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

**Chicago, Illinois**



**For the Year Ended  
December 31, 2009**

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# I. INTRODUCTORY SECTION



*Chicago river near Michigan Avenue in the Winter of 2009.*

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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 Mariyana T. Spyropoulos

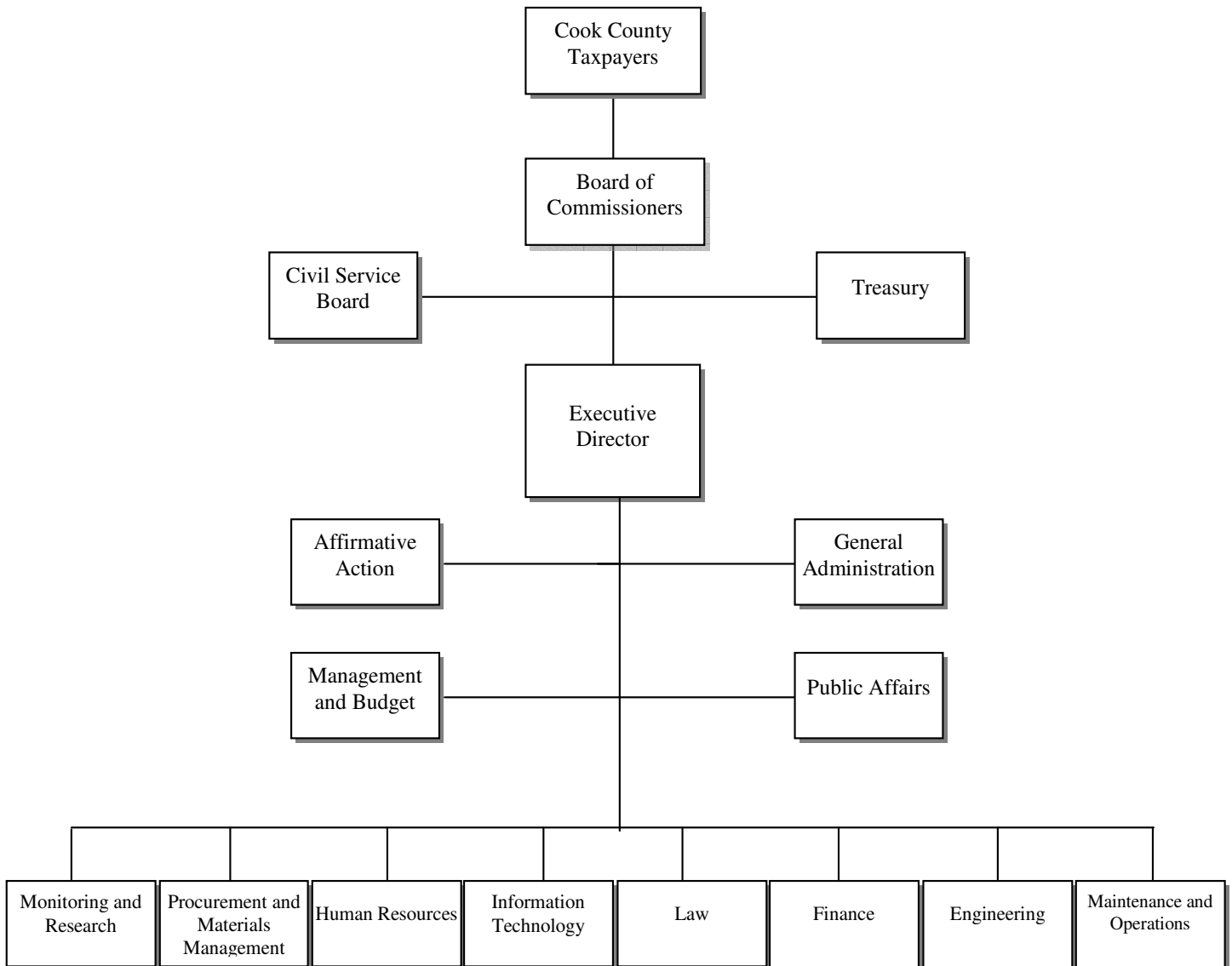
### **Principal Officers:**

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



2,131 Budgeted  
Positions in 2009



## Protecting Our Water Environment

### Board of Commissioners

Terrence J. O'Brien  
President  
Kathleen Therese Meany  
Vice President  
Gloria Aiitto Majewski  
Chairman of Finance  
Frank Avila  
Patricia Horton  
Barbara J. McGowan  
Cynthia M. Santos  
Debra Shore  
Mariyana T. Spyropoulos

### Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street Chicago, Illinois 60611-3154 f: 312.751.5670 312.751.5700

### Terrence J. O'Brien

President

terrence.o'brien@mwrdd.org

April 26, 2010

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 (MWRD) for the year ended December 31, 2009. I am honored and pleased to report that the District continued to serve the Greater Chicago Metropolitan Area with distinction and efficiency throughout 2009, its 120<sup>th</sup> year of operation.

Our country has been experiencing what is likely the most serious economic downturn this nation has felt since the 1930's. Yet, MWRD continues to record significant achievements despite these tough economic times. Financially, MWRD remains one of the strongest agencies in the region. We are nearing a decade of financial distinction of holding a Triple-A bond rating from Moody's, Fitch, and Standard & Poors.

The responsibility to maintain our economic stability, control costs and provide quality services required that we take prudent budget actions in 2009. As such, I am confident that we will maintain our financial strength. Our Executive Director implemented a 15% appropriations control factor across the budget process on an already trim position. Until the economy recovers, projects that can be deferred will wait; projects that focus on flood prevention, and public health and safety will proceed.

It has been a watershed year for the suburban municipalities. As the stormwater management agency of Cook County, MWRD completed a draft of the Watershed Management Ordinance (WMO). It is the regulatory ordinance which establishes baseline minimum stormwater management requirements for Cook County. We also established six Watershed Planning Councils. These councils communicate the needs and interests of residents and local governments to MWRD. Currently there are six watershed planning councils: Lower Des Plaines, Poplar Creek, Upper Salt Creek, Little Calumet River, Cal-Sag Channel, and the North Branch of the Chicago River. An additional planning council will be created for the combined sewer areas within Cook County.

Three decades of work on the engineering marvel, the Tunnel and Reservoir Plan (TARP), has resulted in major improvements in the Chicago Area Waterway System (CAWS). Water quality and property values bordering the CAWS have increased substantially. TARP provides additional storage for contaminated combined sewage overflow during heavy precipitation that would otherwise discharge into the rivers. The 109-mile tunnel system of the pollution control program was completed in 2006. Phase II - the reservoirs - are still under construction. The Thornton and the McCook Reservoirs will be brought into use in on-going benchmarks for the next decade.

An emerging issue of concern for MWRD is a proposal presented to the Illinois Pollution Control Board by the Illinois Environmental Protection Agency (IEPA). It calls for changes to existing water quality standards and seeks new effluent standards for MWRD's three largest wastewater treatment facilities. The proposal would require MWRD to provide additional treatment to its effluent going into the CAWS; effluent which currently enters the waterway 95 to 98% clean. IEPA's proposal is based on no justification or scientific study with regard to providing additional public health benefit. Therefore, MWRD commissioned independent, scientific studies and recommends that regulators rely on the results in determining whether any health risks exist to those currently recreating on the CAWS. Results of these studies are expected in the coming year.

Our goals are clear. We will continue to reduce the consumption of energy and other resources; sustainability practices are in place and growing. The Board and I will review additional policy areas that affect revenues and costs and handle unexpected issues that arise. We will enlist the support of citizens in initiatives that directly affect their quality of life. The opportunity to serve during these difficult times is a privilege. Our responsibility to maintain the economic stability of our organization while protecting the citizens and the environment of Cook County is one we consistently take very seriously.

Respectfully submitted,



Terrence J. O'Brien  
President

**Metropolitan Water Reclamation District of Greater Chicago**

**Multi-Year Awards**

**1975-2008**

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

**1993-2008**

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*

**1985-2009**

Government Finance Officers Association of the United States and Canada  
*Award for Distinguished Budget Presentation*

**2007-2008**

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)**

**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*

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 21<sup>st</sup> 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*

# Metropolitan Water Reclamation District of Greater Chicago

## Individual Year Awards (continued)

### 2005 (Cont.)

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

National Purchasing Institute  
*Achievement of Excellence in Procurement*

### 2006

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

National Institute of Government Purchasing  
*Outstanding Agency Accreditation Achievement Award*

National Purchasing Institute  
*Achievement of Excellence in Procurement*

### 2007

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

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

### 2008

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

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

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

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

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

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

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

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

### 2009

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

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

# 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, 2008

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

**BOARD OF COMMISSIONERS**

Terrence J. O'Brien  
*President*  
Kathleen Therese Meany  
*Vice President*  
Gloria Alitto Majewski  
*Chairman of Finance*  
Frank Avila  
Patricia Horton  
Barbara J. McGowan  
Cynthia M. Santos  
Debra Shore  
Mariyana T. Spyropoulos

**Metropolitan Water Reclamation District of Greater Chicago**

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 jacqueline.torres@mwrdd.org

**Jacqueline Torres**  
Clerk/Director of Finance

312-751-6500 FAX 312-894-1104

April 26, 2010

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, 2009. The Statutes require that the Clerk/Director of Finance prepare and publish the financial statements and any other data necessary to reflect the true financial condition and operations of the Metropolitan Water Reclamation District of Greater Chicago, (the "District,") within six months of the close of each fiscal year.

The CAFR's basic financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) in the United States of America, promulgated by the Governmental Accounting Standards Board (GASB). In accordance with Chapter 70, ILCS 2605/5.12, of the Illinois Compiled Statutes, the District's basic financial statements for the period ended December 31, 2009, 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.

## REPORTING ENTITY

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



*The 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 \$1.6 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 county-wide for six year terms. Every two years, one-third of the board is up for election.*

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 \$264 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 began in 2009 and is expected to be operational by the end of 2010. The projected cost over the next five years for the Biosolids Management program is \$310 million.

### ***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.



*Albert Cox, Supervising Soil Scientist, provided a tour and overview of the Stickney Water Reclamation Plant greenhouse during the Nuts & Bolts event in May 2009.*



*MWRD crews worked for more than 3 weeks during the summer of 2009 removing debris and vegetation along the North Branch of the Chicago River. The efforts were aimed to help prevent flooding and to stabilize the banks of the river.*



*Rain barrels remained popular in 2009 and the District's sales totaled 3,560 barrels. Rain Barrel Day along the lakefront was a successful event in the summer of 2009 and featured many artistic modifications of the rain salvaging devices.*



*The MWRD WEFTEC Ops Challenge Team (aka Windy City Wizards) took First Place in Division II at the 2009 WEFTEC Competition. They also won the Laboratory Event and the Process Control Event. The 2009 team consisted of (L to R) Coach Ed Staudacher, Captain Paul Wysocki, Jim McNamara, Bob Jones, Jim Kaminski and Rich Stubing.*

The DWP's for the Little Calumet River, Lower Des Plaines River, North Branch of the Chicago River, and Popular Creek watersheds are planned to be completed in 2010. The capital improvement projects recommended in the DWP's will be prioritized by the District's Board of Commissioners for funding under the Stormwater Management Fund; it is anticipated prioritization of projects arising from the DWP's will commence in 2010. In order to implement regional capital projects prior to completion of the DWP's, the District looked to fund projects approved for funding by agencies such as the U.S. Army Corps of Engineers (Corps) and the Illinois Department of Natural Resources/Office of Water Resources. One such project being contemplated involves providing a compensatory storage reservoir for Levee 37, a Corps project on the Des Plaines River.

### ***Tunnel and Reservoir Plan – Phase II***

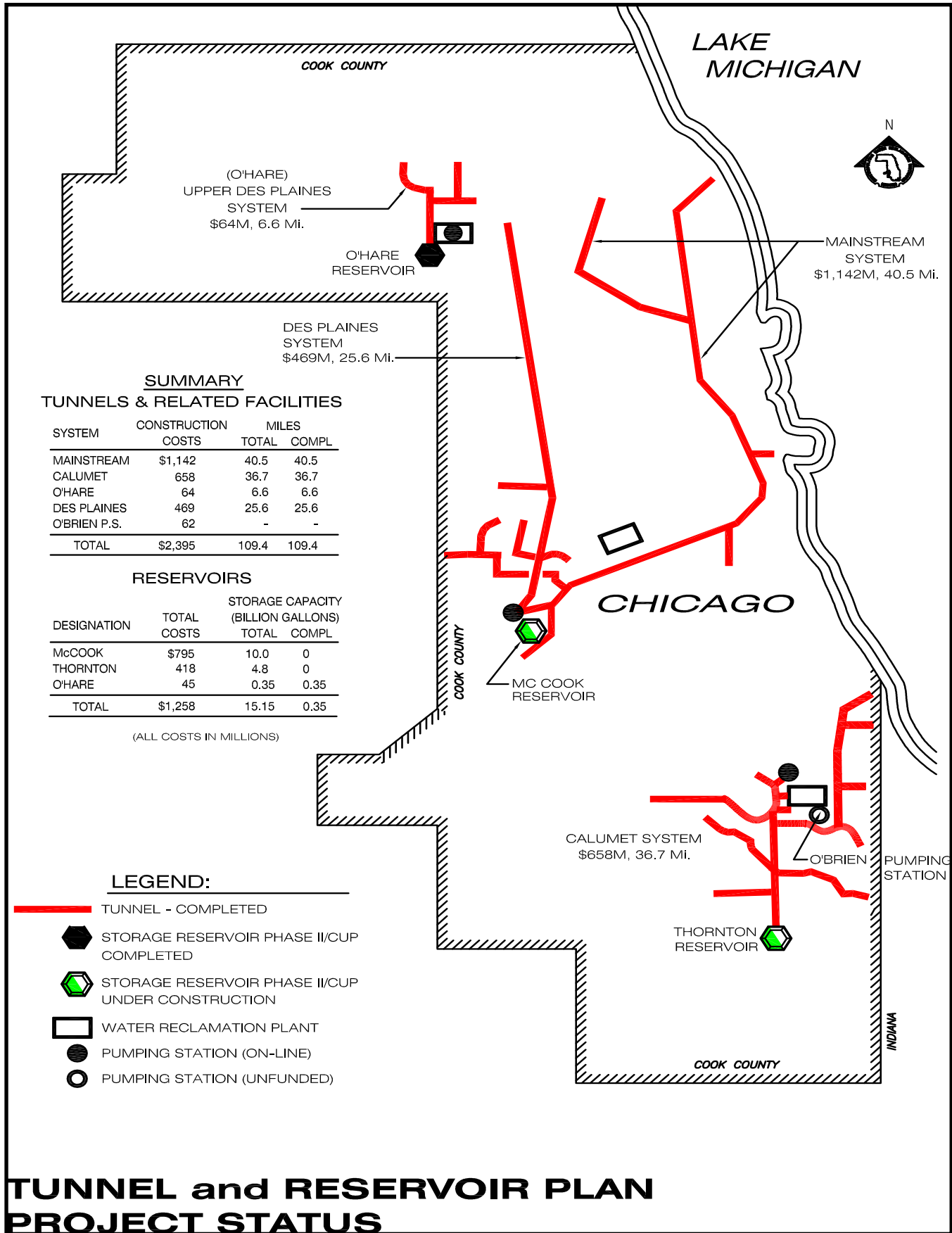
Phase II is the flood control segment of TARP and consists of three storage reservoirs to serve as outlets for combined sewer overflows (CSO's). The three reservoirs – O'Hare, Thornton, and McCook – will provide 15.2 billion combined gallons of storage for CSO's that otherwise would spill into local 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 \$1.258 billion, with the Corps and the District providing approximately \$735 million and \$523 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.

Some construction contracts for the McCook Reservoir have been completed and others are currently in progress. The overburden removal for the McCook Reservoir has been substantially completed and mining began in March 2008. Mining of the North lobe of the Thornton Composite Reservoir began in 1998 and is on schedule to be completed in 2013. The Composite Reservoir will then be completed by 2015. The accompanying exhibit on page 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 DWPs provide comprehensive evaluations of existing conditions and stormwater management concerns in each of Cook County's watersheds, and include recommendations for potential capital improvement projects to address the identified concerns. In 2009, the District completed DWP's for the Calumet-Sag Channel and Upper Salt Creek watersheds.





### ***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 \$393 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 General Corporate, Construction, Capital Improvements Bond Fund, Stormwater, 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 Fund, and at the line item class level for the Capital Improvements Bond Fund. All budget-relevant transactions are tested for the sufficiency of available appropriation before any obligations resulting from purchase requisitions, purchase orders, or contracts are formally recognized, or payments resulting from payroll or other expenditures are released.

## **ECONOMIC BASE OUTLOOK**

The District's service area is sizeable, encompassing 98% of the assessed valuation of Cook County. The equalized assessed valuation for the District has experienced an 8.30% average growth rate over the last ten years and the current equalized assessed valuation of \$170,097,381,685 is 9.1% higher than the previous year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels.

## FINANCIAL POLICIES

The Board of Commissioners amended the following policies:

### ***General Corporate Fund***

- Corporate Fund total fund balance as of January 1 of each budget year is to be kept between 12% and 15% of appropriations, 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 unassigned fund balance for emergencies as well as for other requirements that the District believes to be in its best interest. In the event that any of these specific component objectives cannot be met, the Executive Director will report this fact, and the underlying causes, to the Board, with a plan to bring the fund balances back into compliance with policy within a two-year period. In order to maintain relevance, this policy will be reviewed every three years following adoption, or sooner at the discretion of the Executive Director.

### ***Stormwater Management Fund***

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

### ***Capital Improvements Bond Fund Investment Income***

Investment earnings from the Capital Improvements Bond Fund resulting from all future bond issues will fund an equity transfer to the 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.

## FINANCIAL POLICIES *(continued)*

In addition to the adopted policies, the District adheres to the following guidelines:

### ***Committed Fund Balance***

The District's commissioners shall establish, modify, or rescind a fund balance commitment by vote of a motion presented to the Board.

### ***Assigned Fund Balances***

The Executive Director on advice of staff may assign amounts of fund balances to a specific purpose.

### ***Accounting Policies of Fund Balance***

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

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Water Reclamation District of Greater Chicago for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2008. This was the 34th 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.

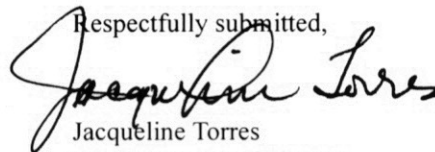
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2009. 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 25 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 2009 Comprehensive Annual Financial Report as a fair and accurate presentation, in all material aspects, of the financial position and operational results of the Metropolitan Water Reclamation District of Greater Chicago.

Respectfully submitted,



Jacqueline Torres  
Clerk/Director of Finance



Matthew Glavas  
Comptroller

Terrence J. O'Brien  
*President*  
Kathleen Therese Meany  
*Vice President*  
Gloria Alitto Majewski  
*Chairman of Finance*  
Frank Avila  
Patricia Horton  
Barbara J. McGowan  
Cynthia M. Santos  
Debra Shore  
Mariyana T. Spyropoulos

**Metropolitan Water Reclamation District of Greater Chicago**

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

April 26, 2010

**STATEMENT OF RESPONSIBILITY**

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

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

- The statements fairly present the financial position and changes in financial position of the Metropolitan Water Reclamation District of Greater Chicago, and its component units, for the fiscal year ended December 31, 2009, 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).



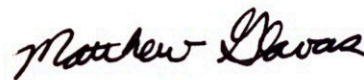
Terrence J. O'Brien  
President



Richard Lanyon  
Executive Director



Jacqueline Torres  
Clerk/Director of Finance



Matthew Glavas  
Comptroller

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## II. FINANCIAL SECTION



*Sidestream Elevated Pool Aeration Station 4 attracts wildlife as frequently as human guests, with a golf course nearby and open spaces.*

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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, 2009, 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 88% of the total assets, and 42% 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, 2008, 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, 2009, 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 26, 2010 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– 41), the modified approach for eligible infrastructure (pages 90 – 94) and pension and OPEB related information (page 95) 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 26, 2010

# **Management's Discussion and Analysis (MD&A)**

*Year ended December 31, 2009*

*Metropolitan Water Reclamation District of Greater Chicago*

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.

## **2009 FINANCIAL HIGHLIGHTS**

- The District ended the 2009 fiscal year with assets exceeding liabilities by \$5,110,279,000.
- The District's total net assets decreased by \$111,620,000 in 2009. This was a result of expenses exceeding revenues.
- The District's combined fund balances for its governmental funds at December 31, 2009 totaled \$983,711,000, an increase of \$289,661,000 from the prior year, as a result of revenues and other financing sources exceeding expenditures and other financing uses.
- The District's total long-term liabilities increased by \$610,727,000 in 2009, primarily due to the issuance of Build America Bonds (BABs).

## **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 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.

# Management's Discussion and Analysis (MD&A)

Year ended December 31, 2009

**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, 2009 and 2008, is presented in the following schedule (in thousands of dollars):

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Assets:				
Current and other assets	\$ 1,502,986	\$ 1,158,718	\$ 344,268	29.7 %
Capital assets	<u>6,029,607</u>	<u>5,776,028</u>	<u>253,579</u>	4.4
Total assets	<u>7,532,593</u>	<u>6,934,746</u>	<u>597,847</u>	8.6
Liabilities:				
Current liabilities	256,156	157,416	98,740	62.7
Long-term liabilities	<u>2,166,158</u>	<u>1,555,431</u>	<u>610,727</u>	39.3
Total liabilities	<u>2,422,314</u>	<u>1,712,847</u>	<u>709,467</u>	41.4
Net Assets:				
Invested in capital assets, net of related debt	4,559,884	4,575,974	(16,090)	(0.4)
Restricted	599,586	598,609	977	0.2
Unrestricted	<u>(49,191)</u>	<u>47,316</u>	<u>(96,507)</u>	(204.0)
Total net assets	<u>\$ 5,110,279</u>	<u>\$ 5,221,899</u>	<u>\$ (111,620)</u>	(2.1)%

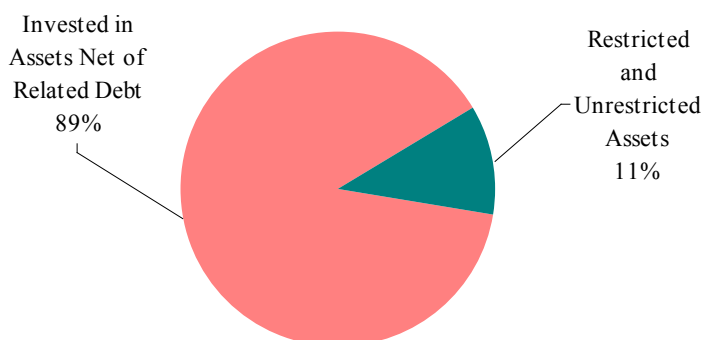
The previous schedule reports that the District's net assets totaled \$5,110,279,000 at December 31, 2009, which represents the amount by which the District's assets exceed its liabilities. The largest portion of the net assets, \$4,559,884,000 is made up of capital assets, net of related debt. This 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 \$599,586,000 and represent resources that are subject to external or legal restrictions as to how they may be spent, such as federal grants or state loans, capital bond proceeds, or tax levies for working cash, and debt service. The remaining portion of unrestricted net assets, (\$49,191,000), represents net assets that have no external restriction as to use or purpose.

The chart on the right reports the percentage of net assets in the three categories as of December 31, 2009.

Investment in capital assets, net of related debt, decreased by \$16,090,000 in 2009 as a result of the following:

- Capital assets increased by \$253,579,000 in 2009 due to new construction.
- Bonded debt related to capital assets increased by \$269,669,000 in 2009 due to a decrease in unspent bond proceeds.

**2009 Net Assets by Components**



The increase in restricted net assets of \$977,000 resulted from the following:

- Net assets restricted for Debt Service increased by \$20,462,000 due to increases to the levy.
- Net assets restricted for working cash increased by \$4,671,000 due to increases to the levy.
- Net assets restricted for capital projects decreased by \$13,412,000 as a result of expenditures exceeding revenues.
- Net assets restricted for reserve claims decreased by \$10,744,000 due to expenditures exceeding revenues.

The decrease in unrestricted net assets of \$96,507,000 resulted from expenditures in excess of revenues in the Corporate accounts of the General Corporate Fund and increases in unfunded long-term liabilities for both pension and OPEB obligations.

## Management's Discussion and Analysis (MD&A)

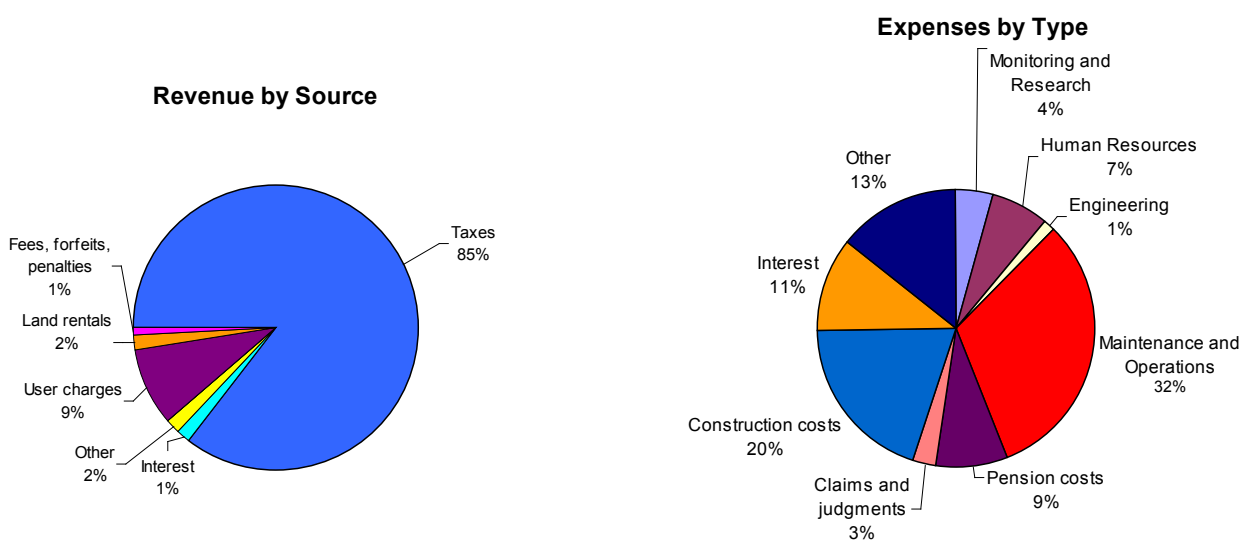
Year ended December 31, 2009

A comparison of the changes in net assets resulting from the District's operations for the years ended December 31, 2009 and 2008, is presented in the following schedule (in thousands of dollars):

	2009	2008	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues</b>				
General Revenues:				
Taxes	\$ 467,445	\$ 474,939	\$ (7,494)	(1.6) %
Interest	7,632	27,112	(19,480)	(71.9)
Other	8,696	6,853	1,843	26.9
Program Revenues:				
User charges	47,886	49,439	(1,553)	(3.1)
Land rentals	9,660	9,572	88	0.9
Fees, forfeits, and penalties	4,305	4,357	(52)	(1.2)
Capital grants	5,518	896	4,622	515.8
Total revenues	<u>551,142</u>	<u>573,168</u>	<u>(22,026)</u>	<u>(3.8)</u>
<b>Expenses</b>				
Board of Commissioners	3,680	3,748	(68)	(1.8)
General Administration	19,046	18,438	608	3.3
Monitoring and Research	29,252	27,612	1,640	5.9
Procurement and Materials Management	6,196	5,398	798	14.8
Human Resources	43,670	61,465	(17,795)	(29.0)
Information Technology	20,611	20,767	(156)	(0.8)
Law	7,491	7,274	217	3.0
Finance	3,233	3,238	(5)	(0.2)
Engineering	9,284	8,144	1,140	14.0
Maintenance and Operations	209,488	196,612	12,876	6.5
Pension costs	54,804	45,343	9,461	20.9
OPEB Trust Fund costs	25,464	8,920	16,544	185.5
Claims and judgments	17,536	9,174	8,362	91.1
Construction costs	131,095	93,421	37,674	40.3
Loss on disposal of capital assets	436	750	(314)	(41.9)
Unallocated depreciation	9,227	9,224	3	0.0
Interest	72,249	65,819	6,430	9.8
Total expenses	<u>662,762</u>	<u>585,347</u>	<u>77,415</u>	<u>13.2</u>
Increase (decrease) in net assets	(111,620)	(12,179)	(99,441)	816.5
Total net assets, beginning of year	5,221,899	5,234,078	(12,179)	(0.2)
Total net assets, end of year	<u>\$ 5,110,279</u>	<u>\$ 5,221,899</u>	<u>\$ (111,620)</u>	<u>(2.1) %</u>

- Total revenues decreased by \$22,026,000 in 2009, or 3.8% from the prior year. General revenues decreased by \$25,131,000, which consists mainly of property tax revenues, personal property replacement taxes, interest on investments, and miscellaneous revenue judgments. Property tax revenues decreased by \$2,444,000 as a result of a decrease in the tax levy and fewer collections of prior year taxes in 2009 than 2008. Personal property replacement taxes decreased by \$5,050,000 as a result of decreased earnings by corporations in 2009. Interest on investments decreased by \$19,480,000 in 2009 due to significantly lower interest rates during the year. Other general revenues increased by \$1,843,000 in 2009 due mainly to increased TIF distributions by local government. Program revenues increased by \$3,105,000, which consists of user charges, capital grants and contributions, rental income, and fees, forfeits, and penalties. Capital grants and contributions increased by \$4,622,000 as a result of a federal subsidy payment related to the new issuance of Build America Bonds (BABs). User Charge revenues decreased by \$1,553,000, due to a downturn in the economy, which was offset by an increase in rental revenues of \$88,000, and a decrease in fees, forfeits, and penalties of \$52,000.
- Total expenses in 2009 were \$662,762,000. This represents a \$77,415,000, or 13.2%, increase from the previous year. The decrease in Human Resources' expenses of \$17,795,000 is attributed to no District contributions to the OPEB Trust Fund in 2009. Engineering expenses increased in 2009 by \$1,140,000 because of progressing work for various projects, including the demolition of a sludge disposal building, emergency elevator repairs, and a canopy for an alley. The Maintenance and Operations Department's expenses increased by \$12,876,000 in 2009, due mostly to the increased cost of electricity and to continued upgrades to the control systems at the WRP facilities, including payments for the Pelletizer facility, and blower maintenance and repairs. The Monitoring and Research Department expenses were \$1,640,000 higher due to increased monitoring of the District's waterways. The 2009 pension cost increase of \$9,461,000 is based on the actuarial pension cost calculation. The OPEB Trust Fund's expenses increased by \$16,544,000 as a result of the increase in the actuarial cost calculation. Claims and judgment expenses in 2009 were \$8,362,000 higher than 2008 because of an increase in general and construction claims. Construction expenses increased in 2009 by \$37,674,000 as a result of new construction. Interest expense was higher by \$6,430,000 due to an increase in accrued interest as a result of the new issuance of Build America Bonds (BABs). The decrease in the loss on disposal of capital assets of \$314,000 was due to a reduction of equipment retirements. All other expenses increased by \$1,397,000 in 2009.

The following percentage charts show the major sources of revenue and expenses for the year ended December 31, 2009:



# Management's Discussion and Analysis (MD&A)

Year ended December 31, 2009

## 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 nonspendable, restricted, and unassigned fund balances. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Unassigned fund balance is the residual classification in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. 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 2009, 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 \$983,711,000, an increase of \$289,661,000 or 41.7%, from 2008. The increase is a result of expenditures exceeding revenues by \$391,339,000 offset by net financing sources of \$681,000,000. A total of \$38,761,000 of the fund balances represents nonspendable fund balances. Restricted fund balances totaled \$1,111,637,000 and the remaining deficit of \$166,687,000 was unassigned.

**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 \$210,676,000. The fund balance represented 59.0% 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 \$18,741,000 in the current year as a result of expenditures exceeding revenues. The Corporate Fund ended the year with an unassigned fund balance deficit of \$166,687,000 due to the required reserve claims restriction, nonspendable inventories, restricted working cash, as well as expenditures exceeding revenues.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2009 and 2008, is shown in the following schedule (in thousands of dollars):

### General Corporate Fund Comparative Revenue Schedule

	2009		2008		Increase (Decrease)	Percent Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Revenues:						
Property taxes	\$ 239,862	70.8 %	\$ 234,857	67.8 %	\$ 5,005	2.1 %
Personal property replacement tax	28,342	8.4	34,862	10.1	(6,520)	(18.7)
Total tax revenue	268,204	79.2	269,719	77.9	(1,515)	(0.6)
Interest on investments	2,044	0.6	6,493	1.9	(4,449)	(68.5)
Land sales	6	0.0	6	0.0	0.0	0.0
Tax increment financing distributions	1,359	0.4	797	0.2	562	70.5
Claims and damage settlements	695	0.2	606	0.2	89	14.7
Federal Grants	1,440	0.4	761	0.2	679	112.0
Miscellaneous	4,899	1.4	5,170	1.5	(271)	(5.2)
User charges	47,586	14.1	49,139	14.2	(1,553)	(3.2)
Land rentals	9,660	2.9	9,572	2.8	88	0.9
Fees, forfeits, and penalties	2,622	0.8	3,884	1.1	(1,262)	(32.5)
Total revenues	<u>\$ 338,515</u>	<u>100.0 %</u>	<u>\$ 346,147</u>	<u>100.0 %</u>	<u>\$ (7,632)</u>	<u>(2.2)%</u>



Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, and rental income. In 2009, General Corporate Fund revenues totaled \$338,515,000, a decrease of \$7,632,000, or 2.2%, from the 2008 revenues of \$346,147,000. Total tax revenues decreased by \$1,515,000, or 0.6%, to \$268,204,000 for the year 2009, as a result of increases in property taxes of \$5,005,000, or 2.1%, offset by a decrease in personal property replacement taxes of \$6,520,000, or 18.7%. 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 2009 decreased to \$2,044,000 from \$6,493,000 in 2008. The decrease can be attributed to the decrease in interest rates earned on investments in 2009. Revenues from user charges decreased by \$1,553,000 in 2009 due to a downturn in the economy on the state and national levels. All other revenues, including miscellaneous revenue, decreased by \$115,000 in 2009.

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**

	2009		2008		Increase (Decrease)	Percent Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Expenditures:						
Employee cost	\$ 194,148	54.3 %	\$ 206,818	58.3 %	\$ (12,670)	(6.1)%
Energy cost	50,145	14.0	47,848	13.5	2,297	4.8
Chemicals	7,745	2.2	6,753	1.9	992	14.7
Solids disposal	14,292	4.0	12,518	3.5	1,774	14.2
Repair to structures/equipment	36,230	10.1	27,758	7.8	8,472	30.5
Materials, parts & supplies	15,117	4.2	14,537	4.1	580	4.0
Machinery & equipment	6,723	1.9	8,788	2.5	(2,065)	(23.5)
Land	0	0.0	72	0.0	(72)	(100.0)
Claims and judgments	9,464	2.6	7,626	2.2	1,838	24.1
All other	23,392	6.5	21,822	6.2	1,570	7.2
Total expenditures	<u>\$ 357,256</u>	<u>100.0 %</u>	<u>\$ 354,540</u>	<u>100.0 %</u>	<u>\$ 2,716</u>	<u>0.8 %</u>

In 2009, General Corporate Fund expenditures totaled \$357,256,000, an overall increase of \$2,716,000, or 0.8%, over 2008 expenditures. Employee and energy costs were the two largest expenditure components of the General Corporate Fund in 2009, accounting for 68.3% of total expenditures versus 71.8% in 2008.

Employee costs, which include salaries and wages, health insurance, and training, decreased by \$12,670,000, or 6.1%, from 2008. The District's 2009 employee health insurance decreased by \$18,309,000, or 34.1%. This net decrease was mainly due to a 2008 contribution made by the District into the OPEB trust fund for \$22 million, while no contribution was made in 2009 due to revenue constraints. The overall decrease in employee costs was offset by a 2009 increase in salaries and wages of \$5,948,000, or 4.0%, resulting from cost of living adjustments and annual step increases. Total salaries and wages during 2009 were \$154,457,000. The combination of all other employee related costs decreased by \$309,000.

# Management's Discussion and Analysis (MD&A)

*Year ended December 31, 2009*

Energy costs have increased by \$2,297,000 in 2009, or 4.8%, due mainly to the higher cost of electricity.

Repairs of structures and equipment increased by \$8,472,000 in 2009, or 30.5%, due to the scheduling of more repair projects for District facilities.

Purchases of machinery and equipment were \$2,065,000 lower in 2009 because of decreases in expenditures for vehicles, equipment in labs and process facilities, and computer software.

Expenditures for solids disposal were \$1,774,000 higher in 2009 because of an increase in charges for waste material disposal.

Expenditures for all other categories increased by \$4,908,000 in 2009 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 \$106,279,000. The fund balance represented 79.0% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by \$5,226,000 in the current year, which represents the amount revenues exceeded debt service costs. The decrease in the interest on bonds was primarily due to early redemption of callable bonds in 2009.

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 \$35,120,000 including restricted working cash of \$27,286,000. The fund balance represented 218.6% of the total Construction Fund expenditures. The fund balance for the Construction Fund decreased by \$11,463,000 due to an increase in construction costs in 2009.

The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled \$582,340,000. This amount will provide resources for the 2010 construction program. The fund balance represented 155.6% of the fund's expenditures. The fund balance increase of \$311,819,000 in the current year was a result of expenditures exceeding revenues by \$369,181,000, offset by net other financing sources of \$681,000,000, which is comprised of \$81,000,000 in state revolving fund loan proceeds and \$600,000,000 in proceeds from the Build America Bonds (BABs). Revenues decreased by \$9,336,000 due to significantly lower investment income, while expenditures increased by \$208,566,000 due to increased construction projects.

## 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 2009 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 2009 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

*Metropolitan Water Reclamation District of Greater Chicago*

A condensed summary of the 2009 General Corporate Fund budget is presented in the following schedule (in thousands of dollars):

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Actual Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and personal property replacement taxes	\$ 270,523	\$ 270,523	\$ 269,649	\$ (874)
Adjustment for working cash borrowing	(4,936)	(4,936)	(16,336)	(11,400)
Adjustment for estimated tax collections	-	-	2,604	2,604
Tax revenue available for current operations	<u>265,587</u>	<u>265,587</u>	<u>255,917</u>	<u>(9,670)</u>
User charges	49,000	49,000	47,943	(1,057)
Interest on investments	5,697	5,697	2,774	(2,923)
Land rentals	11,000	11,000	9,775	(1,225)
Other	<u>6,646</u>	<u>6,646</u>	<u>10,739</u>	<u>4,093</u>
Total revenues	<u>337,930</u>	<u>337,930</u>	<u>327,148</u>	<u>(10,782)</u>
Operating expenditures:				
Board of Commissioners	4,405	4,405	3,648	757
General Administration	22,836	22,836	18,497	4,339
Monitoring and Research	31,448	31,448	28,263	3,185
Procurement and Materials Management	10,394	10,394	8,932	1,462
Human Resources	54,001	54,001	43,577	10,424
Information Technology	20,987	20,987	20,105	882
Law	8,196	8,496	7,456	1,040
Finance	3,763	3,763	3,205	558
Engineering	17,566	17,266	7,943	9,323
Maintenance and Operations	221,406	221,406	206,696	14,710
Claims and judgments	<u>67,500</u>	<u>67,500</u>	<u>9,464</u>	<u>58,036</u>
Total expenditures	<u>462,502</u>	<u>462,502</u>	<u>357,786</u>	<u>104,716</u>
Revenues over (under) expenditures	<u>(124,572)</u>	<u>(124,572)</u>	<u>(30,638)</u>	<u>93,934</u>
Fund balance at beginning of year	145,416	145,416	145,752	336
Net assets available for future use	<u>(20,844)</u>	<u>(20,844)</u>	-	<u>20,844</u>
Fund balance at beginning of year as adjusted	<u>124,572</u>	<u>124,572</u>	<u>145,752</u>	<u>21,180</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,114</u>	<u>\$ 115,114</u>

Actual revenues on a budgetary basis for 2009 in the General Corporate Fund totaled \$327,148,000 or \$10,782,000 less than budgeted revenues, a 3.2% variation. Property taxes and personal property replacement taxes were \$9,670,000 less than the budget because of the adjustment for estimated tax collections over and above the working cash borrowings. User charge receipts were \$1,057,000 less than the budget because of a downturn in the economy. Interest on investments had a \$2,923,000 negative variance over budget because of the decrease in interest rates earned on investments in 2009. Land rentals were \$1,225,000 less than the budget due to new and updated lease terms. All other revenues had a \$4,093,000 positive variance because of better-than-expected results for land sales, fines, and revenues from tax increment financing districts.

# Management's Discussion and Analysis (MD&A)

Year ended December 31, 2009

The 2009 General Corporate Fund final appropriation of \$462,502,000 did not change from the original amount. Actual budgetary expenditures totaled \$357,786,000, or 77.4%, of the total appropriation. The \$104,716,000 excess of appropriations over actual expenditures was primarily due to claims and judgments being \$58,036,000 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 \$14,710,000 below appropriations, mainly because of variances for electricity, chemicals, waste disposal costs, repairs, and repair parts. The large variance in the Human Resources budget is attributed to no District contributions to the OPEB Trust Fund in 2009. Budget versus actual variances of \$9,323,000 for Engineering Department were due to the delayed 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, 2009, amounted to \$6,029,607,000. Reportable capital assets, net of accumulated depreciation, for 2009 as compared to 2008 are as follows (in thousands of dollars):

	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
Land	\$ 127,043	\$ 127,043	\$ -	0.0 %
Buildings	8,465	8,650	(185)	(2.1)
Machinery and equipment	36,094	34,285	1,809	5.3
Depreciable infrastructure	1,688,761	1,697,988	(9,227)	(0.5)
Modified infrastructure	3,400,708	3,397,976	2,732	0.1
Construction in progress	768,536	510,086	258,450	50.7
Total	<u>\$ 6,029,607</u>	<u>\$ 5,776,028</u>	<u>\$ 253,579</u>	4.4 %

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

- Total capital asset additions exceeded retirements and depreciation by \$253,579,000 in 2009.
- Construction in progress increased by \$258,450,000 from 2008 to 2009 due to the ongoing construction of infrastructure projects. Major projects in 2009 include the Calumet Primary Settling Tanks for \$122,400,000, the 39th Street Conduit Rehabilitation Phase 1 Project for \$30,600,000, and ongoing work on the McCook Reservoir for \$25,600,000. Other notable projects include a new plant computer process for \$15,800,000 and hydraulic improvements for \$12,900,000.

In addition to the above, commitments totaling \$549,106,580 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 additional condition assessments completed in 2005 and 2008, the Hanover network had additional condition assessments completed in 2006 and 2009, and Egan and Northside had second assessments in 2007. Central (Stickney) and Waterways network had a second condition assessment completed in 2008. The Calumet and Lemont networks had second conditional assessments completed in 2009 (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, 2009, totaled \$ 2,166,158,000. The breakdown of this debt and changes from 2008 to 2009 are as follows (in thousands of dollars):

	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
Bonds payable, net	\$ 2,009,306	\$ 1,429,273	\$ 580,033	40.6 %
Bond anticipation notes	86,286	64,894	21,392	33.0
Claims payable	38,886	30,813	8,073	26.2
Compensated absences	31,680	30,451	1,229	4.0
Total	<u>\$ 2,166,158</u>	<u>\$ 1,555,431</u>	<u>\$ 610,727</u>	39.3 %

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

- Bonds payable, net, increased by \$580,033,000 in 2009 as a result of the issuance of \$600,000,000 in Capital Improvement Build America Bonds (BABs), the conversion to bonds of \$59,608,000 in bond anticipation note principal and interest, the reduction of bond principal of \$73,105,000, and the amortization of \$6,470,000 for issuance costs, premiums, and refunding transactions.
- Bond anticipation notes increased by \$21,392,000 in 2009 as a result of the issuance of \$57,192,000 in notes, the accrual of \$23,808,000 in notes receivables, and the conversion of \$59,608,000 from bond anticipation notes to bonds.
- Claims payable increased by \$8,073,000 due to increases in general and construction claims.
- 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+

# Management's Discussion and Analysis (MD&A)

Year ended December 31, 2009

**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 \$170,097,381,685 for the 2008 property tax levy. At December 31, 2009, the District's statutory debt limit of \$9,780,599,000 exceeded the applicable net debt amount of \$2,087,437,000 by \$7,693,162,000.

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 were \$600,000,000 for the budget year ended December 31, 2009.

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, 2009, the District's outstanding capital improvement and refunding bonds (excluding bonds treated as outstanding State Revolving Fund bonds) of \$1,583,775,000 did not exceed the limitation of \$5,698,262,000.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2009, are indicated in the following schedule (in millions of dollars):

### Capital Improvement and Refunding Bonds Outstanding and Remaining Authorization

<u>Year of Issue</u>	<u>Total</u>	<u>Capital Improvement</u>	<u>Refunding</u>
2002	64	64	-
2006	537	140	397
2007	383	-	383
2009	600	600	-
Total bonds outstanding at December 31, 2009	1,584	\$ 804	\$ 780
Remaining bond authorization at December 31, 2009	4,114		
Total bond authorization at December 31, 2009	\$ 5,698		

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, 2009, the District's remaining Corporate Working Cash Fund bond authorization is \$385,745,000.

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 an 8.30% 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 10.1% for 2009 from 6.2% 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 2010.

**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 2010. The total appropriation for the Corporate Fund in 2010 is \$354.5 million, a decrease of \$40.5 million, or 10.3 percent from 2009.

The 2010 tax levy for the Corporate Fund is \$240.2 million, an increase of \$4.2 million or 1.8 percent compared to 2009. 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, \$47.8 million of the 2009 ending fund balance projected at \$66.8 million will be appropriated to fund 2010 expenditures.

Continuing through 2010, economically sensitive non-property tax revenues are expected to decrease based on forecasted local and national economic indicators.

Property taxes and user charges are the primary funding sources for the District's Corporate Fund. Illinois law limits the tax rate of this fund to 41 cents per \$100 of equalized assessed valuation. The estimated tax rate for the Corporate Fund in 2010 is 14.12 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 2010 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately \$3.6 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non-structural improvements, 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

# Management's Discussion and Analysis (MD&A)

*Year ended December 31, 2009*

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 2010 totals \$27.1 million, a decrease of \$8.5 million from 2009. One project is budgeted for award in 2010, at a total contract cost of \$1.0 million and requiring an appropriation of \$0.3 million. The remaining \$26.8 million appropriation is required for salaries, support, and projects under construction. In 2009, five new projects were appropriated for \$5.8 million; and the appropriation for projects under construction, salaries, and support required \$29.8 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 2010, 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 2010 tax levy planned for the Construction Fund is \$8.8 million, a decrease of \$0.3 million or 3.8 percent from 2009.

**Capital Improvements Bond Fund.** The 2010 appropriation for the Capital Improvements Bond Fund is \$975.2 million, an increase of \$42.3 million, or 4.5 percent from 2009. The appropriation is based on the scheduled award of \$887.3 million in projects including estimated professional service fees. Capital Improvements Bond Fund projects scheduled for award in 2010 with estimated award values consist of three Tunnel and Reservoir Plan projects at \$277.3 million, six plant expansion and improvement projects at \$141.4 million; four solids management projects at \$302.4 million; seven collection projects at \$76.6 million; and twelve replacement of facilities projects at \$89.6 million.

The increase in appropriation for the Capital Improvements Bond Fund of \$42.3 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 \$87.9 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 \$526 million at December 31, 2009.

In 2006, the District proposed state legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 26, 2007. Since inception, the District has budgeted and transferred a total of \$47 million into the OPEB trust fund. No contribution was made in 2009 due to revenue constraints. Total net assets were \$47,891,000 as of December 31, 2009.

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.** The District currently purchases electricity for major facilities from a provider at a fixed rate under a three-year agreement. 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 \$1.4 million in 2010.

**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

Year ended December 31, 2009  
(with comparative amounts for prior year)

	General Corporate Fund		Debt Service Fund		Capital Improvements Bond Fund	
	2009	2008	2009	2008	2009	2008
	<i>(in thousands of dollars)</i>					
<b>Assets</b>						
Cash	\$ 20,437	\$ 1,510	\$ 115	\$ 3,531	\$ 28,474	\$ 168
Certificates of deposit (note 4)	31,098	142,674	28,638	55,755	349,504	133,391
Investments (note 4)	136,821	67,574	60,096	30,111	247,891	160,554
Taxes receivable, net (note 5)	230,836	237,713	161,851	134,097	-	-
Other receivables, net (note 5)	2,785	1,983	4,078	-	23,808	9,685
Due from other funds (note 12)	845	682	-	-	-	-
Inventories	38,761	38,067	-	-	-	-
Restricted cash	1,812	1,878	-	-	-	-
Capital assets not being depreciated (note 6)	-	-	-	-	-	-
Capital assets being depreciated, net (note 6)	-	-	-	-	-	-
Total assets	<u>\$ 463,395</u>	<u>\$ 492,081</u>	<u>\$ 254,778</u>	<u>\$ 223,494</u>	<u>\$ 649,677</u>	<u>\$ 303,798</u>
<b>Liabilities, Fund Balances / Net assets</b>						
Liabilities:						
Deferred tax revenue (note 5)	\$ 204,773	\$ 216,839	\$ 144,421	\$ 122,441	\$ -	\$ -
Other deferred/unearned revenue (note 5)	2,359	2,115	4,078	-	-	-
Accounts payable and other liabilities (note 5)	45,587	43,410	-	-	66,767	32,824
Due to Pension Trust Fund (note 12)	-	-	-	-	-	-
Due to other funds (note 12)	-	300	-	-	570	453
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	<u>252,719</u>	<u>262,664</u>	<u>148,499</u>	<u>122,441</u>	<u>67,337</u>	<u>33,277</u>
Fund balances/net assets						
Fund balances:						
Nonspendable:						
Inventories	38,761	38,067	-	-	-	-
Restricted for:						
Real estate escrow	1,812	1,878	-	-	-	-
Working cash	275,459	272,120	-	-	-	-
Reserve claims	61,331	59,652	-	-	-	-
Debt service	-	-	106,279	101,053	-	-
Capital projects	-	-	-	-	582,340	270,521
Unassigned	(166,687)	(142,300)	-	-	-	-
Total fund balances	<u>210,676</u>	<u>229,417</u>	<u>106,279</u>	<u>101,053</u>	<u>582,340</u>	<u>270,521</u>
Total liabilities and fund balances	<u>\$ 463,395</u>	<u>\$ 492,081</u>	<u>\$ 254,778</u>	<u>\$ 223,494</u>	<u>\$ 649,677</u>	<u>\$ 303,798</u>
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.

*Metropolitan Water Reclamation District of Greater Chicago*

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2a)		Statements of Net Assets	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
\$ 2,459	\$ 1,331	\$ 1,881	\$ 854	\$ 53,366	\$ 7,394	\$ -	\$ -	\$ 53,366	\$ 7,394
32,296	23,476	38,713	24,176	480,249	379,472	-	-	480,249	379,472
4,032	24,445	8,814	21,852	457,654	304,536	-	-	457,654	304,536
8,772	-	39,014	43,893	440,473	415,703	-	-	440,473	415,703
-	-	-	-	30,671	11,668	-	-	30,671	11,668
-	302	-	-	845	984	(845)	(984)	-	-
-	-	-	-	38,761	38,067	-	-	38,761	38,067
-	-	-	-	1,812	1,878	-	-	1,812	1,878
-	-	-	-	-	-	4,296,287	4,035,105	4,296,287	4,035,105
-	-	-	-	-	-	1,733,320	1,740,923	1,733,320	1,740,923
<u>\$ 47,559</u>	<u>\$ 49,554</u>	<u>\$ 88,422</u>	<u>\$ 90,775</u>	<u>\$ 1,503,831</u>	<u>\$ 1,159,702</u>	<u>\$ 6,028,762</u>	<u>\$ 5,775,044</u>	<u>\$ 7,532,593</u>	<u>\$ 6,934,746</u>
\$ 8,056	\$ (10)	\$ 30,375	\$ 36,119	\$ 387,625	\$ 375,389	\$ (387,625)	\$ (375,389)	\$ -	\$ -
-	-	-	-	6,437	2,115	(4,089)	(17)	2,348	2,098
4,236	2,855	1,101	1,470	117,691	80,559	-	-	117,691	80,559
-	-	7,522	6,605	7,522	6,605	22,953	22,608	30,475	29,213
147	126	128	105	845	984	(845)	(984)	-	-
-	-	-	-	-	-	21,964	10,392	21,964	10,392
-	-	-	-	-	-	41,789	16,325	41,789	16,325
-	-	-	-	-	-	41,889	18,829	41,889	18,829
-	-	-	-	-	-	68,574	82,939	68,574	82,939
-	-	-	-	-	-	2,097,584	1,472,492	2,097,584	1,472,492
<u>12,439</u>	<u>2,971</u>	<u>39,126</u>	<u>44,299</u>	<u>520,120</u>	<u>465,652</u>	<u>1,902,194</u>	<u>1,247,195</u>	<u>2,422,314</u>	<u>1,712,847</u>
-	-	-	-	38,761	38,067	(38,761)	(38,067)		
-	-	-	-	1,812	1,878	(1,812)	(1,878)		
27,286	27,005	38,953	37,902	341,698	337,027	(341,698)	(337,027)		
-	-	-	-	61,331	59,652	(61,331)	(59,652)		
-	-	-	-	106,279	101,053	(106,279)	(101,053)		
7,834	19,578	10,343	8,574	600,517	298,673	(600,517)	(298,673)		
-	-	-	-	(166,687)	(142,300)	166,687	142,300		
<u>35,120</u>	<u>46,583</u>	<u>49,296</u>	<u>46,476</u>	<u>983,711</u>	<u>694,050</u>	<u>(983,711)</u>	<u>(694,050)</u>		
<u>\$ 47,559</u>	<u>\$ 49,554</u>	<u>\$ 88,422</u>	<u>\$ 90,775</u>	<u>\$ 1,503,831</u>	<u>\$ 1,159,702</u>				
						4,559,884	4,575,974	4,559,884	4,575,974
						275,459	272,120	275,459	272,120
						25,073	35,817	25,073	35,817
						232,815	212,353	232,815	212,353
						-	13,412	-	13,412
						27,286	27,005	27,286	27,005
						38,953	37,902	38,953	37,902
						(49,191)	47,316	(49,191)	47,316
						<u>\$ 5,110,279</u>	<u>\$ 5,221,899</u>	<u>\$ 5,110,279</u>	<u>\$ 5,221,899</u>

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

Year ended December 31, 2009  
(with comparative amounts for prior year)

	General		Debt Service		Capital Improvements	
	Corporate Fund		Fund		Bond Fund	
	2009	2008	2009	2008	2009	2008
(in thousands of dollars)						
<b>Revenues</b>						
General revenues:						
Property taxes	\$ 239,862	\$ 234,857	\$ 138,690	\$ 131,086	\$ -	\$ -
Personal property replacement tax	28,342	34,862	-	-	-	-
Interest on investments	2,044	6,493	961	3,147	3,334	14,322
Land sales	6	6	-	-	-	-
Tax increment financing distributions	1,359	797	-	-	-	-
Claims and damage settlements	695	606	-	-	-	-
Miscellaneous	4,899	5,170	26	222	1,696	44
Program revenues:						
Charges for services:						
User charges	47,586	49,139	-	-	-	-
Land rentals	9,660	9,572	-	-	-	-
Fees, forfeits, and penalties	2,622	3,884	-	-	-	-
Capital grants and contributions:						
Federal grants	1,440	761	-	-	-	-
Total revenues	<u>338,515</u>	<u>346,147</u>	<u>139,677</u>	<u>134,455</u>	<u>5,030</u>	<u>14,366</u>
<b>Expenditures/Expenses</b>						
Operations:						
Board of Commissioners	3,659	3,721	-	-	-	-
General Administration	18,555	17,958	-	-	-	-
Monitoring and Research	28,891	27,146	-	-	-	-
Procurement and Materials Management	6,156	5,341	-	-	-	-
Human Resources	43,603	61,385	-	-	-	-
Information Technology	20,200	19,328	-	-	-	-
Law	7,446	7,211	-	-	-	-
Finance	3,208	3,205	-	-	-	-
Engineering	7,951	6,703	-	-	-	-
Maintenance and Operations	208,123	194,916	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	9,464	7,626	-	-	-	-
Construction costs	-	-	-	-	368,409	165,645
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds	-	-	73,105	112,577	-	-
Interest on bonds and issuance costs	-	-	61,346	66,591	5,802	-
Total expenditures/expenses	<u>357,256</u>	<u>354,540</u>	<u>134,451</u>	<u>179,168</u>	<u>374,211</u>	<u>165,645</u>
Revenues over (under) expenditures	<u>(18,741)</u>	<u>(8,393)</u>	<u>5,226</u>	<u>(44,713)</u>	<u>(369,181)</u>	<u>(151,279)</u>
Other financing sources (uses):						
State revolving fund loans	-	-	-	-	81,000	41,185
Bond anticipation notes converted	-	-	-	-	59,608	39,422
Bond anticipation notes refunded	-	-	-	-	(59,608)	(39,422)
Proceeds from sale of bonds	-	-	-	-	600,000	-
Transfers	-	3,300	-	48,274	-	(51,574)
Total other financing sources (uses)	<u>-</u>	<u>3,300</u>	<u>-</u>	<u>48,274</u>	<u>681,000</u>	<u>(10,389)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>(18,741)</u>	<u>(5,093)</u>	<u>5,226</u>	<u>3,561</u>	<u>311,819</u>	<u>(161,668)</u>
Change in net assets	-	-	-	-	-	-
Fund balances/net assets:						
Beginning of the year	229,417	234,510	101,053	97,492	270,521	432,189
End of the year	<u>\$ 210,676</u>	<u>\$ 229,417</u>	<u>\$ 106,279</u>	<u>\$ 101,053</u>	<u>\$ 582,340</u>	<u>\$ 270,521</u>

See accompanying notes to the basic financial statements.

*Metropolitan Water Reclamation District of Greater Chicago*

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2b)		Statements of Activities	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
\$ 439	\$ 4,682	\$ 39,086	\$ 29,292	\$ 418,077	\$ 399,917	\$ 11,891	\$ 32,495	\$ 429,968	\$ 432,412
1,671	1,000	7,464	6,665	37,477	42,527	-	-	37,477	42,527
640	1,592	653	1,558	7,632	27,112	-	-	7,632	27,112
-	-	-	-	6	6	(6)	(6)	-	-
-	-	-	-	1,359	797	-	-	1,359	797
-	-	-	-	695	606	-	-	695	606
14	8	7	6	6,642	5,450	-	-	6,642	5,450
300	300	-	-	47,886	49,439	-	-	47,886	49,439
-	-	-	-	9,660	9,572	-	-	9,660	9,572
1,541	473	142	-	4,305	4,357	-	-	4,305	4,357
-	-	-	135	1,440	896	4,078	-	5,518	896
<u>4,605</u>	<u>8,055</u>	<u>47,352</u>	<u>37,656</u>	<u>535,179</u>	<u>540,679</u>	<u>15,963</u>	<u>32,489</u>	<u>551,142</u>	<u>573,168</u>
-	-	-	-	3,659	3,721	21	27	3,680	3,748
-	-	-	-	18,555	17,958	491	480	19,046	18,438
-	-	-	-	28,891	27,146	361	466	29,252	27,612
-	-	-	-	6,156	5,341	40	57	6,196	5,398
-	-	-	-	43,603	61,385	67	80	43,670	61,465
-	-	-	-	20,200	19,328	411	1,439	20,611	20,767
-	-	-	-	7,446	7,211	45	63	7,491	7,274
-	-	-	-	3,208	3,205	25	33	3,233	3,238
-	-	-	-	7,951	6,703	1,333	1,441	9,284	8,144
-	-	-	-	208,123	194,916	1,365	1,696	209,488	196,612
-	-	31,744	28,937	31,744	28,937	23,060	16,406	54,804	45,343
-	-	-	-	-	-	25,464	8,920	25,464	8,920
-	-	-	-	9,464	7,626	8,072	1,548	17,536	9,174
16,068	11,974	12,788	13,796	397,265	191,415	(266,170)	(97,994)	131,095	93,421
-	-	-	-	-	-	436	750	436	750
-	-	-	-	-	-	9,227	9,224	9,227	9,224
-	-	-	-	73,105	112,577	(73,105)	(112,577)	-	-
-	-	-	-	67,148	66,591	5,101	(772)	72,249	65,819
<u>16,068</u>	<u>11,974</u>	<u>44,532</u>	<u>42,733</u>	<u>926,518</u>	<u>754,060</u>	<u>(263,756)</u>	<u>(168,713)</u>	<u>662,762</u>	<u>585,347</u>
<u>(11,463)</u>	<u>(3,919)</u>	<u>2,820</u>	<u>(5,077)</u>	<u>(391,339)</u>	<u>(213,381)</u>	<u>279,719</u>	<u>201,202</u>		
-	-	-	-	81,000	41,185	(81,000)	(41,185)	-	-
-	-	-	-	59,608	39,422	(59,608)	(39,422)	-	-
-	-	-	-	(59,608)	(39,422)	59,608	39,422	-	-
-	-	-	-	600,000	-	(600,000)	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	<u>681,000</u>	<u>41,185</u>	<u>(681,000)</u>	<u>(41,185)</u>	-	-
(11,463)	(3,919)	2,820	(5,077)	289,661	(172,196)	(289,661)	172,196	-	-
-	-	-	-	-	-	(111,620)	(12,179)	(111,620)	(12,179)
46,583	50,502	46,476	51,553	694,050	866,246	-	-	5,221,899	5,234,078
<u>\$ 35,120</u>	<u>\$ 46,583</u>	<u>\$ 49,296</u>	<u>\$ 46,476</u>	<u>\$ 983,711</u>	<u>\$ 694,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,110,279</u>	<u>\$ 5,221,899</u>

**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, 2009

(in thousands of dollars)

	Budget		Actual Amounts	Actual Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes:				
Gross levy	\$ 242,027	\$ 242,027	\$ 242,027	\$ -
Allowance for uncollectible taxes	(8,471)	(8,471)	(8,471)	-
Net property tax levy	233,556	233,556	233,556	-
Property tax collections	6,859	6,859	6,715	(144)
Personal property replacement tax:				
Entitlement	25,780	25,780	25,780	-
Collections	4,328	4,328	3,598	(730)
Total tax revenue	270,523	270,523	269,649	(874)
Adjustment for working cash borrowing	(4,936)	(4,936)	(16,336)	(11,400)
Adjustment for estimated tax collections	-	-	2,604	2,604
Tax revenue available for current operation	265,587	265,587	255,917	(9,670)
Interest on investments	5,697	5,697	2,774	(2,923)
Land sales	2	2	-	(2)
Tax increment financing distributions	925	925	1,031	106
Claims and damage settlements	5	5	291	286
Miscellaneous	3,015	3,015	8,098	5,083
User charges	49,000	49,000	47,943	(1,057)
Land rentals	11,000	11,000	9,775	(1,225)
Fees, forfeits, and penalties	2,669	2,669	1,319	(1,380)
Total revenues	337,930	337,930	327,148	(10,782)
Expenditures:				
Board of Commissioners	4,405	4,405	3,648	757
General Administration	22,836	22,836	18,497	4,339
Monitoring and Research	31,448	31,448	28,263	3,185
Procurement and Materials Management	10,394	10,394	8,932	1,462
Human Resources	54,001	54,001	43,577	10,424
Information Technology	20,987	20,987	20,105	882
Law	8,196	8,496	7,456	1,040
Finance	3,763	3,763	3,205	558
Engineering	17,566	17,266	7,943	9,323
Maintenance and Operations	221,406	221,406	206,696	14,710
Claims and judgments	67,500	67,500	9,464	58,036
Total expenditures	462,502	462,502	357,786	104,716
Revenues over (under) expenditures	(124,572)	(124,572)	(30,638)	93,934
Fund balances at beginning of year	145,416	145,416	145,752	336
Net assets available for future use	(20,844)	(20,844)	-	20,844
Fund balances at beginning of the year as adjusted	124,572	124,572	145,752	21,180
Fund balances at end of year	\$ -	\$ -	\$ 115,114	\$ 115,114

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, 2009

(with comparative amounts for prior year)

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash	\$ 157	\$ 131
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of \$4,760 in 2009; \$3,991 in 2008)	32,640	31,314
Securities sold	10,611	2,798
Accrued interest and dividends	873	1,013
Accounts receivable	54	52
Total receivables	<u>44,178</u>	<u>35,177</u>
Investments at fair value		
U.S. Treasuries	-	11,212
U.S. Agencies	-	4,037
Corporate bonds and notes	-	6,567
Mortgage backed securities	-	14,787
Asset backed securities	-	1,794
Pooled funds- fixed income	384,551	402,598
Pooled funds - equities	101,630	50,274
Common and preferred stocks	524,539	392,503
Short-term investments	19,445	14,487
Total investments	<u>1,030,165</u>	<u>898,259</u>
Securities lending capital	<u>7,405</u>	<u>20,173</u>
Total assets	<u>\$ 1,081,905</u>	<u>\$ 953,740</u>
<u>Liabilities</u>		
Accounts payable	\$ 1,296	\$ 902
Securities lending collateral	7,404	20,173
Securities purchased	10,495	6,071
Total liabilities	<u>19,195</u>	<u>27,146</u>
Net assets held in trust for pension and OPEB benefits	<u>\$ 1,062,710</u>	<u>\$ 926,594</u>

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, 2009  
(with comparative amounts for prior year)

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
Additions:		
Contributions:		
Employer contributions	\$ 46,746	\$ 69,226
Employee contributions	15,690	14,778
Retiree health care contributions	4,210	3,728
Total contributions	<u>66,646</u>	<u>87,732</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	187,518	(311,205)
Interest on fixed income investments	1,209	4,106
Interest on short-term investments	236	1,472
Dividend income	7,840	9,192
Total investment income (loss)	<u>196,803</u>	<u>(296,435)</u>
Less investment expenses	<u>(2,622)</u>	<u>(2,518)</u>
Investment income (loss) net of expenses	<u>194,181</u>	<u>(298,953)</u>
Security lending activities		
Security lending income	-	3,691
Borrower rebates	-	(2,913)
Bank fees	-	(195)
Net income from securities lending activities	<u>-</u>	<u>583</u>
Other	<u>8</u>	<u>18</u>
Total additions	<u>260,835</u>	<u>(210,620)</u>
Deductions:		
Annuities and benefits		
Employee annuitants	86,581	83,948
OPEB - health care benefits	18,802	17,547
Surviving spouse annuitants	15,690	14,934
Child annuitants	120	123
Ordinary disability benefits	745	846
Duty disability benefits	268	218
Total annuities and benefits	<u>122,206</u>	<u>117,616</u>
Refunds of employee contributions	1,175	965
Administrative expenses	<u>1,338</u>	<u>1,298</u>
Total deductions	<u>124,719</u>	<u>119,879</u>
Net increase (decrease)	<u>136,116</u>	<u>(330,499)</u>
Net assets held in trust for pension and OPEB benefits		
Beginning of year	926,594	1,257,093
End of year	<u>\$ 1,062,710</u>	<u>\$ 926,594</u>

See accompanying notes to the basic financial statements.

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

# Notes to the Basic Financial Statements

Year ended December 31, 2009

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## Notes to the Basic Financial Statements

*Metropolitan Water Reclamation District of Greater Chicago*

### 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.

## Notes to the Basic Financial Statements

Year ended December 31, 2009

The District reports the following major governmental funds:

### General Corporate Fund

Established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a "Working Cash Fund." Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2009, are as follows (in thousands of dollars):

	<b>Total General Corporate Fund</b>	<b>Corporate Division</b>	<b>Corporate Working Cash Division</b>	<b>Reserve Claim Division</b>
<b>Assets</b>				
Cash	\$ 20,437	\$ 16,895	\$ 4	\$ 3,538
Certificates of deposit	31,098	-	342	30,756
Investments	136,821	83,945	25,954	26,922
Receivables:				
Property taxes receivable	273,417	269,299	-	4,118
Allowance for uncollectible taxes	(42,581)	(41,533)	-	(1,048)
Taxes receivable, net	230,836	227,766	-	3,070
User charges	896	896	-	-
Miscellaneous	1,889	1,889	-	-
Due from Capital Improvements Bond Fund	570	570	-	-
Due from Construction Fund	147	147	-	-
Due from Stormwater Management Fund	128	128	-	-
Due from Corporate Fund	-	(249,159)	249,159	-
Inventories	38,761	38,761	-	-
Restricted cash	1,812	1,812	-	-
Total assets	<u>\$ 463,395</u>	<u>\$ 123,650</u>	<u>\$ 275,459</u>	<u>\$ 64,286</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred tax revenue	\$ 204,773	\$ 202,145	\$ -	\$ 2,628
Other deferred revenue	2,359	2,359	-	-
Accounts payable and other liabilities	45,587	45,260	-	327
Total liabilities	<u>252,719</u>	<u>249,764</u>	<u>-</u>	<u>2,955</u>
Fund balances:				
Nonspendable:				
Inventories	38,761	38,761	-	-
Restricted for:				
Real estate escrow	1,812	1,812	-	-
Working cash	275,459	-	275,459	-
Reserve claims	61,331	-	-	61,331
Unassigned	(166,687)	(166,687)	-	-
Total fund balances	<u>210,676</u>	<u>(126,114)</u>	<u>275,459</u>	<u>61,331</u>
Total liabilities and fund balances	<u>\$ 463,395</u>	<u>\$ 123,650</u>	<u>\$ 275,459</u>	<u>\$ 64,286</u>

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, 2009, are as follows (in thousands of dollars):

	<b>Total General Corporate Fund</b>	<b>Corporate Division</b>	<b>Corporate Working Cash Division</b>	<b>Reserve Claim Division</b>
Revenues:				
Property taxes	\$ 239,862	\$ 233,301	\$ -	\$ 6,561
Personal property replacement tax	28,342	21,430	3,314	3,598
Total tax revenue	<u>268,204</u>	<u>254,731</u>	<u>3,314</u>	<u>10,159</u>
Interest on investments	2,044	1,230	25	789
Land sales	6	6	-	-
Tax increment financing distributions	1,359	1,359	-	-
Claims and damage settlements	695	546	-	149
Miscellaneous	4,899	4,853	-	46
User charges	47,586	47,586	-	-
Land rentals	9,660	9,660	-	-
Fees, forfeits and penalties	2,622	2,622	-	-
Federal grants	1,440	1,440	-	-
Total revenues	<u>338,515</u>	<u>324,033</u>	<u>3,339</u>	<u>11,143</u>
Operations:				
Board of Commissioners	3,659	3,659	-	-
General Administration	18,555	18,555	-	-
Monitoring and Research	28,891	28,891	-	-
Procurement and Materials Management	6,156	6,156	-	-
Human Resources	43,603	43,603	-	-
Information Technology	20,200	20,200	-	-
Law	7,446	7,446	-	-
Finance	3,208	3,208	-	-
Engineering	7,951	7,951	-	-
Maintenance and Operations	208,123	208,123	-	-
Claims and judgments	9,464	-	-	9,464
Total expenditures	<u>357,256</u>	<u>347,792</u>	<u>-</u>	<u>9,464</u>
Revenues over (under) expenditures	(18,741)	(23,759)	3,339	1,679
Fund balance at the beginning of year	<u>229,417</u>	<u>(102,355)</u>	<u>272,120</u>	<u>59,652</u>
Fund balance at the end of year	<u>\$ 210,676</u>	<u>\$ (126,114)</u>	<u>\$ 275,459</u>	<u>\$ 61,331</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### 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 restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9c of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2009, are as follows (in thousands of dollars):

	<b>Total Construction Fund</b>	<b>Construction Division</b>	<b>Construction Working Cash Division</b>
<b>Assets</b>			
Cash	\$ 2,459	\$ 2,459	\$ -
Certificates of deposit	32,296	15,110	17,186
Investments	4,032	4,032	-
Receivables:			
Property taxes receivable	10,782	10,782	-
Allowance for uncollectible taxes	(2,010)	(2,010)	-
Taxes receivable, net	8,772	8,772	-
Total assets	<u>\$ 47,559</u>	<u>\$ 30,373</u>	<u>\$ 17,186</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred tax revenue	\$ 8,056	\$ 8,056	\$ -
Accounts payable and other liabilities	4,236	4,236	-
Due to Corporate Fund	147	147	-
Due to Construction Fund	-	10,100	(10,100)
Total liabilities	<u>12,439</u>	<u>22,539</u>	<u>(10,100)</u>
Fund balances:			
Restricted for:			
Working cash	27,286	-	27,286
Capital projects	7,834	7,834	-
Total fund balances	<u>35,120</u>	<u>7,834</u>	<u>27,286</u>
Total liabilities and fund balances	<u>\$ 47,559</u>	<u>\$ 30,373</u>	<u>\$ 17,186</u>



*Metropolitan Water Reclamation District of Greater Chicago*

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, 2009, are as follows (in thousands of dollars):

	<b>Total Construction Fund</b>	<b>Construction Division</b>	<b>Working Cash Division</b>
<b>Revenues:</b>			
Property taxes	\$ 439	\$ 439	\$ -
Personal property replacement tax	1,671	1,671	-
Total tax revenue	2,110	2,110	-
Interest on investments	640	359	281
Miscellaneous	14	14	-
User charge	300	300	-
Fees, forfeits and penalties	1,541	1,541	-
Total revenues	4,605	4,324	281
<b>Construction Costs:</b>			
Personal services	7,329	7,329	-
Contractual services	842	842	-
Materials and supplies	319	319	-
Machinery and equipment	66	66	-
Capital projects	7,512	7,512	-
Total expenditures	16,068	16,068	-
Revenues over (under) expenditures	(11,463)	(11,744)	281
Fund balance at the beginning of year	46,583	19,578	27,005
Fund balance at the end of year	\$ 35,120	\$ 7,834	\$ 27,286

The District reports the following non-major governmental funds:

**Retirement Fund**

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

**Stormwater Management Fund**

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

## Notes to the Basic Financial Statements

Year ended December 31, 2009

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, 2009, are as follows (in thousands of dollars):

	<b>Total Stormwater Management Fund</b>	<b>Stormwater Management Division</b>	<b>Stormwater Working Cash Division</b>
<b>Assets</b>			
Cash	\$ 1,881	\$ 1,879	\$ 2
Certificates of deposit	38,713	16,441	22,272
Investments	8,814	697	8,117
Receivables:			
Property taxes receivable	10,463	10,463	-
Allowance for uncollectible taxes	(1,924)	(1,924)	-
Taxes receivable, net	8,539	8,539	-
Total assets	<u>\$ 57,947</u>	<u>\$ 27,556</u>	<u>\$ 30,391</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred tax revenue	\$ 7,422	\$ 7,422	\$ -
Accounts payable and other liabilities	1,101	1,101	-
Due to Corporate Fund	128	128	-
Due to Stormwater Management Fund	-	8,562	(8,562)
Total liabilities	<u>8,651</u>	<u>17,213</u>	<u>(8,562)</u>
Fund balances:			
Restricted for:			
Working cash	38,953	-	38,953
Capital projects	10,343	10,343	-
Total fund balances	<u>49,296</u>	<u>10,343</u>	<u>38,953</u>
Total liabilities and fund balances	<u>\$ 57,947</u>	<u>\$ 27,556</u>	<u>\$ 30,391</u>

*Metropolitan Water Reclamation District of Greater Chicago*

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, 2009, are as follows (in thousands of dollars):

	<b>Total Stormwater Management Fund</b>	<b>Stormwater Management Division</b>	<b>Stormwater Working Cash Division</b>
<b>Revenues:</b>			
Property taxes	\$ 14,102	\$ 14,102	\$ -
Personal property replacement tax	704	-	704
Total tax revenue	14,806	14,102	704
Interest on investments	653	306	347
Miscellaneous	7	7	-
Fees, forfeits and penalties	142	142	-
Total revenues	15,608	14,557	1,051
<b>Construction Costs:</b>			
Personal services	9,614	9,614	-
Contractual services	3,119	3,119	-
Materials and supplies	37	37	-
Capital projects	18	18	-
Total expenditures	12,788	12,788	-
Revenues over (under) expenditures	2,820	1,769	1,051
Fund balance at the beginning of year	46,476	8,574	37,902
Fund balance at end of year	\$ 49,296	\$ 10,343	\$ 38,953

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.

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### c. Basis of Accounting and Measurement Focus

#### Government-wide and Fiduciary Fund Financial Statements

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

#### Governmental Fund Financial Statements

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

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

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

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

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

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

- (1) Department Heads propose expenditure estimates for the coming year which, if approved by the Executive Director, become his recommendations for presentation to the Committee on Budget and Employment;
- (2) The Committee on Budget and Employment comprises all nine Commissioners and holds hearings with the Executive Director and with the Department Heads. These hearings are open to the public. After these budgetary reviews, the Committee on Budget and Employment submits its Tentative Budget to the Board of Commissioners;
- (3) The Tentative Budget is put on public display for ten to twenty days. A public hearing is held during the ten to twenty day time frame where citizen groups, including civic groups, labor, and the press, are invited to critique the tentative budget;
- (4) Shortly after the public hearings, the Board of Commissioners adopts the budget for the coming year;

- (5) Then, after a minimum five-day waiting period following budget adoption, and at a Regular Board Meeting, the Commissioners consider and approve any budget amendments. The Adopted Budget, along with any approved amendments, is the final budget document. This process must be completed prior to December 31 preceding the year to which the budget applies;
  - (6) The budget implementation phase, performed by the Executive Director and Department Heads, begins January 1;
  - (7) The legal level of control for the District's appropriations (the level at which the Board of Commissioners must approve any transfers of appropriated amounts) is on a line item (object) basis for the General Corporate Fund, the Construction Fund, and the Stormwater Management Fund. The level of control for Capital Improvements Bond Fund is on a line item class basis. (A line item class represents a group of line items. For example, the line item class "personal services" is a grouping of line items such as salaries and wages, group insurance, professional services, Medicare contributions). For the Debt Service Fund and the Retirement Fund, the level of control is on a fund basis;
  - (8) The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. After March 1, transfers of appropriations between objects of expenditures or between departments can be made with the approval of the Board of Commissioners;
  - (9) Budgets are adopted on a basis not consistent with generally accepted accounting principles. In the General Corporate Fund budget, revenues are recognized on a cash basis except for property and personal property replacement taxes, which are recognized based on working cash borrowing plus an estimate of collections of property and property replacement taxes over and above the working cash borrowing. Expenditures are recognized on a GAAP basis except for inventory expenditures, which are accounted for on the purchase method for budgetary purposes and on the consumption method for GAAP financial reporting purposes. Transfers out to other funds are budgeted as expenditures, while transfers in are considered other financing sources. The Capital Improvements Bond Fund is budgeted on an "obligation" basis of accounting, which records total expenditures and grant revenues in the period in which contracts or grants are awarded. Appropriations lapse at year-end for the General Corporate, Retirement, Construction, Stormwater Management, and Debt Service Funds. Appropriations for the Capital Improvements Bond Fund lapse at the end of the year to the extent of the unencumbered balances. Encumbered balances are not reported as reservations of fund balances, as the amounts are re-appropriated in the following year;
  - (10) All governmental funds have legally adopted budgets.
- e. **Deposits with escrow agent** (if any) represent cash with the escrow agent for the subsequent payment of interest on debt.
  - f. **Certificates of deposit** are stated at cost plus accrued interest.
  - g. **Investments** of the Governmental Funds are stated at fair value plus accrued interest. The investment with the State Treasurer's Illinois Funds is at fair value, which is the same value as the pool shares. The Illinois Funds 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. Inventory balances held at year-end are reported as nonspendable fund balance in the governmental funds.

## Notes to the Basic Financial Statements

Year ended December 31, 2009

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

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

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, 2009, are liabilities for compensated absences of \$1,092,000, due within one year, and \$30,588,000, 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 the straight-line method, in the government-wide financial statements. In addition, the refunding transaction cost, representing the excess of the amount required to refund debt over the book value of the old debt, is reported with bonds payable and amortized over the shorter of the life of the old debt or new debt in the government-wide financial statements.

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

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

## Notes to the Basic Financial Statements

Year ended December 31, 2009

- o. Net Assets** – The government-wide Statements of Net Assets displays three components of net assets, as follows:
- Invested in capital assets, net of related debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any debt attributable to capital assets.
  - Restricted Net Assets - 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 and reserve claims 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 \$599,586,000 of restricted net assets, none of which is restricted by enabling legislation.
  - Unrestricted Net Assets- This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”
- p. User Charge** – The Environmental Protection Agency requires grant recipients to charge certain users of waste water treatment services a proportionate share of the cost of operations and maintenance. The District has utilized a User Charge System since January 1, 1980. The system was developed in accordance with 70 ILCS 2305/7.1.
- q. Comparative data and reclassifications** – The basic financial statements present comparative data for the prior year to provide an understanding of the changes in financial position and results of operations. Certain reclassifications have been made to the prior period financial statements in order to conform to the current period presentation.
- r. Use of Estimates** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.
- s. New Accounting 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 implemented this Statement for the year ending December 31, 2009.



## 2. Reconciliation of Fund and Government-wide Financial Statements

- a. **Reconciliation of Total Fund Balances to 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, 2009 (in thousands of dollars):

Total fund balances of governmental funds	\$ 983,711
<i>Amounts reported for governmental activities in the Statements of Net Assets are different because:</i>	
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	6,209,664
Accumulated depreciation	(180,057)
Capital assets, net	<u>6,029,607</u>
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	(31,680)
Claims and judgments	(38,886)
Bond anticipation notes	(86,286)
General obligation debt	(1,979,203)
Total long-term liabilities	<u>(2,136,055)</u>
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	(65,409)
Deferral of bond issuance costs and refunding transactions	35,306
Total deferrals	<u>(30,103)</u>
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 2009 amount is:	
Accrued interest	<u>(21,964)</u>
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	387,625
Adjustment for pension trust fund	(22,953)
Installment sale	11
Federal subsidy	4,078
Adjustment to deferred revenues	<u>368,761</u>
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	(41,889)
Net OPEB obligation	(41,789)
Adjustment to liabilities	<u>(83,678)</u>
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	845
Due to other funds	(845)
Total interfund	<u>-</u>
Total net assets of governmental activities	<u>\$ 5,110,279</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2009

- 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, 2009 (in thousands of dollars):

Net change in fund balances of governmental funds	\$ 289,661
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*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	266,170
Depreciation expense-allocated to various departments	(2,928)
Depreciation expense-unallocated	(9,227)
Excess of construction and capital outlay costs over depreciation expense	254,015

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:

General obligation bond proceeds	(600,000)
Bond issuance costs	5,802
Bond anticipation notes issued	(81,000)
Debt proceeds total	(675,198)

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	73,105
Bond principal retirement total	73,105

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	(1,231)
Change in claims and judgments	(8,072)
Change in bond interest	(12,137)
Bond anticipation notes accrued interest	565
Change in net pension asset/obligation	(23,060)
Amortization of bond issuance/refunding costs	(3,208)
Amortization of bond premium	3,877
Change in OPEB obligation	(25,464)
Total additional expenses	(68,730)

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	(442)
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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	11,891
Federal subsidy	4,078
Total adjustments	15,969

Change in net assets of governmental activities	\$ (111,620)
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### 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):

	<b>General Corporate Fund</b>
Revenues and other sources (uses) over (under) expenditures on a budgetary basis	\$ (30,638)
Adjustment from Budget to GAAP for:	
Tax revenues	12,287
Cash basis other revenues	(920)
GAAP versus budgetary expenditure differences	530
Revenues and other sources (uses) over (under) expenditures on GAAP Basis	\$ (18,741)

### 4. Deposits and Investments

#### Deposits

As of December 31, 2009, 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 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, 2009 (in thousands of dollars):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>	
		<b>Less Than 1 Year</b>	<b>1- 5 Years</b>
U.S. Agencies	\$ 208,046	\$ 192,796	\$ 15,250
Commercial Paper	101,995	101,995	-
State Treasurer's Illinois Funds and Prime Funds	147,613	147,613	-
Total Investments	\$ 457,654	\$ 442,404	\$ 15,250

The Illinois Funds invest a minimum of 75% of its assets in authorized investments of less than one year and no investment shall exceed two years maturity.

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### 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, 2009 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

<u>Investment Type</u>	<u>Credit Ratings</u>	<u>% of Investment Type</u>	<u>% of Total Investments</u>
U.S. Agencies	AAA/Aaa	100.0%	46%
Commercial Paper	A-1/P-1	100.0%	22%
State Treasurer's Illinois Funds and Prime Funds	AAAm	100.0%	32%

### 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 2009 the market value of commercial paper represented 22.3% of the District's total investments. As of December 31, 2009, the following investments were greater than 5% of total investments:

<u>Investment</u>	<u>Market Value</u>
Federal National Mortgage Association	\$ 55,539,195
Federal Home Loan Mortgage Corporation	69,089,319
Federal Home Loan Banks	82,800,972

### Custodial Credit Risk

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

### Trust Fund'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, 2009 (in thousands of dollars):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturities (years)</u>
Fixed Income:		
Pooled Funds - Long Term investments	337,592	6.7
Pooled Funds - Securities Lending Shortage	(943)	N/A
Pooled Funds - Short Term investments	19,445	0.1
Total Fixed Income	356,094	
Equities:		
Common and Preferred Stock	524,539	
Pooled Funds - equities	101,630	
Securities lending collateral	7,405	
Total Equities	633,573	
Total Investments	\$ 989,668	

The OPEB Trust investments are part of the Illinois Funds. 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, which is the price 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, 2009 (in thousands of dollars):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
State Treasurer's Illinois Funds	\$ 47,902	\$ 47,902	\$ -
Total Investments	\$ 47,902	\$ 47,902	\$ -

### 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 Lehman Brothers Aggregate Bond Index.

The OPEB Trust Fund investment policy is to maintain a long term focus on its investments decision making process. Fixed income investments susceptible to interest rate risk will be monitored to prevent such investments from exceeding established allocation targets. The Trust's investments in the Illinois Funds have a weighted average maturity of less than one year.

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### 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, 2009; excluded are U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government, if any, which are classified under the headings U.S. Treasuries and U.S. Agencies:

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

<u>Credit Rating</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>%</u>
AAA*	Pooled Funds - Long Term investments	129,564	36.4
AA*	Pooled Funds - Long Term investments	4,950	1.4
A*	Pooled Funds - Long Term investments	33,894	9.6
Aaa**	Pooled Funds - Long Term investments	135,151	37.9
Aa**	Pooled Funds - Long Term investments	6,834	1.9
BAA*	Pooled Funds - Long Term investments	13,168	3.7
Baa**	Pooled Funds - Long Term investments	14,031	3.9
Not Rated	Pooled Funds - Short Term investments	19,445	5.5
Not Rated	Pooled Funds - securities lending shortage	(943)	(0.3)
		<u>\$ 356,094</u>	<u>100.0%</u>

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

As of December 31, 2009, the credit rating for the Illinois Funds Prime Fund was AAA by Standard & Poor's.

**Foreign Currency Risk**

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments are in equities and cash. The Pension Trust Fund does not maintain an investment policy relative to foreign currency risk. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2009 was as follows:

<u>Equities</u>	<u>Fair Value</u>	<u>%</u>
Australian Dollar	3,826,556	8.7%
Danish Krone	803,083	1.8%
Euro	15,938,681	36.1%
Hong Kong Dollar	1,189,345	2.7%
Japanese Yen	8,799,409	20.0%
Norwegian Krone	1,027,512	2.3%
Singapore Dollar	636,791	1.4%
Swedish Krona	1,079,883	2.4%
Swiss Franc	3,211,997	7.3%
British Pound Sterling	7,578,940	17.2%
Total	<u>\$ 44,092,197</u>	<u>100%</u>

<u>Deposits</u>	<u>Fair Value</u>	<u>%</u>
Australian Dollar	12,914	2.8%
Canadian	35,084	7.5%
Euro	71,340	15.2%
Hong Kong Dollar	5,281	1.1%
Japanese Yen	92,336	19.7%
Norwegian Krone	246	0.1%
Singapore Dollar	12,442	2.7%
Swedish Krona	51,072	10.9%
British Pound Sterling	187,288	40.0%
Total	<u>\$ 468,003</u>	<u>100%</u>

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

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

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### Securities Lending

The Pension Trust Fund lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, lends for collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and international securities for collateral worth at least 105%. Securities lent at year end for cash collateral are presented as not categorized in the preceding summarization of investment market values; securities lent for securities collateral are classified according to the risk categorization of the collateral received. At year-end, the Fund has no credit risk exposure to borrowers because the exact amount the Fund owes to the borrowers exceeds the amounts the borrowers owe to the Fund. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan. All securities loans can be terminated on demand by either the Pension Trust Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 2 days.

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

During 2008, a security within the collateral pool became insolvent resulting in an insufficiency in the collateral pool. To prevent any one investor from incurring an additional loss should another investor exit the securities lending program, the Fund's custodian in 2009 allocated a portion of the insolvent security to each investor in the collateral pool. As a result, in 2009, the Fund sustained a shortage of \$942,781 in the collateral account. An agreement is pending with the custodial bank that will allow reimbursement of up to 80% of the shortage. The shortage has been recorded as a loss in 2009 and is reflected in the financial statements as a part of the net appreciation (depreciation) in fair value of investments in the *Statement of Changes in Plan Net Assets*.

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

A summary of securities loaned at fair value as of December 31, 2009, is as follows:

Market value of securities loaned for cash collateral	\$ 7,201,308
Market value of securities loaned for non-cash collateral	-
Total market value of securities loaned	<u>7,201,308</u>
Market value of cash collateral from borrowers	7,403,885
Market value of non-cash collateral from borrowers	-
Total market value of collateral from borrowers	<u>\$ 7,403,885</u>



## 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, 2009 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improve- ments Bond	Construc- tion	Other Govern- mental /	Total Govern- mental /	Statement of Net Assets
Receivables at December 31, 2009:							
Property taxes:	\$ 273,417	\$ 188,701	\$ -	\$ 10,782	\$ 41,038	\$ 513,938	\$ 513,938
Allowance for uncollectible taxes	(42,581)	(26,850)	-	(2,010)	(6,684)	(78,125)	(78,125)
Net property taxes	230,836	161,851	-	8,772	34,354	435,813	435,813
Personal property replacement tax	-	-	-	-	4,660	4,660	4,660
Total taxes receivable, net	230,836	161,851	-	8,772	39,014	440,473	440,473
Other receivables:							
User charges	896	-	-	-	-	896	896
State revolving fund loans	-	-	23,808	-	-	23,808	23,808
Federal subsidy	-	4,078	-	-	-	4,078	4,078
Miscellaneous	1,889	-	-	-	-	1,889	1,889
Total other receivables, net	2,785	4,078	23,808	-	-	30,671	30,671
Total net receivables, December 31, 2009	\$ 233,621	\$ 165,929	\$ 23,808	\$ 8,772	\$ 39,014	\$ 471,144	\$ 471,144

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, 2009 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Construction	Other Govern- mental /	Total Govern- mental /	Adjust- ments	Statement of Net Assets
Deferred revenue at December 31, 2009:							
Deferred tax revenue	\$ 204,773	\$ 144,421	\$ 8,056	\$ 30,375	\$ 387,625	\$(387,625)	\$ -
Other deferred revenue:							
Rental income	2,359	-	-	-	2,359	(11)	2,348
Grant revenue	-	4,078	-	-	4,078	(4,078)	-
Total other deferred revenue	2,359	4,078	-	-	6,437	(4,089)	2,348
Total deferred revenue at December 31, 2009	\$ 207,132	\$ 148,499	\$ 8,056	\$ 30,375	\$ 394,062	\$(391,714)	\$ 2,348

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### Payables

Payables reported as “Accounts payable and other liabilities” as of December 31, 2009 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, 2009:						
Vouchers payable and other liabilities	\$ 36,198	\$ 66,767	\$ 4,236	\$ 1,101	\$ 108,302	\$ 108,302
Accrued payroll and withholdings	6,936	-	-	-	6,936	6,936
Bid deposits	2,453	-	-	-	2,453	2,453
Total accounts payable and other liabilities as of December 31, 2009	<u>\$ 45,587</u>	<u>\$ 66,767</u>	<u>\$ 4,236</u>	<u>\$ 1,101</u>	<u>\$ 117,691</u>	<u>\$ 117,691</u>

## 6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2009, are as follows (in thousands of dollars):

	Balances January 1, 2009	Additions	Retirements	Balances December 31, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,043	\$ -	\$ -	\$ 127,043
Construction in progress	510,086	261,284	2,834	768,536
Infrastructure under modified approach	3,397,976	2,834	102	3,400,708
Total capital assets not being depreciated	<u>4,035,105</u>	<u>264,118</u>	<u>2,936</u>	<u>4,296,287</u>
Capital assets being depreciated:				
Buildings	13,226	-	-	13,226
Equipment	51,054	4,988	1,165	54,877
Infrastructure	1,845,274	-	-	1,845,274
Total capital assets being depreciated	<u>1,909,554</u>	<u>4,988</u>	<u>1,165</u>	<u>1,913,377</u>
Less accumulated depreciation:				
Buildings	4,576	185	-	4,761
Equipment	16,769	2,743	729	18,783
Infrastructure	147,286	9,227	-	156,513
Total accumulated depreciation	<u>168,631</u>	<u>12,155</u>	<u>729</u>	<u>180,057</u>
Total capital assets being depreciated, net	<u>1,740,923</u>	<u>(7,167)</u>	<u>436</u>	<u>1,733,320</u>
Governmental activities capital assets, net	<u>\$ 5,776,028</u>	<u>\$ 256,951</u>	<u>\$ 3,372</u>	<u>\$ 6,029,607</u>

Depreciation expense in the government-wide Statements of Activities, for the year ended December 31, 2009, was charged to the District's governmental functions as follows (in thousands of dollars):

<b>Department</b>	<b>Amount</b>
Board of Commissioners	\$ 10
General Administration	428
Monitoring and Research	199
Procurement and Materials Management	7
Human Resources	16
Information Technology	355
Law	10
Finance	9
Engineering	1,145
Maintenance and Operations	749
Total allocated depreciation	2,928
Unallocated infrastructure depreciation	9,227
Total depreciation	\$ 12,155

## 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 and employer contributions are recognized as additions in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs are not paid from any specific resource.

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### 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, 2009, were as follows:

Annual required contribution	\$ 54,790,175
Interest on net pension obligation	1,459,240
Adjustment to annual required contribution	<u>(1,035,870)</u>
Annual pension cost	55,213,545
Contributions made	<u>32,153,874</u>
Increase in net pension obligation	23,059,671
Net pension obligation beginning of year	<u>18,828,906</u>
Net pension obligation end of year	<u>\$ 41,888,577</u>

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, 2009 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, 2009, was 30 years.

### Trend Information

The annual pension cost, percentage of annual pension contributed and net pension asset (obligation) for the past three years ending December 31, 2009, are presented below:

Fiscal Year Ending	Employer Contributions		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
12/31/2009	\$ 55,213,545	58.24%	\$ (41,888,577)
12/31/2008	49,812,720	67.06%	(18,828,906)
12/31/2007	46,722,753	59.81%	(2,423,005)

### Funding Status of Plan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/2009	\$ 1,177,810	\$ 1,939,172	\$ 761,362	60.70%	\$ 176,915	430.35%

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

## **8. OPEB - Other Post-Employment Benefits**

### **Plan Description**

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing of OPEB and the payment of benefits for the Metropolitan Water Reclamation District of Greater Chicago (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, 2008. 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, 2009, there are 2,095 active employees and 2,776 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 an additional contribution of 22,000,000 was placed in to the OPEB trust. There were no contributions made by the District to the Plan in 2009. Plan participants do not contribute to the plan other than providing premium contributions as discussed below.

The District allows employees who retire and meet certain eligibility requirements to continue medical coverage as participants in the Metropolitan Water Reclamation District Retiree Health Care Plan. The plan allows for subsidized health care benefits for its retirees. Retirees contribute 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 2009 by the District was \$14,591,543, all claims paid (net of participant contributions).

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### Annual OPEB Cost and Net OPEB Obligation

The following OPEB cost and net OPEB obligation was determined for the year ended December 31, 2009.

Annual required contribution	\$ 39,847,201
Interest on net OPEB obligation	1,028,467
Adjustment to annual required contribution	<u>(819,525)</u>
Annual OPEB cost	40,056,143
Contributions made	<u>14,591,543</u>
Increase in net OPEB obligation	25,464,600
Net OPEB obligation beginning of year	<u>16,324,866</u>
Net OPEB obligation end of year	<u>\$ 41,789,466</u>

### Funding Status and Progress

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

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)
12/31/2009	\$ 47,891	\$ 526,476	\$ 478,585	9.10%	\$ 170,392	281%

### Actuarial Methods and Assumptions

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

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

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

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

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method and period	30 years, open, level percentage of payroll
Asset valuation method	Fair market value
Discount rate	6.30%
Health care cost trend rates	10% Initial rate, 5% Ultimate rate, 2017 Ultimate year
Projected payroll growth rate	3.6% per annum compounded annually

**Trend Information**

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2009, are presented below:

<u>Period Ended</u>	<u>Schedule of Employer Contributions</u>		<u>Net OPEB Obligation</u>
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	
12/31/2009	\$ 39,847,201	36.6%	\$ 41,789,466
12/31/2008	44,739,006	80.1%	16,324,866
12/31/2007	44,739,006	83.4%	7,405,141

**9. Commitments and Rebatable Arbitrage Earnings**

The General Corporate Fund has existing purchase order encumbrances of \$4,387,891 at December 31, 2009. Construction, Stormwater Management, and Capital Improvements Bond Funds’ contract commitments (encumbrances) were \$549,106,580 at December 31, 2009. State Revolving Fund Loan commitments of \$118,827,655 at December 31, 2009, 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 began in 2009, which is expected to be operational by the end of 2010. 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 \$4.4 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 estimated cost for 2010 is \$6.1 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 total projected costs over the next five years are expected to be \$310 million.

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 \$267,892,849 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, 2009, the District has no arbitrage rebate liability.

## Notes to the Basic Financial Statements

*Year ended December 31, 2009*

### 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, 2009, is between \$14.5 million and \$44.4 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are ongoing between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. Per GASB Statement No. 49, it was determined that current estimated cost to be \$29,450,000 with an estimated cost recoverable amount of \$18,650,000 resulting in \$10,800,000 being recognized at December 31, 2009 in the liabilities of the government-wide financial statements. Of this amount, \$1,000,000 is classified as a short-term liability and the remaining \$9,800,000 is considered a long-term liability. These estimates are subject to changes as a result of price increases, changes in technology and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

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



Additional insurance policies in effect at December 31, 2009, 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:

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

	<b>2009</b>	<b>2008</b>
Claims Payable at January 1	\$ 30,813	\$ 29,265
Claims incurred	9,464	7,626
Changes in prior years' claims estimate	8,073	1,548
Claim payments	(9,464)	(7,626)
Claims Payable at December 31	\$ 38,886	\$ 30,813

## Notes to the Basic Financial Statements

Year ended December 31, 2009

### 11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2009:

(in thousands of dollars)

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>	<u>Due Within One Year</u>
<b>Governmental long-term liabilities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 1,344,043	\$ 600,000	\$ (73,105)	\$ 1,870,939	\$ 29,730
Converted bond anticipation notes	48,656	59,608	-	108,264	30,143
Total general obligation debt	1,392,699	659,608	(73,105)	1,979,203	59,873
Deferred amounts:					
Issuance costs	(1,142)	(5,802)	170	(6,774)	(302)
Premium	69,286	-	(3,877)	65,409	3,877
Refunding transactions	(31,570)	-	3,038	(28,532)	(3,039)
Bonds payable, net	1,429,273	653,806	(73,774)	2,009,306	60,409
Bond anticipation notes	64,894	81,000	(59,608)	86,286	-
Net bonds and notes payable	1,494,167	734,806	(133,382)	2,095,592	60,409
Other liabilities:					
Claims and judgments	30,813	17,537	(9,464)	38,886	7,073
Compensated absences	30,451	1,509	(280)	31,680	1,092
Total governmental long-term liabilities	<u>\$ 1,555,431</u>	<u>\$ 753,852</u>	<u>\$ (143,125)</u>	<u>\$ 2,166,158</u>	<u>\$ 68,574</u>

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, 2009, 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 (3.0-5.720%) (Issued 12/02 to 08/09)	Refunding (4.00-5.00%) (Issued 05/06 to 03/07)	State Revolving Funds Series (2.5-3.745%) (Issued 12/91 to 07/09)	Total Principal	Total Interest
	2010	\$ 29,730	\$ -	\$ 30,143	\$ 59,873
2011	28,795	-	30,067	59,862	91,525
2012	28,880	-	30,817	59,697	89,294
2013	17,400	-	29,940	47,340	87,052
2014	-	18,760	28,539	47,299	85,358
2015-2019	58,375	99,355	125,574	283,304	396,709
2020-2024	41,185	145,595	88,252	275,032	341,094
2025-2029	-	225,385	31,096	256,481	282,452
2030-2034	145,000	244,435	-	389,435	218,564
2035-2038	455,000	45,880	-	500,880	69,333
	<u>\$ 804,365</u>	<u>\$ 779,410</u>	<u>\$ 395,428</u>	<u>\$ 1,979,203</u>	<u>\$ 1,764,628</u>

Expenditures for principal and interest made on January 1, 2010 approximated \$14,913,800 and \$5,452,000 respectively.

### **2009 Bond Issues**

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

### **2007 Bond Issues**

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

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

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

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

### **2006 Bond Issues**

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

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

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

### **2002 Bond Issues**

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

## Notes to the Basic Financial Statements

Year ended December 31, 2009

Limited Tax Series D at December 31, 2009 were \$6,100,000 and \$58,700,000, respectively.

### Capital Improvement Bonds, IEPA Series

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

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

2009.....	\$108,000,000
2008.....	\$ 41,257,000

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

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 \$59,608,000 in 2009 represented the sum of bond anticipation note principal of \$58,117,000 and interest in the amount of \$1,491,000.

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

- July 2009 – The District issued \$86,300 of Capital Improvement Bonds – IEPA Series 04G, through the conversion of the sum of bond anticipation note principal of \$84,600 and interest of \$1,700 with maturity dates from January 1, 2010 to January 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.
- September 2009 – The District issued \$171,200 of Capital Improvement Bonds – IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of \$165,700 and interest of \$5,500 with maturity dates from January 1, 2010 to January 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.
- September 2009 – The District issued \$3,576,400 of Capital Improvement Bonds – IEPA Series 04B, through the conversion of the sum of bond anticipation note principal of \$3,471,000 and interest of \$105,400 with maturity dates from January 1, 2010 to January 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.
- September 2009 – The District issued \$54,332,500 of Capital Improvement Bonds – IEPA Series 04H, through the conversion of the sum of bond anticipation note principal of \$53,000,000 and interest of \$1,332,500 with maturity dates from January 1, 2010 to January 1, 2090. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.
- September 2009 – The District issued \$1,441,600 of Capital Improvement Bonds – IEPA Series 04E, through the conversion of the sum of bond anticipation principal of \$1,395,400 and interest of \$46,200 with maturity dates from January 1, 2010 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 \$89,108,100 at December 31, 2009. Of the bond anticipation notes outstanding at December 31, 2009, \$7,339,800 will be refinanced through IEPA Series 2004 bonds. The remaining \$81,768,300 will be refinanced through IEPA series 2007 bonds. The conversion of these bond anticipation notes to Capital Improvement Bonds is not expected to occur within the next calendar year; therefore, the notes will be reported as a part of long term-debt.

### **Refunding Transactions**

In prior years, the District defeased certain obligations and other bonds by placing the proceeds of new bonds and additional cash in trust to provide for all future debt service requirements of the refunded debt. Accordingly, the trust account assets and the liability for the refunded bonds are not included in the accompanying financial statements, as the District defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions. Bonds outstanding in the amount of \$545,625,000 were considered defeased at December 31, 2009.

## **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.

## Notes to the Basic Financial Statements

Year ended December 31, 2009

Individual interfund receivable and payable balances at December 31, 2009 are as follows (in thousands of dollars):

	<b>Interfund</b>	
	<u>Receivables</u>	<u>Payables</u>
General Corporate Fund	\$ 845	\$ -
Capital Projects Funds:		
Capital Improvements Bond Fund	-	570
Construction Fund	-	147
Stormwater Management Fund	-	128
	<u>\$ 845</u>	<u>\$ 845</u>

In addition to the above, amounts were due from the Primary Government to the Pension Trust Fund at December 31, 2009 that represented earned but uncollected property taxes in the Retirement Fund and the government-wide Statements of Net Assets.

### 13. 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.

### 14. 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, 2009, (in thousands of dollars):

2010	\$ 6,696
2011	6,600
2012	6,296
2013	6,233
2014	6,229
Later Years	182,808

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

## **15. Subsequent Events**

The District has a potential contingent liability with a project development company. The District filed a lawsuit seeking a declaration of rights with respect to three easements encumbering a District owned alley physically located between the District's main office building and the property owned by the project company. The District alleged that the planned development improperly expanded the scope and use of the District's alley in violation of the easements. The project company then filed a counterclaim seeking declaratory relief and damages based on the District's purported delay of the development. The project company also added a claim for tortious interference with prospective economic advantage. While the District cannot assure any outcome, the District believes its claims and defenses are well founded. The District will continue to aggressively assert its claims and defenses.

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**REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
OTHER THAN MD&A**

## Required Supplementary Information (RSI) Other than MD&A

Year ended December 31, 2009

### 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:

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

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

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

Condition assessments of each network will continue at least every three years following the initial assessment. The Calumet, Lemont, and Hanover WRP's were re-assessed in 2009, the Northside and Egan plants were re-assessed in 2007, and Kirie, Central (Stickney), and Waterways were re-assessed in 2008.

## Required Supplementary Information (RSI) Other than MD&A

Year ended December 31, 2009

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:

	<u>Collection Processes System</u>	<u>Treatment Processes System</u>	<u>Solids Processing System</u>	<u>Flood and Pollution Control System</u>	<u>Solids Drying/ Utilization System</u>
<b>Condition Assessment Ratings</b>					
<b>Kirie WRP Network</b>					
Initial Condition Assessment - 2002	3	3	2	NA	NA
Subsequent assessment - 2005	3	3	3	NA	NA
Subsequent assessment - 2008	3	2	3	NA	NA
<b>Hanover WRP Network</b>					
Initial Condition Assessment - 2003					
Subsequent assessment - 2006	3	2	2	NA	2
Subsequent assessment - 2009	3	2	2	NA	2
<b>Egan WRP Network</b>					
Initial Condition Assessment - 2004	2	2	2	NA	NA
Subsequent assessments - 2007	3	2	2	NA	NA
<b>North Side WRP Network</b>					
Initial Condition Assessment - 2004	3	3	3	NA	NA
Subsequent assessments - 2007	3	3	3	NA	NA
<b>Central (Stickney) WRP Network</b>					
Initial Condition Assessment - 2005	3	3	2	NA	2
Subsequent assessments - 2008	3	3	3	NA	2
<b>Waterways WRP Network</b>					
Initial Condition Assessment - 2005	NA	NA	NA	2	NA
Subsequent assessments - 2008	NA	NA	NA	2	NA
<b>Calumet WRP Network</b>					
Initial Condition Assessment - 2006	3	3	3	NA	3
Subsequent assessments - 2009	3	3	3	NA	2
<b>Lemont WRP Network</b>					
Initial Condition Assessment - 2006	2	3	2	NA	NA
Subsequent assessments - 2009	3	3	3	NA	NA
<b>Maintenance/Preservation Costs</b>					
<b>Kirie WRP Network</b>					
Estimated 2009	\$ 3,664,400	\$ 9,136,786	\$ 158,600	NA	NA
Actual 2009	463,677	7,345,024	1,362,495	NA	NA
Estimated 2008	\$ 406,633	\$ 8,782,250	\$ 158,500	NA	NA
Actual 2008	531,475	4,413,531	545,837	NA	NA
Estimated 2007	\$ 387,569	\$ 6,957,162	\$ 158,200	NA	NA
Actual 2007	623,569	3,611,678	47,587	NA	NA
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
<b>Hanover WRP Network</b>					
Estimated 2009	\$ 180,200	\$ 1,071,752	\$ 289,623	NA	\$ 105,229
Actual 2009	151,980	1,123,785	323,961	NA	34,989
Estimated 2008	\$ 133,069	\$ 904,488	\$ 326,827	NA	\$ 79,447
Actual 2008	111,148	909,123	286,703	NA	68,470

(continued)

Metropolitan Water Reclamation District of Greater Chicago

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
<b>Hanover WRP Network (continued)</b>					
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
Estimated 2005	\$ 130,450	\$ 1,150,850	\$ 154,550	NA	\$ 40,925
Actual 2005	121,250	767,602	116,440	NA	46,520
<b>Egan WRP Network</b>					
Estimated 2009	\$ 442,114	\$ 14,095,304	\$ 775,216	\$ 59,300	NA
Actual 2009	559,786	11,166,975	1,093,579	64,945	NA
Estimated 2008	\$ 448,270	\$ 10,155,227	\$ 882,962	\$ 65,600	NA
Actual 2008	515,844	8,811,776	940,624	69,120	NA
Estimated 2007	\$ 395,121	\$ 7,084,810	\$ 704,115	\$ 55,200	NA
Actual 2007	499,403	7,271,168	813,324	159,168	NA
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
<b>North Side WRP Network</b>					
Estimated 2009	\$ 8,151,138	\$ 7,668,457	\$ 2,022,200	\$ 1,045,000	NA
Actual 2009	4,554,380	7,224,353	637,659	2,165,558	NA
Estimated 2008	\$ 4,969,702	\$ 7,469,780	\$ 592,619	\$ 393,700	NA
Actual 2008	4,664,926	7,583,178	661,543	308,518	NA
Estimated 2007	\$ 5,646,911	\$ 5,634,418	\$ 600,944	\$ 32,500	NA
Actual 2007	4,715,211	5,148,533	564,643	34,332	NA
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
<b>Central (Stickney) WRP Network</b>					
Estimated 2009	\$ 24,507,569	\$ 33,890,139	\$ 15,331,569	NA	\$ 11,697,814
Actual 2009	15,540,900	24,895,356	17,368,733	NA	14,204,102
Estimated 2008	\$ 20,412,124	\$ 17,058,681	\$ 15,947,999	NA	\$ 5,365,073
Actual 2008	14,528,403	15,329,846	16,639,862	NA	1,651,578
Estimated 2007	\$ 17,171,976	\$ 12,916,324	\$ 8,075,458	NA	\$ 6,414,560
Actual 2007	13,549,178	15,427,294	12,873,386	NA	7,350,596
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

(continued)

## Required Supplementary Information (RSI) Other than MD&A

Year ended December 31, 2009

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
<b>Waterways WRP Network</b>					
Estimated 2009	\$ 1,800	NA	NA	\$ 2,324,631	NA
Actual 2009	5,434	\$ 297	NA	1,297,871	NA
Estimated 2008	\$ 1,800	NA	NA	\$ 1,800,451	NA
Actual 2008	1,546	\$ 10,720	NA	1,315,055	NA
Estimated 2007	\$ 80,000	NA	NA	\$ 1,739,312	NA
Actual 2007	1,369	\$ 9,054	NA	1,534,846	NA
Estimated 2006	\$ 118,060	\$ 492,618	NA	\$ 1,941,405	NA
Actual 2006	103,452	25,635	NA	1,527,290	NA
Estimated 2005	NA	NA	NA	\$ 3,322,428	NA
Actual 2005	NA	NA	NA	2,558,953	NA
<b>Calumet WRP Network</b>					
Estimated 2009	\$ 7,086,894	\$ 44,879,075	\$ 3,871,945	\$ 5,169,914	NA
Actual 2009	7,187,327	57,258,251	4,214,457	1,290,778	NA
Estimated 2008	\$ 6,980,720	\$ 38,323,961	\$ 3,099,557	\$ 3,142,376	NA
Actual 2008	6,332,135	37,285,024	3,821,253	1,734,287	NA
Estimated 2007	\$ 6,374,829	\$ 40,832,405	\$ 2,727,321	\$ 1,709,048	NA
Actual 2007	5,878,452	31,105,454	6,265,556	1,058,458	NA
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
<b>Lemont WRP Network</b>					
Estimated 2009	\$ 47,000	\$ 55,200	NA	NA	NA
Actual 2009	814	33,048	NA	NA	NA
Estimated 2008	\$ 47,000	\$ 44,200	NA	NA	NA
Actual 2008	14,516	23,966	NA	NA	NA
Estimated 2007	\$ 32,000	\$ 35,900	NA	NA	NA
Actual 2007	22,706	28,056	NA	NA	NA
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)
12/31/2009	\$ 1,177,810	\$ 1,939,172	\$ 761,362	60.70%	\$ 176,915	430.35%
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%

**Progress in Funding Other Post Employment Trust Funds**

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

(in thousands of dollars)

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)
12/31/2009	\$ 47,891	\$ 526,476	\$ 478,585	9.10%	\$ 170,392	280.87%
12/31/2008	47,797	526,476	478,679	9.08%	167,865	285.16%
12/31/2007	25,025	442,683	417,658	5.65%	158,832	262.96%

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# **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUND**

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

### **CAPITAL PROJECTS FUND**

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

**Exhibit B-1****Combining Balance Sheets - Nonmajor Governmental Funds**

December 31, 2009

(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Cash	\$ -	\$ -	\$ 1,881	\$ 854	\$ 1,881	\$ 854
Certificates of deposit	-	-	38,713	24,176	38,713	24,176
Investments	-	-	8,814	21,852	8,814	21,852
Taxes receivable, net	30,475	29,214	8,539	14,679	39,014	43,893
Total assets	<u>\$ 30,475</u>	<u>\$ 29,214</u>	<u>\$ 57,947</u>	<u>\$ 61,561</u>	<u>\$ 88,422</u>	<u>\$ 90,775</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Deferred tax revenue	\$ 22,953	\$ 22,609	\$ 7,422	\$ 13,510	\$ 30,375	\$ 36,119
Accounts payable and other liabilities	-	-	1,101	1,470	1,101	1,470
Due to Pension Trust Fund	7,522	6,605	-	-	7,522	6,605
Due to other funds	-	-	128	105	128	105
Total liabilities	<u>30,475</u>	<u>29,214</u>	<u>8,651</u>	<u>15,085</u>	<u>39,126</u>	<u>44,299</u>
Fund balances:						
Restricted for:						
Working Cash	-	-	38,953	37,902	38,953	37,902
Capital projects	-	-	10,343	8,574	10,343	8,574
Total fund balances	<u>-</u>	<u>-</u>	<u>49,296</u>	<u>46,476</u>	<u>49,296</u>	<u>46,476</u>
Total liabilities and fund balances	<u>\$ 30,475</u>	<u>\$ 29,214</u>	<u>\$ 57,947</u>	<u>\$ 61,561</u>	<u>\$ 88,422</u>	<u>\$ 90,775</u>

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

Year ended December 31, 2009

(with comparative amounts for prior year)

(in thousands of dollars)

	<b>Retirement Fund</b>		<b>Stormwater Management Fund</b>		<b>Total Nonmajor Governmental Funds</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>						
Revenues:						
Property taxes	\$ 24,984	\$ 24,244	\$ 14,102	\$ 5,048	\$ 39,086	\$ 29,292
Personal property replacement tax	6,760	4,693	704	1,972	7,464	6,665
Interest on investments	-	-	653	1,558	653	1,558
Miscellaneous	-	-	7	6	7	6
Fees, forfeits, and penalties	-	-	142	-	142	-
Federal grants	-	-	-	135	-	135
Total revenues	<u>31,744</u>	<u>28,937</u>	<u>15,608</u>	<u>8,719</u>	<u>47,352</u>	<u>37,656</u>
<b>Expenditures</b>						
Current Operations:						
Pension costs	31,744	28,937	-	-	31,744	28,937
Construction costs	-	-	12,788	13,796	12,788	13,796
Total expenditures	<u>31,744</u>	<u>28,937</u>	<u>12,788</u>	<u>13,796</u>	<u>44,532</u>	<u>42,733</u>
Revenues over (under) expenditures	-	-	2,820	(5,077)	2,820	(5,077)
Fund balances						
Beginning of the year	-	-	46,476	51,553	46,476	51,553
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,296</u>	<u>\$ 46,476</u>	<u>\$ 49,296</u>	<u>\$ 46,476</u>

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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, 2009

Corporate Division	(in thousands of dollars)			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Board of Commissioners:					
Personal services					
Salaries of regular employees	\$ 3,380	\$ -	\$ 3,380	\$ 2,947	\$ 433
Compensation plan adjustments	65	-	65	14	51
Salaries of non-budgeted employees	57	-	57	-	57
Tuition and training payments	20	-	20	5	15
Payment for professional services	499	-	499	373	126
Personal services not otherwise classified	273	-	273	263	10
Total personal services	4,294	-	4,294	3,602	692
Contractual services					
Travel	16	-	16	4	12
Meals and lodging	22	-	22	7	15
Motor vehicle operating services	1	-	1	1	-
Subscriptions and membership dues	33	-	33	24	9
Contractual services not otherwise classified	2	-	2	-	2
Computer software maintenance	1	-	1	-	1
Total contractual services	75	-	75	36	39
Materials and supplies					
Office, printing, and photographic supplies	36	-	36	10	26
Total materials and supplies	36	-	36	10	26
Board of Commissioners total	4,405	-	4,405	3,648	757
General Administration:					
Personal Services					
Salaries of regular employees	11,050	(216)	10,834	10,762	72
Compensation plan adjustments	700	556	1,256	1,138	118
Tuition and training payments	111	-	111	30	81
Payment for professional services	1,183	(340)	843	586	257
Personal services not otherwise classified	149	-	149	117	32
Total personal services	13,193	-	13,193	12,633	560
Contractual services					
Travel	27	-	27	7	20
Meals and lodging	53	-	53	47	6
Postage, freight, and delivery charges	241	2	243	242	1
Compensation for personally owned autos	17	1	18	18	-
Motor vehicle operating expenditures	198	-	198	140	58
Reprographic services	124	-	124	49	75
Electrical energy	684	-	684	468	216
Natural gas	61	-	61	27	34
Water and water services	3	-	3	3	-

(continued)

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	(in thousands of dollars)				
	Original	Net Transfers	Final		
General Administration (continued):					
Subscriptions and membership dues	\$ 417	\$ -	\$ 417	\$ 398	\$ 19
Communications services	5	2	7	3	4
Rental charges	38	2	40	22	18
Administration building operation	844	80	924	848	76
Administrative building operation annex	617	310	927	704	223
Contractual services not otherwise classified	761	(185)	576	203	373
Waste material disposal charges	116	13	129	68	61
Repairs to buildings	682	(255)	427	47	380
Safety repairs and services	551	(4)	547	418	129
Repairs to office furniture and equipment	253	-	253	141	112
Computer software maintenance	4	1	5	5	-
Communication equipment maintenance	25	1	26	25	1
Repairs to vehicle equipment	464	32	496	486	10
Repairs not otherwise classified	6	-	6	-	6
Total contractual services	6,191	-	6,191	4,369	1,822
Materials and supplies					
Electrical parts and supplies	13	-	13	8	5
Plumbing accessories and supplies	6	-	6	4	2
Hardware	12	-	12	11	1
Buildings, grounds, paving materials, and supplies	2	-	2	1	1
Office, printing, and photographic supplies	262	(1)	261	190	71
Wearing apparel	49	-	49	28	21
Books, maps, and charts	40	1	41	41	-
Safety and medical supplies	172	-	172	124	48
Computer software	289	-	289	-	289
Computer supplies	134	-	134	6	128
Communications supplies	200	-	200	165	35
Materials and supplies not otherwise classified	121	-	121	87	34
Total materials and supplies	1,300	-	1,300	665	635
Machinery and equipment					
Office furniture and equipment	976	-	976	-	976
Computer Software	-	9	9	-	9
Vehicle equipment	1,166	(9)	1,157	830	327
Machinery and equipment not otherwise classified	10	-	10	-	10
Total machinery and equipment	2,152	-	2,152	830	1,322
General Administration total	22,836	-	22,836	18,497	4,339
Monitoring and Research:					
Personal services					
Salaries of regular employees	23,163	-	23,163	23,113	50
(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, 2009

Corporate Division (continued)	(in thousands of dollars)			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Monitoring and Research (continued):					
Compensation plan adjustments	\$ 803	\$ -	\$ 803	\$ 650	\$ 153
Salaries of non-budgeted employees	10	23	33	28	5
Tuition and training payments	122	-	122	53	69
Payment for professional services	2,191	(23)	2,168	1,030	1,138
Personal services not otherwise classified	252	-	252	241	11
Total personal services	<u>26,541</u>	<u>-</u>	<u>26,541</u>	<u>25,115</u>	<u>1,426</u>
Contractual services					
Travel	32	-	32	21	11
Meals and lodging	98	-	98	58	40
Postage, freight, and delivery charges	21	-	21	7	14
Compensation for personally owned autos	36	15	51	47	4
Motor vehicle operating services	5	-	5	1	4
Reprographic services	10	-	10	1	9
Water and water services	9	-	9	5	4
Communication services	2	-	2	-	2
Rental charges	54	-	54	11	43
Governmental services charges	143	-	143	66	77
Contractual services not otherwise classified	887	(15)	872	584	288
Repairs to marine equipment	159	-	159	130	29
Computer software maintenance	212	-	212	192	20
Communication equipment maintenance	5	-	5	-	5
Repairs to testing and laboratory equipment	673	-	673	459	214
Repairs not otherwise classified	9	-	9	2	7
Total contractual services	<u>2,355</u>	<u>-</u>	<u>2,355</u>	<u>1,584</u>	<u>771</u>
Materials and supplies					
Office, printing, and photographic supplies	57	-	57	37	20
Farming supplies	15	-	15	1	14
Laboratory testing supplies and small equipment	713	-	713	425	288
Wearing apparel	34	-	34	22	12
Books, maps, and charts	5	-	5	-	5
Computer software	1	-	1	-	1
Computer supplies	8	-	8	-	8
Fuel	68	-	68	19	49
Communications supplies	5	-	5	1	4
Materials and supplies not otherwise classified	140	-	140	70	70
Total materials and supplies	<u>1,046</u>	<u>-</u>	<u>1,046</u>	<u>575</u>	<u>471</u>
Machinery and equipment					
Testing and laboratory equipment	1,506	-	1,506	989	517
Total machinery and equipment	<u>1,506</u>	<u>-</u>	<u>1,506</u>	<u>989</u>	<u>517</u>
Monitoring and Research total	<u>31,448</u>	<u>-</u>	<u>31,448</u>	<u>28,263</u>	<u>3,185</u>

(continued)



Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts				Actual Variance with Final Budget - Positive (Negative)
	(in thousands of dollars)			Actual Amounts	
	Original	Net Transfers	Final		
Procurement and Materials Management:					
Personal services					
Salaries of regular employees	\$ 5,177	\$ -	\$ 5,177	\$ 5,131	\$ 46
Compensation plan adjustments	196	(3)	193	39	154
Tuition and training payments	20	-	20	8	12
Payments for professional services	75	-	75	-	75
Personal services not otherwise classified	59	3	62	41	21
Total personal services	5,527	-	5,527	5,219	308
Contractual services					
Travel	2	1	3	2	1
Meals and lodging	4	-	4	3	1
Postage, freight, and delivery charges	1	-	1	-	1
Compensation for personally owned autos	3	-	3	2	1
Motor vehicle operating services	1	-	1	-	1
Testing and inspection services	3	-	3	-	3
Subscriptions and membership dues	5	-	5	-	5
Advertising	196	(1)	195	112	83
Contractual services not otherwise classified	5	-	5	-	5
Repairs to buildings	3	-	3	-	3
Repairs to office furniture and equipment	5	-	5	3	2
Computer software maintenance	7	-	7	3	4
Communication equipment maintenance	2	-	2	-	2
Repairs to vehicle equipment	27	-	27	6	21
Total contractual services	264	-	264	131	133
Materials and supplies					
Metals	282	(90)	192	153	39
Electrical parts and supplies	469	(80)	389	327	62
Plumbing accessories and supplies	341	50	391	385	6
Hardware	85	-	85	67	18
Buildings, grounds, paving materials, and supplies	100	50	150	143	7
Fiber, paper and insulation materials	36	20	56	47	9
Paints, solvents, and related materials	38	30	68	63	5
Vehicle parts and supplies	8	10	18	11	7
Mechanical and repair parts	144	-	144	137	7
Office, printing, and photographic supplies	181	(70)	111	103	8
Laboratory testing supplies and small equipment	565	115	680	652	28
Cleaning supplies	264	55	319	307	12
Tools and supplies	128	20	148	135	13
Wearing apparel	124	88	212	208	4
Safety and medical supplies	63	(15)	48	41	7
Computer supplies	261	(50)	211	144	67
Fuel	1,027	(140)	887	319	568

(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, 2009

Corporate Division (continued)	<i>(in thousands of dollars)</i>			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Procurement and Materials Management (continued):					
Gas (in containers)	\$ 55	\$ 17	\$ 72	\$ 47	\$ 25
Communications supplies	17	-	17	16	1
Lubricants	278	20	298	271	27
Materials and supplies not otherwise classified	137	(30)	107	6	101
Total materials and supplies	4,603	-	4,603	3,582	1,021
Procurement and Materials Management total	10,394	-	10,394	8,932	1,462
Human Resources:					
Personal services					
Salaries of regular employees	4,158	(165)	3,993	3,856	137
Compensation plan adjustments	294	(50)	244	182	62
Social security and medicare contributions	2,205	165	2,370	2,282	88
Salaries of non-budgeted employees	10	-	10	3	7
Employee claims	100	25	125	120	5
Tuition and training payments	586	-	586	495	91
Payment for professional services	1,519	(400)	1,119	858	261
Health and life insurance premiums	44,439	425	44,864	35,456	9,408
Personal services not otherwise classified	39	-	39	28	11
Total personal services	53,350	-	53,350	43,280	10,070
Contractual services					
Travel	13	-	13	3	10
Meals and lodging	25	-	25	8	17
Postage, freight, and delivery charges	4	-	4	3	1
Compensation for personally owned autos	6	5	11	7	4
Court reporting services	40	-	40	7	33
Medical services	190	-	190	142	48
Rental charges	30	(5)	25	9	16
Contractual services not otherwise classified	69	-	69	30	39
Computer software maintenance	43	-	43	28	15
Communication equipment maintenance	3	-	3	-	3
Repairs not otherwise classified	2	-	2	1	1
Total contractual services	425	-	425	238	187
Materials and supplies					
Office, printing, and photographic supplies	20	-	20	5	15
Books, maps, and charts	15	-	15	8	7
Materials and supplies not otherwise classified	31	-	31	11	20
Total materials and supplies	66	-	66	24	42
Machinery and equipment					
Office furniture and equipment	110	-	110	33	77
Computer software	50	-	50	2	48
Total machinery and equipment	160	-	160	35	125
Human Resources total	54,001	-	54,001	43,577	10,424

*(continued)*

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts				Actual Variance with Final Budget - Positive (Negative)
	(in thousands of dollars)			Actual Amounts	
	Original	Net Transfers	Final		
Information Technology:					
Personal services					
Salaries of regular employees	\$ 7,126	\$ 63	\$ 7,189	\$ 7,185	\$ 4
Compensation plan adjustments	322	(70)	252	172	80
Tuition and training payments	229	(58)	171	166	5
Payment for professional services	4,550	(538)	4,012	3,790	222
Personal services not otherwise classified	49	(26)	23	22	1
Total personal services	12,276	(629)	11,647	11,335	312
Contractual services					
Travel	32	(6)	26	9	17
Meals and lodging	55	(7)	48	19	29
Compensation for personally owned autos	6	6	12	11	1
Motor vehicle operating services	1	-	1	-	1
Communication services	1,305	(114)	1,191	1,176	15
Subscription and membership dues	8	(3)	5	-	5
Rental charges	30	(10)	20	-	20
Contractual services not otherwise classified	5	-	5	4	1
Computer equipment maintenance	860	(286)	574	524	50
Computer software maintenance	2,448	479	2,927	2,628	299
Communication equipment maintenance	351	211	562	511	51
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	5,102	270	5,372	4,882	490
Materials and supplies					
Office, printing, and photographic supplies	11	(6)	5	5	-
Books, maps, and charts	5	(5)	-	-	-
Computer software	371	323	694	646	48
Computer supplies	1,621	(34)	1,587	1,563	24
Communication supplies	135	12	147	147	-
Materials and supplies, not otherwise classified	1	-	1	-	1
Total materials and supplies	2,144	290	2,434	2,361	73
Machinery and equipment					
Computer equipment	1,045	(341)	704	704	-
Computer software	70	598	668	668	-
Communication equipment	350	(188)	162	155	7
Total machinery and equipment	1,465	69	1,534	1,527	7
Information Technology total	20,987	-	20,987	20,105	882
Law:					
Personal Services					
Salaries of regular employees	4,474	-	4,474	4,460	14
Compensation plan adjustments	212	(100)	112	48	64

(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, 2009

Corporate Division (continued)	(in thousands of dollars)			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Law (continued):					
Salaries of non-budgeted employees	\$ 10	\$ -	\$ 10	\$ -	\$ 10
Tuition and training payments	81	(65)	16	5	11
Payment for professional services	2,134	751	2,885	2,060	825
Personal services not otherwise classified	31	-	31	16	15
Total personal services	6,942	586	7,528	6,589	939
Contractual services					
Travel	6	-	6	4	2
Meals and lodging	2	2	4	2	2
Postage, freight, and delivery charges	5	-	5	1	4
Compensation for personally owned autos	3	-	3	2	1
Reprographic services	46	(20)	26	26	-
Court reporting services	80	(5)	75	70	5
Subscription and membership dues	2	-	2	1	1
Insurance premiums	246	(71)	175	175	-
Contractual services not otherwise classified	135	(62)	73	70	3
Computer equipment maintenance	1	-	1	-	1
Communication equipment maintenance	3	-	3	2	1
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	530	(156)	374	353	21
Materials and supplies					
Office, printing, and photographic supplies	23	-	23	6	17
Books, maps, and charts	55	(39)	16	7	9
Materials and supplies not otherwise classified	6	-	6	-	6
Total materials and supplies	84	(39)	45	13	32
Fixed and other charges					
Taxes on real estate	640	(91)	549	501	48
Total fixed and other charges	640	(91)	549	501	48
Law total	8,196	300	8,496	7,456	1,040
Finance:					
Personal services					
Salaries of regular employees	2,840	-	2,840	2,710	130
Compensation plan adjustments	111	-	111	19	92
Tuition and training payments	60	-	60	17	43
Payment for professional services	543	-	543	348	195
Personal services not otherwise classified	39	-	39	26	13
Total personal services	3,593	-	3,593	3,120	473
Contractual services					
Travel	7	-	7	4	3

(continued)

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Net				
	Original	Transfers	Final		
<i>(in thousands of dollars)</i>					
Finance (continued):					
Meals and lodging	\$ 16	\$ -	\$ 16	\$ 5	\$ 11
Postage, freight, and delivery charges	3	-	3	2	1
Compensation for personally owned autos	3	-	3	1	2
Reprographic services	5	-	5	1	4
Court reporting services	72	-	72	49	23
Contractual services not otherwise classified	3	-	3	1	2
Repairs to office furniture and equipment	9	-	9	5	4
Computer software maintenance	25	-	25	-	25
Total contractual services	143	-	143	68	75
Materials and supplies					
Office, printing, and photographic supplies	26	-	26	16	10
Books, maps, and charts	1	-	1	1	-
Total materials and supplies	27	-	27	17	10
Finance total	3,763	-	3,763	3,205	558
Engineering:					
Personal services					
Salaries of regular employees	3,043	-	3,043	2,999	44
Compensation plan adjustments	200	-	200	72	128
Salaries of nonbudgeted employees	50	-	50	-	50
Tuition and training payments	13	-	13	5	8
Payments for professional services	541	-	541	183	358
Personal services not otherwise classified	25	-	25	6	19
Personal service expenditure - preliminary engineering reports and studies	588	-	588	74	514
Personal services expenditure - construction drawings, specifications, and cost estimates	577	-	577	56	521
Personal services expenditure - aerial surveys	50	-	50	-	50
Total personal services	5,087	-	5,087	3,395	1,692
Contractual services					
Travel	6	-	6	-	6
Meals and lodging	16	-	16	1	15
Compensation for personally owned autos	2	-	2	-	2
Motor vehicle operating services	1	-	1	-	1
Reprographic services	25	-	25	-	25
Testing and inspection services	10	90	100	35	65
Soil and rock mechanics investigation	40	-	40	-	40
Governmental service charges	50	-	50	-	50
Contractual services not otherwise classified	25	-	25	-	25
Repairs to collection facilities	882	(90)	792	52	740
Repairs to waterway facilities	3,482	-	3,482	771	2,711

*(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, 2009

Corporate Division (continued)	(in thousands of dollars)			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Engineering (continued):					
Repairs to process facilities	\$ 2,922	\$ -	\$ 2,922	\$ 675	\$ 2,247
Repairs to buildings	3,667	(300)	3,367	2,842	525
Communications equipment maintenance	2	-	2	-	2
Repairs to testing and laboratory equipment	2	-	2	-	2
Total contractual services	11,132	(300)	10,832	4,376	6,456
Materials and supplies					
Office, printing, and photographic supplies	3	-	3	1	2
Wearing apparel	5	-	5	4	1
Books, maps, and charts	1	-	1	-	1
Materials and supplies not otherwise classified	2	-	2	-	2
Total materials and supplies	11	-	11	5	6
Machinery and equipment					
Equipment for collection facilities	561	-	561	15	546
Equipment for process facilities	700	-	700	152	548
Total machinery and equipment	1,261	-	1,261	167	1,094
Land	50	-	50	-	50
Fixed and other charges					
Easements	25	-	25	-	25
Total fixed and other charges	25	-	25	-	25
Engineering total	17,566	(300)	17,266	7,943	9,323
Maintenance and Operations:					
Personal services					
Salaries of regular employees	81,845	2,592	84,437	84,114	323
Compensation plan adjustments	4,438	(301)	4,137	3,718	419
Salaries of non-budgeted employees	140	35	175	158	17
Tuition and training payments	261	(101)	160	101	59
Payment for professional services	2,561	(264)	2,297	1,592	705
Personal services not otherwise classified	580	(326)	254	182	72
Total personal services	89,825	1,635	91,460	89,865	1,595
Contractual services					
Travel	55	-	55	17	38
Meals and lodging	100	10	110	84	26
Compensation for personally owned autos	276	35	311	280	31
Motor vehicle operating services	5	4	9	4	5
Electrical energy	39,968	8,199	48,167	47,955	212
Natural gas	3,015	(1,284)	1,731	1,693	38
Water and water services	797	44	841	789	52

(continued)

Metropolitan Water Reclamation District of Greater Chicago

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Original	Net Transfers	Final		
Maintenance and Operations (continued):					
Communications services	\$ 350	\$ 117	\$ 467	\$ 436	\$ 31
Testing and inspection services	245	(5)	240	150	90
Rental charges	298	45	343	243	100
Governmental service charges	3,015	1	3,016	2,810	206
Maintenance of grounds and pavements	3,456	(609)	2,847	2,089	758
Contractual services not otherwise classified	933	(134)	799	650	149
Waste material disposal charges	13,453	(467)	12,986	10,434	2,552
Farming services	25	-	25	20	5
Sludge disposal	7,000	(3,171)	3,829	3,782	47
Repairs to collection facilities	8,603	(1,808)	6,795	5,916	879
Repairs to waterway facilities	242	(20)	222	183	39
Repairs to process facilities	18,388	(1,472)	16,916	14,820	2,096
Repairs to railroads	473	(5)	468	354	114
Repairs to buildings	7,469	(1,808)	5,661	4,321	1,340
Repairs to material handling and farm equipment	324	30	354	286	68
Safety repairs and services	137	-	137	107	30
Repairs to marine equipment	100	(20)	80	58	22
Repairs to office furniture and equipment	1	-	1	-	1
Computer software maintenance	49	-	49	48	1
Communication equipment maintenance	76	-	76	36	40
Repairs to vehicle equipment	94	5	99	82	17
Repairs to testing and laboratory equipment	6	-	6	-	6
Repairs not otherwise classified	71	-	71	31	40
Total contractual services	109,024	(2,313)	106,711	97,678	9,033
Materials and supplies					
Metals	49	(15)	34	18	16
Electrical parts and supplies	1,333	29	1,362	1,302	60
Plumbing accessories and supplies	995	2	997	915	82
Hardware	57	(6)	51	39	12
Buildings, grounds, paving materials, and supplies	303	(1)	302	252	50
Fiber, paper and insulation materials	16	(2)	14	3	11
Paints, solvents, and related materials	12	-	12	8	4
Vehicle parts and supplies	244	(50)	194	130	64
Mechanical repair parts	4,905	80	4,985	4,560	425
Manhole materials	51	3	54	54	-
Office, printing, and photographic supplies	85	(2)	83	69	14
Farming supplies	5	-	5	5	-
Processing chemicals	7,414	839	8,253	7,747	506
Laboratory testing supplies and small equipment	25	-	25	23	2
Cleaning supplies	29	(4)	25	19	6
Tools and supplies	333	(104)	229	191	38
Wearing apparel	6	-	6	4	2

(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, 2009

Corporate Division (continued)	(in thousands of dollars)			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Maintenance and Operations (continued):					
Books, maps, and charts	\$ 9	\$ -	\$ 9	\$ -	\$ 9
Safety and medical supplies	222	(44)	178	164	14
Computer software	17	(10)	7	-	7
Computer supplies	52	(3)	49	42	7
Fuel	614	1	615	305	310
Gas (in containers)	14	-	14	5	9
Communication supplies	77	(22)	55	44	11
Lubricants	30	(14)	16	9	7
Materials and supplies not otherwise classified	212	(49)	163	108	55
Total materials and supplies	<u>17,109</u>	<u>628</u>	<u>17,737</u>	<u>16,016</u>	<u>1,721</u>
Machinery and equipment					
Equipment for collection facilities	132	55	187	160	27
Equipment for waterway facilities	15	-	15	-	15
Equipment for process facilities	811	249	1,060	879	181
Material handling and farming equipment	2,683	(8)	2,675	1,345	1,330
Vehicle equipment	1,632	(246)	1,386	711	675
Testing and laboratory equipment	31	-	31	25	6
Machinery and equipment not otherwise classified	144	-	144	17	127
Total machinery and equipment	<u>5,448</u>	<u>50</u>	<u>5,498</u>	<u>3,137</u>	<u>2,361</u>
Maintenance and Operations total	<u>221,406</u>	<u>-</u>	<u>221,406</u>	<u>206,696</u>	<u>14,710</u>
<b>Corporate Division Total</b>					
Total all departments:					
Personal services	220,628	1,592	222,220	204,153	18,067
Contractual services	135,241	(2,499)	132,742	113,715	19,027
Materials and supplies	26,426	879	27,305	23,268	4,037
Machinery and equipment	11,992	119	12,111	6,685	5,426
Land	50	-	50	-	50
Fixed and other charges	665	(91)	574	501	73
Total Corporate Division	<u>395,002</u>	<u>-</u>	<u>395,002</u>	<u>348,322</u>	<u>46,680</u>
<b>Reserve Claim Division</b>					
Employee claims	12,000	-	12,000	5,002	6,998
General claims and emergency repair and replacement cost over \$10,000	55,500	-	55,500	4,462	51,038
Total Reserve Claim Division	<u>67,500</u>	<u>-</u>	<u>67,500</u>	<u>9,464</u>	<u>58,036</u>
<b>Total General Corporate Fund</b>	<u>\$ 462,502</u>	<u>\$ -</u>	<u>\$ 462,502</u>	<u>\$ 357,786</u>	<u>\$ 104,716</u>



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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, 2009

(with comparative amounts for prior year)

	<i>(in thousands of dollars)</i>			Percent	Percent of
	2009	2008	Increase (Decrease)	Increase (Decrease)	Total 2009
Personal services:					
Salaries and wages	\$ 154,457	\$ 148,509	\$ 5,948	4 %	43 %
Employee health and life insurance premiums	35,457	53,766	(18,309)	(34)	10
Payment for professional services	10,805	8,261	2,544	31	3
Social security and medicare contributions	2,282	2,161	121	6	1
Tuition and training payments	886	820	66	8	0
Other	250	960	(710)	(74)	0
Total personal services	204,137	214,477	(10,340)	(5)	57
Contractual services:					
Electrical energy	48,424	45,319	3,105	7	15
Natural gas	1,721	2,530	(809)	(32)	0
Postage, freight, and delivery charges	255	249	6	2	0
Waste material disposal charges	10,510	12,518	(2,008)	(16)	3
Administration building operation	1,552	1,307	245	19	0
Communication services	1,611	1,623	(12)	(1)	0
Farming services	20	25	(5)	(20)	0
Court reporting services	125	75	50	67	0
Water and water services	794	732	62	8	0
Motor vehicle operating services	148	191	(43)	(23)	0
Employee travel and transportation	672	729	(57)	(8)	0
Medical services	144	144	-	-	0
Rental charges	286	153	133	87	0
Maintenance of grounds and pavements	2,088	2,704	(616)	(23)	1
Governmental service charges	2,876	3,104	(228)	(7)	1
Repairs to process facilities	15,495	11,514	3,981	35	4
Other repairs	20,735	16,146	4,589	28	6
Other contractual services	6,299	2,745	3,554	129	2
Total contractual services	113,755	101,808	11,947	12	32
Materials and supplies:					
Processing chemicals	7,745	6,753	992	15	3
Laboratory testing supplies	1,062	1,045	17	2	0
Mechanical repair parts	3,672	3,432	240	7	1
Fuels and lubricants	938	1,265	(327)	(26)	0
Electrical parts and supplies	1,585	1,242	343	28	0
Plumbing accessories and supplies	1,254	1,189	65	5	0
Office, printing, and photographic supplies	429	500	(71)	(14)	0
Buildings, grounds, paving materials, and supplies	403	316	87	28	0
Cleaning supplies	312	319	(7)	(2)	0
Metals	195	211	(16)	(8)	0
Computer supplies	1,748	2,833	(1,085)	(38)	1
Other materials and supplies	3,333	2,186	1,147	52	1
Total materials and supplies	22,676	21,291	1,385	7	6

*(Continued)*

*Metropolitan Water Reclamation District of Greater Chicago*

	<i>(in thousands of dollars)</i>				
	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>	<b>Percent of Total 2009</b>
Machinery and equipment:					
Material handling and farming equipment	\$ 1,346	\$ 1,966	\$ (620)	(32) %	1 %
Vehicle equipment	1,542	2,583	(1,041)	(40)	1
Office furniture and equipment	33	357	(324)	(91)	0
Testing and laboratory equipment	1,014	528	486	92	0
Equipment for collection facilities	185	24	161	671	0
Equipment for process facilities	1,092	1,015	77	8	0
Computer equipment	670	443	227	51	0
Computer software	669	1,777	(1,108)	(62)	0
Communication equipment	155	24	131	546	0
Other machinery and equipment	17	71	(54)	(76)	0
Total machinery and equipment	<u>6,723</u>	<u>8,788</u>	<u>(2,065)</u>	<u>(23)</u>	<u>2</u>
Land:	<u>-</u>	<u>71</u>	<u>(71)</u>	<u>(100)</u>	<u>-</u>
Fixed other charges:					
Taxes on real estate	<u>501</u>	<u>479</u>	<u>22</u>	<u>5</u>	<u>0</u>
Total fixed other charges	<u>501</u>	<u>479</u>	<u>22</u>	<u>5</u>	<u>0</u>
Claims and judgments	<u>9,464</u>	<u>7,626</u>	<u>1,838</u>	<u>24</u>	<u>3</u>
Total expenditures	<u>\$ 357,256</u>	<u>\$ 354,540</u>	<u>\$ 2,716</u>	<u>1 %</u>	<u>100 %</u>

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## **SPECIAL REVENUE FUND**

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

### **Retirement Fund**

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

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

Year ended December 31, 2009

(in thousands of dollars)

<b>Retirement Fund</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Actual Variance with Final Budget - Positive (Negative)</b>
Revenues:			
Property taxes	\$ 24,838	\$ 24,280	\$ (558)
Personal property replacement tax	6,548	6,548	-
Total tax revenue	<u>31,386</u>	<u>30,828</u>	<u>(558)</u>
Operating expenditures:			
Pension costs	31,386	30,828	558
Total expenditures	<u>31,386</u>	<u>30,828</u>	<u>558</u>
Revenues over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **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, 2009*

	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Actual Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Property taxes	\$ 133,623	\$ 132,917	\$ (706)
Total tax revenue	133,623	132,917	(706)
Interest on investments	1,306	1,253	(53)
Miscellaneous	25	25	-
Total revenues	134,954	134,195	(759)
Expenditures:			
Debt service	134,451	134,451	-
Revenues over (under) expenditures	503	(256)	(759)
Fund balances at beginning of year	89,051	89,051	-
Fund balances at end of the year	<u>\$ 89,554</u>	<u>\$ 88,795</u>	<u>\$ (759)</u>



## **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, 2009*

	<i>(in thousands of dollars)</i>				<b>Actual Variance with Final Budget - Positive (Negative)</b>
	<b>Budget Amounts</b>			<b>Actual Amounts</b>	
	<b>Original</b>	<b>Net Transfers</b>	<b>Final</b>		
<b>Construction Fund:</b>					
Personal services					
Salaries of regular employees	\$ 4,286	\$ -	\$ 4,286	\$ 4,182	\$ 104
Compensation plan adjustments	115	25	140	139	1
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	120	-	120	38	82
Payment for professional services	3,098	(45)	3,053	577	2,476
Health and life insurance	698	20	718	711	7
Personal services not otherwise classified	78	-	78	41	37
Preliminary engineering reports and studies	1,646	-	1,646	142	1,504
Construction drawings, specifications, and cost estimates	3,347	-	3,347	1,312	2,035
Aerial surveys and post construction awards	5	-	5	-	5
Post-award engineering for construction projects	1,468	-	1,468	187	1,281
Total personal services	14,881	-	14,881	7,329	7,552
Contractual services					
Travel	40	-	40	6	34
Meals and lodging	66	-	66	12	54
Postage and delivery charges	2	-	2	1	1
Compensation for personally owned autos	9	-	9	5	4
Motor vehicle operating services	2	-	2	-	2
Reprographic services	111	-	111	18	93
Water and water services	4	-	4	3	1
Testing and inspection services	100	-	100	8	92
Court reporting services	30	-	30	5	25
Rental charges	1	-	1	-	1
Soil and rock mechanics investigation	50	-	50	19	31
Contractual services not otherwise classified	215	-	215	52	163
Repairs to collection facilities	540	(43)	497	135	362
Repairs to process facilities	383	-	383	-	383
Repairs to buildings	465	-	465	396	69
Safety repairs and services	260	-	260	166	94
Computer software maintenance	55	43	98	95	3
Repairs to testing and laboratory equipment	5	-	5	2	3
Repairs not otherwise classified	39	-	39	14	25
Total contractual services	2,377	-	2,377	937	1,440
Materials and supplies					
Electrical Parts and Supplies	300	(3)	297	249	48
Mechanical repair parts	1,000	-	1,000	-	1,000

*(continued)*

Metropolitan Water Reclamation District of Greater Chicago

	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Net				
	Original	Transfers	Final		
(in thousands of dollars)					
<b>Construction Fund (continued):</b>					
Electrical Parts and Supplies	\$ 300	\$ (3)	\$ 297	\$ 249	\$ 48
Mechanical repair parts	1,000	-	1,000	-	1,000
Office, printing, and photo supplies	60	3	63	48	15
Books, maps, and charts	12	-	12	3	9
Computer software	10	-	10	-	10
Materials and supplies not otherwise classified	17	-	17	5	12
Total materials and supplies	<u>1,399</u>	<u>-</u>	<u>1,399</u>	<u>305</u>	<u>1,094</u>
Machinery and equipment					
Computer software	230	-	230	66	164
Total machinery and equipment	<u>230</u>	<u>-</u>	<u>230</u>	<u>66</u>	<u>164</u>
Capital Projects					
Collection facilities structures	1,636	-	1,636	208	1,428
Process facilities structures	746	-	746	47	699
Buildings	700	-	700	25	675
Preservation of collection facility structures	2,710	-	2,710	2,178	532
Preservation of waterway facility structures	2,518	-	2,518	977	1,541
Preservation of process facility structures	7,675	-	7,675	3,380	4,295
Preservation of buildings	697	-	697	697	-
Total capital projects	<u>16,682</u>	<u>-</u>	<u>16,682</u>	<u>7,512</u>	<u>9,170</u>
Fixed and other charges:					
Payments for easements	15	-	15	-	15
Total fixed and other charges	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>
<b>Construction Fund Summary:</b>					
Personal services	14,881	-	14,881	7,329	7,552
Contractual services	2,377	-	2,377	937	1,440
Materials and supplies	1,399	-	1,399	305	1,094
Machinery and equipment	230	-	230	66	164
Capital projects	16,682	-	16,682	7,512	9,170
Fixed and other charges	15	-	15	-	15
Construction Fund total	<u>35,584</u>	<u>-</u>	<u>35,584</u>	<u>16,149</u>	<u>19,435</u>
<b>Stormwater Management Fund:</b>					
Personal services					
Salaries of regular employees	3,757	50	3,807	3,751	56
Compensation plan adjustments	153	-	153	100	53
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, 2009

	<i>(in thousands of dollars)</i>			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
<b>Stormwater Management Fund (continued):</b>					
Tuition and training payments	\$ 41	\$ 6	\$ 47	\$ 38	\$ 9
Payment for professional services	200	9	209	3	206
Health and life insurance	465	10	475	474	1
Personal services not otherwise classified	43	-	43	16	27
Preliminary engineering reports and studies	6,481	-	6,481	5,232	1,249
Construction drawings, specifications, and cost estimates	8,500	(75)	8,425	-	8,425
Post-award engineering for construction projects	100	-	100	-	100
Total personal services	19,760	-	19,760	9,614	10,146
Contractual services					
Travel	6	-	6	2	4
Meals and lodging	8	-	8	6	2
Postage and delivery charges	1	-	1	-	1
Compensation for personally owned autos	46	10	56	47	9
Motor vehicle operating services	2	-	2	-	2
Reprographic services	20	-	20	-	20
Court reporting services	16	-	16	11	5
Rental charges	1	4	5	2	3
Advertising	60	-	60	18	42
Soil and rock mechanics investigation	62	100	162	100	62
Maintenance of grounds and pavements	7	-	7	-	7
Contractual services not otherwise classified	637	(14)	623	190	433
Repairs to waterways facilities	2,500	500	3,000	2,733	267
Repairs to vehicle equipment	1	-	1	-	1
Repairs not otherwise classified	11	-	11	10	1
Total contractual services	3,378	600	3,978	3,119	859
Materials and supplies					
Office, printing, and photo supplies	3	-	3	-	3
Tools and supplies	11	-	11	6	5
Wearing apparel	9	-	9	7	2
Computer supplies	2	-	2	-	2
Materials and supplies not otherwise classified	280	-	280	185	95
Total materials and supplies	305	-	305	198	107
Capital Projects					
Waterways facilities structure	5,263	(600)	4,663	-	4,663
Preservation of buildings	101	-	101	18	83
Total capital projects	5,364	(600)	4,764	18	4,746

*(continued)*

*Metropolitan Water Reclamation District of Greater Chicago*

	<i>(in thousands of dollars)</i>			<b>Actual Variance with Final Budget - Positive (Negative)</b>	
	<b>Budget Amounts</b>				
	<b>Original</b>	<b>Net Transfers</b>	<b>Final</b>		<b>Actual Amounts</b>
<b>Stormwater Management Fund (continued):</b>					
Fixed and other charges					
Payments for easements	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 5,000
Total fixed and other charges	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<b>Stormwater Management Fund Summary:</b>					
Personal services	19,760	-	19,760	9,614	10,146
Contractual services	3,378	600	3,978	3,119	859
Material and supplies	305	-	305	198	107
Capital projects	5,364	(600)	4,764	18	4,746
Fixed and other charges	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Stormwater Management Fund total	<u>33,807</u>	<u>-</u>	<u>33,807</u>	<u>12,949</u>	<u>20,858</u>
<b>Capital Improvements Bond Fund:</b>					
Personal services	54,603	-	54,603	47,651	6,952
Contractual services	1,649	-	1,649	1,313	336
Capital projects	873,530	-	873,530	180,112	693,418
Land	300	-	300	-	300
Fixed and other charges	<u>2,785</u>	<u>4,026</u>	<u>6,811</u>	<u>6,206</u>	<u>605</u>
Capital Improvements Bond Fund total *	<u>932,867</u>	<u>4,026</u>	<u>936,893</u>	<u>235,282</u>	<u>701,611</u>
Capital Projects Funds total	<u>\$ 1,002,258</u>	<u>\$ 4,026</u>	<u>\$ 1,006,284</u>	<u>\$ 264,380</u>	<u>\$ 741,904</u>

\* 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, 2009

(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OBEB Trust Fund		Total Fiduciary Funds	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Cash	\$ 157	\$ 131	\$ -	\$ -	\$ 157	\$ 131
Receivables						
Employer contributions-taxes (net of allowance for uncollectible \$4,760 in 2009; \$3,991 in 2008)	32,640	31,314	-	-	32,640	31,314
Securities sold	10,611	2,798	-	-	10,611	2,798
Accrued interest and dividends	873	1,013	-	-	873	1,013
Accounts receivable	54	52	-	-	54	52
Total receivables	44,178	35,177	-	-	44,178	35,177
Investments at fair value						
U.S. Treasuries	-	11,212	-	-	-	11,212
U.S. Agencies	-	4,037	-	-	-	4,037
Corporate Bonds and notes	-	6,567	-	-	-	6,567
Mortgage backed securities	-	14,787	-	-	-	14,787
Asset backed securities	-	1,794	-	-	-	1,794
Pooled funds - fixed income	336,649	354,790	47,902	47,808	384,551	402,598
Pooled funds - equities	101,630	50,274	-	-	101,630	50,274
Common and preferred stocks	524,539	392,503	-	-	524,539	392,503
Short-term investments	19,445	14,487	-	-	19,445	14,487
Total investments	982,263	850,451	47,902	47,808	1,030,165	898,259
Securities lending capital	7,405	20,173	-	-	7,405	20,173
Total assets	1,034,003	905,932	47,902	47,808	1,081,905	953,740
<b>Liabilities</b>						
Accounts payable	1,285	891	11	11	1,296	902
Securities lending collateral	7,404	20,173	-	-	7,404	20,173
Securities purchased	10,495	6,071	-	-	10,495	6,071
Total liabilities	19,184	27,135	11	11	19,195	27,146
Net assets held in trust for pension and other post employment benefits	\$ 1,014,819	\$ 878,797	\$ 47,891	\$ 47,797	\$ 1,062,710	\$ 926,594



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

Year ended December 31, 2009

(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2009	2008	2009	2008	2009	2008
Additions:						
Contributions:						
Employer contributions	\$ 32,154	\$ 33,407	\$ 14,592	\$ 35,819	\$ 46,746	\$ 69,226
Employee contributions	15,690	14,778	-	-	15,690	14,778
Retiree contributions	-	-	4,210	3,728	4,210	3,728
Total contributions	47,844	48,185	18,802	39,547	66,646	87,732
Investment income (loss):						
Net appreciation (depreciation) in fair value of investments	187,518	(311,205)	-	-	187,518	(311,205)
Interest on fixed income investments	1,209	4,106	-	-	1,209	4,106
Interest on short-term investments	78	671	158	801	236	1,472
Dividend income	7,840	9,192	-	-	7,840	9,192
Total investment income (loss)	196,645	(297,236)	158	801	196,803	(296,435)
Less investment expenses	(2,577)	(2,507)	(45)	(11)	(2,622)	(2,518)
Investment income (loss) net of expenses	194,068	(299,743)	113	790	194,181	(298,953)
Security lending activities:						
Security lending income	-	3,691	-	-	-	3,691
Borrower rebates	-	(2,913)	-	-	-	(2,913)
Bank fees	-	(195)	-	-	-	(195)
Net income from securities lending activities	-	583	-	-	-	583
Other	8	18	-	-	8	18
Total additions	241,920	(250,957)	18,915	40,337	260,835	(210,620)
Deductions:						
Annuities and benefits						
Employee annuitants	86,581	83,948	-	-	86,581	83,948
OPEB health care benefits	-	-	18,802	17,547	18,802	17,547
Surviving spouse annuitants	15,690	14,934	-	-	15,690	14,934
Child annuitants	120	123	-	-	120	123
Ordinary disability benefits	745	846	-	-	745	846
Duty disability benefits	268	218	-	-	268	218
Total annuities and benefits	103,404	100,069	18,802	17,547	122,206	117,616
Refunds of employee contributions	1,175	965	-	-	1,175	965
Administrative expenses	1,319	1,280	19	18	1,338	1,298
Total deductions	105,898	102,314	18,821	17,565	124,719	119,879
Net increase (decrease)	136,022	(353,271)	94	22,772	136,116	(330,499)
Net assets held in trust for pension and OPEB benefits						
Beginning of year	878,797	1,232,068	47,797	25,025	926,594	1,257,093
End of year	\$ 1,014,819	\$ 878,797	\$ 47,891	\$ 47,797	\$ 1,062,710	\$ 926,594

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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 2009-2004

*(in thousands of dollars)*

	Cumulative as of December 31, 2009		2009		2008	
	Amount	%	Amount	%	Amount	%
<b>Gross property tax levy</b>						
General Corporate Fund:						
Corporate	\$ 1,329,192	52.8	\$ 236,027	52.3	\$ 240,082	56.0
Reserve Claim	33,397	1.3	3,182	0.7	7,073	1.7
Total General Corporate Funds	<u>1,362,589</u>	<u>54.1</u>	<u>239,209</u>	<u>53.0</u>	<u>247,155</u>	<u>57.7</u>
Other Governmental Fund:						
Storm Water Management	53,962	2.1	8,849	2.0	15,212	3.5
Retirement Fund	154,175	6.1	26,751	5.9	25,664	6.0
Debt Service Fund	881,105	35.1	167,720	37.1	140,614	32.8
Construction Fund	64,824	2.6	9,090	2.0	-	-
Total Other Governmental Funds	<u>1,154,066</u>	<u>45.9</u>	<u>212,410</u>	<u>47.0</u>	<u>181,490</u>	<u>42.3</u>
Total Gross Levy - All Funds	2,516,655	100.0	451,619	100.0	428,645	100.0
Less allowance for uncollectible taxes at December 31, 2009	<u>78,529</u>	<u>3.1</u>	<u>15,806</u>	<u>3.5</u>	<u>28,597</u>	<u>6.7</u>
Estimated property taxes to be collected	<u>2,438,126</u>	<u>96.9</u>	<u>435,813</u>	<u>96.5</u>	<u>400,048</u>	<u>93.3</u>
Collections by year (percent shown is percent of estimated property taxes to be collected):						
First year	1,941,414	79.6	-	-	400,048	100.0
Second year	77,723	3.2	-	-	-	-
Third year	(8,655)	(0.4)	-	-	-	-
Fourth year	(4,892)	(0.2)	-	-	-	-
Fifth year	<u>(3,277)</u>	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total collections through December 31, 2009	<u>2,002,313</u>	<u>82.1</u>	<u>-</u>	<u>-</u>	<u>400,048</u>	<u>100.0</u>
Property taxes receivable, net	<u>\$ 435,813</u>	<u>17.9</u>	<u>\$ 435,813</u>	<u>100.0</u>	<u>\$ -</u>	<u>-</u>
<b>Property taxes receivable, net - by fund</b>						
General Corporate Fund:						
Corporate	227,765		227,765			
Reserve Claim	<u>3,071</u>		<u>3,071</u>			
Total General Corporate Fund	<u>230,836</u>		<u>230,836</u>			
Other Governmental Fund:						
Storm Water Management	8,539		8,539			
Retirement Fund	25,815		25,815			
Debt Service Fund	161,851		161,851			
Construction Fund	<u>8,772</u>		<u>8,772</u>			
Property taxes receivable, net	<u>\$ 435,813</u>		<u>\$ 435,813</u>			

*Metropolitan Water Reclamation District of Greater Chicago*

Levy Years							
2007		2006		2005		2004	
Amount	%	Amount	%	Amount	%	Amount	%
\$ 233,982	57.0	\$ 213,860	53.2	\$ 206,565	50.2	\$ 198,676	48.1
6,530	1.6	5,957	1.5	5,513	1.3	5,142	1.2
240,512	58.6	219,817	54.7	212,078	51.6	203,818	49.3
3,942	1.0	15,508	3.9	10,451	2.5	-	-
24,843	6.1	25,072	6.2	23,598	5.7	28,247	6.8
135,730	33.1	123,608	30.8	147,281	35.8	166,152	40.2
5,181	1.3	17,766	4.4	17,940	4.4	14,847	3.6
169,696	41.4	181,954	45.3	199,270	48.4	209,246	50.7
410,208	100.0	401,771	100.0	411,348	100.0	413,064	100.0
5,079	1.2	8,156	2.0	9,582	2.3	11,309	2.7
405,129	98.8	393,615	98.0	401,766	97.7	401,755	97.3
390,440	96.4	353,566	89.8	398,343	99.1	399,017	99.3
14,689	3.6	43,145	11.0	8,887	2.2	11,002	2.7
-	-	(3,096)	(0.8)	(2,857)	(0.7)	(2,702)	(0.7)
-	-	-	-	(2,607)	(0.6)	(2,285)	(0.6)
-	-	-	-	-	-	(3,277)	(0.8)
405,129	100.0	393,615	100.0	401,766	100.0	401,755	100.0
\$ -	-	\$ -	-	\$ -	-	\$ -	-

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# III. STATISTICAL AND DEMOGRAPHICS SECTION



*MWRD President Terrence J. O'Brien (second from left) and other officials commence kick off of the Levee 37 Ground breaking ceremony in March 2009 in Cook County Forest Reserve #2. The levee will provide flood protection for numerous businesses and more than 600 residential buildings, and is the result of 20 years of collaboration between the MWRD and the Army Corps, Illinois Department of Transportation, the villages of Mount Prospect and Prospect Heights, the Illinois Department of Natural Resources and the Forest Preserve of Cook County.*

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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.

## Contents

### **Financial Trends**

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**

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**

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**

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**

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.*

## Exhibits

**I-1 through I-4**

**I-5 through I-9**

**I-10 through I-12**

**I-13 and I-14**

**I-15 through I-17**

## Exhibit I-1 Net Assets by Component

As of December 31, 2009 - 2001

(accrual basis of accounting)

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Invested in capital assets, net of related debt (1)	\$ 4,559,884	\$ 4,575,974	\$ 4,580,604	\$ 4,541,778
Restricted				
Restricted for corporate working cash	275,459	272,120	267,848	263,229
Restricted for reserve claim	25,073	35,817	31,295	26,844
Restricted for debt service	232,815	212,353	203,656	220,306
Restricted for capital projects	-	13,412	18,656	1,044
Restricted for construction working cash	27,286	27,005	26,313	25,750
Restricted for stormwater working cash	38,953	37,902	35,275	32,064
Restricted for pension	-	-	-	-
Unrestricted	<u>(49,191)</u>	<u>47,316</u>	<u>70,431</u>	<u>117,063</u>
Total net assets	<u>\$ 5,110,279</u>	<u>\$ 5,221,899</u>	<u>\$ 5,234,078</u>	<u>\$ 5,228,078</u>

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

*Metropolitan Water Reclamation District of Greater Chicago*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 3,728,581	\$ 1,921,730	\$ 1,373,683	\$ 1,260,463	\$ 998,609
244,319	236,294	236,068	196,110	191,639
-	-	-	-	-
278,218	297,800	290,794	283,288	249,368
12,287	16,268	53,931	56,835	30,444
25,642	50,132	49,880	84,501	84,184
25,227	-	-	-	-
28,602	44,590	-	-	-
56,196	53,452	27,441	34,027	62,257
\$ 4,370,470	\$ 2,575,676	\$ 2,031,797	\$ 1,915,224	\$ 1,616,501

## Exhibit I-2 Changes in Net Assets

Years ended December 31, 2009 - 2001

(accrual basis of accounting)

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>				
General Revenues:				
Property taxes	\$ 429,968	\$ 432,412	\$ 370,777	\$ 392,775
Personal property replacement tax	37,477	42,527	45,935	37,743
Interest on investments	7,632	27,112	48,750	43,659
Tax increment financing distributions	1,359	797	644	1,167
Claims and damage settlements	695	606	64	614
Miscellaneous	6,642	5,450	3,434	2,584
Gain on sale of capital assets	-	-	21	-
Adjustments for non-financial assets (1)	-	-	-	-
Total general revenues	<u>483,773</u>	<u>508,904</u>	<u>469,625</u>	<u>478,542</u>
Program Revenues:				
Charges for services				
User charges	47,886	49,439	54,612	53,986
Land rentals	9,660	9,572	9,243	7,972
Fees, forfeits and penalties	4,305	4,357	3,383	4,693
Capital grants and contributions				
Federal grants	5,518	896	253	-
Total program revenues	<u>67,369</u>	<u>64,264</u>	<u>67,491</u>	<u>66,651</u>
Total revenues	<u>551,142</u>	<u>573,168</u>	<u>537,116</u>	<u>545,193</u>
<b>Expenses</b>				
Board of Commissioners	3,680	3,748	3,513	3,422
General Administration	19,046	18,438	16,875	17,293
Monitoring and Research	29,252	27,612	26,178	25,317
Procurement and Materials Management	6,196	5,398	6,631	5,480
Human Resources	43,670	61,465	61,878	35,216
Information Technology	20,611	20,767	16,475	11,312
Law	7,491	7,274	6,147	5,748
Finance	3,233	3,238	3,109	3,218
Engineering	9,284	8,144	4,483	4,519
Maintenance and Operations	209,488	196,612	179,938	156,984
Pension costs	54,804	45,343	49,891	42,320
OPEB Trust Fund costs	25,464	8,920	7,405	-
Claims and judgments (2)	17,536	9,174	17,606	876
Construction costs	131,095	93,421	56,914	70,594
Loss on sale of capital assets	436	750	273	4,430
Depreciation (unallocated)	9,227	9,224	9,216	9,216
Interest on bonds	72,249	65,819	64,584	81,876
Refunding transaction costs	-	-	-	-
Total expenses	<u>662,762</u>	<u>585,347</u>	<u>531,116</u>	<u>477,821</u>
Change in Net Assets	<u>\$ (111,620)</u>	<u>\$ (12,179)</u>	<u>\$ 6,000</u>	<u>\$ 67,372</u>

(1) Adjustment for non-financial assets.

(2) The 2003 decrease resulted from a reduction in the liability estimate for claims and judgements.

*Metropolitan Water Reclamation District of Greater Chicago*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 405,423	\$ 395,108	\$ 373,811	\$ 365,894	\$ 353,709
36,031	25,961	23,461	15,336	27,349
19,693	9,943	13,163	15,693	26,770
1,634	604	1,097	656	1,077
77	450	113	131	10,441
2,300	1,716	777	1,892	1,856
93	2,677	233	3,419	228
-	35,865	-	-	-
<u>465,251</u>	<u>472,324</u>	<u>412,655</u>	<u>403,021</u>	<u>421,430</u>
46,576	46,981	48,038	48,500	48,081
6,310	6,166	5,023	5,115	4,479
4,748	3,800	3,892	2,892	2,829
867	774	4,460	866	3,754
<u>58,501</u>	<u>57,721</u>	<u>61,413</u>	<u>57,373</u>	<u>59,143</u>
<u>523,752</u>	<u>530,045</u>	<u>474,068</u>	<u>460,394</u>	<u>480,573</u>
3,341	3,578	3,333	3,162	2,970
17,807	15,969	15,183	14,543	14,150
25,230	24,599	24,669	24,377	24,256
5,170	6,095	4,659	7,187	4,953
32,941	35,931	30,947	27,640	26,167
11,111	10,885	11,626	11,334	11,079
6,199	5,064	4,667	4,942	4,744
3,124	3,065	3,047	5,508	4,003
10,160	6,169	2,986	5,812	8,818
158,802	161,903	160,309	158,838	165,346
47,549	35,354	29,511	27,044	24,958
-	-	-	-	-
4,466	12,175	(1,340)	10,644	5,994
51,145	38,057	34,794	28,366	47,932
676	172	440	448	1,320
7,596	7,596	7,596	7,597	7,596
61,872	65,398	67,958	55,996	58,307
-	-	-	1,653	-
<u>447,189</u>	<u>432,010</u>	<u>400,385</u>	<u>395,091</u>	<u>412,593</u>
<u>\$ 76,563</u>	<u>\$ 98,035</u>	<u>\$ 73,683</u>	<u>\$ 65,303</u>	<u>\$ 67,980</u>

**Exhibit I-3**  
**Fund Balances: Governmental Funds**

*Last Ten Fiscal Years*

*(modified accrual basis of accounting)*

*(in thousands of dollars)*

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Corporate Fund					
Nonspendable	\$ 38,761	\$ 38,067	\$ 35,787	\$ 36,326	\$ 35,907
Restricted	338,602	333,650	323,238	306,705	283,767
Unassigned	<u>(166,687)</u>	<u>(142,300)</u>	<u>(124,515)</u>	<u>(98,053)</u>	<u>(120,465)</u>
Total General Corporate Fund	<u>210,676</u>	<u>229,417</u>	<u>234,510</u>	<u>244,978</u>	<u>199,209</u>
All Other Governmental Funds					
Restricted	<u>773,035</u>	<u>464,633</u>	<u>631,736</u>	<u>750,189</u>	<u>517,320</u>
Total governmental funds	<u>\$ 983,711</u>	<u>\$ 694,050</u>	<u>\$ 866,246</u>	<u>\$ 995,167</u>	<u>\$ 716,529</u>

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Metropolitan Water Reclamation District of Greater Chicago

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 34,914	\$ 35,728	\$ 36,737	\$ 35,811	\$ 12,208
272,096	266,414	260,597	207,140	199,112
<u>(138,999)</u>	<u>(115,226)</u>	<u>(146,269)</u>	<u>(103,838)</u>	<u>(44,211)</u>
<u>168,011</u>	<u>186,916</u>	<u>151,065</u>	<u>139,113</u>	<u>167,109</u>
<u>599,658</u>	<u>652,058</u>	<u>579,045</u>	<u>477,809</u>	<u>364,288</u>
<u>\$ 767,669</u>	<u>\$ 838,974</u>	<u>\$ 730,110</u>	<u>\$ 616,922</u>	<u>\$ 531,397</u>

## Exhibit I-4 Changes in Fund Balances: Governmental Funds

Years ended December 31, 2009 - 2000

(modified accrual basis of accounting)

(in thousands of dollars)

	2009	2008	2007	2006	2005
<b>Revenues</b>					
General Revenues:					
Property taxes	\$ 418,077	\$ 399,917	\$ 376,757	\$ 380,675	\$ 423,941
Personal property replacement tax	37,477	42,527	45,935	37,743	36,031
Interest on investments	7,632	27,112	48,750	43,659	19,693
Land sales	6	6	28	516	100
Tax increment financing distributions	1,359	797	644	1,167	1,634
Claims and damage settlements	695	606	64	614	77
Miscellaneous	6,642	5,450	3,495	2,729	2,573
Program Revenues:					
Charges for services					
User charges	47,886	49,439	54,117	52,504	45,983
Land rentals	9,660	9,572	9,243	7,972	6,310
Fees, forfeits and penalties	4,305	4,357	3,383	4,693	4,748
Capital grants and contributions					
Federal grants	1,440	896	253	-	867
Total revenues	535,179	540,679	542,669	532,272	541,957
<b>Expenditures</b>					
Operations:					
Board of Commissioners	3,659	3,721	3,496	3,401	3,323
General Administration	18,555	17,958	16,491	16,974	17,259
Monitoring and Research	28,891	27,146	25,892	24,985	24,787
Procurement and Materials Management	6,156	5,341	6,556	5,352	5,023
Human Resources	43,603	61,385	61,841	35,162	32,900
Information Technology	20,200	19,328	16,125	11,034	10,811
Law	7,446	7,211	6,121	5,709	6,168
Finance	3,208	3,205	3,093	3,197	3,102
Engineering	7,951	6,703	4,331	4,318	9,538
Maintenance and Operations	208,123	194,916	179,012	155,899	157,612
Pension costs	31,744	28,937	31,115	30,071	31,561
Claims and judgments	9,464	7,626	9,353	4,954	4,368
Construction costs	397,265	191,415	194,151	164,157	133,599
Debt service:					
Redemption of bonds	73,105	112,577	90,466	83,692	107,767
Interest on bonds	67,148	66,591	68,148	88,177	61,252
Refunding transaction costs	-	-	-	-	-
Total expenditures	926,518	754,060	716,191	637,082	609,070
Revenues over (under) expenditures	(391,339)	(213,381)	(173,522)	(104,810)	(67,113)
Other Financing Sources (Uses)					
Payment to escrow agent	-	-	(437,621)	(416,000)	-
State revolving fund loan proceeds	81,000	41,185	47,104	27,464	15,973
Sale of refunding bonds	-	-	382,020	397,390	-
Proceeds from sale of bonds	600,000	-	-	350,000	-
Premium on sale of bonds	-	-	53,098	24,594	-
Total other financing sources (uses)	681,000	41,185	44,601	383,448	15,973
Net change in fund balance	\$ 289,661	\$ (172,196)	\$ (128,921)	\$ 278,638	\$ (51,140)
Debt service as a percentage of non-capital expenditures	22.8%	28.2%	27.4%	33.4%	32.2%
<i>(only available from 2001 forward)</i>					



Metropolitan Water Reclamation District of Greater Chicago

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 360,326	\$ 397,751	\$ 362,036	\$ 337,654	\$ 342,633
25,961	24,048	22,285	27,946	31,928
9,943	13,163	15,693	26,770	39,836
3,608	239	3,395	229	110
604	1,097	656	1,077	549
450	113	131	10,441	-
1,872	1,003	2,080	16,062	14,710
47,757	50,222	48,890	49,194	50,902
6,160	5,023	5,115	4,479	4,442
3,800	3,892	2,892	-	-
1	4,836	490	3,754	6,069
<u>460,482</u>	<u>501,387</u>	<u>463,663</u>	<u>477,606</u>	<u>491,179</u>
3,552	3,315	3,131	2,930	2,696
15,538	14,987	14,318	14,009	13,633
24,030	24,172	23,838	23,781	22,405
5,932	4,510	7,037	4,872	6,917
35,877	30,916	27,610	26,155	22,221
10,574	11,417	11,204	10,961	10,123
5,018	4,646	4,923	4,736	4,670
3,033	3,025	5,483	3,987	4,553
6,273	4,095	7,757	10,914	7,137
160,299	159,079	160,326	165,831	154,679
27,372	29,511	27,044	24,958	29,829
3,829	2,972	2,859	3,355	2,961
127,155	164,865	157,076	159,841	149,455
92,560	91,198	89,572	80,464	84,521
63,465	67,428	56,259	57,358	56,282
-	-	1,653	-	-
<u>584,507</u>	<u>616,136</u>	<u>600,090</u>	<u>594,152</u>	<u>572,082</u>
<u>(124,025)</u>	<u>(114,749)</u>	<u>(136,427)</u>	<u>(116,546)</u>	<u>(80,903)</u>
-	-	(398,620)	-	-
52,720	77,613	26,667	17,811	35,101
-	-	416,000	-	-
-	146,000	164,000	175,000	-
-	-	14,575	8,614	-
<u>52,720</u>	<u>223,613</u>	<u>222,622</u>	<u>201,425</u>	<u>35,101</u>
<u>\$ (71,305)</u>	<u>\$ 108,864</u>	<u>\$ 86,195</u>	<u>\$ 84,879</u>	<u>\$ (45,802)</u>
33.4%	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
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	656,474,744	23.8
2008	80,977,543	89,119,839	170,097,382	0.252	656,474,744 (2)	25.9

**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)

	2009 (1)	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>District direct rates</b>										
Corporate	\$ 0.169	\$ 0.141	\$ 0.150	\$ 0.151	\$ 0.158	\$ 0.167	\$ 0.163	\$ 0.164	\$ 0.171	\$ 0.179
Corporate Working Cash	-	-	-	-	-	-	0.004	0.004	0.004	0.005
Reserve Claim	0.005	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.005
Retirement	0.015	0.015	0.016	0.018	0.018	0.024	0.024	0.024	0.027	0.027
Debt Service	0.100	0.083	0.087	0.087	0.113	0.139	0.143	0.145	0.158	0.151
Construction	-	-	0.003	0.013	0.014	0.013	0.023	0.030	0.037	0.043
Stormwater Management (2)	0.011	0.009	0.003	0.011	0.008	-	-	-	-	-
Construction Working Cash	-	-	-	-	-	-	-	-	-	0.005
<b>Total direct rate</b>	<b>\$ 0.300</b>	<b>\$ 0.252</b>	<b>\$ 0.263</b>	<b>\$ 0.284</b>	<b>\$ 0.315</b>	<b>\$ 0.347</b>	<b>\$ 0.361</b>	<b>\$ 0.371</b>	<b>\$ 0.401</b>	<b>\$ 0.415</b>

### Major local governments' tax rates (3)

City of Chicago	\$ -	\$ 0.928	\$ 1.004	\$ 1.012	\$ 1.153	\$ 1.188	\$ 1.262	\$ 1.452	\$ 1.478	\$ 1.498
Chicago Board of Education	-	2.472	2.583	2.697	3.026	3.104	3.142	3.562	3.744	3.714
Chicago Park District	-	0.323	0.355	0.379	0.443	0.431	0.439	0.515	0.546	0.557
Cook County	-	0.415	0.446	0.500	0.533	0.593	0.630	0.690	0.746	0.824
Cook County Forest Preserve Dist.	-	0.051	0.053	0.057	0.060	0.060	0.059	0.061	0.067	0.069
Community College Dist. #508 (4)	-	0.156	0.159	0.205	0.234	0.242	0.246	0.280	0.307	0.311
Chicago School Finance Authority	-	-	0.091	0.118	0.127	0.177	0.151	0.177	0.223	0.223
City of Chicago Library Fund	-	0.102	0.040	0.050	0.090	0.114	0.118	0.139	0.159	0.162
City of Chgo School Bldg/Imprvmt	-	0.117	-	-	-	-	-	-	-	-

### District's tax levies by fund (in thousands)

Corporate	\$236,027	\$240,082	\$233,982	\$213,860	\$206,565	\$198,676	\$180,310	\$168,279	\$158,870	\$153,732
Stormwater Management (2)	8,849	15,212	3,942	15,508	10,451	-	-	-	-	-
Corporate Working Cash	-	-	-	-	-	-	4,645	4,276	4,044	3,838
Reserve Claim	3,182	7,073	6,530	5,957	5,513	5,142	4,645	4,276	4,044	3,838
Retirement	26,751	25,665	24,843	25,072	23,598	28,247	25,958	24,825	24,661	23,009
Debt Service	167,720	140,614	135,730	123,608	147,281	166,152	157,334	149,169	146,605	129,151
Construction	9,090	-	5,181	17,766	17,940	14,847	25,170	30,702	34,325	37,490
Construction Working Cash	-	-	-	-	-	-	-	-	-	3,838
<b>Total tax levies</b>	<b>\$451,619</b>	<b>\$428,645</b>	<b>\$410,208</b>	<b>\$401,771</b>	<b>\$411,348</b>	<b>\$413,064</b>	<b>\$398,062</b>	<b>\$381,527</b>	<b>\$372,549</b>	<b>\$354,896</b>

Source: Cook County Clerk

- (1) District's tax rates are estimated based on 2008 equalized assessed valuation of \$170.1 billion.
- (2) The Stormwater Management Fund was established in 2005.
- (3) Major local governments' rates for 2009 are not yet available.
- (4) Formerly Chicago City Colleges

## Exhibit I-7 Principal Property Taxpayers

2008 and Nine Years Ago

*(in thousands of dollars)*

Taxpayer	Type of Business	2008 (1)			1999		
		Equalized Assessed Value (6)	Rank	Percentage of Total Equalized Assessed Value	Equalized Assessed Value	Rank	Percentage of Total Equalized Assessed Value
Willis Tower (2)	Retail & Office	\$ 540,074	1	0.32%	\$ 318,984	1	0.39%
Aon Center (3)	Insurance	392,192	2	0.23	227,033	2	0.28
Equity Office (4)	Property Management	382,061	3	0.22	209,019	3	0.26
Prudential Plaza	Financial Services	307,510	5	0.18	169,484	5	0.21
AT & T Corporate Center	Communications	294,569	4	0.17	164,722	6	0.20
Chase Tower (5)	Banking	262,114	6	0.15	191,951	4	0.24
Leo Burnett Building	Advertising	242,014	7	0.14	111,557	10	0.14
Water Tower Place	Retail & Office	226,458	8	0.13	120,394	9	0.15
Citigroup Center	Banking	221,846	9	0.13	134,961	8	0.17
Citadel Center	Retail & Office	218,722	10	0.13	-	-	0.00
3 N. Clark Street	Retail Shops	-	-	0.00	135,204	7	0.17
		<u>\$ 3,087,560</u>		<u>1.83%</u>	<u>\$ 1,783,309</u>		<u>2.21%</u>

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

- (1) 2009 information is unavailable.
- (2) Formerly known as the Sears Tower.
- (3) Formerly known as the Amoco Oil Building.
- (4) Equity Office owns and manages two adjoining tower office buildings.
- (5) Formerly known as Bank One Plaza.
- (6) The Equalized Assessed Valuation for 2008 is \$170,097,381,685.

## Exhibit I-8 Property Tax Levies and Collections

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected within the First Year			Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy	Final Due Date		Amount	Percentage of Levy
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	2,738	401,755	97.3
2005	411,348	398,343	96.8	09/01/06	3,423	401,766	97.7
2006	401,771	353,566	88.0	12/03/07	40,049	393,615	98.0
2007	410,208	390,440	95.2	11/03/08	14,689	405,129	98.8
2008	428,645	400,048	93.3	12/01/09	-	400,048	93.3
2009	451,619	-	00.0	09/01/10	-	-	00.0

## Exhibit I-9 User Charge Rates

Last Ten Years

	<u>2009 (1)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Large Commercial / Industrial</b>					
<b>User Rates (2)</b>					
Flow per million gallons	\$ 229.37	\$ 223.72	\$ 224.87	\$ 225.80	\$ 210.91
5-day BOD per 1,000 lbs. (5)	231.90	229.23	228.39	239.79	226.64
SS per 1,000 lbs. (6)	174.25	178.11	173.01	183.41	174.33
<b>Tax-Exempt User Rates (3)</b>					
Flow per million gallons	\$ 235.96	\$ 230.29	\$ 231.07	\$ 235.40	\$ 219.30
5-day BOD per 1,000 lbs. (5)	238.56	235.98	234.69	249.99	235.65
SS per 1,000 lbs. (6)	179.25	183.35	177.77	191.20	181.26
<b>OM&amp;R Rate (4)</b>	0.5040	0.4990	0.5040	0.5680	0.5680

- (1) The current year's rates are calculated using financial data from the prior year's Budget, operating cost and loading data from two years prior. The increase in User Charge rates in 2009 compared to 2008 is attributable to the increased District OM&R cost and a decrease in dry-weather flow. This, combined with an increase in volume and BOD loading for both Large Commercial-Industrial and Tax-Exempt Users caused the increase in rates for those parameters.
- (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

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*Metropolitan Water Reclamation District of Greater Chicago*

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 202.39	\$ 217.74	\$ 185.09	\$ 200.21	\$ 215.09
215.86	227.39	197.10	216.96	205.33
168.16	182.75	151.53	158.11	163.43
\$ 209.31	\$ 223.29	\$ 190.74	\$ 201.98	\$ 181.83
223.25	233.19	203.22	218.89	173.52
173.92	187.41	156.16	159.51	138.14
0.5690	0.6240	0.5580	0.5950	0.4880

## 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)
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	0.20	217.33
2006	1,579,401	25,261	1,604,662	124,540	1,480,122	1.15	302.37	0.22	278.90
2007	1,465,854	63,131	1,528,985	97,492	1,431,493	1.10	289.69	0.22	271.22
2008	1,392,699	64,894	1,457,593	101,053	1,356,540	1.05	277.00	0.21	257.08
2009	1,979,203	86,286	2,065,489	106,279	1,959,210	1.46	392.01	0.30	371.84

(1) Represents long-term debt for general bonded debt, and bond anticipation notes including interest which are eventually converted to general bonded debt. Details of the District's long-term debt can be found in the notes to the basic financial statements.

(2) Represents the restricted fund balance in the Debt Service Fund.

(3) See Exhibit I-13 for personal income and population information, and Exhibit I-5 for estimated full taxable value information.



**Exhibit I-11**  
**Estimate of Direct and Overlapping Debt**

As of December 31, 2009

(In thousands of dollars)

Direct debt				
General obligation bonds				\$ 1,979,203
Overlapping bonded debt of major local governments (1)	<u>Net Debt (2)</u>	<u>% Applicable (3)</u>	<u>Applicable Amount</u>	
City of Chicago	\$ 6,471,717	100.00%	\$ 6,471,717	
Chicago Board of Education	5,295,249 (4)(5)	100.00	5,295,249 (4)	
Chicago Park District	814,290 (4)	100.00	814,290 (4)	
Cook County	3,182,650	97.96	3,117,692	
Cook County Forest Preserve District	108,665	97.96	<u>106,447</u>	
Total overlapping debt (6)				<u>15,805,395</u>
Total direct and overlapping debt				<u>\$ 17,784,598</u>

- (1) Excludes outstanding tax anticipation notes and warrants.
- (2) Source: Each of the respective taxing districts.
- (3) Based on 2008 EVAs; the most recent available. For 2008, the EVA from the portion of the District within the City of Chicago was \$80,977,543,020.
- (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) Includes leases securing Public Building Commission Bonds (\$386 million).
- (6) Does not include debt issued by other taxing authorities located in Cook County.

## Exhibit I-12 Computation of Statutory Debt Margin

Last Ten Fiscal Years

(in thousands of dollars)

	<u>2009 (1)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Equalized assessed valuation</b>	\$ 170,097,382	\$ 170,097,382	\$ 155,972,794	\$ 141,468,642	\$ 130,586,921
<b>Statutory debt limit (5.75% of equalized assessed valuation)</b>	<u>9,780,599</u>	<u>9,780,599</u>	<u>8,968,436</u>	<u>8,134,447</u>	<u>7,508,748</u>
<b>Total debt applicable to debt limit:</b>					
General obligation bonds outstanding	1,979,203	1,392,699	1,465,854	1,579,401	1,280,569
Bond anticipation notes outstanding	86,286	64,894	63,131	25,261	48,238
Liabilities of tax financed funds:					
Corporate	45,260	42,374	38,699	27,233	25,394
Stormwater	1,101	1,470	1,179	340	72
Debt service	-	-	-	56	154
Reserve claim	327	1,036	1,243	1,495	124
Construction	4,236	2,855	2,662	2,810	3,949
Total applicable debt	<u>2,116,413</u>	<u>1,505,328</u>	<u>1,572,768</u>	<u>1,636,596</u>	<u>1,358,500</u>
Less applicable assets:					
Debt service funds unrestricted cash and investments	88,849	89,397	77,599	108,814	127,860
Interest payable in the next twelve months	(59,873)	(73,103)	(68,877)	(69,111)	(55,119)
Total applicable assets	<u>28,976</u>	<u>16,294</u>	<u>8,722</u>	<u>39,703</u>	<u>72,741</u>
<b>Total net debt applicable to debt limit</b>	<u>2,087,437</u>	<u>1,489,034</u>	<u>1,564,046</u>	<u>1,596,893</u>	<u>1,285,759</u>
<b>Statutory debt margin</b>	<u>\$ 7,693,162</u>	<u>\$ 7,479,402</u>	<u>\$ 7,404,390</u>	<u>\$ 6,537,554</u>	<u>\$ 6,222,989</u>
<b>Total applicable net debt as a percentage of statutory debt limit</b>	21.3%	15.2%	17.4%	19.6%	17.1%

(1) Debt limit calculation based on 2008 equalized assessed valuation since 2009 value is not yet available.

*Metropolitan Water Reclamation District of Greater Chicago*

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 119,038,560	\$ 110,266,628	\$ 102,837,365	\$ 92,905,090	\$ 85,517,008
6,844,717	6,340,331	5,913,148	5,342,043	4,917,228
1,329,123	1,363,739	1,298,375	1,134,632	1,040,096
90,473	94,245	26,162	46,702	27,972
29,112	29,661	29,321	37,658	30,289
-	-	-	-	-
212	212	486	-	-
276	472	149	1,951	1,588
6,333	4,953	4,161	5,691	11,187
1,455,529	1,493,282	1,358,654	1,226,634	1,111,132
125,441	129,600	128,508	114,179	121,305
(60,902)	(63,488)	(62,325)	(58,199)	(53,112)
64,539	66,112	66,183	55,980	68,193
1,390,990	1,427,170	1,292,471	1,170,654	1,042,939
\$ 5,453,727	\$ 4,913,161	\$ 4,620,677	\$ 4,171,389	\$ 3,874,289
20.3%	22.5%	21.9%	21.9%	21.2%

## Exhibit I-13 Demographic and Economic Statistics

Last Ten Calendar Years

(population and dollars in thousands)

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Household Income</u>	<u>Unemployment Rate</u>
2009	5,269	\$ 141,675,329	\$ 26,888	\$ 53,709	12.0%
2008	5,262	139,190,968	26,452	52,664	6.2
2007	5,278	138,936,974	26,324	52,477	4.9
2006	5,307	139,547,983	26,295	52,408	4.5
2005	5,337	139,159,977	26,075	51,635	5.9
2004	5,364	137,820,341	25,694	50,093	6.2
2003	5,425	140,930,862	25,978	51,585	6.7
2002	5,383	189,054,081	35,121	57,214	6.5
2001	5,398	187,091,937	34,659	54,490	5.5
2000	5,377	182,393,699	33,921	40,292	4.3

**Source:** Population, personal income, and median household income is for Cook County, Illinois. Population, median household income, and personal income information is provided by Claritas Data Services. 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

2009 and Nine Years Ago

Employer	2009			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
U.S. Government	77,000	1	1.46%	78,000	1	1.50%
Chicago Public Schools	43,740	2	0.83	44,798	2	0.86
City of Chicago	36,242	3	0.69	41,911	3	0.81
State of Illinois	26,000	4	0.49	20,465	10	0.39
Cook County	23,416	5	0.44	27,081	5	0.52
Wal-Mart Stores Inc.	19,990	6	0.38	-	-	0.00
Advocate Health Care	14,784	7	0.28	22,198	8	0.43
Walgreen Company	13,281	8	0.25	-	-	0.00
J.P. Morgan Chase & Co.	13,142	9	0.25	-	-	0.00
Abbott Laboratories	13,000	10	0.25	-	-	0.00
Jewel-Osco	-	-	0.00	38,954	4	0.75
U.S. Postal Service	-	-	0.00	24,800	6	0.48
Motorola	-	-	0.00	24,000	7	0.46
UAL Corp	-	-	0.00	22,100	9	0.43
Total	<u>280,595</u>		<u>5.33%</u>	<u>344,307</u>		<u>6.63%</u>

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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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Corporate Fund</b>										
Board of Commissioners	45	45	45	45	46	46	45	45	45	45
General Administration	146	138	144	145	146	147	140	131	128	127
Monitoring and Research Procurement and Materials	308	309	311	317	321	326	337	347	352	355
Management	70	70	70	70	71	75	71	77	82	79
Human Resources	54	54	53	53	56	56	52	51	46	43
Information Technology	72	72	66	63	64	64	64	75	75	73
Law	40	40	40	41	41	41	40	41	41	41
Finance	31	33	34	35	35	37	37	38	40	42
Engineering (Corporate Fund)	34	34	33	33	33	32	32	32	32	31
Maintenance & Operations	1,046	1,045	1,044	1,071	1,124	1,137	1,163	1,191	1,202	1,193
Total Corporate Fund	1,846	1,840	1,840	1,873	1,937	1,961	1,981	2,028	2,043	2,029
Engineering (Construction Fund)	45	45	49	63	63	117	120	130	231	223
Engineering (Stormwater Management)	49	47	48	38	9	-	-	-	-	-
Engineering (Capital Improvements Bond Fund) (1)	191	177	157	133	134	83	85	91	-	-
Grand Total	2,131	2,109	2,094	2,107	2,143	2,161	2,186	2,249	2,274	2,252

(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)
2009	884	129	5,269,000	4,500,000	10,000	4,000,000	1,366,700	2,000,000
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

(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, 2009 - 2000

	2008	2008	2007	2006	2005	2004	2003	2002	2001	2000
Miles of intercepting sewers and force mains operated	559	559	559	559	559	559	559	559	559	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+	13,796+	13,000+	13,000+	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	22	23	23	23	23	23	24	25	24
Miles of TARP tunnels constructed for pollution and flood control	109.4	109.4	109.4	109.4	101.5	101.5	101.5	93.4	93.4	93.4
Miles of TARP tunnels under construction	0.0	0.0	0.0	0.0	7.9	7.9	7.9	16.0	16.0	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	2	1	1	1
Number of flood control reservoirs	31	32	32	32	32	32	32	31	31	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



*District employees Barb Miller, Sally Yagol, and Lakhwinder Hundal participated in Native Prairie Landscaping Seed Distribution Day at the Egan WRP in October 2009. The event helps to disperse seeds and continue the development of the natural landscape, as well as providing seeds for planting in other areas.*

# 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, 2009 which collectively comprise the District's basic financial statements and have issued our report thereon dated April 26, 2010. 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 deficiency in internal controls* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We noted certain matters that we reported to management in a separate letter dated April 26, 2010.

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 26, 2010

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

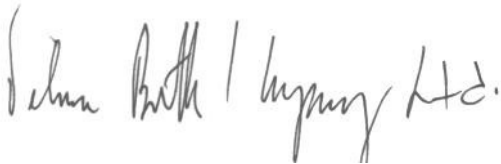
Board of Commissioners  
Metropolitan Water Reclamation District of Greater Chicago  
Chicago, Illinois

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, 2009. 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, 2009, 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 January 29, 2010, 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.  
Chicago, Illinois

January 29, 2010

**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, 2009. 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, 2009.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control 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 material weakness over internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the 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.  
Chicago, Illinois

January 29, 2010

## Schedule of Expenditures of Federal Awards

*Year ended December 31, 2009*

<u>Federal CFDA Number (A)</u>	<u>Grant/ Identifying Number (B)</u>	<u>Award Date (C)</u>	<u>Project Description (D)</u>	<u>Total 2009 Federal Expenditures (E)</u>
<i>Major Programs:</i>				
<b>Federal Grantor: Federal Emergency Management Agency</b>				
<u>Disaster Assistance (passed through Illinois Emergency Management Agency)</u>				
97.036		Jan. 2009	Debris Cleanup	\$ <u>1,146,749</u>
		Total Disaster Assistance		\$ <u>1,146,749</u>
		<b>Total Federal Expenditures</b>		<b>\$ <u>1,146,749</u></b>

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



## **Notes to Schedule of Expenditures of Federal Awards**

*Year ended December 31, 2009*

### **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, 2009.

#### **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. MPWD02B** was awarded to the District from the Illinois Emergency Management Agency on January 22, 2009. The pilot grant provides for the Metro Water Reclamation District Project #MPWD02B. The maximum eligible grant amount is \$1,528,999, and the maximum pass through federal funding amount awarded is \$1,146,749. For fiscal year 2009, MWRD received and spent \$1,146,749 in federal funding.

# Schedule of Findings and Questioned Costs

Year ended December 31, 2009

## 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  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  No

Noncompliance material to financial statements Noted?  Yes  No

### *Federal Awards*

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Reportable condition(s) identified not considered to be material weaknesses?  Yes  No

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  No

Identification of major programs:

### **U.S. Environmental Protection Agency**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
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?  Yes  No

## SECTION II – FINANCIAL STATEMENT FINDINGS

None

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

## SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

