional services	1,575	(50)	1,525	906	619
Health and life insurance premiums	55,291	(153)	55,138	53,766	1,372
Personal services n.o.c.	43	-	43	33	10
Total personal services	63,890	-	63,890	61,094	2,796
Contractual services					
Travel	15	-	15	8	7
Meals and lodging	24	-	24	11	13
Postage, freight, and delivery charges	4	-	4	2	2
Compensation for personally owned autos	6	-	6	5	1
Court reporting services	60	-	60	10	50
Medical services	185	-	185	146	39
Subscriptions and membership dues	-	1	1	-	1
Rental charges	30	-	30	9	21
Advertising	35	(1)	34	8	26
Contractual services n.o.c.	36	-	36	24	12
Computer software maintenance	15	-	15	11	4
Communication equipment maintenance	18	-	18	-	18
Total contractual services	428	-	428	234	194
Materials and supplies					
Office, printing, and photographic supplies	13	-	13	3	10
Books, maps, and charts	13	-	13	5	8
Computer software	3	-	3	-	3
Computer supplies	2	-	2	-	2
Materials and supplies n.o.c.	29	-	29	17	12
Total materials and supplies	60	-	60	25	35
Machinery and equipment					
Office furniture and equipment	25	-	25	24	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, 2008

(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)
Human Resources (continued)					
Computer software	$ 31	$ -	$ 31	$ 2	$ 29
Total machinery and equipment	56	-	56	26	30
Human Resources total	64,434	-	64,434	61,379	3,055
Information Technology:					
Personal services					
Salaries of regular employees	6,613	100	6,713	6,612	101
Compensation plan adjustments	177	200	377	279	98
Tuition and training payments	217	-	217	109	108
Payment for professional services	7,025	(3,452)	3,573	2,546	1,027
Personal services n.o.c.	49	-	49	36	13
Total personal services	14,081	(3,152)	10,929	9,582	1,347
Contractual services					
Travel	32	(10)	22	11	11
Meals and lodging	55	(28)	27	25	2
Compensation for personally owned autos	6	7	13	12	1
Motor vehicle operating services	1	-	1	-	1
Communication services	800	456	1,256	1,188	68
Subscription and membership dues	2	-	2	2	-
Rental charges	1	-	1	1	-
Contractual services n.o.c.	3	13	16	4	12
Computer equipment maintenance	611	(95)	516	427	89
Computer software maintenance	1,474	409	1,883	1,728	155
Communication equipment maintenance	721	488	1,209	1,080	129
Repairs n.o.c.	1	-	1	-	1
Total contractual services	3,707	1,240	4,947	4,478	469
Materials and supplies					
Office, printing, and photographic supplies	21	5	26	24	2
Books, maps, and charts	5	-	5	1	4
Computer software	303	118	421	264	157
Computer supplies	1,792	1,270	3,062	2,669	393
Communication supplies	363	(265)	98	24	74
Materials and supplies, n.o.c.	1	-	1	1	-
Total materials and supplies	2,485	1,128	3,613	2,983	630

(continued)

(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)
Information Technology (continued):					
Machinery and equipment					
Computer equipment	$ 496	$ -	$ 496	$ 443	$ 53
Computer software	764	1,009	1,773	1,740	33
Communication equipment	350	(325)	25	24	1
Total machinery and equipment	1,610	684	2,294	2,207	87
Information Technology total	21,883	(100)	21,783	19,250	2,533
Law:					
Personal services					
Salaries of regular employees	4,321	-	4,321	4,193	128
Compensation plan adjustments	188	-	188	46	142
Salaries of non-budgeted employees	10	-	10	-	10
Tuition and training payments	81	-	81	9	72
Payment for professional services	2,062	1,050	3,112	2,194	918
Personal services n.o.c.	31	-	31	25	6
Total personal services	6,693	1,050	7,743	6,467	1,276
Contractual services					
Travel	6	-	6	5	1
Meals and lodging	12	-	12	5	7
Postage, freight, and delivery charges	5	-	5	1	4
Compensation for personally owned autos	2	-	2	2	-
Reprographic services	45	-	45	6	39
Communication services	2	-	2	-	2
Court reporting services	88	-	88	22	66
Insurance premiums	241	-	241	126	115
Contractual services n.o.c.	141	-	141	74	67
Computer equipment maintenance	1	-	1	-	1
Communication equipment maintenance	4	-	4	2	2
Repairs n.o.c.	1	-	1	-	1
Total contractual services	548	-	548	243	305
Materials and supplies					
Office, printing, and photographic supplies	27	-	27	3	24
Books, maps, and charts	59	-	59	15	44
Materials and supplies n.o.c.	3	-	3	-	3
Total materials and supplies	89	-	89	18	71

(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, 2008

(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)
Law (continued):					
Fixed and other charges					
Taxes on real estate	$ 640	$ -	$ 640	$ 479	$ 161
Total fixed and other charges	640	-	640	479	161
Law total	7,970	1,050	9,020	7,207	1,813
Finance:					
Personal services					
Salaries of regular employees	2,757	-	2,757	2,667	90
Compensation plan adjustments	107	-	107	10	97
Tuition and training payments	41	-	41	29	12
Payment for professional services	502	-	502	395	107
Personal services n.o.c.	38	-	38	21	17
Total personal services	3,445	-	3,445	3,122	323
Contractual services					
Travel	6	-	6	3	3
Meals and lodging	14	-	14	6	8
Postage, freight, and delivery charges	4	-	4	3	1
Compensation for personally owned autos	3	-	3	1	2
Reprographic services	5	-	5	-	5
Communication services	2	-	2	-	2
Court reporting services	82	-	82	42	40
Contractual services n.o.c.	5	-	5	1	4
Repairs to office furniture and equipment	9	-	9	5	4
Total contractual services	130	-	130	61	69
Materials and supplies					
Office, printing, and photographic supplies	53	-	53	18	35
Books, maps, and charts	2	-	2	-	2
Total materials and supplies	55	-	55	18	37
Machinery and equipment					
Computer software	25	-	25	-	25
Total machinery and equipment	25	-	25	-	25
Finance total	3,655	-	3,655	3,201	454

(continued)

(in thousands of dollars)

Corporate Division	**Budget Amounts** Original	Net Transfers	Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
Engineering:					
Personal services					
Salaries of regular employees	$ 2,894	$ -	$ 2,894	$ 2,892	$ 2
Compensation plan adjustments	128	-	128	18	110
Salaries of nonbudgeted employees	50	-	50	-	50
Tuition and training payments	13	-	13	11	2
Payments for professional services	1,314	(150)	1,164	366	798
Personal services n.o.c.	25	10	35	34	1
Personal service expenditure - preliminary engineering reports and studies	728	140	868	841	27
Personal services expenditure - construction drawings, specifications and cost estimates	560	-	560	55	505
Personal services expenditure - aerial surveys	50	-	50	-	50
Total personal services	5,762	-	5,762	4,217	1,545
Contractual services					
Travel	5	-	5	1	4
Meals and lodging	14	-	14	4	10
Compensation for personally owned autos	2	-	2	-	2
Motor vehicle operating services	1	-	1	1	-
Reprographic services	25	-	25	-	25
Communication services	-	-	-	-	-
Testing and inspection services	65	-	65	36	29
Rental charges	-	-	-	-	-
Soil and rock mechanics investigation	80	-	80	5	75
Governmental service charges	50	-	50	-	50
Contractual services n.o.c.	25	-	25	5	20
Repairs to collection facilities	1,333	-	1,333	-	1,333
Repairs to waterway facilities	3,837	(1,375)	2,462	1,050	1,412
Repairs to process facilities	1,199	-	1,199	736	463
Repairs to buildings	2,884	-	2,884	215	2,669
Communications equipment maintenance	2	-	2	-	2
Repairs to testing and laboratory equipment	1	-	1	-	1
Total contractual services	9,523	(1,375)	8,148	2,053	6,095

(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, 2008

(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)
Engineering (continued):					
Materials and supplies					
Office, printing, and photographic supplies	$ 5	$ (2)	$ 3	$ 2	$ 1
Wearing apparel	7	2	9	6	3
Books, maps, and charts	1	-	1	-	1
Materials and supplies n.o.c.	2	-	2	-	2
Total materials and supplies	15	-	15	8	7
Machinery and equipment					
Equipment for collection facilities	200	(190)	10	-	10
Equipment for process facilities	350	190	540	348	192
Total machinery and equipment	550	-	550	348	202
Land	177	-	177	71	106
Engineering total	16,027	(1,375)	14,652	6,697	7,955
Maintenance and Operations:					
Personal services					
Salaries of regular employees	80,688	(309)	80,379	80,088	291
Compensation plan adjustments	4,055	426	4,481	4,343	138
Salaries of non-budgeted employees	75	136	211	197	14
Tuition and training payments	294	(69)	225	134	91
Payment for professional services	1,438	(245)	1,193	541	652
Personal services n.o.c.	595	(122)	473	431	42
Total personal services	87,145	(183)	86,962	85,734	1,228
Contractual services					
Travel	34	3	37	21	16
Meals and lodging	71	35	106	99	7
Compensation for personally owned autos	268	32	300	272	28
Motor vehicle operating services	5	4	9	7	2
Electrical energy	37,743	8,070	45,813	44,793	1,020
Natural gas	2,666	(54)	2,612	2,480	132
Water and water services	708	67	775	724	51
Communications services	349	86	435	429	6
Testing and inspection services	255	-	255	152	103
Rental charges	179	27	206	104	102
Governmental service charges	3,354	(290)	3,064	3,040	24
Maintenance of grounds and pavements	3,479	(131)	3,348	2,704	644
Contractual services n.o.c.	1,487	(236)	1,251	738	513

(continued)

(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)
Maintenance and Operations (continued):					
Waste material disposal charges	$ 14,918	$ 156	$ 15,074	$ 12,454	$ 2,620
Farming services	25	-	25	25	-
Sludge disposal	6,800	(6,378)	422	140	282
Repairs to collection facilities	7,118	(190)	6,928	5,379	1,549
Repairs to waterway facilities	104	(33)	71	52	19
Repairs to process facilities	13,304	(417)	12,887	10,765	2,122
Repairs to railroads	460	-	460	216	244
Repairs to buildings	6,721	(1,509)	5,212	3,927	1,285
Repairs to material handling and farm equipment	270	75	345	285	60
Safety repairs and services	182	(32)	150	112	38
Repairs to office furniture and equipment	4	-	4	-	4
Computer software maintenance	49	(1)	48	48	-
Communication equipment maintenance	82	-	82	40	42
Repairs to vehicle equipment	76	10	86	64	22
Repairs to testing and laboratory equipment	5	-	5	-	5
Repairs n.o.c.	69	-	69	19	50
Total contractual services	100,785	(706)	100,079	89,089	10,990
Materials and supplies					
Metals	48	-	48	26	22
Electrical parts and supplies	1,418	370	1,788	1,379	409
Plumbing accessories and supplies	991	117	1,108	940	168
Hardware	60	6	66	51	15
Buildings, grounds, paving materials, and supplies	244	-	244	157	87
Fiber, paper, and insulation materials	9	-	9	-	9
Paints, solvents, and related materials	9	-	9	8	1
Vehicle parts and supplies	264	20	284	209	75
Mechanical repair parts	4,933	262	5,195	4,626	569
Manhole materials	60	-	60	9	51
Office, printing, and photographic supplies	97	32	129	99	30
Farming supplies	5	-	5	1	4
Processing chemicals	7,554	(236)	7,318	6,776	542
Laboratory testing supplies and small equipment	32	(9)	23	18	5
Cleaning supplies	36	(2)	34	29	5
Tools and supplies	301	29	330	296	34
Wearing apparel	5	-	5	3	2
Books, maps, and charts	9	-	9	2	7

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis
Year ended December 31, 2008

(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)
Maintenance and Operations (continued):					
Safety and medical supplies	$ 202	$ 15	$ 217	$ 141	$ 76
Computer software	48	-	48	33	15
Computer supplies	37	-	37	29	8
Fuel	369	160	529	447	82
Gas (in containers)	10	-	10	7	3
Communication supplies	76	-	76	58	18
Lubricants	54	(3)	51	27	24
Materials and supplies n.o.c.	160	(7)	153	117	36
Total materials and supplies	17,031	754	17,785	15,488	2,297
Machinery and equipment					
Equipment for collection facilities	103	(22)	81	43	38
Equipment for waterway facilities	7	-	7	-	7
Equipment for process facilities	581	152	733	607	126
Material handling and farming equipment	2,392	4	2,396	1,966	430
Computer software	265	-	265	-	265
Vehicle equipment	1,448	(25)	1,423	1,420	3
Testing and laboratory equipment	71	(17)	54	45	9
Machinery and equipment n.o.c.	41	43	84	65	19
Total machinery and equipment	4,908	135	5,043	4,146	897
Maintenance and Operations total	209,869	-	209,869	194,457	15,412
Corporate Division Total					
Total all departments:					
Personal services	228,492	(2,505)	225,987	214,477	11,510
Contractual services	122,614	(796)	121,818	101,807	20,011
Materials and supplies	26,040	1,582	27,622	23,482	4,140
Machinery and equipment	9,749	1,719	11,468	8,747	2,721
Fixed and other charges	10,115	-	10,115	4,179	5,936
Land	177	-	177	71	106
Total Corporate Division	397,187	-	397,187	352,763	44,424
Reserve Claim Division					
Employee claims	12,000	-	12,000	4,240	7,760
General claims and emergency repair and replacement cost over $10,000	43,500	-	43,500	3,387	40,113
Total Reserve Claim Division	55,500	-	55,500	7,627	47,873
Total General Corporate Fund	$ 452,687	$ -	$ 452,687	$ 360,390	$ 92,297

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

Year ended December 31, 2008
(with comparative amounts for prior year)

	(in thousands of dollars) 2008	2007	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2008
Personal services:					
Salaries and wages	$ 148,509	$ 142,330	$ 6,179	4 %	42%
Employee health and life insurance premiums	53,766	54,528	(762)	(1)	15
Payment for professional services	8,261	4,666	3,595	77	2
Social security and medicare contributions	2,161	1,984	177	9	1
Tuition and training payments	820	737	83	11	0
Other	960	445	515	116	0
Total personal services	214,477	204,690	9,787	5	60
Contractual services:					
Electrical energy	45,318	40,928	4,390	11	13
Natural gas	2,530	1,982	548	28	1
Postage, freight and delivery charges	249	198	51	26	0
Waste material disposal charges	12,518	11,461	1,057	9	4
Administration building operation	1,307	1,357	(50)	(4)	0
Communication services	1,623	1,156	467	40	0
Farming services	25	25	-	-	0
Court reporting services	75	74	1	1	0
Water and water services	732	740	(8)	(1)	0
Motor vehicle operating services	191	167	24	14	0
Employee travel and transportation	729	638	91	14	0
Medical services	144	141	3	2	0
Rental charges	153	141	12	9	0
Maintenance of grounds and pavements	2,704	2,475	229	9	1
Governmental service charges	3,104	2,709	395	15	1
Repairs to process facilities	11,514	8,145	3,369	41	3
Other repairs	16,146	16,631	(485)	(3)	5
Other contractual services	2,745	2,333	412	18	1
Total contractual services	101,807	91,301	10,506	12	29
Materials and supplies:					
Processing chemicals	6,753	5,605	1,148	20	2
Laboratory testing supplies	1,045	811	234	29	0
Mechanical repair parts	3,432	3,693	(261)	(7)	1
Fuels and lubricants	1,265	1,019	246	24	0
Electrical parts and supplies	1,242	1,414	(172)	(12)	0
Plumbing accessories and supplies	1,189	1,030	159	15	0
Office, printing, and photographic supplies	500	447	53	12	0
Buildings, grounds, paving materials, and supplies	316	298	18	6	0
Cleaning supplies	319	295	24	8	0
Metals	211	198	13	7	0
Computer supplies	2,833	995	1,838	185	1

(Continued)

	(in thousands of dollars) 2008	2007	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2008
Materials and supplies (continued):					
Other materials and supplies	$ 2,186	$ 6,090	$ (3,904)	(64)%	2%
Total materials and supplies	21,291	21,895	(604)	(3)	6
Machinery and equipment:					
Material handling and farming equipment	1,966	124	1,842	1,485	1
Vehicle equipment	2,583	1,177	1,406	119	1
Office furniture and equipment	357	95	262	276	0
Testing and laboratory equipment	528	320	208	65	0
Equipment for collection facilities	24	37	(13)	(35)	0
Equipment for process facilities	1,015	285	730	256	0
Computer equipment	443	540	(97)	(18)	0
Computer software	1,777	1,341	436	33	1
Communication equipment	24	139	(115)	(83)	0
Other machinery and equipment	71	86	(15)	(17)	0
Total machinery and equipment	8,788	4,144	4,644	112	3
Land:	71	467	(396)	(85)	0
Fixed other charges:					
Taxes on real estate	479	461	18	4	0
Total fixed other charges	479	461	18	4	0
Claims and judgments	7,627	9,353	(1,726)	(18)	2
Total expenditures	$ 354,540	$ 332,311	$ 22,229	7 %	100%

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SPECIAL REVENUE FUND

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

Retirement Fund

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

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

Year ended December 31, 2008

(in thousands of dollars)

Retirement Fund	**Final Budget**	**Actual on Budgetary Basis**	**Actual Variance with Final Budget - Positive (Negative)**
Revenues:			
Property taxes	$ 24,033	$ 25,822	$ 1,789
Personal property replacement tax	6,338	6,338	-
Total tax revenue	30,371	32,160	1,789
Current expenditures:			
Pension costs	30,371	32,160	(1,789)
Total expenditures	30,371	32,160	(1,789)
Revenues over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	$ -	$ -	$ -

DEBT SERVICE FUND

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

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

Year ended December 31, 2008

	Final Budget	Actual on Budgetary Basis	Actual Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	$ 131,000	$ 139,323	$ 8,323
Total tax revenue	131,000	139,323	8,323
Interest on investments	3,576	3,686	110
Miscellaneous	225	222	(3)
Total revenues	134,801	143,231	8,430
Expenditures:			
Debt service	179,168	179,168	-
Revenues over (under) expenditures	(44,367)	(35,937)	8,430
Other financing sources (uses):			
Transfer from Corporate Fund	9,475	3,700	(5,775)
Transfer from Construction Fund	1,225	-	(1,225)
Transfer from Capital Improvement Bond Fund	44,574	44,574	-
Total other financing sources (uses)	55,274	48,274	(7,000)
Revenues and other financing sources (uses) over (under) expenditures	10,907	12,337	1,430
Fund balances at beginning of year	76,714	76,714	-
Fund balances at end of the year	$ 87,621	$ 89,051	$ 1,430

CAPITAL PROJECTS FUNDS

Construction Fund

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

Stormwater Management Fund

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

Capital Improvements Bond Fund

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

Exhibit F-1
Capital Projects Funds
Schedule of Appropriations and Expenditures on Budgetary Basis
Year ended December 31, 2008

(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:					
Personal services					
Salaries of regular employees	$ 4,068	$ -	$ 4,068	$ 3,949	$ 119
Compensation plan adjustments	91	-	91	38	53
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	181	-	181	31	150
Payment for professional services	2,945	-	2,945	1,193	1,752
Health and life insurance	677	-	677	612	65
Personal services n.o.c.*	78	-	78	75	3
Preliminary engineering reports and studies	2,069	-	2,069	944	1,125
Construction drawings, specifications, and cost estimates	2,965	-	2,965	1,529	1,436
Aerial surveys and post construction awards	50	-	50	-	50
Post-award engineering for construction projects	830	-	830	75	755
Total personal services	13,974	-	13,974	8,446	5,528
Contractual services					
Travel	32	-	32	3	29
Meals and lodging	52	-	52	8	44
Postage and delivery charges	2	-	2	2	-
Compensation for personally owned autos	9	-	9	6	3
Motor vehicle operating services	2	-	2	-	2
Reprographic services	291	(10)	281	12	269
Water and water services	4	5	9	5	4
Communication services	1	-	1	-	1
Testing and inspection services	317	-	317	18	299
Court reporting services	10	-	10	9	1
Rental charges	3	-	3	1	2
Soil and rock mechanics investigation	132	-	132	13	119
Contractual services n.o.c.	758	-	758	298	460
Computer software maintenance	49	5	54	3	51
Repairs to testing and laboratory equipment	4	-	4	-	4
Repairs n.o.c.	31	-	31	13	18
Total contractual services	1,697	-	1,697	391	1,306
Materials and supplies					
Office, printing, and photo supplies	222	(30)	192	61	131
Books, maps, and charts	10	-	10	5	5
Computer software	11	-	11	-	11

**n.o.c. = not otherwise classified*

(continued)

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget - Positive (Negative)
	Original	Net Transfers	Final	Actual Amounts	
Construction Fund (continued):					
Communication supplies	$ 4	$ -	$ 4	$ -	$ 4
Materials and supplies n.o.c.	16	30	46	37	9
Total materials and supplies	263	-	263	103	160
Machinery and equipment					
Computer equipment	100	-	100	90	10
Computer software	250	-	250	250	-
Total machinery and equipment	350	-	350	340	10
Capital Projects					
Collection facilities structures	776	-	776	549	227
Process facilities structures	2,206	-	2,206	465	1,741
Buildings	4,416	-	4,416	77	4,339
Preservation of collection facility structures	3,363	-	3,363	228	3,135
Preservation of waterway facility structures	100	-	100	-	100
Preservation of process facility structures	3,576	-	3,576	1,162	2,414
Preservation of buildings	214	-	214	200	14
Total capital projects	14,651	-	14,651	2,681	11,970
Fixed and other charges:					
Transfer	1,225	-	1,225	-	1,225
Total fixed and other charges	1,225	-	1,225	-	1,225
Construction Fund Summary:					
Personal services	13,974	-	13,974	8,446	5,528
Contractual services	1,697	-	1,697	391	1,306
Materials and supplies	263	-	263	103	160
Machinery and equipment	350	-	350	340	10
Capital projects	14,651	-	14,651	2,681	11,970
Fixed and other charges	1,225	-	1,225	-	1,225
Construction Fund total	32,160	-	32,160	11,961	20,199
Stormwater Management Fund:					
Personal services					
Salaries of regular employees	3,444	-	3,444	3,402	42
Compensation plan adjustments	129	-	129	28	101
Salaries of non-budgeted employees	20	-	20	-	20

(continued)

Exhibit F-1 (continued)
Capital Projects Fund
Schedule of Appropriations and Expenditures on Budgetary Basis
Year ended December 31, 2008

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget - Positive (Negative)
	Original	Net Transfers	Final	Actual Amounts	
Stormwater Management Fund (continued):					
Tuition and training payments	$ 35	$ -	$ 35	$ 11	$ 24
Payment for professional services	950	(50)	900	310	590
Health and life insurance	451	-	451	408	43
Personal services n.o.c.	8	-	8	5	3
Personal svc exp for preliminary eng rpts and studies	9,270	-	9,270	5,734	3,536
Construction drawings, specifications, and cost estimates	2,200	-	2,200	-	2,200
Post-award engineering for construction projects	120	-	120	-	120
Total personal services	16,627	(50)	16,577	9,898	6,679
Contractual services					
Travel	3	-	3	3	-
Meals and lodging	7	-	7	6	1
Postage and delivery charges	5	-	5	-	5
Compensation for personally owned autos	34	32	66	57	9
Motor vehicle operating services	2	-	2	1	1
Reprographic services	60	-	60	-	60
Water and water services	1	-	1	-	1
Court reporting services	31	-	31	14	17
Rental charges	1	-	1	-	1
Advertising	-	80	80	27	53
Soil and rock mechanics investigation	114	-	114	24	90
Maintenance of grounds and pavements	943	(10)	933	-	933
Contractual services n.o.c.	620	64	684	156	528
Repairs to waterways facilities	2,179	(20)	2,159	2,153	6
Repairs to marine equipment	59	10	69	69	-
Computer software maintenance	15	-	15	-	15
Repairs to vehicle equipment	1	-	1	-	1
Repairs n.o.c.	6	5	11	6	5
Total contractual services	4,081	161	4,242	2,516	1,726
Materials and supplies					
Office, printing, and photo supplies	4	-	4	-	4
Tools and supplies	11	-	11	11	-
Wearing apparel	6	-	6	2	4
Books, maps and charts	2	-	2	-	2
Computer software	5	-	5	-	5
Computer supplies	5	-	5	-	5

(continued)

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget -
	Original	Net Transfers	Final	Actual Amounts	Positive (Negative)
Stormwater Management Fund (continued):					
Fuel	$ -	$ 13	$ 13	$ 12	$ 1
Materials and supplies n.o.c.	100	127	227	179	48
Total materials and supplies	133	140	273	204	69
Machinery and equipment					
Material handling and farm equipment	30	15	45	43	2
Computer equipment	20	-	20	-	20
Computer software	20	-	20	-	20
Vehicle equipment	341	-	341	341	-
Total machinery and equipment	411	15	426	384	42
Capital Projects					
Waterways facilities structure	8,272	(1,266)	7,006	-	7,006
Army corps of engineers services	-	1,000	1,000	942	58
Total capital projects	8,272	(266)	8,006	942	7,064
Fixed and other charges:					
Payments for easements	5,400	-	5,400	-	5,400
Total fixed and other charges	5,400	-	5,400	-	5,400
Stormwater Management Fund Summary:					
Personal services	16,627	(50)	16,577	9,898	6,679
Contractual services	4,081	161	4,242	2,516	1,726
Material and supplies	133	140	273	204	69
Machinery and equipment	411	15	426	384	42
Capital projects	8,272	(266)	8,006	942	7,064
Fixed and other charges	5,400	-	5,400	-	5,400
Stormwater Management Fund total	34,924	-	34,924	13,944	20,980
Capital Improvements Bond Fund:					
Personal services	94,415	-	94,415	51,596	42,819
Contractual services	765	-	765	488	277
Machinery and equipment	55	95	150	120	30
Capital projects	639,415	(95)	639,320	482,191	157,129
Land	1,300	(130)	1,170	-	1,170
Fixed and other charges	7,400	130	7,530	7,501	29
Capital Improvements Bond Fund total *	743,350	-	743,350	541,896	201,454
Capital Projects Funds total	$ 810,434	$ -	$ 810,434	$ 567,801	$ 242,633

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

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TRUST FUNDS

PENSION TRUST FUND

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

OPEB TRUST FUND

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

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

December 31, 2008
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OBEB Trust Fund		Total Fiduciary Funds	
	2008	2007	2008	2007*	2008	2007
Assets						
Cash	$ 131	$ 112	$ -	$ -	$ 131	$ 112
Receivables						
Employer contributions-taxes						
(net of allowance for uncollectibles of						
$3,991 in 2008; $5,554 in 2007)	31,314	30,067	-	-	31,314	30,067
Securities sold	2,798	7,391	-	-	2,798	7,391
Accrued interest and dividends	1,013	1,757	-	-	1,013	1,757
Accounts receivable	52	51	-	-	52	51
Total receivables	35,177	39,266	-	-	35,177	39,266
Investments at fair value						
U.S. Treasuries	11,212	27,888	-	-	11,212	27,888
U.S. Agencies	4,036	19,285	-	-	4,036	19,285
Corporate bonds and notes	6,567	34,590	-	-	6,567	34,590
Mortgage backed securities	14,787	34,375	-	-	14,787	34,375
Asset backed securities	1,794	8,275	-	-	1,794	8,275
Collateralized mortgage obligations	-	18,725	-	-	-	18,725
Pooled funds - fixed income	354,790	377,440	47,808	25,025	402,598	402,465
Pooled funds - equities	50,274	171,943	-	-	50,274	171,943
Common and preferred stocks	392,504	488,380	-	-	392,504	488,380
Short-term investments	14,487	14,517	-	-	14,487	14,517
Total investments	850,451	1,195,418	47,808	25,025	898,259	1,220,443
Securities lending capital	20,173	171,496	-	-	20,173	171,496
Total assets	905,932	1,406,292	47,808	25,025	953,740	1,431,317
Liabilities						
Accounts payable	891	713	11	-	902	713
Securities lending collateral	20,173	171,496	-	-	20,173	171,496
Securities purchased	6,071	2,015	-	-	6,071	2,015
Total liabilities	27,135	174,224	11	-	27,146	174,224
Net assets held in trust for pension and other post employment benefits	$ 878,797	$ 1,232,068	$ 47,797	$ 25,025	$ 926,594	$ 1,257,093

* The OPEB Trust Fund was established in December 2007.

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

Year ended December 31, 2008
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2008	2007	2008	2007*	2008	2007
Additions:						
Contributions:						
Employer contributions	$ 33,407	$ 27,947	$ 22,000	$ 25,000	$ 55,407	$ 52,947
Employee contributions	14,778	15,628	-	-	14,778	15,628
Total contributions	48,185	43,575	22,000	25,000	70,185	68,575
Investment income:						
Net appreciation (depreciation) in fair value of investments	(311,205)	51,318	-	-	(311,205)	51,318
Interest on fixed income investments	4,106	5,399	-	-	4,106	5,399
Interest on short-term investments	671	822	801	25	1,472	847
Dividend income	9,192	7,487	-	-	9,192	7,487
Total investment income (loss)	(297,236)	65,026	801	25	(296,435)	65,051
Less investment expenses	(2,507)	(2,563)	-	-	(2,507)	(2,563)
Investment income net of expenses	(299,743)	62,463	801	25	(298,942)	62,488
Security lending activities:						
Security lending income	3,691	1,860	-	-	3,691	1,860
Borrower rebates	(2,913)	(1,655)	-	-	(2,913)	(1,655)
Bank fees	(195)	(51)	-	-	(195)	(51)
Net income from securities lending activities	583	154	-	-	583	154
Other	18	54	-	-	18	54
Total additions	(250,957)	106,246	22,801	25,025	(228,156)	131,271
Deductions:						
Annuities and benefits						
Employee annuitants	83,948	79,417	-	-	83,948	79,417
Surviving spouse annuitants	14,934	13,961	-	-	14,934	13,961
Child annuitants	123	126	-	-	123	126
Ordinary disability benefits	846	1,100	-	-	846	1,100
Duty disability benefits	218	242	-	-	218	242
Total annuities and benefits	100,069	94,846	-	-	100,069	94,846
Refunds of employee contributions	965	1,164	-	-	965	1,164
Administrative expenses	1,280	1,465	29	-	1,309	1,465
Total deductions	102,314	97,475	29	-	102,343	97,475
Net increase (decrease)	(353,271)	8,771	22,772	25,025	(330,499)	33,796
Net assets held in trust for pension and OPEB benefits						
Beginning of year	1,232,068	1,223,297	25,025	-	1,257,093	1,223,297
End of year	$ 878,797	$ 1,232,068	$ 47,797	$ 25,025	$ 926,594	$ 1,257,093

* The OPEB Trust Fund was established in December 2007.

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OTHER FINANCIAL INFORMATION

Exhibit H-1

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

Levy Years 2008-2003

(in thousands of dollars)

	Cumulative as of December 31, 2008		2008		2007	
Gross property tax levy	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
General Corporate Fund:						
Corporate	$ 1,272,655	51.7	$ 239,262	56.1	$ 233,982	57.0
Corporate Working Cash	4,645	0.2	-	-	-	-
Reserve Claim	34,860	1.4	7,073	1.7	6,530	1.6
Total General Corporate Funds	1,312,160	53.3	246,335	57.8	240,512	58.6
Other Governmental Fund:						
Storm Water Management	45,113	1.8	15,212	3.6	3,942	1.1
Retirement Fund	153,383	6.2	25,665	6.0	24,843	6.1
Debt Service Fund	869,065	35.4	138,960	32.6	135,730	33.1
Construction Fund	80,904	3.3	-	-	5,181	1.3
Total Other Governmental Funds	1,148,465	46.7	179,837	42.2	169,696	41.4
Total Gross Levy - All Funds	2,460,625	100.0	426,172	100.0	410,208	100.0
Less allowance for uncollectible taxes at December 31, 2008	63,680	2.6	14,917	3.5	19,768	4.8
Estimated property taxes to be collected	2,396,945	97.4	411,255	96.5	390,440	95.2
Collections by year (percent shown is percent of estimated property taxes to be collected):						
First year	1,918,139	80.0	-	-	390,440	100.0
Second year	82,395	3.4	-	-	-	-
Third year	(7,457)	(0.3)	-	-	-	-
Fourth year	(4,289)	(0.2)	-	-	-	-
Fifth year	(3,098)	(0.1)	-	-	-	-
Total collections through December 31, 2008	1,985,690	82.8	-	-	390,440	100.0
Property taxes receivable, net	$ 411,255	17.2	$ 411,255	100.0	$ -	-
Property taxes receivable, net - by fund						
General Corporate Fund:						
Corporate	230,887		230,887		-	
Reserve Claim	6,826		6,826		-	
Total General Corporate Fund	237,713		237,713		-	
Other Governmental Fund:						
Storm Water Management	14,679		14,679		-	
Retirement Fund	24,766		24,766		-	
Debt Service Fund	134,097		134,097		-	
Property taxes receivable, net	$ 411,255		$ 411,255		$ -	

Levy Years							
2006		2005		2004		2003	
Amount	%	Amount	%	Amount	%	Amount	%
$ 213,860	53.2	$ 206,565	50.2	$ 198,676	48.1	$ 180,310	45.3
-	-	-	-	-	-	4,645	1.2
5,957	1.6	5,513	1.4	5,142	1.3	4,645	1.2
219,817	54.8	212,078	51.6	203,818	49.4	189,600	47.7
15,508	3.8	10,451	2.5	-	-	-	-
25,072	6.2	23,598	5.7	28,247	6.8	25,958	6.5
123,608	30.8	147,281	35.8	166,152	40.2	157,334	39.5
17,766	4.4	17,940	4.4	14,847	3.6	25,170	6.3
181,954	45.2	199,270	48.4	209,246	50.6	208,462	52.3
401,771	100.0	411,348	100.0	413,064	100.0	398,062	100.0
3,836	1.0	6,975	1.7	8,032	1.9	10,152	2.6
397,935	99.0	404,373	98.3	405,032	98.1	387,910	97.4
354,790	89.2	398,343	98.5	399,017	98.5	375,549	99.8
43,145	10.8	8,887	2.2	11,002	2.7	19,361	5.0
-	-	(2,857)	(0.7)	(2,702)	(0.7)	(1,898)	(0.5)
-	-	-	-	(2,285)	(0.5)	(2,004)	(0.6)
-	-	-	-	-	-	(3,098)	(0.8)
397,935	100.0	404,373	100.0	405,032	100.0	387,910	100.0
$ -	-	$ -	-	$ -	-	$ -	-
-		-		-		-	
-		-		-		-	
-		-		-		-	
-		-		-		-	
-		-		-		-	
-		-		-		-	
$ -		$ -		$ -		$ -	

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III.
STATISTICAL AND DEMOGRAPHICS SECTION

Workers safely dispose of old fuel and numerous household chemicals at the Spring Household Hazardous Waste Collection Day on June 21, 2008. The District holds two Household Hazardous Waste Collection events per year, with each drawing over 2,000 vehicles containing hazardous materials.

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Statistical and Demographics Section (Unaudited)

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

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

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

The District implemented GASB Statement 34 beginning in fiscal year 2002 including comparative information for 2001; exhibits presenting government-wide information include information beginning in 2001.

Exhibit I-1
Net Assets by Component

As of December 31, 2008 - 2001

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

	2008	2007	2006	2005
Invested in capital assets, net of related debt (1)	$ 4,575,974	$ 4,580,604	$ 4,541,778	$ 3,728,581
Restricted				
Restricted for corporate working cash	272,120	267,848	263,229	244,319
Restricted for reserve claim	35,817	31,295	26,844	-
Restricted for debt service	212,353	203,656	220,306	278,218
Restricted for capital projects	13,412	18,656	1,044	12,287
Restricted for construction working cash	27,005	26,313	25,750	25,642
Restricted for stormwater working cash	37,902	35,275	32,064	25,227
Restricted for pension	-	-	-	28,602
Unrestricted	47,316	70,431	117,063	56,196
Total net assets	$ 5,221,899	$ 5,234,078	$ 5,228,078	$ 4,370,470

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

2004	2003	2002	2001
$ 1,921,730	$ 1,373,683	$ 1,260,463	$ 998,609
236,294	236,068	196,110	191,639
-	-	-	-
297,800	290,794	283,288	249,368
16,268	53,931	56,835	30,444
50,132	49,880	84,501	84,184
-	-	-	-
44,590	-	-	-
53,452	27,441	34,027	62,257
$ 2,575,676	$ 2,031,797	$ 1,915,224	$ 1,616,501

Exhibit I-2
Changes in Net Assets

Years ended December 31, 2008 - 2001

(accrual basis of accounting)

(in thousands of dollars)

	2008	2007	2006	2005
Revenues				
General Revenues:				
Property taxes	$ 432,412	$ 370,777	$ 392,775	$ 405,423
Personal property replacement tax	42,527	45,935	37,743	36,031
Interest on investments	27,112	48,750	43,659	19,693
Tax increment financing distributions	797	644	1,167	1,634
Claims and damage settlements (1)	606	64	614	77
Miscellaneous	5,450	3,434	2,584	2,300
Gain on sale of capital assets	-	21	-	93
Adjustments for non-financial assets (2)	-	-	-	-
Total general revenues	508,904	469,625	478,542	465,251
Program Revenues:				
Charges for services				
User charges	49,439	54,612	53,986	46,576
Land rentals	9,572	9,243	7,972	6,310
Fees, forfeits and penalties	4,357	3,383	4,693	4,748
Capital grants and contributions				
Federal grants	896	253	-	867
Total program revenues	64,264	67,491	66,651	58,501
Total revenues	573,168	537,116	545,193	523,752
Expenses				
Board of Commissioners	3,748	3,513	3,422	3,341
General Administration	18,438	16,875	17,293	17,807
Monitoring and Research	27,612	26,178	25,317	25,230
Procurement and Materials Management	5,398	6,631	5,480	5,170
Human Resources	61,465	61,878	35,216	32,941
Information Technology	20,767	16,475	11,312	11,111
Law	7,274	6,147	5,748	6,199
Finance	3,238	3,109	3,218	3,124
Engineering	8,144	4,483	4,519	10,160
Maintenance and Operations	196,612	179,938	156,984	158,802
Pension costs	45,343	49,891	42,320	47,549
OPEB Trust Fund costs	8,920	7,405	-	-
Claims and judgments (3)	9,174	17,606	876	4,466
Construction costs	93,421	56,914	70,594	51,145
Loss on sale of capital assets	750	273	4,430	676
Depreciation (unallocated)	9,224	9,216	9,216	7,596
Interest on bonds	65,819	64,584	81,876	61,872
Refunding transaction costs	-	-	-	-
Total expenses	585,347	531,116	477,821	447,189
Change in Net Assets	$ (12,179)	$ 6,000	$ 67,372	$ 76,563

(1) In 2001 the District received a significant construction settlement.
(2) Adjustment for non-financial assets.
(3) The 2003 decrease resulted from a reduction in the liability estimate for claims and judgements.

2004	2003	2002	2001
$ 395,108	$ 373,811	$ 365,894	$ 353,709
25,961	23,461	15,336	27,349
9,943	13,163	15,693	26,770
604	1,097	656	1,077
450	113	131	10,441
1,716	777	1,892	1,856
2,677	233	3,419	228
35,865	-	-	-
472,324	412,655	403,021	421,430
46,981	48,038	48,500	48,081
6,166	5,023	5,115	4,479
3,800	3,892	2,892	2,829
774	4,460	866	3,754
57,721	61,413	57,373	59,143
530,045	474,068	460,394	480,573
3,578	3,333	3,162	2,970
15,969	15,183	14,543	14,150
24,599	24,669	24,377	24,256
6,095	4,659	7,187	4,953
35,931	30,947	27,640	26,167
10,885	11,626	11,334	11,079
5,064	4,667	4,942	4,744
3,065	3,047	5,508	4,003
6,169	2,986	5,812	8,818
161,903	160,309	158,838	165,346
35,354	29,511	27,044	24,958
-	-	-	-
12,175	(1,340)	10,644	5,994
38,057	34,794	28,366	47,932
172	440	448	1,320
7,596	7,596	7,597	7,596
65,398	67,958	55,996	58,307
-	-	1,653	-
432,010	400,385	395,091	412,593
$ 98,035	$ 73,683	$ 65,303	$ 67,980

Exhibit I-3
Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2008	2007	2006	2005	2004
General Corporate Fund					
Reserved	$ 272,120	$ 267,842	$ 263,216	$ 244,322	$ 236,332
Unreserved	(42,703)	(33,332)	(18,238)	(45,113)	(68,321)
Total General Corporate Fund	229,417	234,510	244,978	199,209	168,011
All Other Governmental Funds					
Reserved	64,907	61,588	57,814	50,869	50,121
Unreserved, reported in:					
Capital projects funds	298,673	472,656	567,835	297,531	385,352
Debt service funds	101,053	97,492	124,540	168,920	164,185
Total all other governmental funds	464,633	631,736	750,189	517,320	599,658
Total governmental funds	$ 694,050	$ 866,246	$ 995,167	$ 716,529	$ 767,669

2003	2002	2001	2000	1999
$ 231,982	$ 191,967	$ 200,317	$ 183,296	$ 178,649
(45,066)	(40,902)	(61,204)	(16,187)	(21,198)
186,916	151,065	139,113	167,109	157,451
49,868	84,482	84,116	79,270	73,590
427,941	336,606	266,720	150,355	204,170
174,249	157,957	126,973	134,663	142,210
652,058	579,045	477,809	364,288	419,970
$ 838,974	$ 730,110	$ 616,922	$ 531,397	$ 577,421

Exhibit I-4
Changes in Fund Balances: Governmental Funds

Years ended December 31, 2008 - 1999

(modified accrual basis of accounting)

(in thousands of dollars)

	2008	2007	2006	2005	2004
Revenues					
General Revenues:					
Property taxes	$ 399,917	$ 376,757	$ 380,675	$ 423,941	$ 360,326
Personal property replacement tax	42,527	45,935	37,743	36,031	25,961
Interest on investments	27,112	48,750	43,659	19,693	9,943
Land sales	6	28	516	100	3,608
Tax increment financing distributions	797	644	1,167	1,634	604
Claims and damage settlements	606	64	614	77	450
Miscellaneous	5,450	3,495	2,729	2,573	1,872
Program Revenues:					
Charges for services					
User charges	49,439	54,117	52,504	45,983	47,757
Land rentals	9,572	9,243	7,972	6,310	6,160
Fees, forfeits and penalties	4,357	3,383	4,693	4,748	3,800
Capital grants and contributions					
Federal grants	896	253	-	867	1
Total revenues	540,679	542,669	532,272	541,957	460,482
Expenditures					
Operations:					
Board of Commissioners	3,721	3,496	3,401	3,323	3,552
General Administration	17,958	16,491	16,974	17,259	15,538
Monitoring and Research	27,146	25,892	24,985	24,787	24,030
Procurement and Materials Management	5,341	6,556	5,352	5,023	5,932
Human Resources	61,385	61,841	35,162	32,900	35,877
Information Technology	19,328	16,125	11,034	10,811	10,574
Law	7,211	6,121	5,709	6,168	5,018
Finance	3,205	3,093	3,197	3,102	3,033
Engineering	6,703	4,331	4,318	9,538	6,273
Maintenance and Operations	194,916	179,012	155,899	157,612	160,299
Pension costs	28,937	31,115	30,071	31,561	27,372
Claims and judgments	7,626	9,353	4,954	4,368	3,829
Construction costs	191,415	194,151	164,157	133,599	127,155
Debt service:					
Redemption of bonds	112,577	90,466	83,692	107,767	92,560
Interest on bonds	66,591	68,148	88,177	61,252	63,465
Refunding transaction costs	-	-	-	-	-
Total expenditures	754,060	716,191	637,082	609,070	584,507
Revenues over (under) expenditures	(213,381)	(173,522)	(104,810)	(67,113)	(124,025)
Other Financing Sources (Uses)					
Payment to escrow agent	-	(437,621)	(416,000)	-	-
Bond anticipation notes converted	39,422	9,234	28,157	16,978	57,944
Bond anticipation notes refunded	(39,422)	(9,234)	(28,157)	(16,978)	(57,944)
State revolving fund loan proceeds	41,185	47,104	27,464	15,973	52,720
Sale of refunding bonds	-	382,020	397,390	-	-
Proceeds from sale of bonds	-	-	350,000	-	-
Premium on sale of bonds	-	53,098	24,594	-	-
Total other financing sources (uses)	41,185	44,601	383,448	15,973	52,720
Net change in fund balance	$ (172,196)	$ (128,921)	$ 278,638	$ (51,140)	$ (71,305)
Debt service as a percentage of non-capital expenditures *(only available from 2001 forward)*	29.1%	27.5%	33.4%	32.2%	33.4%

2003	2002	2001	2000	1999
$ 397,751	$ 362,036	$ 337,654	$ 342,633	$ 322,683
24,048	22,285	27,946	31,928	27,916
13,163	15,693	26,770	39,836	33,823
239	3,395	229	110	500
1,097	656	1,077	549	493
113	131	10,441	-	-
1,003	2,080	16,062	14,710	13,868
50,222	48,890	49,194	50,902	52,221
5,023	5,115	4,479	4,442	4,465
3,892	2,892	-	-	-
4,836	490	3,754	6,069	6,366
501,387	463,663	477,606	491,179	462,335
3,315	3,131	2,930	2,696	2,435
14,987	14,318	14,009	13,633	15,722
24,172	23,838	23,781	22,405	21,458
4,510	7,037	4,872	6,917	8,022
30,916	27,610	26,155	22,221	20,232
11,417	11,204	10,961	10,123	8,438
4,646	4,923	4,736	4,670	4,457
3,025	5,483	3,987	4,553	5,220
4,095	7,757	10,914	7,137	6,711
159,079	160,326	165,831	154,679	150,567
29,511	27,044	24,958	29,829	24,830
2,972	2,859	3,355	2,961	4,908
164,865	157,076	159,841	149,455	163,135
91,198	89,572	80,464	84,521	98,688
67,428	56,259	57,358	56,282	60,458
-	1,653	-	-	-
616,136	600,090	594,152	572,082	595,281
(114,749)	(136,427)	(116,546)	(80,903)	(132,946)
-	(398,620)	-	-	-
10,562	47,690	-	64,138	75
(10,562)	(47,690)	-	(64,138)	(75)
77,613	26,667	17,811	35,101	42,231
-	416,000	-	-	-
146,000	164,000	175,000	-	-
-	14,575	8,614	-	-
223,613	222,622	201,425	35,101	42,231
$ 108,864	$ 86,195	$ 84,879	$ (45,802)	$ (90,715)
32.9%	31.1%	28.1%		

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

Last Ten Fiscal Years

(in thousands of dollars, except tax rates)

Fiscal Year Ended December 31,	Chicago Equalized Assessed Value	Suburbs Equalized Assessed Value	Total Equalized Assessed Value	Total Direct Tax Rate (1)	Estimated Full Taxable Value	Equalized Assessed Value as a Percentage of Full Value
1998	$ 33,940,146	$ 42,812,917	$ 76,753,063	0.444	$ 287,762,846	26.7%
1999	35,354,802	45,509,854	80,864,656	0.419	309,433,210	26.1
2000	40,480,075	45,036,933	85,517,008	0.415	348,966,255	24.5
2001	41,981,912	50,923,178	92,905,090	0.401	392,206,809	23.7
2002	45,330,892	57,506,473	102,837,365	0.371	428,105,908	24.0
2003	53,168,632	57,097,996	110,266,628	0.361	471,971,669	23.4
2004	55,277,096	63,761,464	119,038,560	0.347	541,942,050	22.0
2005	59,304,530	71,282,391	130,586,921	0.315	581,371,295	22.5
2006	69,511,192	71,957,450	141,468,642	0.284	666,223,062	21.2
2007	73,645,316	82,327,478	155,972,794	0.263	666,223,062 (2)	23.4

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

(1) Tax rates per $100 equalized assessed valuation

(2) Current data not available from Civic Federation

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

Last Ten Years

(rates per $100 of assessed value)

	2008 (1)	2007	2006	2005	2004	2003	2002	2001	2000	1999
District direct rates										
Corporate	$ 0.169	$ 0.150	$ 0.151	$ 0.158	$ 0.167	$ 0.163	$ 0.164	$ 0.171	$ 0.179	$ 0.176
Corporate Working Cash	-	-	-	-	-	0.004	0.004	0.004	0.005	0.005
Reserve Claim	0.005	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.005	0.005
Retirement	0.018	0.016	0.018	0.018	0.024	0.024	0.024	0.027	0.027	0.033
Debt Service	0.100	0.087	0.087	0.113	0.139	0.143	0.145	0.158	0.151	0.151
Construction	-	0.003	0.013	0.014	0.013	0.023	0.030	0.037	0.043	0.044
Stormwater Management (2)	0.011	0.003	0.011	0.008	-	-	-	-	-	-
Construction Working Cash	-	-	-	-	-	-	-	-	0.005	0.005
Total direct rate	$ 0.303	$ 0.263	$ 0.284	$ 0.315	$ 0.347	$ 0.361	$ 0.371	$ 0.401	$ 0.415	$ 0.419
Major local governments' tax rates (3)										
City of Chicago	$ -	$ 1.004	$ 1.012	$ 1.153	$ 1.188	$ 1.262	$ 1.452	$ 1.478	$ 1.498	$ 1.673
Chicago Board of Education	-	2.583	2.697	3.026	3.104	3.142	3.562	3.744	3.714	4.104
Chicago Park District	-	0.355	0.379	0.443	0.431	0.439	0.515	0.546	0.557	0.627
Cook County	-	0.446	0.500	0.533	0.593	0.630	0.690	0.746	0.824	0.854
Cook County Forest Preserve Dist.	-	0.053	0.057	0.060	0.060	0.059	0.061	0.067	0.069	0.070
Community College Dist. #508 (4)	-	0.159	0.205	0.234	0.242	0.246	0.280	0.307	0.311	0.347
Chicago School Finance Authority	-	0.091	0.118	0.127	0.177	0.151	0.177	0.223	0.223	0.255
City of Chicago Library Fund	-	0.040	0.050	0.090	0.114	0.118	0.139	0.159	0.162	0.187
District's tax levies by fund *(in thousands)*										
Corporate	$239,262	$233,982	$213,860	$206,565	$198,676	$180,310	$168,279	$158,870	$153,732	$142,238
Stormwater Management (2)	15,212	3,942	15,508	-	-	-	-	-	-	-
Corporate Working Cash	-	-	-	-	-	4,645	4,276	4,044	3,838	3,693
Reserve Claim	7,073	6,530	5,957	5,513	5,142	4,645	4,276	4,044	3,838	3,693
Retirement	25,665	24,843	25,072	23,598	28,247	25,958	24,825	24,661	23,009	27,079
Debt Service	138,960	135,730	123,608	147,281	166,152	157,334	149,169	146,605	129,151	122,060
Construction	-	5,181	17,766	17,940	14,847	25,170	30,702	34,325	37,490	36,367
Construction Working Cash	-	-	-	-	-	-	-	-	3,838	3,693
Total tax levies	$426,172	$410,208	$401,771	$411,348	$413,064	$398,062	$381,527	$372,549	$354,896	$338,823

Source: Cook County Clerk

(1) District's tax rates are estimated based on 2007 equalized assessed valuation of $155.9 billion.

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

(3) Major local governments' rates for 2008 are not yet available.

(4) Formerly Chicago City Colleges

Exhibit I-7
Principal Property Taxpayers

2007 and Nine Years Ago

(in thousands of dollars)

Taxpayer	Type of Business	2007 (1) Equalized Assessed Value (5)	2007 (1) Rank	2007 (1) Percentage of Total Equalized Assessed Value	1998 Equalized Assessed Value	1998 Rank	1998 Percentage of Total Equalized Assessed Value
Sears Tower	Retail & Office	$ 514,662	1	0.33%	$ 301,946	1	0.39%
Aon Center (2)	Insurance	374,456	2	0.24	219,911	2	0.29
Equity Office (3)	Property Management	364,783	3	0.23	202,462	3	0.26
AT & T Corporate Center	Communications	297,653	4	0.19	159,555	6	0.21
Prudential Plaza	Financial Services	293,604	5	0.19	164,167	5	0.21
Chase Tower (4)	Banking	250,261	6	0.16	185,929	4	0.24
Leo Burnett Building	Advertising	231,069	7	0.15	108,058	9	0.14
Water Tower Place	Retail & Office	216,217	8	0.14	116,617	8	0.15
Citigroup Center	Banking	211,813	9	0.14	130,727	7	0.17
Citadel Center	Retail & Office	208,906	10	0.13	-	-	-
900 N Michigan Building	Retail Shops	-	-	-	95,801	10	0.12
		$ 2,963,424		1.91%	$ 1,685,173		2.20%

Source: Cook County Treasurer's Office and Cook County Clerk's Office
(1) 2008 information is unavailable.
(2) Formerly the Amoco Oil Building.
(3) Equity Office owns and manages two adjoining tower office buildings.
(4) Known as Bank One Plaza in 1998.
(5) The Equalized Assessed Valuation for 2007 is $155,972,794,427.

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	Collected within the First Year: Percentage of Levy	Collected within the First Year: Final Due Date	Collections in Subsequent Years (1)	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
1999	$ 338,823	$ 326,628	96.4%	10/01/00	$ (830)	$ 325,798	96.2%
2000	354,896	338,078	95.3	11/01/01	55	338,133	95.3
2001	372,549	361,145	96.9	11/01/02	2,966	364,111	97.7
2002	381,527	369,667	96.9	10/01/03	2,306	371,973	97.5
2003	398,062	375,549	94.3	11/15/04	12,361	387,910	97.4
2004	413,064	399,017	96.6	11/01/05	6,015	405,032	98.1
2005	411,348	398,343	96.8	09/01/06	6,030	404,373	98.3
2006	401,771	354,790	88.3	12/03/07	43,145	397,935	99.0
2007	410,208	390,440	95.2	11/03/08	-	390,440	95.2
2008	426,172	-	-	09/01/09	-	-	-

(1) Negative amounts result from subsequent years' tax refunds in excess of collections.

Exhibit I-9
User Charge Rates

Last Ten Years

	2008 (1)	2007	2006	2005	2004
Large Commercial / Industrial User Rates (2)					
Flow per million gallons	$ 223.72	$ 224.87	$ 225.80	$ 210.91	$ 202.39
5-day BOD per 1,000 lbs. (5)	229.23	228.39	239.79	226.64	215.86
SS per 1,000 lbs. (6)	178.11	173.01	183.41	174.33	168.16
Tax-Exempt User Rates (3)					
Flow per million gallons	$ 230.29	$ 231.07	$ 235.40	$ 219.30	$ 209.31
5-day BOD per 1,000 lbs. (5)	235.98	234.69	249.99	235.65	223.25
SS per 1,000 lbs. (6)	183.35	177.77	191.20	181.26	173.92
OM&R Rate (4)	0.4990	0.5040	0.5680	0.5680	0.5690

(1) The current year's rates are calculated using financial data from the prior year's Budget, operating cost, and loading data from two years prior.

(2) Large commercial / industrial users are nongovernmental, nonresidential 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

2003	2002	2001	2000	1999
$ 217.74	$ 185.09	$ 200.21	$ 215.09	$ 205.63
227.39	197.10	216.96	205.33	196.13
182.75	151.53	158.11	163.43	160.40
$ 223.29	$ 190.74	$ 201.98	$ 181.83	$ 175.13
233.19	203.22	218.89	173.52	167.04
187.41	156.16	159.51	138.14	136.61
0.6240	0.5580	0.5950	0.4880	0.4510

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	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)
1999	$ 1,060,480	$ 35,686	$ 1,096,166	$ 142,210	$ 953,956	0.65%	$ 211.25	0.31%	$ 183.84
2000	1,040,096	27,972	1,068,068	134,663	933,405	0.59	198.64	0.27	173.59
2001	1,134,632	46,702	1,181,334	126,973	1,054,361	0.63	218.85	0.27	195.32
2002	1,298,375	26,162	1,324,537	157,957	1,166,580	0.70	246.06	0.27	216.72
2003	1,363,739	94,245	1,457,984	174,249	1,283,735	1.03	268.75	0.27	236.63
2004	1,329,123	90,473	1,419,596	164,185	1,255,411	1.03	264.65	0.23	234.04
2005	1,280,569	48,238	1,328,807	168,920	1,159,887	0.95	248.98	0.21	217.33
2006	1,579,401	25,261	1,604,662	124,540	1,480,122	1.15	302.37	0.27	278.90
2007	1,465,854	63,131	1,528,985	97,492	1,431,493	1.10	289.69	0.26	271.22
2008	1,392,699	64,894	1,457,593	101,053	1,356,540	1.05	276.16	0.25	257.02

(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 unreserved 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.

Exhibit I-11
Estimate of Direct and Overlapping Debt

As of December 31, 2008

(In thousands of dollars)

Direct debt				
General obligation bonds				$ 1,392,699

Overlapping bonded debt of major local governments (1)	Net Debt (2)	% Applicable (3)	Applicable Amount	
City of Chicago	$ 6,277,999	100.00%	$ 6,277,999	
Chicago Board of Education	4,688,326(4)	100.00	4,688,326(4)	
Chicago School Finance Authority	66,645	100.00	66,645	
Chicago Park District	789,565(4)	100.00	789,565(4)	
Cook County Community College District #508	-	100.00	-	
Cook County	2,895,520	97.93	2,835,591	
Cook County Forest Preserve District	115,105	97.93	112,722	
Total overlapping debt (5)				14,770,848
Total direct and overlapping debt (5)				$ 16,163,547

(1) Excludes outstanding tax anticipation notes and warrants.
(2) Source: Each of the respective taxing districts.
(3) Based on 2007 EVAs; the most recent available. For 2007, the EVA from the portion of the District within the City of Chicago was $73,645,316,037.
(4) Includes approximately $4.1 million and $3.1 million of general obligation bonds of the Chicago Board of Education and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Chicago Board of Education and the Chicago Park District.
(5) Does not include debt issued by other taxing authorities located in Cook County.

Exhibit I-12
Computation of Statutory Debt Margin

Last Ten Fiscal Years

(in thousands of dollars)

	2008 (1)	2007	2006	2005	2004
Equalized assessed valuation	$ 155,972,794	$ 155,972,794	$ 141,468,643	$ 130,586,921	$ 119,038,560
Statutory debt limit (5.75% of equalized assessed valuation)	8,968,436	8,968,436	8,134,447	7,508,748	6,844,717
Total debt applicable to debt limit:					
General obligation bonds outstanding	1,392,699	1,465,854	1,579,401	1,280,569	1,329,123
Bond anticipation notes outstanding	64,894	63,131	25,261	48,238	90,473
Liabilities of tax financed funds:					
Corporate	42,374	38,699	27,233	25,394	29,112
Stormwater	1,470	1,179	340	72	-
Debt service	-	-	56	154	212
Reserve claim	1,036	1,243	1,495	124	276
Construction	2,855	2,662	2,810	3,949	6,333
Total applicable debt	1,505,328	1,572,768	1,636,596	1,358,500	1,455,529
Less applicable assets:					
Debt service funds unrestricted cash and investments	89,397	77,599	108,814	127,860	125,441
Interest payable in the next twelve months	(73,103)	(68,877)	(69,111)	(55,119)	(60,902)
Total applicable assets	16,294	8,722	39,703	72,741	64,539
Total net debt applicable to debt limit	1,489,034	1,564,046	1,596,893	1,285,759	1,390,990
Statutory debt margin	$ 7,479,402	$ 7,404,390	$ 6,537,554	$ 6,222,989	$ 5,453,727
Total applicable net debt as a percentage of statutory debt limit	16.6%	17.4%	19.6%	17.1%	20.3%

(1) Debt limit calculation based on 2007 equalized assessed valuation since 2008 value is not yet available.

2003	2002	2001	2000	1999
$ 110,266,628	$ 102,837,365	$ 92,905,090	$ 85,517,008	$ 80,864,656
6,340,331	5,913,148	5,342,043	4,917,228	4,649,718
1,363,739	1,298,375	1,134,632	1,040,096	1,060,480
94,245	26,162	46,702	27,972	35,686
29,661	29,321	37,658	30,289	31,064
-	-	-	-	-
212	486	-	-	-
472	149	1,951	1,588	2,676
4,953	4,161	5,691	11,187	8,682
1,493,282	1,358,654	1,226,634	1,111,132	1,138,588
129,600	128,508	114,179	121,305	129,143
(63,488)	(62,325)	(58,199)	(53,112)	(55,836)
66,112	66,183	55,980	68,193	73,307
1,427,170	1,292,471	1,170,654	1,042,939	1,065,281
$ 4,913,161	$ 4,620,677	$ 4,171,389	$ 3,874,289	$ 3,584,437
22.5%	21.9%	21.9%	21.2%	22.9%

Exhibit I-13
Demographic and Economic Statistics

Last Ten Calendar Years

(population and dollars in thousands)

Year	Population	Personal Income	Per Capita Personal Income	Median Household Income	Unemployment Rate
2008	5,262	$ 139,190,968	$ 26,452	$ 52,664	6.3%
2007	5,278	138,936,974	26,324	52,477	4.9
2006	5,307	139,547,983	26,295	52,408	4.5
2005	5,337	139,159,977	26,075	51,635	5.9
2004	5,364	137,820,341	25,694	50,093	6.2
2003	5,425	140,930,862	25,978	51,585	6.7
2002	5,383	189,054,081	35,121	57,214	6.5
2001	5,398	187,091,937	34,659	54,490	5.5
2000	5,377	182,393,699	33,921	40,292	4.3
1999	5,189	169,932,439	32,749	49,081	4.4

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

Exhibit I-14
Principal Employers

2008 and Nine Years Ago

	2008			1999		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
U.S. Government	78,000	1	1.48%	85,0000	1	1.64%
Chicago Public Schools	43,910	2	0.83%	45,024	2	0.87%
City of Chicago	35,570	3	0.68%	41,658	3	0.80%
Wal-Mart Stores Inc.	23,453	4	0.45%	-		-
Cook County	22,142	5	0.42%	26,942	5	0.52%
State of Illinois	18,124	6	0.34%	20,587	9	0.40%
Advocate Health Care	15,660	7	0.30%	22,045	8	0.42%
University of Chicago	14,287	8	0.27%	-	-	-
Walgreen Company	14,254	9	0.27%	-	-	-
AT&T Inc. (1)	14,000	10	0.27%	20,000	10	0.39%
UAL Corp	14,000	10	0.27%	-	-	-
Jewel-Osco	-	-	-	38,880	4	0.75%
U.S. Postal Service	-	-	-	25,575	6	0.49%
Motorola	-	-	-	23,500	7	0.45%
Total	293,400		5.58%	349,211		6.73%

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(1) Previous to 2002 takeover by SBC Communications, this was Ameritech

Exhibit I-15
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

Fund/Department	Budgeted Positions 2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Corporate Fund										
Board of Commissioners	45	45	45	46	46	45	45	45	45	45
General Administration	138	144	145	146	147	140	131	128	127	123
Monitoring and Research	309	311	317	321	326	337	347	352	355	353
Procurement and Materials Management	70	70	70	71	75	71	77	82	79	78
Human Resources	54	53	53	56	56	52	51	46	43	44
Information Technology	72	66	63	64	64	64	75	75	73	69
Law	40	40	41	41	41	40	41	41	41	42
Finance	33	34	35	35	37	37	38	40	42	40
Engineering (Corporate Fund)	34	33	33	33	32	32	32	32	31	31
Maintenance & Operations	1,045	1,044	1,071	1,124	1,137	1,163	1,191	1,202	1,193	1,193
Total Corporate Fund	1,840	1,840	1,873	1,937	1,961	1,981	2,028	2,043	2,029	2,018
Engineering (Construction Fund)	45	49	63	63	117	120	130	231	223	227
Engineering (Stormwater Management)	47	48	38	9	-	-	-	-	-	-
Engineering (Capital Improvements Bond Fund) (1)	177	157	133	134	83	85	91	-	-	-
Grand Total	2,109	2,094	2,107	2,143	2,161	2,186	2,249	2,274	2,252	2,245

(1) In fiscal year 2002 numerous Engineering Department positions were transferred from the Construction Fund budget to the Capital Improvements Bond Fund budget.

Exhibit I-16
Operating Indicators

Last Ten Fiscal Years

	Area Served (1)	Communities Served (2)	Number of People Served(3)	Commercial and Industrial Population Equivalent Served	Number of Local Sewer Connections to Intercepting Sewers	Gallons of Pumping Station Maximum Capacity (4)	Gallons of Sewerage Wastes Processed per Day (4)	Daily Sewerage Treatment Capacity (4)
2008	884	129	5,262,000	4,500,000	10,000	4,000,000	1,284,600	2,000,000
2007	876	128	5,278,157	4,500,000	10,000	4,000,000	1,310,000	2,000,000
2006	876	128	5,306,935	4,500,000	10,000	4,000,000	1,329,000	2,000,000
2005	876	126	5,275,180	4,500,000	10,000	4,000,000	1,158,000	2,000,000
2004	872	126	5,364,000	4,500,000	10,000	4,000,000	1,243,000	2,000,000
2003	872	126	5,425,000	4,500,000	10,000	4,000,000	1,228,000	2,000,000
2002	872	126	5,383,000	4,500,000	10,000	4,000,000	1,244,000	2,000,000
2001	872	126	5,398,000	4,500,000	10,000	4,000,000	1,425,000	2,000,000
2000	872	126	5,377,000	4,500,000	10,000	4,000,000	1,324,000	2,000,000
1999	872	126	5,189,000	4,500,000	10,000	4,000,000	1,388,000	2,000,000

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

Exhibit I-17
Capital Asset Statistics

Years ended December 31, 2008 - 1999

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Miles of intercepting sewers and force mains operated	559	559	559	559	559	559	559	559	554	554
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+	13,000+	13,000+	15,000+	15,000+	15,000+	15,000+	15,000+	15,000+	15,000+
Number of water reclamation plants	7	7	7	7	7	7	7	7	7	7
Number of pumping stations	22	23	23	23	23	23	24	25	24	24
Miles of TARP tunnels constructed for pollution and flood control	109.4	109.4	109.4	101.5	101.5	101.5	93.4	93.4	93.4	93.4
Miles of TARP tunnels under construction	0.0	0.0	0.0	7.9	7.9	7.9	16.0	16.0	8.1	8.1
Number of TARP reservoirs constructed	1	1	1	1	1	1	1	1	1	1
Number of TARP reservoirs under construction	2	2	2	2	2	2	1	1	1	-
Number of flood control reservoirs	31	32	32	32	32	32	31	31	30	30
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

Throughout District facilities, approximately 75 acres are covered with Native Prairie Landscaping (NPL). Monitoring this part of our environmental stewardship with NPL professionals, District staff from the left are Joanne McKay Hudak, Lakwinder Hundahl, Tom Miglinas, Sally Yagol, Kevin Kall, and Tom Conway.

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (District) as of and for the year ended December 31, 2008 which collectively comprise the District's basic financial statements and have issued our report thereon dated April 22, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the District's pension trust fund, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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

However we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated April 22, 2009.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
April 22, 2009

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VB&C VELMA BUTLER & COMPANY, LTD.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MEMBER OF: THE AMERICAN INSTITUTE OF CPAs
THE ILLINOIS CPA SOCIETY

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

Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago
Chicago, Illinois

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) of the Metropolitan Water Reclamation District of Greater Chicago (the District), for the year ended December 31, 2008. The Schedule is the responsibility of the District's management. Our responsibility is to express an opinion on the Schedule based on our audit.

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

In our opinion, the schedule of expenditures of federal awards referred to above present fairly, in all material respects, the respective expenditures of federal awards of the Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, we have also issued a report dated March 23, 2009, on our consideration of the District's compliance with requirements applicable to each major program and internal controls over compliance in accordance with OMB Circular A-133. That report is an integral part of an audit performed in accordance with *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and should be read in conjunction with this report.

Velma Butler & Company, Ltd.

Velma Butler & Company, Ltd.
Chicago, Illinois

March 23, 2009

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VB&C VELMA BUTLER & COMPANY, LTD.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Metropolitan Water Reclamation District of Greater Chicago
Chicago, Illinois

Compliance

We have audited the compliance of the Metropolitan Water Reclamation District of Greater Chicago (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Velma Butler & Company, Ltd.

Velma Butler & Company, Ltd.
Chicago, Illinois

March 23, 2009

Schedule of Expenditures of Federal Awards

Year ended December 31, 2008

Federal CFDA Number (A)	Grant/ Identifying Number (B)	Award Date (C)	Project Description (D)		Total 2008 Federal Expenditures (E)
Major Programs:					
Federal Grantor: Federal Emergency Management Agency					
Disaster Assistance (passed through Illinois Emergency Management Agency)					
97.036	BAS-026	Feb. 2008	Debris Cleanup	$	896,301
		Nov. 2008	Debris Cleanup		292,965
		Total Disaster Assistance		$	1,189,266
			Total Federal Expenditures	**$**	**1,189,266**

See accompanying notes to the schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2008

Note 1 – Basis of Presentation

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

Note 2 – Heading and Column Explanation

(A) Catalog of Federal Domestic Assistance Number.

(B) Grant Number of pass-through entity identifying number.

(C) Date of original award.

(D) Description of project funded with federal funds.

(E) Total expenditures represent the amount of the eligible cost claimed by the District.

Note 3 – Program Description

Descriptions of federal programs, funded wholly or partially by federal sources, from which the District expended funds during the year ended December 31, 2008.

CFDA # 97.036 – Public Assistance Grant

The Public Assistance Grant provides assistance to State, Tribal and local governments, and certain types of Private Nonprofit organizations so that communities can quickly respond to and recover from major disasters or emergencies declared by the President.

Note 4 – Grant Project Descriptions

Pilot Project

Project No. BAS-026 was awarded to the District from the Illinois Emergency Management Agency on February 19, 2008. The pilot grant provides for the Metro Water Reclamation District Project #BAS-026. For fiscal year 2008, MWRD received $896,301 in federal funding.

Schedule of Findings and Questioned Costs

Year ended December 31, 2008

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	__	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__	Yes	X	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 that are not considered to be material weakness(es)?
_____Yes __X__None reported

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

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

Identification of major programs:

U.S. Environmental Protection Agency

CFDA Number	Name of Federal Program
97.036	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? __X__Yes _____No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR FINDINGS

Item 2007-1 – Internal Network Security

The District's internal network has several vulnerable security features.

During the 2007 audit, a review was performed of the security controls within the District's internal network. During the review, certain deficiencies were cited. The deficiencies included the following:

1. Certain directory permissions for several critical directories do not have restricted access to users of the system.

2. Two systems were found to have a blank password for a specified server, which if left uncorrected allows any user to act as administrator of the server.

3. One device was detected as having a file share with no access controls. This would allow anyone on the internal network to read and write to anything in this directory.

4. Use of the default access that is part of a distributed administration package provided within the operating system is creating vulnerabilities. If left uncorrected, a user has the ability to spoof credentials and make changes as the root user of this system.

Per the District they are constantly changing and updating systems and are doing their best to provide adequate security over their systems in a timely fashion.

A good system of internal control requires that the integrity of the District's information systems be maintained and that limitations and restrictions are in effect so that individuals could not impair the necessary security and control features.

Under the present system, unauthorized individuals could potentially add, change, or delete information on the District's network and such unauthorized activities would go undetected by the District.

We recommended the District implement the following related to the deficiencies noted above:

1. The District should review access to the drive and remove access by the "everyone" group.

2. Replace the blank password with a password that is difficult to guess.

3. The District should explicitly restrict access to the share or remove the share if it is not needed.

4. The District should install the appropriate patch provided by the system vendor to correct this issue.

SECTION IV – SUMMARY SCHEDULE OF PRIOR FINDINGS

Item 2007-1 – Internal Network Security (Continued)

Status and Corrective Action Taken:

The District has implemented the recommendations noted above. This finding is not repeated.

Item 2007-2 – Inventory Obsolescence

The District does not have a timely process for removing obsolete inventory from the accounting system.

During our prior audit of the internal controls of the District, we noted the District has an Inventory Control Review Board (IRB) that meets on a monthly basis to review items held in inventory. The January 16, 2008 meeting of the IRB identified 2,693 inventory items recorded at approximately $891,000 that were deemed obsolete. In accordance with the District's policy GS 82-1and GS 02-3, inventory is not recorded as a disposal until the item is either missing, lost, junked, abandoned, stolen, or sold. The District uses the Consumption Method of Accounting for Inventory whereby inventory purchases are recorded as an expenditure when used, as opposed to when purchased. Because the obsolete inventory will generally never be "consumed", these items should be written off or adequately reserved in accordance with Generally Accepted Accounting Principles (GAAP).

As a result of the audit, the District recorded an adjustment to inventory and has met with the Purchasing and Maintenance and Operation (M&O) Departments to discuss a resolution to fix the current situation.

A good system of internal control requires that inventories be properly valued and reported in the financial statements and that a mechanism for the timely reporting of the decline in inventory values is communicated to those charged with financial reporting on a timely basis.

Under the present system, inventory will be overstated as long as obsolete items are not removed from the accounting system on a timely basis.

We recommend the District update its current policy to include a process for removing obsolete items from inventory on a timely basis. At a minimum, any necessary inventory adjustments should be recorded prior to the year-end close. The IRB may also want to include a member of the finance department so that good communication is promoted within the organization.

Status and Corrective Action Taken:

The District has implemented the recommendations noted above. This finding is not repeated.