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

Chicago, Illinois

For the Year Ended
December 31, 2010

Finance Department
JACQUELINE TORRES, Clerk/Director of Finance

Incorporated May 29, 1889

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I.
INTRODUCTORY SECTION

Machinists Ray Magnabosco (left) and Ron Will (right) work on a centrifuge at Stickney WRP.

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Metropolitan Water Reclamation District of Greater Chicago

Board of Commissioners and Principal Officers

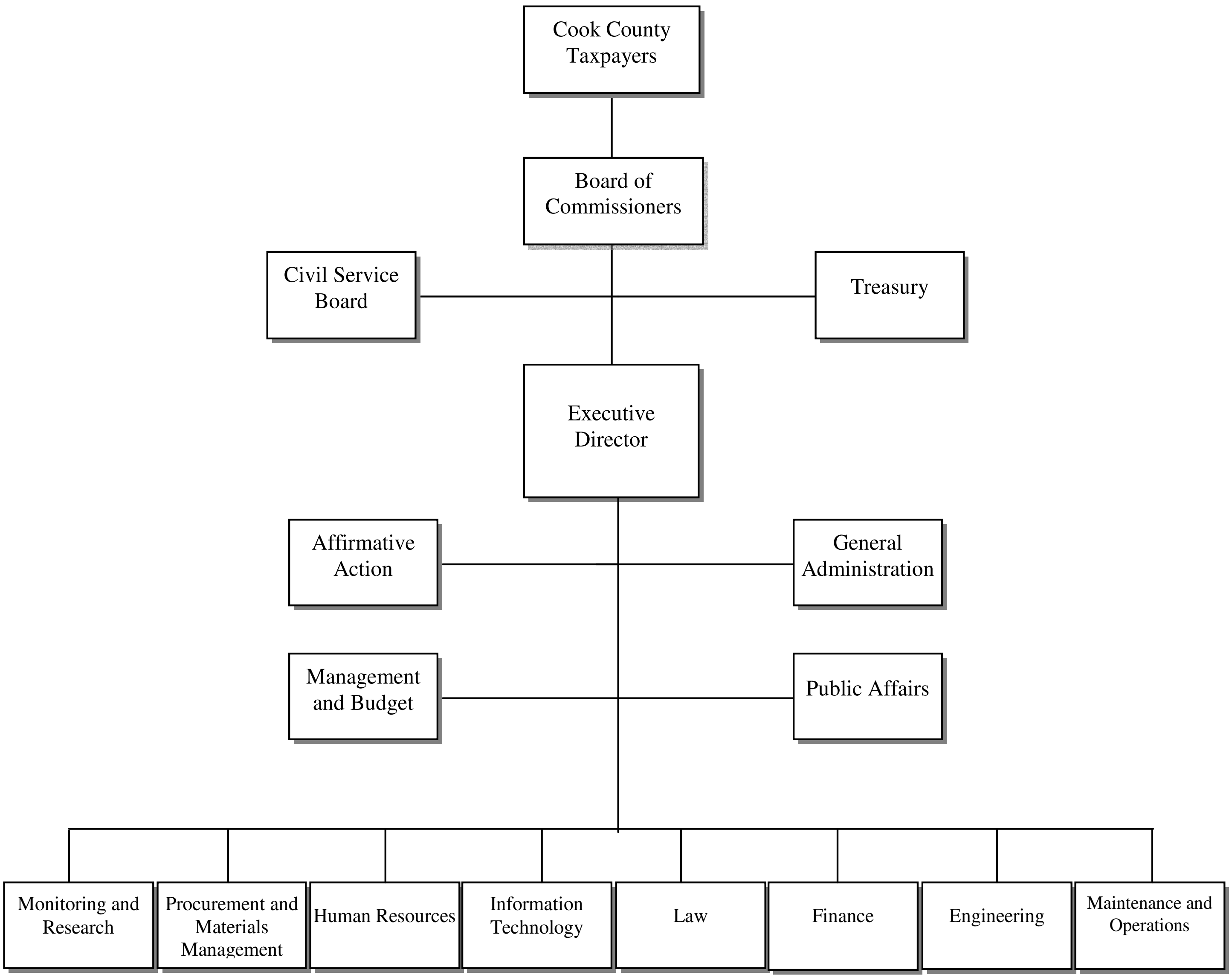
Board of Commissioners:
Honorable Terrence J. O'Brien, President
Honorable Barbara J. McGowan, Vice President
Honorable Cynthia M. Santos, Chairman, Committee on Finance
Honorable Michael A. Alvarez
Honorable Frank Avila
Honorable Patricia Horton
Honorable Kathleen Therese Meany
Honorable Debra Shore
Honorable Mariyana T. Spyropoulos

Principal Officers:
Richard Lanyon, Executive Director
Mary Ann Boyle, Acting Treasurer
Alan J. Cook, Acting General Counsel
Denice E. Korcal, Director of Human Resources
Manju Prakash Sharma, 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
Kenneth A. Kits, 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



2,116 Budgeted
Positions in 2010

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET   CHICAGO, ILLINOIS 60611-3154   312.751.5600

Terrence J. O'Brien
President
312.751.5700   f: 312.751.5670

April 25, 2011

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

As we wind down the year, it's hard to believe that we are already well past the first decade of the 21st century. Once again, for the 14th consecutive year, it is my privilege as the President of the Board of Commissioners to present the Metropolitan Water Reclamation District of Greater Chicago's Annual Message to our constituents, highlighting our achievements, and sharing with you some of the challenges we faced during 2010.

At the end of November, one of our esteemed colleagues on the Board, the Honorable Gloria Alitto Majewski, retired after 26 years serving the residents of Cook County. Commissioner Majewski was the first woman elected chair of the Finance committee, and since 1986 she also served as a Trustee on our Retirement Board. During her tenure as head of the Finance Committee, Commissioner Majewski oversaw 24 different bond issues totaling $3.973 billion, and was instrumental in achieving the AAA bond rating the MWRD has earned from all three rating agencies: Fitch, Moody's and Standard & Poor's.

As our nation recovers from the economic downturn we've experienced during the past several years, the MWRD continues to tighten its own budgetary belt, all the while maintaining the highest levels of service and environmental protection the residents of Cook County expect from our agency. We have been vigilant in remaining true to our core mission of protecting our water environment and the health of the residents of Cook County while keeping our budgetary increases well below the state-mandated tax cap. In fact, our conservative fiscal management has permitted us to abate taxes levied for the payment of principal and interest on bond issues for the years 2009 through 2011 by nearly $11.3 million.

The average home in Cook County has a market value of $267,000 and the owner will pay an estimated $222 in taxes to the District in 2010. When you consider the energy costs to heat and light a residence or business, the dollars paid to the MWRD for protecting Lake Michigan, wastewater treatment, water pollution control, stormwater management and protecting public health and safety is quite a bargain.

As the authority for stormwater management in Cook County since 2004, the MWRD has made great progress in developing the plans for each of the six watersheds in Cook County. Three have been completed and approved by the Board. The remaining three will be completed and approved by early 2011. Preliminary engineering work is ongoing on eighteen potential capital projects which will address flood control and/or stream bank stabilization to prevent further erosion. The initial waterways where this work will begin in the near future are Tinley Creek, Midlothian Creek, Melvina Ditch, Oak Lawn Creek and Calumet Union Drainage Ditch.

During 2009 the MWRD released its draft Watershed Management Ordinance (WMO) and conducted a series of public hearings to ensure the participation and input from members of the public. As a result of these meetings, we complied with a request from numerous municipal leaders to conduct an Economic Impact Study of the draft WMO. This study is underway, and is expected to be completed in 2011.

Last spring the MWRD finalized a long-awaited intergovernmental agreement with the Village of Wheeling and the Wheeling Park District to construct a flood control reservoir at Heritage Park in Wheeling. This project will consist of a series of stormwater storage facilities that will capture 49 million gallons of rain water upstream of Levee 37, a U.S. Army Corps of Engineers flood control project adjacent to the Des Plaines River in Mount Prospect and Prospect Heights. The project will accommodate other improvements to Heritage Park, which include new walkways, a band shell, baseball, soccer, and additional athletic fields.

During the week-end of July 23rd and 24th, the county experienced one of the most horrific storms in recent history: a torrential downpour that saturated the region with more than 60 billion gallons of rain. Citizens awoke the morning of Saturday, July 24th to find their basements, yards and surrounding communities under water. This storm was recorded as the third heaviest storm in 140 years and was particularly damaging in the western suburbs.

On occasion Mother Nature proves to be one of our best lobbyists. Following the devastating storms of July, Mr. Lanyon and I met with our senators and congressional delegation in Washington, D.C., and we were able to secure $40 million in the FY 2011 Federal budget, and an additional $40 million in President Obama's proposed 2012 budget to assist with the ongoing construction of the McCook and Thornton reservoirs for flood control. When these reservoirs, which are the second phase of our award-winning Tunnel and Reservoir Plan (TARP) go on-line in 2017 and 2015, respectively, they will store more than 11.5 billion gallons of flood water. We are pleased with the progress of construction of both reservoirs. Mining at the Thornton Reservoir will be completed in two years and three construction contracts have been awarded to make this reservoir operational by 2015. One-third of the mining has been completed for Stage 1 of the McCook Reservoir. Construction work is in progress by both the District and the U.S. Army Corps of Engineers and we anticipate Stage 1 to be operational by 2017.

Concerns relating to the effect of Asian carp on the ecosystem of Lake Michigan continue to capture the attention of not only Cook County residents, but those also living in nearby Great Lakes states. The MWRD successfully prevailed on the winning side of litigation initiated by Michigan and other Great Lakes states who sued to force the closure of the navigation locks on the Calumet and Chicago Rivers in an effort to prevent this dreaded species from reaching Lake Michigan. Closing the locks and gates would put the entire northeast region of Illinois at risk of severe flooding if we are not permitted to discharge to Lake Michigan. On rare occasions during heavy rainstorms, when the Chicago Area Waterways System (CAWS) rises, it is absolutely necessary to permit the rivers to discharge the excess floodwater into the lake to protect public health and safety.

Closure of the locks and gates is an extreme and unprecedented course of action. Such a drastic measure includes many unknown factors; and the costs to Illinois taxpayers to re-engineer and re-reverse the Calumet and Chicago Rivers could be in the billions. To address many of these questions, Executive Director Richard Lanyon undertook an investigative study to find answers to a myriad of questions regarding the economic and environmental impact this proposal would have on the region. This information was presented at a public meeting which was attended not only by our Board of Commissioners, but by members of various business, civic and environmental organizations who are interested in this issue. The study on this topic is available on our website, www.mwrd.org.

In July, the long-awaited law reducing the amount of phosphorus in dish washing detergents and other household cleaning products went into effect. This victory occurred after several years of intense lobbying by the MWRD working with environmental organizations such as the Sierra Club. Automatic dish washing detergents and other cleaning supplies will not be permitted to contain more than 0.5 per cent of phosphorus by weight in their products.

The biosolids processing facility at our Stickney Plant, which transforms biosolids into small pellets, was declared to be in commercial operation on July 1st. With the addition of the pellets that are produced in this facility, we are able to increase the distribution of our biosolids to markets outside the MWRD's 75 mile area.

Our efforts to minimize the costs incurred to county tax payers for our services are often attained through staff attrition and the on-going efforts to increase efficiency and automation of our facilities. As our facilities are upgraded and operations are streamlined, we will continue to reduce our work force without negatively impacting the quality of our services.

As ever, we strive to provide the public with information about our operations, and access to reports and studies funded with tax dollars. This information, as well as Board meeting agendas and proceedings, can be found conveniently on our website. We encourage the public to utilize our website (www.mwrd.org) to learn about our operations and the various projects that we are undertaking throughout the county to ensure a better quality of life for our residents. Working together with our staff members and Executive Director, our Board of Commissioners, and, of course, the public we serve, we continue to uphold our 121-year mission: protecting our water environment.

Respectfully submitted,

Terrence J. O'Brien
President

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Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards

1975-2009
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting/Comprehensive Annual Financial Report

1993-2009
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

1985-2010
Government Finance Officers Association of the United States and Canada
Award for Distinguished Budget Presentation

2007-2009
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)

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 21st century

2004
Illinois Safety Council and Greater Chicago Safety Council
Outstanding Safety Performance Award

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

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

National Purchasing Institute
Achievement of Excellence in Procurement

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

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

National Institute of Government Purchasing
Outstanding Agency Accreditation Achievement Award

Individual Year Awards (continued)

2006 (Cont.)

National Purchasing Institute
Achievement of Excellence in Procurement

2007

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

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

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

2008

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

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

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

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

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

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

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

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

2009

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

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

2010

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

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

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

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, 2009

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

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

April 25, 2011

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, 2010. 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, 2010, have been subject to an audit by independent accountants. The unqualified opinion of Baker Tilly Virchow Krause, LLP, has been included in the Financial Section of this report.

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

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

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

MISSION STATEMENT

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

BACKGROUND

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

The District operates primarily within the boundaries of Cook County. Although the District exercises no direct control over wastewater collection and transmission systems maintained by cities, towns, and villages in Cook County, it does control municipal sewer construction by permits in suburban Cook County. Furthermore, the District provides the main sewer lines for the collection of wastewater from local sewer systems together with the treatment and disposal thereof. Combined sewage and stormwater runoff is stored, treated, and released using District facilities. The District owns and operates seven water reclamation plants (WRP) and 23 pumping stations that treat an average of 1.2 billion gallons of wastewater each day. The Central (Stickney) WRP is the largest plant in the world. The District controls approximately 76 miles of navigable waterways that serve as headwaters of the Illinois waterway system. Stringent federal and state standards require that the District's wastewater treatment processes keep the waterways free of pollution. The District monitors industries in Cook County to assure that hazardous substances not suitable for a sewer are disposed of in an environmentally responsible way that complies with applicable laws.

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

REPORTING ENTITY

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

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

MAJOR INITIATIVES

Intercepting Sewers

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

The expected construction cost over the next five years for the sewer program is $255 million. This money will primarily be used in the rehabilitation of deteriorated District interceptors.

Visitors using the North Channel adjacent to the Northside WRP for recreation.

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 $966 million in construction projects will be awarded.

Biosolids Management

The District collects biosolids from wastewater treatment. The effective dewatering and drying of these biosolids is a major District undertaking. As discussed in the Notes to Basic Financial Statements (Note 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. The facility has been operational since July of 2010. The projected cost over the next five years for the Biosolids Management program is $18 million.

Biosolids processing & drying at Lawndale Avenue Solids Management Area (LASMA).

Tunnel and Reservoir Plan – Phase I

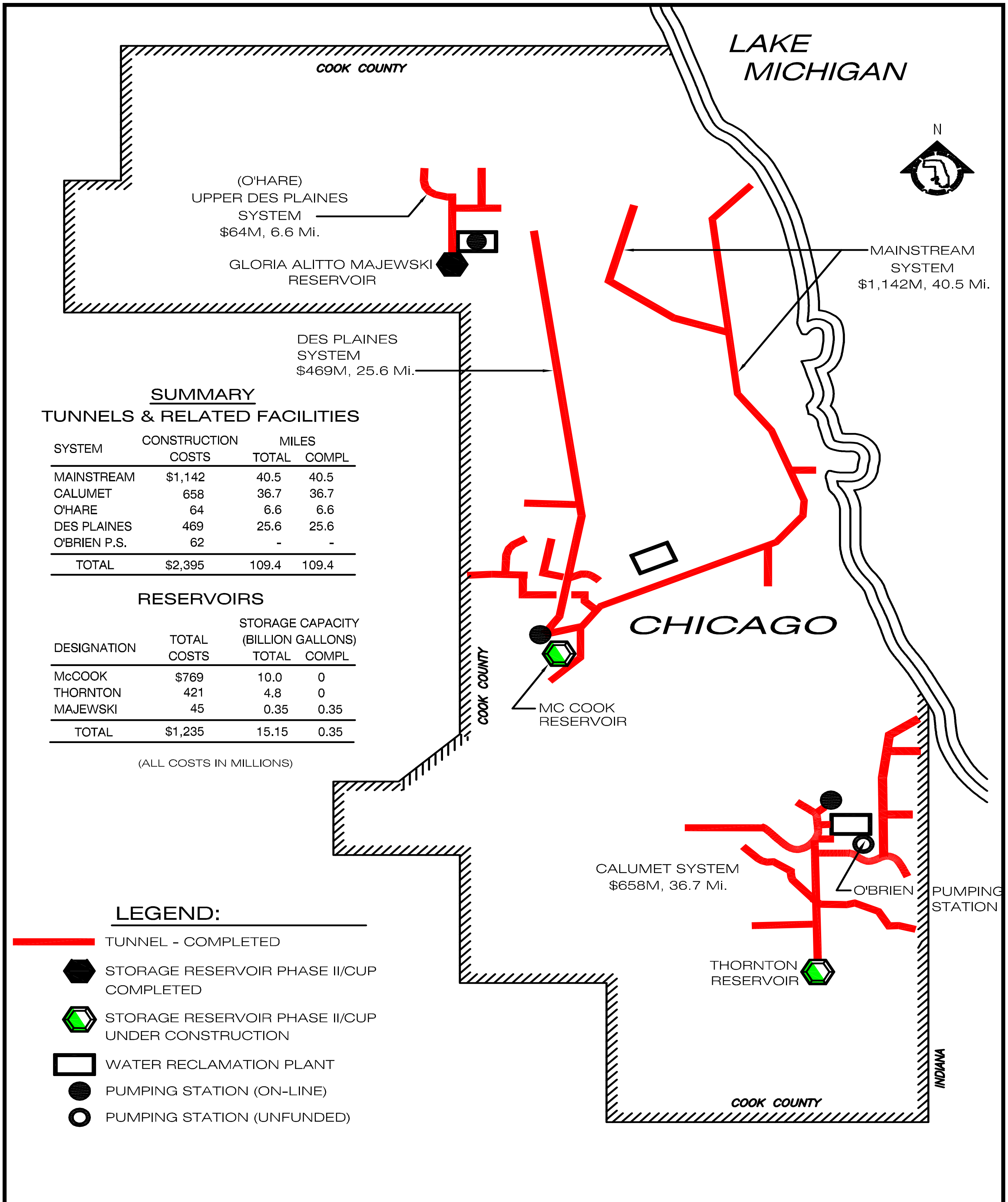
Larry Holic, Laboratory Assistant, works in the greenhouse at Stickney WRP.

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.

Sally Yagol, Senior Civil Engineer, Barb Miller, Associate Human Resources Analyst, Commissioner Debra Shore, Manju Sharma, Director of M&O, and Dr. Lakhwinder Hundal, Senior Environmental Soil Scientist, with seeds at the 2010 seed collection event at Stickney WRP.

Tunnel and Reservoir Plan – Phase II

Phase II is the flood control segment of TARP and consists of three storage reservoirs to serve as outlets for combined sewer overflows (CSO's). The three reservoirs – Gloria Alitto Majewski, Thornton, and McCook – will provide 15.2 billion combined gallons of storage for CSO's that otherwise would spill into local waterways, degrading the water quality, and causing flooding. The District has executed Project Cooperation Agreements (PCAs) with the Army Corps of Engineers, (the Corps), to construct all three reservoirs. However, the District has assumed responsibility for the design and construction of the Thornton Composite Reservoir from the Corps, and is seeking reimbursement of the federal cost sharing portion of the reservoir. The combined construction and land rights cost for all three reservoirs is estimated at $1.235 billion, with the Corps and the District providing approximately $718 million and $517 million, respectively. The Gloria Alitto Majewski Reservoir, the smallest of the three, was completed in 1998 at a cost of $45 million. Engineering design and construction for McCook and Thornton reservoirs are currently underway.



SUMMARY
TUNNELS & RELATED FACILITIES

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

RESERVOIRS

DESIGNATION	TOTAL COSTS	STORAGE CAPACITY (BILLION GALLONS) TOTAL	STORAGE CAPACITY (BILLION GALLONS) COMPL
McCOOK	$769	10.0	0
THORNTON	421	4.8	0
MAJEWSKI	45	0.35	0.35
TOTAL	$1,235	15.15	0.35

(ALL COSTS IN MILLIONS)

TUNNEL and RESERVOIR PLAN
PROJECT STATUS

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

Stormwater Management

The District began developing Detailed Watershed Plans (DWPs) in 2007. The DWPs provide comprehensive evaluations of existing conditions and stormwater management concerns in each of Cook County's six major watersheds, and include recommendations for potential capital improvement projects to address the identified concerns. DWPs for the Calumet-Sag Channel, Upper Salt Creek, and Little Calumet River watersheds were completed in 2009 and 2010. Work on the Lower Des Plaines River, North Branch of the Chicago River, and Poplar Creek DWPs will be completed in early 2011. The projects recommended under completed DWPs are prioritized by the District's Board of Commissioners for funding under the Stormwater Management Fund. In 2010, the District initiated preliminary engineering on nine flood control and streambank stabilization projects. Prior to completion of the initial DWPs, the District looked to fund flood control projects that were 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. Final design for one such project, the Heritage Park Flood Control Facility, began after the District entered into an intergovernmental agreement with the Wheeling Park District and Village of Wheeling. The Heritage Park Flood Control Facility will provide the necessary compensatory storage to allow for Levee 37, a Corps project proposed in their 1999 Des Plaines River Phase I Study, to become operational.

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 are estimated at $428 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 of the District has experienced an 8.0% average growth rate over the last ten years and the current equalized assessed valuation of $174,467,642,684 is 2.6% higher than the previous year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels.

COMMITMENT TO SUSTAINABILITY

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

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

Financial Sustainability Initiatives

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

Environmental Sustainability Initiatives

- Develop a topsoil product from the District's biosolids that will reduce mining of natural soils to supply the urban topsoil market
- Evaluate green infrastructure such as permeable pavement and sustainable streetscape to reduce storm water inflow into the District's collection system, reduce energy utilization and improve water quality
- Initiated design of digester gas storage tanks to provide more constant feed to boilers, maximizing digester gas usage and reducing flaring and greenhouse gas emissions
- Final design of the Heritage Park Flood Control Facility, to provide necessary compensatory storage for the USACE's Levee 37 project along the Des Plaines River. The design will utilize sustainable elements such as native plantings, bioswales, natural streambank stabilization, and the addition of a riparian buffer

COMMITMENT TO SUSTAINABILITY (continued)

Environmental Sustainability Initiatives (continued)

- Engineering developed an internal design guidance document for all new buildings constructed by the District. It establishes as a design criteria all of the LEED© credits that are applicable to the industrial-type buildings constructed at District facilities
- Development of rain gardens, where applicable, rain gutters from new building roofs and road gutters are directed to rain gardens or local landscaping, instead of into the plant drain
- Contractors are now required to recycle construction and demolition debris
- Ensure tenants do not contaminate land and continue remediation efforts to clean-up legacy pollutants from former tenants
- Research renewable energies
- Increase electronic filings and communications in lieu of paper and postal services to reduce future carbon footprint
- Reduce District's vehicle fleet to reduce future carbon footprint

Infrastructure Sustainability Initiatives

- Continual improvement and maintenance of Asset Management
- Engineering began preliminary work for nine streambank stabilization and nine flood control projects with an additional 18 projects recommended for 2011. The District will utilize sustainable bio-engineered solutions, such as geolifts, rock vanes, and natural channel design, instead of traditional hard armoring for streambank stabilization projects wherever practicable. Wetland and habitat restoration, as well as other sustainable bioengineering measures, will be incorporated into the flood control projects where practicable
- Utilize newer trenchless rehabilitation technologies and materials to reline deteriorated sewers and manholes; the amount of infiltration into the sewers is reduced. By keeping groundwater out of the sewer, it is allowed to recharge the local aquifers, rather than enter the sewer system and cause capacity limitations and additional expenditures to unnecessarily treat the flow at our water reclamation plants. These methods of sewer rehabilitation generally extend the service life of existing sewers by an additional 50 to 100 years, with minimal disruption to their surroundings
- Employ e-learning for technical engineering and mandatory employee training

FINANCIAL POLICIES

The Board of Commissioners amended the following 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. The fund balance may be maintained by not fully appropriating prior year fund balances. This level of fund balance will ensure the District's ability to maintain all operations even in the event of unanticipated revenue shortfalls and provide time to adjust budget and operations.

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

- 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.

FINANCIAL POLICIES (continued)

The District will appropriate funds from the unassigned fund balance for emergencies as well as for other requirements that the District believes to be in its best interest. In the event that any of these specific component objectives cannot be met, the Executive Director will report this fact and the underlying causes to the Board, 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.

In addition, the Board of Commissioners has adopted the following policies:

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

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

Accounting Policies of Fund Balance
The General Corporate Fund is a combination of the Corporate, Working Cash and Reserve Claim Funds. In the General Corporate Fund, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, followed by committed amounts, and then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized. For each budget year, the total fund balance in the General Corporate Fund is to be maintained between 12% and 15% of total appropriations. In governmental funds other than the General Corporate Fund, the District considers restricted amounts to have been spent last. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District will first utilize assigned amounts, followed by committed amounts, and then restricted amounts.

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, 2009. This was the 35th 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, 2010. 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 26 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 2010 Comprehensive Annual Financial Report as a fair and accurate presentation, in all material aspects, of the financial position and operational results of the Metropolitan Water Reclamation District of Greater Chicago.

Respectfully submitted,

Jacqueline Torres

Jacqueline Torres
Clerk/Director of Finance

Matthew Glavas

Matthew Glavas
Comptroller

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

April 25, 2011

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, 2010, 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

Kevin J. Fitzpatrick
Acting Executive Director

Jacqueline Torres
Clerk/Director of Finance

Matthew Glavas
Comptroller

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II.
FINANCIAL SECTION

Toni Glymph, Senior Environmental Microbiologist (front), and Geeta Rijal, Supervising Environmental Microbiologist (back), working in the Molecular Microbiology lab at Stickney WRP.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (District), Illinois, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Water Reclamation District Pension Trust Fund which represents 88%, 92%, and 75%, respectively, of the assets, equity and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon dated April 8, 2011 has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Metropolitan Water Reclamation District Pension Trust Fund, is based on the report of the other auditors. The prior year summarized comparative information included in the financial statements has been derived from District's and the District's Pension Trust Fund 2009 financial statements. The financial statements of the District and the District's Pension Trust Fund as of December 31, 2009, were audited by other auditors whose reports thereon dated April 26, 2010 and April 19, 2010, respectively, expressed unqualified opinions on the respective financial statements.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to 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 District as of December 31, 2010, and the respective changes in financial position and the budgetary comparison for the General Corporate Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis, modified approach information and pension and other postemployment benefit plans information as listed in the table of contents is not a required part of the basic financial statements but is 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 District's basic financial statements. The combining and individual fund statements and schedules as well as the other financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The December 31, 2010 supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The prior year supplementary information included in the financial statements has been derived from District's and the District's Pension Trust Fund 2009 financial statements. The financial statements of the District and the District's Pension Trust Fund as of December 31, 2009, were audited by other auditors whose reports thereon dated April 26, 2010 and April 19, 2010, respectively, expressed unqualified opinions on the respective financial statements. Their reports on the 2009 supplementary schedules stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2009, taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory Section and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on such information.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
April 25, 2011

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.

2010 FINANCIAL HIGHLIGHTS

- The District ended the 2010 fiscal year with assets exceeding liabilities by $5,027,916,000. The primary reason was due to the District's positive balance of $4,492,811,000 in investment in capital assets, net of related debt.
- The District's total net assets decreased by $82,363,000 in 2010. This was a result of expenses exceeding revenues. The District's largest expenses were mostly preservation construction costs of $104,947,000 and maintenance and operations costs of $191,090,000, which mainly relate to projects under the modified approach. In 2010, the District invested in more preservation and maintenance projects, which were not capitalized.
- The District's combined fund balances for its governmental funds at December 31, 2010 totaled $724,240,000, a decrease of $259,471,000 from the prior year, as a result of large expenditures in the Capital Improvements Bond Fund without issuance of any new general obligation debt.
- The District's total long-term liabilities increased by $146,448,000 in 2010, due to the increase in bond anticipation notes of $109,939,000 and a new capital lease of $53,688,000. The District had more projects funded by the State of Illinois for construction of wastewater treatment facilities and the implementation of other water quality management activities. See Note 14 on pages 90-91 for additional information regarding the new capital lease.

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. The ficuciary funds' resources are restricted for employee pensions and other post employment benefits, and are not available to support the operations of the District. Therefore, the fiduciary funds are not reported in the government-wide financial statements.

The Statements of Net 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.

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

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

The Statements of Fiduciary Net 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.

KEY FINANCIAL COMPARISONS

Property taxes. The primary source of revenue for the District is ad valorem property taxes. All District funds, with the exception of the District's Capital Improvements Bond Fund, derive their revenues primarily from property taxes. The following explains the decreases in property tax revenues in 2010 compared to 2009:

- Total property tax revenues decreased by $20,418,000 in 2010 in the District's statement of changes in net assets.
- Property tax revenues in the General Corporate Fund's governmental fund financial statements decreased by $22,878,000 in 2010.

The above decreases in property tax revenue in 2010 were primarily due to the late timing of 2010 tax collections from the Cook County Treasurer. The District also experienced a slight decrease in tax levies in 2009, which impacted 2010 collections.

Energy costs. A significant amount of the expenditures of the District represents energy costs, mainly electricity and gas. The District currently purchases electricity for its major facilities from a provider at a fixed rate under a two-year extension of a three year agreement. The following explains the decrease in energy costs in 2010 compared to 2009:

- Energy costs in the General Corporate Fund's governmental fund financial statements decreased by $1,226,000 in 2010.

The decreases in energy costs were largely due to milder weather and less demand in 2010. Furthermore, the District has responded to high energy prices by implementing an energy conservation program with the goal of reducing energy usage and carbon emissions.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Assets for December 31, 2010 and 2009, is presented in the following schedule (in thousands of dollars):

	2010	2009	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 1,235,997	$ 1,502,986	$ (266,989)	(17.8)%
Capital assets	6,406,300	6,029,607	376,693	6.2
Total assets	7,642,297	7,532,593	109,704	1.5
Liabilities:				
Current liabilities	301,775	256,156	45,619	17.8
Long-term liabilities	2,312,606	2,166,158	146,448	6.8
Total liabilities	2,614,381	2,422,314	192,067	7.9
Net Assets:				
Invested in capital assets, net of related debt	4,492,811	4,559,884	(67,073)	(1.5)
Restricted	632,039	599,586	32,453	5.4
Unrestricted (Deficit)	(96,934)	(49,191)	(47,743)	(97.1)
Total net assets	$ 5,027,916	$ 5,110,279	$ (82,363)	(1.6)%

The previous schedule reports that the District's net assets totaled $5,027,916,000 at December 31, 2010, which represents the amount by which the District's assets exceed its liabilities. The largest portion of the net assets, $4,492,811,000, represents the cost of the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets total $632,039,000 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, ($96,934,000), represents net assets that have no external restriction as to use or purpose.

A comparison of the changes in net assets resulting from the District's operations for the years ended December 31, 2010 and 2009, is presented in the following schedule (in thousands of dollars):

	2010	2009	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
General Revenues:				
Taxes	$ 448,902	$ 467,445	$ (18,543)	(4.0) %
Interest	9,119	7,632	1,487	19.5
Other	15,020	8,696	6,324	72.7
Program Revenues:				
User charges	49,433	47,886	1,547	3.2
Land rentals	10,040	9,660	380	3.9
Fees, forfeits, and penalties	2,731	4,305	(1,574)	(36.6)
Capital grants	17,156	5,518	11,638	210.9
Total revenues	552,401	551,142	1,259	0.2
Expenses				
Board of Commissioners	3,627	3,680	(53)	(1.4)
General Administration	15,767	19,046	(3,279)	(17.2)
Monitoring and Research	28,450	29,252	(802)	(2.7)
Procurement and Materials Management	6,447	6,196	251	4.1
Human Resources	46,882	43,670	3,212	7.4
Information Technology	16,127	20,611	(4,484)	(21.8)
Law	8,132	7,491	641	8.6
Finance	3,189	3,233	(44)	(1.4)
Engineering	6,245	9,284	(3,039)	(32.7)
Maintenance and Operations	191,090	209,488	(18,398)	(8.8)
Pension costs	62,996	54,804	8,192	14.9
OPEB Trust Fund costs	24,540	25,464	(924)	(3.6)
Claims and judgments	9,134	17,536	(8,402)	(47.9)
Construction costs	104,947	131,095	(26,148)	(19.9)
Loss on disposal of capital assets	381	436	(55)	(12.6)
Unallocated depreciation	11,428	9,227	2,201	23.9
Interest	95,382	72,249	23,133	32.0
Total expenses	634,764	662,762	(27,998)	(4.2)
Increase (decrease) in net assets	(82,363)	(111,620)	29,257	(26.2)
Total net assets, beginning of year	5,110,279	5,221,899	(111,620)	(2.1)
Total net assets, end of year	$ 5,027,916	$ 5,110,279	$ (82,363)	(1.6) %

Total revenues increased by $1,259,000 in 2010, or 0.2% from the prior year due to the following:

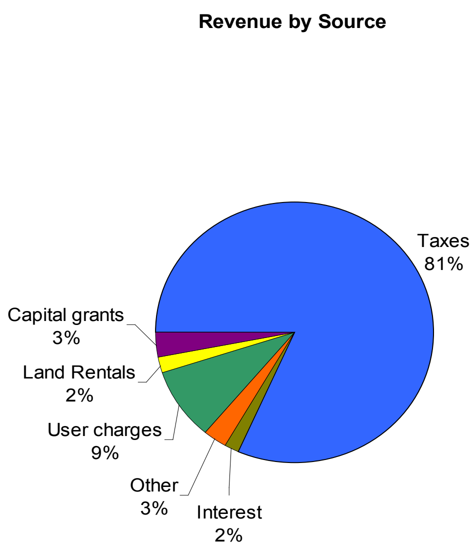
- The variance for property tax revenue is previously explained under "Key Financial Comparisons" on pages 32-33.
- Revenues from capital grants increased due to the 2010 subsidy reimbursements related to newly issued 2009 "Build America Bonds".

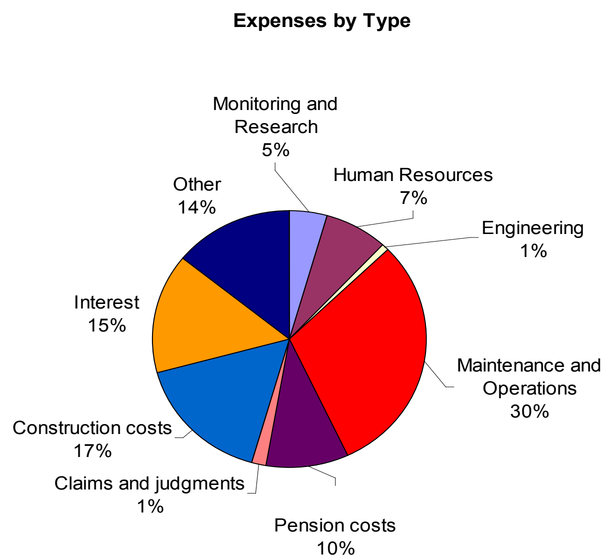
Total expenses in 2010 were $634,764,000. This represents a $27,998,000, or a 4.2%, decrease from the previous year due to the following:

- Total expenditures for the Maintenance and Operations Department decreased mainly as a result of decreases in 2010 energy costs, which is previously explained under "Key Financial Comparisons" on pages 32-33.

- Interest expense increased mainly as a result of 2010 payments related to the newly issued 2009 "Build America Bonds".

The following percentage charts show the major sources of revenue and expenses for the year ended December 31, 2010:





ANALYSIS OF DISTRICT'S GOVERNMENTAL FUND FINANCIAL STATEMENTS

As previously discussed, the focus of the District's governmental funds is on short-term inflows, outflows, and currently available resources. The emphasis in the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the governmental fund financial statements. For 2010, 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 $724,240,000, a decrease of $259,471,000 or 26.3%, from 2009. The decrease is a result of expenditures exceeding revenues by $466,471,000 offset by net financing sources of $207,000,000. A total of $38,924,000 of the fund balances represents nonspendable fund balances. Restricted fund balances totaled $860,837,000 and the remaining deficit of $175,521,000 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 $204,874,000. The fund balance represented 61.8% of the General Corporate Fund expenditures, a good indication of the fund's liquidity. The total fund balance for the General Corporate Fund decreased by $5,892,000 in the current year as a result of expenditures exceeding revenues. The District's General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note 1b on pages 56-57.

The General Corporate Fund ended the year with an unassigned fund balance deficit of $175,521,000 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, 2010 and 2009, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

	2010		2009			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Percent Increase (Decrease)
Revenues:						
Property taxes	$ 216,984	66.7 %	$ 239,862	70.9 %	$ (22,878)	(9.5)%
Personal property replacement tax	31,433	9.7	28,342	8.4	3,091	10.9
Total tax revenue	248,417	76.3	268,204	79.2	(19,787)	(7.4)
Interest on investments	2,558	0.8	2,044	0.6	514	25.1
Land sales	3,045	0.9	6	0.0	3,039	100.0
Tax increment financing distributions	6,818	2.1	1,359	0.4	5,459	100.0
Claims and damage settlements	285	0.1	695	0.2	(410)	(59.0)
Federal Grants	51	0.0	1,440	0.4	(1,389)	(100.0)
Miscellaneous	3,425	1.1	4,899	1.4	(1,474)	(30.1)
User charges	49,133	15.1	47,586	14.1	1,547	3.3
Land rentals	10,040	3.1	9,660	2.9	380	3.9
Fees, forfeits, and penalties	1,707	0.5	2,622	0.8	(915)	(34.9)
Total revenues	$ 325,479	100.0 %	$ 338,515	100.0 %	$ (13,036)	(3.9)%

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, and rental income. In 2010, General Corporate Fund revenues totaled $325,479,000, a decrease of $13,036,000, or 3.9%, from 2009. The major variances in revenues are previously explained under "Key Financial Comparisons" on pages 32-33.

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

General Corporate Fund
Comparative Expenditures Schedule

	2010		2009			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Percent Increase (Decrease)
Expenditures:						
Employee cost	$ 198,033	59.8 %	$ 194,149	54.3 %	$ 3,884	2.0 %
Energy cost	48,919	14.8	50,145	14.0	(1,226)	(2.4)
Chemicals	6,858	2.1	7,745	2.2	(887)	(11.5)
Solids disposal	10,590	3.2	10,510	2.9	80	0.8
Repair to structures/equipment	22,517	6.8	36,230	10.1	(13,713)	(37.8)
Materials, parts & supplies	13,023	3.9	14,931	4.2	(1,908)	(12.8)
Machinery & equipment	2,548	0.8	6,723	1.9	(4,175)	(62.1)
Claims and judgments	6,728	2.0	9,464	2.6	(2,736)	(28.9)
All other	22,155	6.7	27,359	7.7	(5,204)	(19.0)
Total expenditures	$ 331,371	100.0 %	$ 357,256	100.0 %	$ (25,885)	(7.2)%

In 2010, General Corporate Fund expenditures totaled $331,371,000, an overall decrease of $25,885,000, or 7.2%, under 2009 expenditures. Employee and energy costs were the two largest expenditure components of the General Corporate Fund in 2010, accounting for 74.6% of total expenditures versus 68.3% in 2009.

- Employee costs, which include salaries and wages, health insurance, and training, increased by $3,884,000 in 2010. The majority of the increase can be attributed to higher salaries and health costs.

- Repairs of structures and equipment decreased by $13,713,000 in 2010, due to scheduling less repairs for District facilities.

- Purchases of machinery and equipment were $4,175,000 lower in 2010 because of decreases in expenditures for vehicles, equipment in labs and process facilities, and computer software.

- Expenditures for all other categories decreased by $10,655,000 in 2010 mainly as a result of a decrease in consulting and contractual services.

- As of December 31, 2010, the General Corporate Fund's unassigned fund balance deficit of $175,521,000 increased from $166,687,000 at December 31, 2009. The increase of $8,834,000 was due to planned drawdowns in recent years' budgets.

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 $111,055,000. The fund balance represented 68.2% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by $4,776,000 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 2010.

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 $34,325,000 including restricted working cash of $27,377,000. The fund balance represented 266.5% of the total Construction Fund expenditures. The fund balance for the Construction Fund decreased by $795,000 due to an increase in construction costs in 2010.

The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled $331,715,000. This amount will provide resources for the 2011 construction program. The fund balance represented 70.6% of the fund's expenditures. The fund balance decrease of $250,625,000 in the current year was a result of expenditures exceeding revenues by $457,625,000, offset by net other financing sources of $207,000,000, which is comprised of $152,465,000 in state revolving fund loan proceeds and $54,535,000 from recognizing a new capital lease. Revenues increased by $7,030,000 due to higher investment income, while expenditures increased by $95,474,000 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 2010 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 2010 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

A condensed summary of the 2010 General Corporate Fund budget is presented in the following schedule (in thousands of dollars):

	Budget		Actual	Actual Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property and personal property replacement taxes	$ 254,743	$ 254,743	$ 255,637	$ 894
Adjustment for working cash borrowing	(4,544)	(4,544)	(4,544)	-
Adjustment for estimated tax collections	-	-	9,596	9,596
Tax revenue available for current operations	250,199	250,199	260,689	10,490
User charges	45,000	45,000	48,367	3,367
Interest on investments	2,261	2,261	1,816	(445)
Land rentals	11,000	11,000	9,842	(1,158)
Other	5,044	5,044	11,604	6,560
Total revenues	313,504	313,504	332,318	18,814
Operating expenditures:				
Board of Commissioners	3,962	3,962	3,627	335
General Administration	16,653	16,653	15,393	1,260
Monitoring and Research	28,535	28,477	27,891	586
Procurement and Materials Management	9,270	9,270	8,416	854
Human Resources	55,731	55,731	46,915	8,816
Information Technology	17,912	17,970	15,821	2,149
Law	7,779	8,619	8,153	466
Finance	3,368	3,368	3,201	167
Engineering	8,838	7,998	5,389	2,609
Maintenance and Operations	202,453	202,453	189,376	13,077
Claims and judgments	63,000	63,000	6,728	56,272
Total expenditures	417,501	417,501	330,910	86,591
Revenues over (under) expenditures	(103,997)	(103,997)	1,408	105,405
Fund balance at beginning of year	123,036	123,036	103,756	(19,280)
Net assets available for future use	(19,039)	(19,039)	-	19,039
Fund balance at beginning of year as adjusted	103,997	103,997	103,756	(241)
Fund balance at end of the year	$ -	$ -	$ 105,164	$ 105,164

Actual revenues on a budgetary basis for 2010 in the General Corporate Fund totaled $332,318,000 or $18,814,000 more than budgeted revenues, a 5.7% variation. Property taxes and personal property replacement taxes were $10,490,000 more than the budget because of the adjustment for estimated tax collections over and above the working cash borrowings. User charge receipts were $3,367,000 more than the budget due to higher user charge rates and larger customer base. Interest on investments had a $445,000 negative variance over budget because of the decrease in interest rates earned on investments in 2010. Land rentals were $1,158,000 less than the budget due to a slow down in the rental market. All other revenues had a $6,560,000 positive variance because of better-than-expected results for land sales, fines, and revenues from tax increment financing districts.

The 2010 General Corporate Fund final appropriation of $417,501,000 did not change from the original amount. Actual budgetary expenditures totaled $330,910,000, or 79.3%, of the total appropriation. The $86,591,000 excess of appropriations over actual expenditures was primarily due to claims and judgments being $56,272,000 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 $13,077,000 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 2010. 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, 2010, amounted to $6,406,300,000. Reportable capital assets, net of accumulated depreciation, for 2010 as compared to 2009 are as follows (in thousands of dollars):

	2010	2009	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 129,960	$ 127,043	$ 2,917	2.3 %
Permanent easements	1,330	-	1,330	100.0
Buildings	8,280	8,465	(185)	(2.2)
Machinery and equipment	34,427	36,094	(1,667)	(4.6)
Computer software	1,383	-	1,383	100.0
Depreciable infrastructure	1,731,320	1,688,761	42,559	2.5
Modified infrastructure	3,412,516	3,400,708	11,808	0.3
Construction in progress	1,087,084	768,536	318,548	41.4
Total	$ 6,406,300	$ 6,029,607	$ 376,693	6.2 %

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

- Total capital asset additions exceeded retirements and depreciation by $376,693,000 in 2010.
- Construction in progress increased by $318,548,000 from 2009 to 2010 due to the ongoing construction of infrastructure projects. Major projects in 2010 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 $758,177,635 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. The 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. The Egan and Northside networks had additional condition assessments in 2007 and 2010 (see further discussion of the modified approach in the Required Supplementary Information Section).

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

DEBT ACTIVITY

Long-term Debt. The District's long-term liabilities as of December 31, 2010, totaled $ 2,312,606,000. The breakdown of this debt and changes from 2009 to 2010 are as follows (in thousands of dollars):

	2010	2009	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	$ 1,991,541	$ 2,009,306	$ (17,765)	(0.9) %
Bond anticipation notes	196,225	86,286	109,939	127.4
Claims payable	41,292	38,886	2,406	6.2
Compensated absences	29,860	31,680	(1,820)	(5.7)
Capital lease	53,688	-	53,688	100.0
Total	$ 2,312,606	$ 2,166,158	$ 146,448	6.8 %

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

- Bonds payable, net, decreased by $17,765,000 in 2010 as a result of the retirement of debt.
- Bond anticipation notes increased by $109,939,000 in 2010 as a result of the issuance of $83,074,000 in notes, the accrual of $69,391,000 in notes receivables, and the conversion of $42,526,000 from bond anticipation notes to bonds.
- Claims payable increased by $2,406,000 due to increases in general and construction claims.
- Compensated absences decreased by $1,820,000 a result of more termination payouts and reduction in the sick payout.
- Capital leases increased by $53,688,000 due to the biosolids facility being placed in service in 2010.

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

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

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

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

The amount of the District's debt may not exceed 5.75% of the last published equalized assessed valuation of taxable real estate within the District, which was $174,467,642,684 for the 2009 property tax levy. At December 31, 2010, the District's statutory debt limit of $10,031,889,000 exceeded the applicable net debt amount of $2,265,815,000 by $7,766,074,000.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Starting in 2003, bonds may be issued during any budget year in an amount not to exceed $150 million ($100 million in prior years), plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is inapplicable to obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, commonly known as "Build America Bonds". Bonds authorized and unissued were $600,000,000 for the budget year ended December 31, 2010.

The District has non-referendum bonding authority until the year 2024. When the Property Tax Extension Limitation Law was made applicable to Cook County, the legislature recognized that the completion of the Tunnel and Reservoir Plan (TARP) was such a high priority that it exempted TARP bonds from tax cap limits. In 2010, the Local Government Debt Reform Act was amended. The District's debt service extension base for the 2010 levy year is $145,429,000 (the "Debt Service Extension Base"), which is increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The Property Tax Extension Limitation Law has been amended so that the issuance of bonds by the District to construct TARP will not reduce the District's ability to issue limited bonds for other major capital projects. The amount of outstanding non-referendum Capital Improvement Bonds may not exceed 3.35% of the last known equalized assessed valuation of taxable property within the District. At December 31, 2010, 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 $5,844,666,000.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2010, are indicated in the following schedule (in millions of dollars):

Capital Improvement and Refunding Bonds
Outstanding and Remaining Authorization

Year of Issue	Total	Capital Improvement	Refunding
2002	50	50	-
2006	522	125	397
2007	382	-	382
2009	600	600	-
Total bonds outstanding at December 31, 2010	1,554	$ 775	$ 779
Remaining bond authorization at December 31, 2010	4,291		
Total bond authorization at December 31, 2010	$ 5,845		

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, 2010, the District's remaining Corporate Working Cash Fund bond authorization is $396,556 ,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 8.0% average growth rate over the last ten years and the current equalized assessed valuation of $174,467,642,684 is 2.6% higher than the previous year. The Cook County Assessor's office is in the process of gauging the impact of housing price declines and foreclosures on property values, which may result in decreased valuations in the next reassessment. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and economically diverse geographical areas of 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 10.2% for 2010 from 10.0% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have rebounded from 2010 and this trend is expected to continue through most, if not all, of 2012.

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 2011. The total appropriation for the Corporate Fund in 2011 is $340.9 million, a decrease of $13.6 million, or 3.8 percent from 2010. In 2008, the appropriation was increased in order to begin a controlled reduction of a higher than normal fund balance. The decrease in appropriation for 2010 and 2011 is a spending cutback due to reduced revenues as a result of the economic downturn.

The 2011 tax levy for the Corporate Fund is $248.5 million, an increase of $8.3 million or 3.5 percent compared to 2010. It is the District's intent to maintain the fund balance, or net assets appropriable for the Corporate Fund in the $41 to $51 million range. This fund balance level balances the competing imperatives of minimizing the annual levy and providing for unexpected shortfalls in revenues.

Continuing through 2011, economically sensitive non-property tax revenues are expected to remain stagnant based on forecasted local and national economic indicators.

Property taxes and user charges are the primary funding sources for the District's Corporate Fund. Illinois law limits the tax rate of this fund to 41 cents per $100 of equalized assessed valuation. The estimated tax rate for the Corporate Fund in 2011 is 14.24 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 2011 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately $3.5 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non–structural improvements, and which cannot be removed without in some way impairing the facility or structure.

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

The District utilizes two funds for its Capital program, the Construction Fund and the Capital Improvements Bond Fund. The Construction Fund is utilized as a "pay as you go" capital rehabilitation and modernization program. Capital projects are financed by a tax levy sufficient to pay for project costs as they are constructed. As the District replaces, rehabilitates, and modernizes aged and less effective infrastructure, capital projects are assigned to the Corporate, Construction, or Capital Improvements Bond Fund based on the nature of the project, dollar magnitude, and useful life of the improvement. The Construction Fund is used for operations related projects, where the useful life of the improvement is less than 20 years or when the values are less than $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 of financing the Capital Improvements Bond Fund. The original legislation required, in general, that all new debt be approved by referendum. However, an exemption for projects initiated before October 1, 1991 was granted to the District to enable completion of the Tunnel and Reservoir Plan (TARP). The bill was later amended to establish a "debt extension base," which allowed local governments, with nonreferendum authority, to continue to issue nonreferendum 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. In 2009, a further modification to the law allows the debt extension base to increase annually by the Consumer Price Index or 5 percent, whichever is less. These changes allow the District to effectively utilize "limited bonds" as a source of financing.

Construction Fund. The Construction Fund appropriation for 2011 totals $17.7 million, a decrease of $9.4 million from 2010. Two projects are budgeted for award in 2011, at a total contract cost of $2.9 million and requiring an appropriation of $0.5 million. The remaining $17.2 million appropriation is required for salaries, support, and projects under construction. In 2010, one new project was appropriated for $0.3 million; and the appropriation for projects under construction, salaries, and support required $26.8 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 2011, 28 positions are budgeted in the Construction Fund and 202 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 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 2011 tax levy planned for the Construction Fund is $4.8 million, a decrease of $3.9 million or 45.1 percent from 2010.

Capital Improvements Bond Fund. The 2011 appropriation for the Capital Improvements Bond Fund is $385.0 million, a decrease of $590.1 million, or 60.5 percent from 2010. The appropriation is based on the scheduled award of $198.2 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2011 with estimated award values consist of two plant expansion and improvement projects at $29.5 million; four collection projects at $56.3 million; and seventeen replacement of facilities projects at $112.4 million.

The decrease in appropriation for the Capital Improvements Bond Fund of $590.1 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 $186.8 million appropriation for this Fund will provide for salaries, studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative, and exhibits detailing our entire Capital program, is provided in the Capital Budget (Section V), of this Budget document.

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

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

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

The policy adopted by the District is cautious by design, and will provide ample opportunity for adjustment as experience is gained. Future direction may also be changed significantly by national health care policies and programs. The accumulated unfunded OPEB obligation was estimated at approximately $479 million at December 31, 2009 and 2010.

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 advance funding contributions were made in 2009 or 2010 due to revenue constraints. Total net assets were $52,153,000 as of December 31, 2010.

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.

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.

BASIC FINANCIAL STATEMENTS

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

Year ended December 31, 2010
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2010	General Corporate Fund 2009	Debt Service Fund 2010	Debt Service Fund 2009	Capital Improvements Bond Fund 2010	Capital Improvements Bond Fund 2009
Assets						
Cash	$ 8,020	$ 20,437	$ 12	$ 115	$ 33,497	$ 28,474
Certificates of deposit (note 4)	18,060	31,098	6,382	28,638	63,550	349,504
Investments (note 4)	145,691	136,821	82,316	60,096	230,919	247,891
Taxes receivable, net (note 5)	233,683	230,836	155,155	161,851	-	-
Other receivables, net (note 5)	7,339	2,785	1,001	4,078	70,088	23,808
Due from other funds (note 12)	1,135	845	-	-	-	-
Inventories	38,924	38,761	-	-	-	-
Restricted cash - real estate escrow	1,815	1,812	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	$ 454,667	$ 463,395	$ 244,866	$ 254,778	$ 398,054	$ 649,677
Liabilities, Fund Balances / Net assets						
Liabilities:						
Deferred tax revenue (note 5)	$ 201,879	$ 204,773	$ 132,810	$ 144,421	$ -	$ -
Other deferred/unearned revenue (note 5)	2,213	2,359	1,001	4,078	-	-
Accounts payable and other liabilities (note 5)	45,791	45,587	-	-	65,582	66,767
Due to Pension Trust Fund (note 12)	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	757	570
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	249,883	252,719	133,811	148,499	66,339	67,337
Fund balances/net assets						
Fund balances:						
Nonspendable:						
Inventories	38,924	38,761	-	-	-	-
Restricted for:						
Real estate escrow	1,815	1,812	-	-	-	-
Working cash	277,249	275,459	-	-	-	-
Reserve claims	62,317	61,331	-	-	-	-
Debt service	-	-	111,055	106,279	-	-
Capital projects	-	-	-	-	331,715	582,340
Unassigned (Deficit)	(175,521)	(166,687)	-	-	-	-
Total fund balances	204,784	210,676	111,055	106,279	331,715	582,340
Total liabilities and fund balances	$ 454,667	$ 463,395	$ 244,866	$ 254,778	$ 398,054	$ 649,677
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 (Deficit)						
Total net assets						

See accompanying notes to the basic financial statements.

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2a)		Statements of Net Assets	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
$ 3,190	$ 2,459	$ 3,050	$ 1,881	$ 47,769	$ 53,366	$ -	$ -	$ 47,769	$ 53,366
5,140	32,296	10,210	38,713	103,342	480,249	-	-	103,342	480,249
25,882	4,032	30,313	8,814	515,121	457,654	-	-	515,121	457,654
8,442	8,772	52,572	39,014	449,852	440,473	-	-	449,852	440,473
746	-	-	-	79,174	30,671	-	-	79,174	30,671
-	-	-	-	1,135	845	(1,135)	(845)	-	-
-	-	-	-	38,924	38,761	-	-	38,924	38,761
-	-	-	-	1,815	1,812	-	-	1,815	1,812
-	-	-	-	-	-	4,630,890	4,296,287	4,630,890	4,296,287
-	-	-	-	-	-	1,775,410	1,733,320	1,775,410	1,733,320
$ 43,400	$ 47,559	$ 96,145	$ 88,422	$ 1,237,132	$ 1,503,831	$ 6,405,165	$ 6,028,762	$ 7,642,297	$ 7,532,593
$ 7,089	$ 8,056	$ 43,795	$ 30,375	$ 385,573	$ 387,625	$ (385,573)	$ (387,625)	$ -	$ -
-	-	-	-	3,214	6,437	(1,006)	(4,089)	2,208	2,348
1,732	4,236	2,496	1,101	115,601	117,691	-	-	115,601	117,691
-	-	7,369	7,522	7,369	7,522	22,014	22,953	29,383	30,475
254	147	124	128	1,135	845	(1,135)	(845)	-	-
-	-	-	-	-	-	13,468	21,964	13,468	21,964
-	-	-	-	-	-	66,329	41,789	66,329	41,789
-	-	-	-	-	-	74,786	41,889	74,786	41,889
-	-	-	-	-	-	77,186	68,574	77,186	68,574
-	-	-	-	-	-	2,235,420	2,097,584	2,235,420	2,097,584
9,075	12,439	53,784	39,126	512,892	520,120	2,101,489	1,902,194	2,614,381	2,422,314
-	-	-	-	38,924	38,761	(38,924)	(38,761)		
-	-	-	-	1,815	1,812	(1,815)	(1,812)		
27,377	27,286	39,554	38,953	344,180	341,698	(344,180)	(341,698)		
-	-	-	-	62,317	61,331	(62,317)	(61,331)		
-	-	-	-	111,055	106,279	(111,055)	(106,279)		
6,948	7,834	2,807	10,343	341,470	600,517	(341,470)	(600,517)		
-	-	-	-	(175,521)	(166,687)	175,521	166,687		
34,325	35,120	42,361	49,296	724,240	983,711	(724,240)	(983,711)		
$ 43,400	$ 47,559	$ 96,145	$ 88,422	$ 1,237,132	$ 1,503,831				
						4,492,811	4,559,884	4,492,811	4,559,884
						277,249	275,459	277,249	275,459
						22,521	25,073	22,521	25,073
						227,320	232,815	227,320	232,815
						38,018	-	38,018	-
						27,377	27,286	27,377	27,286
						39,554	38,953	39,554	38,953
						(96,934)	(49,191)	(96,934)	(49,191)
						$ 5,027,916	$ 5,110,279	$ 5,027,916	$ 5,110,279

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

Year ended December 31, 2010
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2010	General Corporate Fund 2009	Debt Service Fund 2010	Debt Service Fund 2009	Capital Improvements Bond Fund 2010	Capital Improvements Bond Fund 2009
Revenues						
General revenues:						
Property taxes	$ 216,984	$ 239,862	$ 152,166	$ 138,690	$ -	$ -
Personal property replacement tax	31,433	28,342	-	-	-	-
Interest on investments	2,558	2,044	351	961	5,320	3,334
Land sales	3,045	6	-	-	-	-
Tax increment financing distributions	6,818	1,359	-	-	-	-
Claims and damage settlements	285	695	-	-	-	-
Miscellaneous	3,425	4,899	14	26	1,740	1,696
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	49,133	47,586	-	-	-	-
Land rentals	10,040	9,660	-	-	-	-
Fees, forfeits, and penalties	1,707	2,622	-	-	-	-
Capital grants and contributions:						
Federal grants	51	1,440	15,182	-	5,000	-
Total revenues	325,479	338,515	167,713	139,677	12,060	5,030
Expenditures/Expenses						
Operations:						
Board of Commissioners	3,628	3,659	-	-	-	-
General Administration	15,411	18,555	-	-	-	-
Monitoring and Research	28,445	28,891	-	-	-	-
Procurement and Materials Management	6,493	6,156	-	-	-	-
Human Resources	46,944	43,603	-	-	-	-
Information Technology	15,823	20,200	-	-	-	-
Law	8,164	7,446	-	-	-	-
Finance	3,203	3,208	-	-	-	-
Engineering	5,367	7,951	-	-	-	-
Maintenance and Operations	191,165	208,123	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	6,728	9,464	-	-	-	-
Construction costs	-	-	-	-	467,606	368,409
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation and amortization (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds and capital lease	-	-	59,755	73,105	847	-
Interest on bonds and issuance costs	-	-	103,182	61,346	1,232	5,802
Total expenditures/expenses	331,371	357,256	162,937	134,451	469,685	374,211
Revenues over (under) expenditures	(5,892)	(18,741)	4,776	5,226	(457,625)	(369,181)
Other financing sources (uses):						
State revolving fund loans	-	-	-	-	152,465	81,000
Bond anticipation notes converted	-	-	-	-	-	59,608
Bond anticipation notes refunded	-	-	-	-	-	(59,608)
Proceeds from sale of bonds	-	-	-	-	-	600,000
Proceeds from capital lease	-	-	-	-	54,535	-
Total other financing sources (uses)	-	-	-	-	207,000	681,000
Revenues and other financing sources (uses) over (under) expenditures	(5,892)	(18,741)	4,776	5,226	(250,625)	311,819
Change in net assets	-	-	-	-	-	-
Fund balances/net assets:						
Beginning of the year	210,676	229,417	106,279	101,053	582,340	270,521
End of the year	$ 204,784	$ 210,676	$ 111,055	$ 106,279	$ 331,715	$ 582,340

See accompanying notes to the basic financial statements.

Construction Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2b)		Statements of Activities	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
$ 9,046	$ 439	$ 32,467	$ 39,086	$ 410,663	$ 418,077	$ (1,113)	$ 11,891	$ 409,550	$ 429,968
1,387	1,671	6,532	7,464	39,352	37,477	-	-	39,352	37,477
388	640	502	653	9,119	7,632	-	-	9,119	7,632
-	-	-	-	3,045	6	(3,045)	(6)	-	-
-	-	-	-	6,818	1,359	-	-	6,818	1,359
-	-	-	-	285	695	-	-	285	695
1	14	1	7	5,181	6,642	-	-	5,181	6,642
-	-	-	-	-	-	2,736	-	2,736	-
300	300	-	-	49,433	47,886	-	-	49,433	47,886
-	-	-	-	10,040	9,660	-	-	10,040	9,660
965	1,541	59	142	2,731	4,305	-	-	2,731	4,305
-	-	-	-	20,233	1,440	(3,077)	4,078	17,156	5,518
12,087	4,605	39,561	47,352	556,900	535,179	(4,499)	15,963	552,401	551,142
-	-	-	-	3,628	3,659	(1)	21	3,627	3,680
-	-	-	-	15,411	18,555	356	491	15,767	19,046
-	-	-	-	28,445	28,891	5	361	28,450	29,252
-	-	-	-	6,493	6,156	(46)	40	6,447	6,196
-	-	-	-	46,944	43,603	(62)	67	46,882	43,670
-	-	-	-	15,823	20,200	304	411	16,127	20,611
-	-	-	-	8,164	7,446	(32)	45	8,132	7,491
-	-	-	-	3,203	3,208	(14)	25	3,189	3,233
-	-	-	-	5,367	7,951	878	1,333	6,245	9,284
-	-	-	-	191,165	208,123	(75)	1,365	191,090	209,488
-	-	30,099	31,744	30,099	31,744	32,897	23,060	62,996	54,804
-	-	-	-	-	-	24,540	25,464	24,540	25,464
-	-	-	-	6,728	9,464	2,406	8,072	9,134	17,536
12,882	16,068	16,397	12,788	496,885	397,265	(391,938)	(266,170)	104,947	131,095
-	-	-	-	-	-	381	436	381	436
-	-	-	-	-	-	11,428	9,227	11,428	9,227
-	-	-	-	60,602	73,105	(60,602)	(73,105)	-	-
-	-	-	-	104,414	67,148	(9,032)	5,101	95,382	72,249
12,882	16,068	46,496	44,532	1,023,371	926,518	(388,607)	(263,756)	634,764	662,762
(795)	(11,463)	(6,935)	2,820	(466,471)	(391,339)	384,108	279,719		
-	-	-	-	152,465	81,000	(152,465)	(81,000)	-	-
-	-	-	-	-	59,608	-	(59,608)	-	-
-	-	-	-	-	(59,608)	-	59,608	-	-
-	-	-	-	-	600,000	-	(600,000)	-	-
-	-	-	-	54,535	-	(54,535)	-	-	-
-	-	-	-	207,000	681,000	(207,000)	(681,000)	-	-
(795)	(11,463)	(6,935)	2,820	(259,471)	289,661	259,471	(289,661)	-	-
-	-	-	-	-	-	(82,363)	(111,620)	(82,363)	(111,620)
35,120	46,583	49,296	46,476	983,711	694,050	-	-	5,110,279	5,221,899
$ 34,325	$ 35,120	$ 42,361	$ 49,296	$ 724,240	$ 983,711	$ -	$ -	$ 5,027,916	$ 5,110,279

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, 2010

(in thousands of dollars)

	Budget Original	Budget Final	Actual Amounts	Actual Variance With Final Budget - Positive (Negative)
Revenues:				
Property taxes:				
Gross levy	$ 240,207	$ 240,207	$ 240,207	$ -
Allowance for uncollectible taxes	(8,407)	(8,407)	(8,407)	-
Net property tax levy	231,800	231,800	231,800	-
Property tax collections	3,099	3,099	2,941	(158)
Personal property replacement tax:				
Entitlement	17,044	17,044	17,044	-
Collections	2,800	2,800	3,852	1,052
Total tax revenue	254,743	254,743	255,637	894
Adjustment for working cash borrowing	(4,544)	(4,544)	(4,544)	-
Adjustment for estimated tax collections	-	-	9,596	9,596
Tax revenue available for current operation	250,199	250,199	260,689	10,490
Interest on investments	2,261	2,261	1,816	(445)
Land sales	2	2	3,039	3,037
Tax increment financing distributions	925	925	2,650	1,725
Claims and damage settlements	-	-	690	690
Miscellaneous	2,115	2,115	4,033	1,918
User charges	45,000	45,000	48,367	3,367
Land rentals	11,000	11,000	9,842	(1,158)
Fees, forfeits, and penalties	2,002	2,002	1,192	(810)
Total revenues	313,504	313,504	332,318	18,814
Expenditures:				
Board of Commissioners	3,962	3,962	3,627	335
General Administration	16,653	16,653	15,393	1,260
Monitoring and Research	28,535	28,477	27,891	586
Procurement and Materials Management	9,270	9,270	8,416	854
Human Resources	55,731	55,731	46,915	8,816
Information Technology	17,912	17,970	15,821	2,149
Law	7,779	8,619	8,153	466
Finance	3,368	3,368	3,201	167
Engineering	8,838	7,998	5,389	2,609
Maintenance and Operations	202,453	202,453	189,376	13,077
Claims and judgments	63,000	63,000	6,728	56,272
Total expenditures	417,501	417,501	330,910	86,591
Revenues over (under) expenditures	(103,997)	(103,997)	1,408	105,405
Fund balances at beginning of year	123,036	123,036	103,756	(19,280)
Net assets available for future use	(19,039)	(19,039)	-	19,039
Fund balances at beginning of the year as adjusted	103,997	103,997	103,756	(241)
Fund balances at end of year	$ -	$ -	$ 105,164	$ 105,164

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, 2010
(with comparative amounts for prior year)

(in thousands of dollars)

	2010	2009
Assets		
Cash	$ 1,380	$ 157
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of $7,312 in 2010; $4,760 in 2009)	32,306	32,640
Securities sold	2,384	10,611
Accrued interest and dividends	919	873
Accounts receivable	63	54
Total receivables	35,672	44,178
Investments at fair value		
Pooled funds- fixed income	369,334	384,551
Pooled funds - equities	20,673	101,630
Common and preferred stocks	701,319	524,539
Short-term investments	20,526	19,445
Total investments	1,111,852	1,030,165
Securities lending capital	24,720	7,405
Total assets	$ 1,173,624	$ 1,081,905
Liabilities		
Accounts payable	$ 1,598	$ 1,296
Securities lending collateral	2,505	10,495
Securities purchased	24,720	7,404
Total liabilities	28,823	19,195
Net assets held in trust for pension and OPEB benefits	$ 1,144,801	$ 1,062,710

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, 2010
(with comparative amounts for prior year)

(in thousands of dollars)

	2010	2009
Additions:		
Contributions:		
Employer contributions	$ 45,435	$ 46,746
Employee contributions	15,872	15,690
Retiree contributions	4,597	4,210
Total contributions	65,904	66,646
Investment income:		
Net appreciation in fair value of investments	139,623	187,518
Interest on fixed income investments	-	1,209
Interest on short-term investments	822	236
Dividend income	10,162	7,840
Total investment income	150,607	196,803
Less investment expenses	(3,653)	(2,622)
Investment income net of expenses	146,954	194,181
Security lending activities		
Security lending income	90	-
Borrower rebates	182	-
Bank fees	(53)	-
Net income from securities lending activities	219	-
Other	34	8
Total additions	213,111	260,835
Deductions:		
Annuities and benefits		
Employee annuitants	90,447	86,581
OPEB - health care benefits	20,114	18,802
Surviving spouse annuitants	16,613	15,690
Child annuitants	103	120
Ordinary disability benefits	814	745
Duty disability benefits	242	268
Total annuities and benefits	128,333	122,206
Refunds of employee contributions	1,380	1,175
Administrative expenses	1,307	1,338
Total deductions	131,020	124,719
Net increase	82,091	136,116
Net assets held in trust for pension and OPEB benefits		
Beginning of year	1,062,710	926,594
End of year	$ 1,144,801	$ 1,062,710

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the Basic Financial Statements

Year ended December 31, 2010

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1. Summary of Significant Accounting Policies

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

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

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

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

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

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

The District reports the following major governmental funds:

General Corporate Fund

Established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District 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, 2010, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Assets				
Cash	$ 8,020	$ 4,321	$ 85	$ 3,614
Certificates of deposit	18,060	-	-	18,060
Investments	145,691	89,605	15,420	40,666
Receivables:				
Property taxes receivable	299,913	296,923	-	2,990
Allowance for uncollectible taxes	(66,230)	(65,123)	-	(1,107)
Taxes receivable, net	233,683	231,800	-	1,883
User charges	1,653	1,653	-	-
Miscellaneous	5,686	5,686	-	-
Due from Capital Improvements Bond Fund	757	757	-	-
Due from Construction Fund	254	254	-	-
Due from Stormwater Management Fund	124	124	-	-
Due from Corporate Fund	-	(261,744)	261,744	-
Inventories	38,924	38,924	-	-
Restricted cash	1,815	1,815	-	-
Total assets	$ 454,667	$ 113,195	$ 277,249	$ 64,223
Liabilities and Fund Balances				
Liabilities:				
Deferred tax revenue	$ 201,879	$ 200,383	$ -	$ 1,496
Other deferred revenue	2,213	2,213	-	-
Accounts payable and other liabilities	45,791	45,381	-	410
Total liabilities	249,883	247,977	-	1,906
Fund balances:				
Nonspendable:				
Inventories	38,924	38,924	-	-
Restricted for:				
Cash real estate escrow	1,815	1,815	-	-
Working cash	277,249	-	277,249	-
Reserve claims	62,317	-	-	62,317
Unassigned	(175,521)	(175,521)	-	-
Total fund balances	204,784	(134,782)	277,249	62,317
Total liabilities and fund balances	$ 454,667	$ 113,195	$ 277,249	$ 64,223

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, 2010, are as follows (in thousands of dollars):

	Total General Corporate Fund	**Corporate Division**	**Corporate Working Cash Division**	**Reserve Claim Division**
Revenues:				
Property taxes	$ 216,984	$ 214,098	$ -	$ 2,886
Personal property replacement tax	31,433	25,801	1,780	3,852
Total tax revenue	248,417	239,899	1,780	6,738
Interest on investments	2,558	1,874	10	674
Land sales	3,045	3,045	-	-
Tax increment financing distributions	6,818	6,818	-	-
Claims and damage settlements	285	5	-	280
Miscellaneous	3,425	3,403	-	22
User charges	49,133	49,133	-	-
Land rentals	10,040	10,040	-	-
Fees, forfeits and penalties	1,707	1,707	-	-
Federal grants	51	51	-	-
Total revenues	325,479	315,975	1,790	7,714
Operations:				
Board of Commissioners	3,628	3,628	-	-
General Administration	15,411	15,411	-	-
Monitoring and Research	28,445	28,445	-	-
Procurement and Materials Management	6,493	6,493	-	-
Human Resources	46,944	46,944	-	-
Information Technology	15,823	15,823	-	-
Law	8,164	8,164	-	-
Finance	3,203	3,203	-	-
Engineering	5,367	5,367	-	-
Maintenance and Operations	191,165	191,165	-	-
Claims and judgments	6,728	-	-	6,728
Total expenditures	331,371	324,643	-	6,728
Revenues over (under) expenditures	(5,892)	(8,668)	1,790	986
Fund balance at the beginning of year	210,676	(126,114)	275,459	61,331
Fund balance at the end of year	$ 204,784	$ (134,782)	$ 277,249	$ 62,317

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, 2010, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Assets			
Cash	$ 3,190	$ 3,189	$ 1
Certificates of deposit	5,140	-	5,140
Investments	25,882	13,146	12,736
Receivables:			
Property taxes receivable	11,895	11,895	-
Allowance for uncollectible taxes	(3,453)	(3,453)	-
Taxes receivable, net	8,442	8,442	
Miscellaneous	746	746	
Total assets	$ 43,400	$ 25,523	$ 17,877
Liabilities and Fund Balances			
Liabilities:			
Deferred tax revenue	$ 7,089	$ 7,089	$ -
Accounts payable and other liabilities	1,732	1,732	-
Due to Corporate Fund	254	254	-
Due to Construction Fund	-	9,500	(9,500)
Total liabilities	9,075	18,575	(9,500)
Fund balances:			
Restricted for:			
Working cash	27,377	-	27,377
Capital projects	6,948	6,948	-
Total fund balances	34,325	6,948	27,377
Total liabilities and fund balances	$ 43,400	$ 25,523	$ 17,877

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, 2010, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Working Cash Division
Revenues:			
Property taxes	$ 9,046	$ 9,046	$ -
Personal property replacement tax	1,387	1,387	-
Total tax revenue	10,433	10,433	-
Interest on investments	388	297	91
Miscellaneous	1	1	-
User charge	300	300	-
Fees, forfeits and penalties	965	965	-
Total revenues	12,087	11,996	91
Construction Costs:			
Personal services	7,089	7,089	-
Contractual services	635	635	-
Materials and supplies	18	18	-
Capital projects	5,140	5,140	-
Total expenditures	12,882	12,882	-
Revenues over (under) expenditures	(795)	(886)	91
Fund balance at the beginning of year	35,120	7,834	27,286
Fund balance at the end of year	$ 34,325	$ 6,948	$ 27,377

The District reports the following non-major governmental funds:

Retirement Fund

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

Stormwater Management Fund

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

The assets, liabilities, and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2010, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Assets			
Cash	$ 3,050	$ 3,050	$ -
Certificates of deposit	10,210	6,025	4,185
Investments	30,313	18,690	11,623
Receivables:			
Property taxes receivable	26,416	26,416	-
Allowance for uncollectible taxes	(3,228)	(3,228)	-
Taxes receivable, net	23,188	23,188	-
Total assets	$ 66,761	$ 50,953	$ 15,808
Liabilities and Fund Balances			
Liabilities:			
Deferred tax revenue	$ 21,780	$ 21,780	$ -
Accounts payable and other liabilities	2,496	2,496	-
Due to Corporate Fund	124	124	-
Due to Stormwater Management Fund	-	23,746	(23,746)
Total liabilities	24,400	48,146	(23,746)
Fund balances:			
Restricted for:			
Working cash	39,554	-	39,554
Capital projects	2,807	2,807	-
Total fund balances	42,361	2,807	39,554
Total liabilities and fund balances	$ 66,761	$ 50,953	$ 15,808

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, 2010, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Revenues:			
Property taxes	$ 8,366	$ 8,366	$ -
Personal property replacement tax	534	-	534
Total tax revenue	8,900	8,366	534
Interest on investments	502	435	67
Miscellaneous	1	1	-
Fees, forfeits and penalties	59	59	-
Total revenues	9,462	8,861	601
Construction Costs:			
Personal services	9,861	9,861	-
Contractual services	2,252	2,252	-
Materials and supplies	41	41	-
Capital projects	3,243	3,243	-
Fixed and other charges	1,000	1,000	-
Total expenditures	16,397	16,397	-
Revenues over (under) expenditures	(6,935)	(7,536)	601
Fund balance at the beginning of year	49,296	10,343	38,953
Fund balance at end of year	$ 42,361	$ 2,807	$ 39,554

In addition, the District reports the following fiduciary funds:

Pension Trust Fund

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

OPEB Trust Fund

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

c. Basis of Accounting and Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) All governmental funds have legally adopted budgets.

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

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

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

h. **Inventory**, consisting mainly of materials, supplies, and repair parts which extend the life of the District's treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-wide Statements of Net 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.

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

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

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

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

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

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

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

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

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

l. Compensated Absences for accumulated unpaid vacation, holiday, overtime, severance, and sick leave are paid to employees 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, 2010, are liabilities for compensated absences of $4,182,000, due within one year, and $25,678,000, 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 formal action of the Board.

- Assigned Fund Balances – This consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Executive Director may assign amounts of fund balances to a specific purpose.

- Unassigned Fund Balances – This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

- In the General Corporate Fund, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, followed by committed amounts, and then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized. For each budget year, the total fund balance in the General Corporate Fund is to be maintained between 12% and 15% of total appropriations. In governmental funds other than the General Corporate Fund, the District considers restricted amounts to have been spent last. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District will first utilize assigned amounts, followed by committed amounts, and then restricted amounts.

o. Net 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 $632,039,000 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 Pronouncement - 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 implemented this Statement for the year ending December 31, 2010.

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, 2010 (in thousands of dollars):

Total fund balances of governmental funds	$ 724,240
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets are not current financial resources and therefore are not reported as assets in governmental funds. However, capital assets are reported in the Statements of Net Assets. The cost of capital assets and accumulated depreciation is as follows:	
Capital assets	6,600,091
Accumulated depreciation	(193,791)
Capital assets, net	6,406,300
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	(29,860)
Claims and judgments	(41,292)
Capital lease	(53,688)
Bond anticipation notes	(196,225)
General obligation debt	(1,961,974)
Total long-term liabilities	(2,283,039)
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	(61,532)
Deferral of bond issuance costs and refunding transactions	31,965
Total deferrals	(29,567)
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 2010 amount is:	
Accrued interest	(13,468)
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	385,573
Adjustment for pension trust fund	(22,014)
Grants and rents	4,083
Federal subsidy	(3,077)
Adjustment to deferred revenues	364,565
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 Statements of Net Assets. They consist of:	
Net pension liability	(74,786)
Net OPEB obligation	(66,329)
Adjustment to liabilities	(141,115)
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	1,135
Due to other funds	(1,135)
Total interfund	-
Total net assets of governmental activities	$ 5,027,916

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, 2010 (in thousands of dollars):

Net change in fund balances of governmental funds	$ (259,471)
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	391,938
Depreciation expense-allocated to various departments	(3,133)
Depreciation/amortization expense-unallocated	(11,428)
Excess of construction and capital outlay costs over depreciation expense	377,377
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:	
Capital lease proceeds	(54,535)
Bond anticipation notes issued	(152,465)
Debt proceeds total	(207,000)
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 consist of :	
Debt service principal retirement	60,602
Debt service principal retirement total	60,602
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	1,820
Change in claims and judgments	(2,406)
Change in interest expense	9,142
Bond anticipation notes accrued interest	(646)
Change in net pension asset/obligation	(32,897)
Amortization of bond issuance/refunding costs	(3,341)
Amortization of bond premium	3,877
Change in OPEB obligation	(24,540)
Total additional expenses	(48,991)
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	(690)
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	(1,113)
Federal subsidy	(3,077)
Total adjustments	(4,190)
Change in net assets of governmental activities	$ (82,363)

3. Reconciliation of Budgetary Basis Accounting to GAAP Basis Accounting

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

	General Corporate Fund
Revenues and other sources (uses) over (under) expenditures on a budgetary basis	$ 1,408
Adjustment from Budget to GAAP for:	
Tax revenues	(12,272)
Cash basis other revenues	5,433
GAAP versus budgetary expenditure differences	(461)
Revenues and other sources (uses) over (under) expenditures on GAAP Basis	$ (5,892)

4. Deposits and Investments

Deposits

As of December 31, 2010, the District, the Pension Trust Fund and OPEB deposits were fully insured and collateralized.

Investments (excluding Trust Funds)

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

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December 31, 2010 (in thousands of dollars):

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1- 5 Years**
U.S. Agencies	$ 194,287	$ 27,934	$ 166,353
Municipal Bond	116,356	-	116,356
Commercial Paper	176,972	176,972	-
State Treasurer's Illinois Funds and Prime Funds	24,563	24,563	-
Total Investments	$ 512,178	$ 229,469	$ 282,709

The Illinois Funds invest a minimum of 75% of its assets in authorized investments of less than one year and no investment shall exceed two years maturity. The above fair value amount excludes accrued interest receivable of $2,943,000.

Interest Rate Risk

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

Credit Risk

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

Credit ratings for the District's investments in debt securities as described by Standard & Poor's and Moody's at December 31, 2010 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	Credit Ratings	% of Investment Type	% of Total Investments in Debt Securities
U.S. Agencies	AAA/Aaa	100.0%	37.9%
Commercial Paper	A-1/P-1	100.0%	34.5%
State Treasurer's Illinois Funds and Prime Funds	AAAm	100.0%	4.8%
State of Illinois *	A+/A/A1	87.1%	19.8%
Regional Transit Authority (IL) *	AA/AA-/Aa3	8.7%	2.0%
City of Chicago *	A+/AA-/Aa3	3.3%	0.8%
Kane County School District *	A+	0.9%	0.2%

* Municipal Bond

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

Investments	Fair Value	% of Fair Value
U.S. Agencies	$ 194,287	31.6%
Commercial Paper	176,972	28.8%
State Treasurer's Illinois Funds	24,563	4.0%
Certificate of Deposit	102,614	16.7%
Municipal Bond	116,356	18.9%
	$ 614,792	100.0%

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

Concentration of Credit Risk

The District's goal is to limit the amount that can be invested in commercial paper to one-third of the District's total investments, and no more than 20% of the amount invested in commercial paper can be invested in any one entity. In 2010 the market value of commercial paper represented 28.8% of the District's total investments. As of December 31, 2010, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
Federal National Mortgage Association	$ 118,845
State of Illinois Municipal Bond	101,363
Federal Home Loan Banks	47,613
Federal Home Loan Mortgage Corporation	27,830

Custodial Credit Risk

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

Trust Fund Investments

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

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

At December 31, 2010, the Trust's assets were invested in fixed income and equity mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates. For purposes of determining realized gains or losses on the disposal of investments, the average cost of investments sold, determined at the time of sale, is used.

At December 31, 2009, the Trust's assets were invested in 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 investment could be sold for.

Interest Rate Risk

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities (using the weighted average maturity method) for the Pension Trust Fund's investments at December 31, 2010 (in thousands of dollars):

Investment Type	Fair Value	Average Maturities (years)
Fixed Income:		
Pooled Funds - Long Term investments	$ 318,374	6.7
Pooled Funds - Short Term investments	20,526	0.1
Total Fixed Income	338,900	
Equities:		
Common and Preferred Stock	701,319	
Pooled Funds - Equities	20,673	
Securities lending Collateral	24,720	
Total Equities	746,712	
Total Investments	$ 1,085,612	

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

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

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities for the OPEB Trust Fund's investments at December 31, 2010 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Mutual Funds:			
Dodge & Cox Income	$ 4,323	22.5%	6.3
Payden Core Bond Fund	1,208	6.3	7.7
PIMCO Total Return Instl.	6,549	34.2	6.6
Vanguard Inflation Protected Secs.	7,081	37.0	8.7
Total Fixed Income	19,161		
Equities:			
American Funds Fundamental	7,332		
Fidelity Advisor Intl. Discovery	2,685		
Fidelity Contra Fund	5,113		
Harbor International Instl.	5,473		
MFS Massachusetts Investors	4,619		
Profit	1,268		
Perkins Small Cap Value I	2,473		
Vanguard Small Cap Index Instl.	2,693		
Total Equities Income	31,656		
Illinois Funds Investment Pool	143		
Total Investments	$ 50,960		

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, 2010; 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 (in thousands of dollars):

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

Credit Rating	Investment Type		Fair Value	%
AAA	Pooled Funds - Long Term investments	$	77,743	22.9
AA	Pooled Funds - Long Term investments		3,654	1.1
A	Pooled Funds - Long Term investments		30,786	9.1
Aaa	Pooled Funds - Long Term investments		170,963	50.4
Aa	Pooled Funds - Long Term investments		9,917	2.9
BAA	Pooled Funds - Long Term investments		7,804	2.3
Baa	Pooled Funds - Long Term investments		17,507	5.2
Not Rated	Pooled Funds - Short Term investments		20,526	6.1
		$	338,900	100.0%

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

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

The following reports the credit ratings for the Fund's debt securities at December 31, 2010; excluded are U.S. government obligations or obligations explicitly guaranteed by the U.S. Government, if any, which are classified under the headings U.S. Treasuries and U.S. Agencies:

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

Credit Rating (1)	Dodge & Cox Income	Payden Core Bond Fund	PIMCO Total Return Instl.	Vanguard Protect Secs.
AAA	51.6 %	42.0 %	64.0 %	100.0 %
AA	6.2	6.0	9.0	
A	13.2	17.0	13.0	
BBB	18.4	35.0	8.0	
BB	5.5	-	3.0	
B	5.1	-	2.0	
Below B	-	-	1.0	
	100.0 %	100.0 %	100.0 %	100.0 %

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

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments are in equities and cash. The Pension Trust Fund does not maintain an investment policy relative to foreign currency risk. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2010 was as follows:

Equities	Fair Value	%
Australian Dollar	$ 5,833,209	10.6
Danish Krone	2,293,544	4.2
Euro	16,894,486	30.8
Hong Kong Dollar	1,026,101	1.9
Japanese Yen	13,024,869	23.7
Norwegian Krone	688,112	1.3
Singapore Dollar	690,957	1.3
Swedish Krona	1,993,435	3.6
Swiss Franc	2,760,176	5.0
British Pound Sterling	9,667,442	17.6
Total	$ 54,872,331	100.0%

Deposits	Fair Value	%
Australian Dollar	$ 88,560	16.8
Canadian Dollar	712	0.1
Danish Krone	122,852	23.4
Euro	49,380	9.4
Hong Kong Dollar	9,682	1.8
Japanese Yen	71,575	13.6
Norwegian Krone	4,772	0.9
Singapore Dollar	6,448	1.2
Swedish Krona	65	0.0
Swiss Franc	132,779	25.4
British Pound Sterling	38,948	7.4
Total	$ 525,773	100.0%

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

As of December 31, 2010, the Trust investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

Fund Name	Fair Value
Fidelity Advisory Intl. Discovery Instl.	$ 2,685
Harbor International Instl.	5,473
	$ 8,158

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.

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, 2010 is as follows:

Market value of securities loaned for cash collateral	$ 24,096,075
Market value of securities loaned for non-cash collateral	-
Total market value of securities loaned	$ 24,096,075
Market value of cash collateral from borrowers	24,720,006
Market value of non-cash collateral from borrowers	-
Total market value of collateral from borrowers	$ 24,720,006

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, 2010 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, 2010:							
Property taxes:	$ 299,913	$ 199,168	$ -	$ 11,895	$ 59,280	$ 570,256	$ 570,256
Allowance for uncollectible taxes	(66,230)	(44,013)	-	(3,453)	(10,542)	(124,238)	(124,238)
Net property taxes	233,683	155,155	-	8,442	48,738	446,018	446,018
Personal property replacement tax	-	-	-	-	3,834	3,834	3,834
Total taxes receivable, net	233,683	155,155	-	8,442	52,572	449,852	449,852
Other receivables:							
User charges	1,653	-	-	-	-	1,653	1,653
State revolving fund loans	-	-	70,088	-	-	70,088	70,088
Federal subsidy	-	1,001	-	-	-	1,001	1,001
Miscellaneous	5,686	-	-	746	-	6,432	6,432
Total other receivables, net	7,339	1,001	70,088	746	-	79,174	79,174
Total net receivables, December 31, 2010	$ 241,022	$ 156,156	$ 70,088	$ 9,188	$ 52,572	$ 529,026	$ 529,026

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

Deferred Revenues

Deferred tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Other deferred revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Assets for rental resources that have been received, but not earned. Other deferred revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of deferred revenue as of December 31, 2010 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, 2010:							
Deferred tax revenue	$ 201,879	$ 132,810	$ 7,089	$ 43,795	$ 385,573	$ (385,573)	$ -
Other deferred revenue:							
Rental income	2,213	-	-	-	2,213	(5)	2,208
Grant revenue	-	1,001	-	-	1,001	(1,001)	-
Total other deferred revenue	2,213	1,001	-	-	3,214	(1,006)	2,208
Total deferred revenue at December 31, 2010	$ 204,092	$ 133,811	$ 7,089	$ 43,795	$ 388,787	$ (386,579)	$ 2,208

Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2010 in the District's governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	General Corporate	Capital Improvements Bond	Construction	Other Governmental	Total Governmental	Statement of Net Assets
Accounts payable and other liabilities at December 31, 2010:						
Vouchers payable and other liabilities	$ 34,893	$ 65,582	$ 1,732	$ 2,496	$ 104,703	$ 104,703
Accrued payroll and withholdings	8,463	-	-	-	8,463	8,463
Bid deposits	2,435	-	-	-	2,435	2,435
Total accounts payable and other liabilities as of December 31, 2010	$ 45,791	$ 65,582	$ 1,732	$ 2,496	$ 115,601	$ 115,601

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2010, are as follows (in thousands of dollars):

	Balances January 1, 2010	Additions	Retirements	Balances December 31, 2010
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	$ 127,043	$ 3,220	$ 303	$ 129,960
Permanent easements	-	1,330	-	1,330
Construction in progress	768,536	330,666	12,118	1,087,084
Infrastructure under modified approach	3,400,708	12,359	551	3,412,516
Total capital assets not depreciated/amortized	4,296,287	347,575	12,972	4,630,890
Capital assets depreciated/amortized:				
Buildings	13,226	-	-	13,226
Equipment	54,877	1,662	1,208	55,331
Computer software	-	2,261	-	2,261
Infrastructure and easements	1,845,274	53,109	-	1,898,383
Total capital assets being depreciated/amortized	1,913,377	57,032	1,208	1,969,201
Less accumulated depreciation/amortization:				
Buildings	4,761	185	-	4,946
Equipment	18,783	2,948	827	20,904
Computer software	-	878	-	878
Infrastructure and easements	156,513	10,550	-	167,063
Total accumulated depreciation/amortization	180,057	14,561	827	193,791
Total capital assets depreciated/amortized, net	1,733,320	42,471	381	1,775,410
Governmental activities capital assets, net	$ 6,029,607	$ 390,046	$ 13,353	$ 6,406,300

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2010, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	$ 10
General Administration	445
Monitoring and Research	239
Procurement and Materials Management	7
Human Resources	16
Information Technology	392
Law	10
Finance	9
Engineering	1,143
Maintenance and Operations	862
Total allocated depreciation	3,133
Unallocated infrastructure depreciation	11,428
Total depreciation	$ 14,561

7. Pension Plan

Plan Description

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

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

Basis of Accounting

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

Annual Pension Cost and Net Pension Asset (Obligation)

The annual pension cost and net pension asset (obligation) of the Plan for the year ended December 31, 2010, were as follows (in thousands of dollars):

Annual required contribution	$	61,873
Interest on net pension obligation		3,246
Adjustment to annual required contribution		(2,304)
Annual pension cost		62,815
Contributions made		(29,918)
Increase in net pension obligation		32,897
Net pension obligation beginning of year		41,889
Net pension obligation end of year	$	74,786

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, 2010 actuarial valuation, using the Entry Age Normal actuarial cost method and the Level Dollar amortization method. The actuarial assumption includes: (a) 7.75% per year rate of return on investments, net of investment expense, compounded annually; (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation as well as seniority and merit increases; (c) post-retirement benefit compound increases of 3.0% per year for employee and surviving spouse annuitants; and (d) 3.00% inflation rate. The actuarial value of assets was determined by using the five-year Smoothed Market method. The unfunded actuarial accrued liability is being amortized as a level percent of payroll on an open basis. The amortization period at December 31, 2010, 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, 2010, are presented below (in thousands of dollars):

	Employer Contributions		
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	$ 62,815	47.63%	$ (74,786)
12/31/2009	55,214	58.24%	(41,889)
12/31/2008	49,813	67.06%	(18,829)

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
12/31/2010	$ 1,151,595	$ 2,036,680	$ 885,085	56.54%	$ 174,486	507.25%

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

8. OPEB - Other Post-Employment Benefits

Plan Description

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing of OPEB and the payment of benefits for the Metropolitan Water Reclamation District of Greater Chicago. Pursuant to Illinois Statute 70 ILCS 2605/9.6d, the District adopted the Metropolitan Water Reclamation District Retiree Health Care Plan (the “Plan”) effective December 6, 2007. The purpose of the “Plan” is to provide postretirement medical and prescription drug coverage benefits to retirees as well as spouses and dependants of retirees that fulfill certain eligibility requirements. Retirees and annuitants receiving a pension through the Pension Trust Fund are eligible for District-sponsored health insurance. As of December 31, 2010, there are 2,116 active employees and 2,776 retirees and beneficiaries currently receiving health care coverage.

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

Basis of Accounting

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

Contributions

The District has not entered into any long-term contracts for contributions to the plan as of the date of this report. State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners discretionary authority to determine contribution amounts to be paid by the District. 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 expenditures. 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 advance funding contributions made by the District to the Plan in 2009 or 2010. 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 2010 by the District was $15,516,965, all claims paid (net of participant contributions).

Annual OPEB Cost and Net OPEB Obligation

The following OPEB cost and net OPEB obligation was determined for the year ended December 31, 2010 (in thousands of dollars).

Annual required contribution	$ 39,847
Interest on net OPEB obligation	1,029
Adjustment to annual required contribution	(819)
Annual OPEB cost	40,057
Contributions made	(15,517)
Increase in net OPEB obligation	24,540
Net OPEB obligation beginning of year	41,789
Net OPEB obligation end of year	$ 66,329

Funding Status and Progress

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

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

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
Annual projected payroll growth rate	3.60%

Trend Information

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2010, are presented below (in thousands of dollars):

Schedule of Employer Contributions

Period Ended	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2010	$ 39,847	38.9%	$ 66,329
12/31/2009	39,847	36.6%	41,789
12/31/2008	44,739	80.1%	16,325

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of $4,694,693 at December 31, 2010. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $758,177,635 at December 31, 2010. State Revolving Fund Loan commitments of $111,882,691 at December 31, 2010, are also collectible as contract expenditures are incurred.

The Internal Revenue Code requires that an issuer of tax-exempt bonds rebate to the United States any excess investment earnings made with the gross proceeds of an issue over the amount which would have been earned had such proceeds been invested at a rate equal to the yield on the issue. The Internal Revenue Code offers certain "safe harbors" permitting qualified governments to keep extra earnings that result from arbitrage. The District has made a determination of their probable liability for amounts potentially due to the United States government. As of December 31, 2010, the District has no arbitrage rebate liability.

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

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

By letter dated September 24, 2010, the Tax-Exempt Bond function of the Internal Revenue Service notified the District that it is conducting an examination of the 2009 Bonds. The District believes that all requirements of the Internal Revenue Code relating to Build America Bonds were satisfied.

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, 2010, 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, the current estimated cost was determined 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, 2010 in the liabilities of the government-wide financial statements. Of this amount, $3,100,000 is classified as a short-term liability and the remaining $7,700,000 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, 2010, are listed below. There were no reductions in insurance coverage from the prior year. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

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

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

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

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

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

Group Travel Accidental
Accidental death benefits............ $500,000
Dismemberment benefits............ sliding scale
Aggregate limits $5,000,000

Non-owned Aircraft Liability
Each occurrence $5,000,000

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

Aggregate limit..$5,000,000
Deductible.. $25,000

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

	2010	2009
Claims Payable at January 1	$ 38,886	$ 30,813
Claims incurred	6,728	9,464
Changes in prior years' claims estimate	2,406	8,073
Claim payments	(6,728)	(9,464)
Claims Payable at December 31	$ 41,292	$ 38,886

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2010 (in thousands of dollars):

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due Within One Year
Governmental long-term liabilities:					
Bonds and notes payable:					
General obligation debt	$ 1,870,939	$ -	$ (59,755)	$ 1,811,184	$ 28,795
Converted bond anticipation notes	108,264	42,526	-	150,790	32,844
Total general obligation debt	1,979,203	42,526	(59,755)	1,961,974	61,639
Deferred amounts:					
Issuance costs	(6,774)	-	302	(6,472)	(302)
Premium	65,409	-	(3,877)	61,532	3,877
Refunding transactions	(28,532)	-	3,039	(25,493)	(3,039)
Bonds payable, net	2,009,306	42,526	(60,291)	1,991,541	62,175
Bond anticipation notes	86,286	152,465	(42,526)	196,225	-
Net bonds and notes payable	2,095,592	194,991	(102,817)	2,187,766	62,175
Other liabilities:					
Claims and judgments	38,886	9,134	(6,728)	41,292	9,077
Compensated absences	31,680	19	(1,839)	29,860	4,182
Capital lease (note 14)	-	54,535	(847)	53,688	1,752
Total governmental long-term liabilities	$ 2,166,158	$ 258,679	$ (112,231)	$ 2,312,606	$ 77,186

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, 2010, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

Bonds Payable Maturity Table

Maturing	Capital Improvement Bond Series (3.0-5.720%) (Issued 12/02 to 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
2011	$ 28,795	$ -	$ 32,844	$ 61,639	$ 92,619
2012	28,880	-	32,638	61,518	90,305
2013	17,400	-	31,808	49,208	88,016
2014	-	18,760	30,454	49,214	86,276
2015	11,995	19,675	29,331	61,001	84,619
2016-2020	59,660	101,930	127,797	289,387	389,362
2021-2025	27,905	166,150	92,628	286,683	331,738
2026-2030	-	232,425	30,429	262,854	271,123
2031-2035	250,000	240,470	-	490,470	197,692
2036-2038	350,000	-	-	350,000	40,898
	$ 774,635	$ 779,410	$ 407,929	$ 1,961,974	$ 1,672,648

Expenditures for principal and interest made on January 1, 2011 approximated $16,314,000 and $5,223,000 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 Limited Tax Series D at December 31, 2009 were $6,100,000 and $43,600,000, 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. Under this authority, the IEPA has subsequently approved the following loan amounts.

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

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

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

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

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

State Revolving Fund Loan proceeds are recognized as “other financing sources” of the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as proceeds is also recognized as a long-term liability in the government-wide Statements of Net 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 $42,526,200 in 2010 represented the sum of bond anticipation note principal of $41,930,700 and interest in the amount of $595,500.

2010 Bond Issues and adjustments to existing issues under the IEPA 1997, 2001 and 2004 authority, included:

- July 2010 – The District issued $4,175,100 of Capital Improvement Bonds - IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of $4,083,600 and interest of $91,500 with maturity dates from January 1, 2011 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2010 – The District issued $2,626,200 of Capital Improvement Bonds – IEPA Series 04B, through the conversion of the sum of bond anticipation note principal of $2,520,000 and interest of $106,200 with maturity dates from January 1, 2011 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2010 – The District issued $688,100 of Capital Improvement Bonds - IEPA Series 04E, through the conversion of the sum of bond anticipation note principal of $647,800 and interest of $40,300 with maturity dates from January 1, 2011 to January 1, 2028. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2010 – The District issued $31,184,300 of Capital Improvement Bonds - IEPA Series 07A, through the conversion of the sum of bond anticipation note principal of $30,905,500 and interest of $278,800 with maturity dates from January 1, 2011 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- July 2010 – The District issued $3,852,500 of Capital Improvement Bonds - IEPA Series 07D, through the conversion of the sum of bond anticipation principal of $3,773,800 and interest of $78,700 with maturity dates from January 1, 2011 to January 1, 2030. 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 $200,423,400 at December 31, 2010. Of the bond anticipation notes outstanding at December 31, 2010, $6,400,300 will be refinanced through IEPA Series 2004 bonds, $100,597,300 will be refinanced through IEPA Series 2007 bonds, and the remaining $93,425,800 will be refinanced through IEPA series 2009 bonds. The conversion of these bond anticipation notes to Capital Improvement Bonds is not expected to occur within the next calendar year; therefore, the notes will be reported as a part of long term-debt.

Refunding Transactions

In prior years, the District defeased certain obligations and other bonds by placing the proceeds of new bonds and additional cash in trust to provide for all future debt service requirements of the refunded debt. Accordingly, the trust account assets and the liability for the refunded bonds are not included in the accompanying financial statements, as the District defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions. Bonds outstanding in the amount of $460,905,000 were considered defeased at December 31, 2010.

12. Interfund Transaction

The interfund receivable and payable balances at the end of the year are reported as “due from/to other funds” in the Governmental Funds Balance Sheets and are eliminated in the government-wide Statements of Net Assets. The balances represent payroll transactions paid from the General Corporate Fund that are later reimbursed by other funds. Also, any temporary cash overdrafts are reclassified as interfund receivable/payable balances at the end of the year in the fund balance sheet. Interfund balances are generally repaid within a year of the fiscal year end.
Individual interfund receivable and payable balances at December 31, 2010 are as follows (in thousands of dollars):

	Interfund	
	Receivables	**Payables**
General Corporate Fund	$ 1,135	$ -
Capital Projects Funds:		
Capital Improvements Bond Fund	-	757
Construction Fund	-	254
Stormwater Management Fund	-	124
	$ 1,135	$ 1,135

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund at December 31, 2010 that represented earned but uncollected property taxes in the Retirement Fund and the government-wide Statements of Net Assets.

13. Property Tax Extension Limitation Law

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

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

14. Leases

Capital Lease

In December 2000, the Board of Commissioners authorized the District to enter into a long-term contract with a contractor to design, build, finance, own, operate, and maintain a 150 dry ton per day biosolids processing facility at the District’s Central (Stickney) Water Reclamation Plant, and beneficially use the final product for a period of twenty years. The cost of the biosolids processing facility is considered a capital lease since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments for the capital lease are estimated at $83,123,000 for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. As of December 31, 2010, the District capitalized the net value of $52,151,000 relating to this facility. During 2010, the District incurred expenses of approximately $847,000 for principal and $1,231,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2010, the future minimum lease payments for the biosolids facility are shown below (in thousands of dollars):

Capital Lease Payable Maturity Table

Maturing	Total Principal	Total Interest	Total Payments
2011	$ 1,752	$ 2,404	$ 4,156
2012	1,833	2,323	4,156
2013	1,919	2,238	4,157
2014	2,008	2,149	4,157
2015	2,101	2,055	4,156
2016-2020	12,060	8,721	20,781
2021-2025	15,131	5,650	20,781
2026-2030	16,884	1,817	18,701
Total Minimum Lease Payments	$ 53,688	$ 27,357	$ 81,045

Lease Rentals

The District leases land to governmental and commercial tenants under operating lease agreements for periods of up to 99 years. There were no contingent lease rentals for the period. The commercial leases are considered non-cancellable and the following is a summary of the minimum future rentals for these leases at December 31, 2010, (in thousands of dollars):

2011	$ 6,600
2012	6,296
2013	6,233
2014	6,229
2015	6,188
Later Years	176,351
Total Minimum Future Rental Income	$ 207,897

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

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

Modified Approach for Eligible Infrastructure Assets

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

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

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

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

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

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

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

Condition assessments of each network will continue at least every three years following the initial assessment. The Calumet, Lemont, and Hanover WRP's were re-assessed in 2009, the Northside and Egan plants were re-assessed in 2010, and Kirie, Central (Stickney), and Waterways were re-assessed in 2008.

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

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Condition Assessment Ratings					
Kirie WRP Network					
Initial Condition Assessment - 2002	3	3	2	NA	NA
Subsequent assessment - 2005	3	3	3	NA	NA
Subsequent assessment - 2008	3	2	3	NA	NA
Hanover WRP Network					
Initial Condition Assessment - 2003	2	2	2	NA	2
Subsequent assessment - 2006	3	2	2	NA	2
Subsequent assessment - 2009	3	2	2	NA	2
Egan WRP Network					
Initial Condition Assessment - 2004	2	2	2	NA	NA
Subsequent assessment - 2007	3	2	2	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
North Side WRP Network					
Initial Condition Assessment - 2004	3	3	3	NA	NA
Subsequent assessments - 2007	3	3	3	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
Central (Stickney) WRP Network					
Initial Condition Assessment - 2005	3	3	2	NA	2
Subsequent assessments - 2008	3	3	3	NA	2
Waterways WRP Network					
Initial Condition Assessment - 2005	NA	NA	NA	2	NA
Subsequent assessment - 2008	NA	NA	NA	2	NA
Calumet WRP Network					
Initial Condition Assessment - 2006	3	3	3	NA	3
Subsequent assessment - 2009	3	3	3	NA	2
Lemont WRP Network					
Initial Condition Assessment - 2006	2	3	2	NA	NA
Subsequent assessment - 2009	3	3	3	NA	NA
Maintenance/Preservation Costs					
Kirie WRP Network					
Estimated 2010	$ 613,200	$ 6,171,585	$ -	NA	NA
Actual 2010	596,164	2,859,083	1,210	NA	NA
Estimated 2009	$ 3,664,400	$ 9,136,786	$ 158,600	NA	NA
Actual 2009	463,677	7,345,024	1,362,495	NA	NA
Estimated 2008	$ 406,633	$ 8,782,250	$ 158,500	NA	NA
Actual 2008	531,475	4,413,531	545,837	NA	NA
Estimated 2007	$ 387,569	$ 6,957,162	$ 158,200	NA	NA
Actual 2007	623,569	3,611,678	47,587	NA	NA
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
Hanover WRP Network					
Estimated 2010	$ 173,700	$ 678,205	$ 192,300	NA	$ 29,100
Actual 2010	170,921	969,002	254,706	NA	28,605

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
Hanover WRP Network *(continued)*					
Estimated 2009	$ 180,200	$ 1,071,752	$ 289,623	NA	$ 105,229
Actual 2009	151,980	1,123,785	323,961	NA	34,989
Estimated 2008	$ 133,069	$ 904,488	$ 326,827	NA	$ 79,447
Actual 2008	111,148	909,123	286,703	NA	68,470
Estimated 2007	$ 119,500	$ 851,062	$ 291,000	NA	$ 82,600
Actual 2007	147,885	750,227	275,058	NA	79,862
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
Egan WRP Network					
Estimated 2010	$ 704,825	$ 3,406,512	$ 871,569	NA	NA
Actual 2010	925,942	3,299,260	1,350,277	NA	NA
Estimated 2009	$ 442,114	$ 14,095,304	$ 775,216	$ 59,300	NA
Actual 2009	559,786	11,166,975	1,093,579	64,945	NA
Estimated 2008	$ 448,270	$ 10,155,227	$ 882,962	$ 65,600	NA
Actual 2008	515,844	8,811,776	940,624	69,120	NA
Estimated 2007	$ 395,121	$ 7,084,810	$ 704,115	$ 55,200	NA
Actual 2007	499,403	7,271,168	813,324	159,168	NA
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
North Side WRP Network					
Estimated 2010	$ 3,963,054	$ 6,070,964	$ 576,800	$ 11,493	NA
Actual 2010	4,048,224	5,956,375	605,929	70,850	NA
Estimated 2009	$ 8,151,138	$ 7,668,457	$ 2,022,200	$ 1,045,000	NA
Actual 2009	4,554,380	7,224,353	637,659	2,165,558	NA
Estimated 2008	$ 4,969,702	$ 7,469,780	$ 592,619	$ 393,700	NA
Actual 2008	4,664,926	7,583,178	661,543	308,518	NA
Estimated 2007	$ 5,646,911	$ 5,634,418	$ 600,944	$ 32,500	NA
Actual 2007	4,715,211	5,148,533	564,643	34,332	NA
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
Central (Stickney) WRP Network					
Estimated 2010	$ 15,061,076	$ 19,329,365	$ 8,725,254	NA	$ 14,784,156
Actual 2010	14,219,095	13,759,866	12,745,392	NA	12,175,411
Estimated 2009	$ 24,507,569	$ 33,890,139	$ 15,331,569	NA	$ 11,697,814
Actual 2009	15,540,900	24,895,356	17,368,733	NA	14,204,102

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Pollution Control System	Drying/ Utilization System
Central (Stickney) WRP Network *(continued)*					
Estimated 2008	$ 20,412,124	$ 17,058,681	$ 15,947,999	NA	$ 5,365,073
Actual 2008	14,528,403	15,329,846	16,639,862	NA	1,651,578
Estimated 2007	$ 17,171,976	$ 12,916,324	$ 8,075,458	NA	$ 6,414,560
Actual 2007	13,549,178	15,427,294	12,873,386	NA	7,350,596
Estimated 2006	$ 14,094,070	$ 16,606,449	$ 13,624,331	NA	$ 10,849,650
Actual 2006	11,725,879	14,280,229	12,097,382	NA	8,702,241
Estimated 2005	$ 14,369,199	$ 22,514,878	$ 14,566,168	NA	$ 16,002,887
Actual 2005	12,398,675	24,588,624	14,252,397	NA	13,612,168
Waterways WRP Network					
Estimated 2010	NA	NA	NA	$ 1,910,783	NA
Actual 2010	NA	NA	NA	1,262,520	NA
Estimated 2009	$ 1,800	NA	NA	$ 2,324,631	NA
Actual 2009	5,434	$ 297	NA	1,297,871	NA
Estimated 2008	$ 1,800	NA	NA	$ 1,800,451	NA
Actual 2008	1,546	$ 10,720	NA	1,315,055	NA
Estimated 2007	$ 80,000	NA	NA	$ 1,739,312	NA
Actual 2007	1,369	$ 9,054	NA	1,534,846	NA
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
Calumet WRP Network					
Estimated 2010	$ 6,270,304	$ 26,407,171	$ 3,136,498	$ 533,804	NA
Actual 2010	5,466,321	23,313,873	3,610,143	554,878	NA
Estimated 2009	$ 7,086,894	$ 44,879,075	$ 3,871,945	$ 5,169,914	NA
Actual 2009	7,187,327	57,258,251	4,214,457	1,290,778	NA
Estimated 2008	$ 6,980,720	$ 38,323,961	$ 3,099,557	$ 3,142,376	NA
Actual 2008	6,332,135	37,285,024	3,821,253	1,734,287	NA
Estimated 2007	$ 6,374,829	$ 40,832,405	$ 2,727,321	$ 1,709,048	NA
Actual 2007	5,878,452	31,105,454	6,265,556	1,058,458	NA
Estimated 2006	$ 6,071,807	$ 11,623,792	$ 5,992,113	$ 1,438,577	NA
Actual 2006	5.121,568	7,383,164	7,877,502	1,328,582	NA
Lemont WRP Network					
Estimated 2010	$ 47,000	$ 116,360	NA	NA	NA
Actual 2010	4,428	11,724	NA	NA	NA
Estimated 2009	$ 47,000	$ 55,200	NA	NA	NA
Actual 2009	814	33,048	NA	NA	NA
Estimated 2008	$ 47,000	$ 44,200	NA	NA	NA
Actual 2008	14,516	23,966	NA	NA	NA
Estimated 2007	$ 32,000	$ 35,900	NA	NA	NA
Actual 2007	22,706	28,056	NA	NA	NA
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)

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/2010	12/31/2010	$ 1,151,595	$ 2,036,680	$ 885,085	56.54%	$ 174,486	507.25%
12/31/2009	12/31/2009	1,177,810	1,939,172	761,362	60.70%	176,915	430.35%
12/31/2008	12/31/2008	1,211,838	1,852,280	640,442	65.40%	167,865	381.52%

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

Progress in Funding Other Post Employment Trust Funds

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

(in thousands of dollars)

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL/ (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	12/31/2009	$ 47,891	$ 526,476	$ 478,585	9.10%	$ 170,392	280.87%
12/31/2009	12/31/2009	47,891	526,476	478,585	9.10%	170,392	280.87%
12/31/2008	01/01/2007	25,025	442,683	417,658	5.70%	158,832	263.00%

Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was completed as of December 31, 2009.

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

CAPITAL PROJECTS FUND

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

Exhibit B-1
Combining Balance Sheets - Nonmajor Governmental Funds

December 31, 2010
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2010	2009	2010	2009	2010	2009
Assets						
Cash	$ -	$ -	$ 3,050	$ 1,881	$ 3,050	$ 1,881
Certificates of deposit	-	-	10,210	38,713	10,210	38,713
Investments	-	-	30,313	8,814	30,313	8,814
Taxes receivable, net	29,384	30,475	23,188	8,539	52,572	39,014
Total assets	$ 29,384	$ 30,475	$ 66,761	$ 57,947	$ 96,145	$ 88,422
Liabilities and Fund Balances						
Liabilities:						
Deferred tax revenue	$ 22,015	$ 22,953	$ 21,780	$ 7,422	$ 43,795	$ 30,375
Accounts payable and other liabilities	-	-	2,496	1,101	2,496	1,101
Due to Pension Trust Fund	7,369	7,522	-	-	7,369	7,522
Due to other funds	-	-	124	128	124	128
Total liabilities	29,384	30,475	24,400	8,651	53,784	39,126
Fund balances:						
Restricted for:						
Working Cash	-	-	39,554	38,953	39,554	38,953
Capital projects	-	-	2,807	10,343	2,807	10,343
Total fund balances	-	-	42,361	49,296	42,361	49,296
Total liabilities and fund balances	$ 29,384	$ 30,475	$ 66,761	$ 57,947	$ 96,145	$ 88,422

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

Year ended December 31, 2010
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2010	2009	2010	2009	2010	2009
Revenues						
Revenues:						
Property taxes	$ 24,101	$ 24,984	$ 8,366	$ 14,102	$ 32,467	$ 39,086
Personal property replacement tax	5,998	6,760	534	704	6,532	7,464
Interest on investments	-	-	502	653	502	653
Miscellaneous	-	-	1	7	1	7
Fees, forfeits, and penalties	-	-	59	142	59	142
Total revenues	30,099	31,744	9,462	15,608	39,561	47,352
Expenditures						
Current Operations:						
Pension costs	30,099	31,744	-	-	30,099	31,744
Construction costs	-	-	16,397	12,788	16,397	12,788
Total expenditures	30,099	31,744	16,397	12,788	46,496	44,532
Revenues over (under) expenditures	-	-	(6,935)	2,820	(6,935)	2,820
Fund balances						
Beginning of the year	-	-	49,296	46,476	49,296	46,476
End of the year	$ -	$ -	$ 42,361	$ 49,296	$ 42,361	$ 49,296

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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, 2010

(in thousands of dollars)

Corporate Division	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Board of Commissioners:					
Personal services					
Salaries of regular employees	$ 3,230	$ (150)	$ 3,080	$ 3,028	$ 52
Compensation plan adjustments	66	150	216	149	67
Tuition and training payments	2	1	3	3	-
Payment for professional services	375	(1)	374	235	139
Personal services not otherwise classified	240	-	240	172	68
Total personal services	3,913	-	3,913	3,587	326
Contractual services					
Travel	2	-	2	2	-
Meals and lodging	7	-	7	2	5
Subscriptions and membership dues	32	-	32	31	1
Contractual services not otherwise classified	2	-	2	-	2
Total contractual services	43	-	43	35	8
Materials and supplies					
Office, printing, and photographic supplies	6	-	6	5	1
Total materials and supplies	6	-	6	5	1
Board of Commissioners total	3,962	-	3,962	3,627	335
General Administration:					
Personal Services					
Salaries of regular employees	9,761	(80)	9,681	9,513	168
Compensation plan adjustments	636	387	1,023	1,012	11
Tuition and training payments	106	(63)	43	26	17
Payment for professional services	325	(205)	120	66	54
Personal services not otherwise classified	54	(52)	2	2	-
Total personal services	10,882	(13)	10,869	10,619	250
Contractual services					
Travel	17	-	17	6	11
Meals and lodging	41	-	41	31	10
Postage, freight, and delivery charges	249	(16)	233	184	49
Compensation for personally owned autos	10	1	11	11	-
Motor vehicle operating expenditures	191	(40)	151	129	22
Reprographic services	121	(22)	99	77	22
Electrical energy	535	(12)	523	489	34
Natural gas	44	(5)	39	28	11
Water and water services	8	-	8	5	3
Communication services	4	-	4	3	1
Subscriptions and membership dues	366	16	382	380	2
Rental charges	29	5	34	14	20

(continued)

(in thousands of dollars)

Corporate Division (continued)	**Budget Amounts** Original	Net Transfers	Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
General Administration (continued):					
Administration building operation	$ 796	$ 32	$ 828	$ 816	$ 12
Administrative building operation annex	646	8	654	572	82
Contractual services not otherwise classified	282	4	286	204	82
Repairs to buildings	346	(2)	344	295	49
Repairs to office furniture and equipment	202	-	202	84	118
Computer software maintenance	4	-	4	1	3
Communication equipment maintenance	13	(13)	-	-	-
Repairs to vehicle equipment	564	62	626	486	140
Repairs not otherwise classified	2	-	2	-	2
Total contractual services	4,470	18	4,488	3,815	673
Materials and supplies					
Electrical parts and supplies	13	-	13	6	7
Plumbing accessories and supplies	4	3	7	6	1
Hardware	9	1	10	10	-
Office, printing, and photographic supplies	204	(5)	199	97	102
Cleaning Supplies	3	-	3	1	2
Wearing apparel	48	(6)	42	23	19
Books, maps, and charts	20	1	21	21	-
Computer software	3	6	9	6	3
Computer supplies	3	-	3	-	3
Materials and supplies not otherwise classified	87	(5)	82	15	67
Total materials and supplies	394	(5)	389	185	204
Machinery and equipment					
Office furniture and equipment	690	-	690	557	133
Vehicle equipment	217	-	217	217	-
Total machinery and equipment	907	-	907	774	133
General Administration total	16,653	-	16,653	15,393	1,260
Monitoring and Research:					
Personal services					
Salaries of regular employees	23,746	(454)	23,292	23,212	80
Compensation plan adjustments	843	300	1,143	1,122	21
Salaries of non-budgeted employees	10	-	10	5	5
Tuition and traning payments	54	-	54	39	15
Payment for professional services	971	212	1,183	1,121	62
Total personal services	25,624	58	25,682	25,499	183
Contractual services					
Travel	31	(9)	22	11	11

(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, 2010

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Monitoring and Research (continued):					
Meals and lodging	$ 80	$ (30)	$ 50	$ 43	$ 7
Postage, freight, and delivery charges	21	(6)	15	5	10
Compensation for personally owned autos	35	15	50	43	7
Motor vehicle operating services	5	-	5	1	4
Reprographic services	5	-	5	2	3
Water and water services	10	-	10	5	5
Communication services	2	(2)	-	-	-
Rental charges	37	(18)	19	9	10
Governmental services charges	18	18	36	36	-
Contractual services not otherwise classified	628	(7)	621	467	154
Repairs to marine equipment	97	(14)	83	60	23
Computer software maintenance	100	(1)	99	99	-
Communication equipment maintenance	1	-	1	-	1
Repairs to testing and laboratory equipment	559	(66)	493	447	46
Repairs not otherwise classified	3	-	3	1	2
Total contractual services	1,632	(120)	1,512	1,229	283
Materials and supplies					
Office, printing, and photographic supplies	48	7	55	55	-
Farming supplies	15	(7)	8	4	4
Laboratory testing supplies and small equipment	536	(44)	492	455	37
Wearing apparel	28	-	28	11	17
Books, maps, and charts	4	-	4	-	4
Computer software	1	-	1	-	1
Computer supplies	10	-	10	4	6
Fuel	49	-	49	22	27
Communications supplies	3	-	3	3	-
Materials and supplies not otherwise classified	94	-	94	71	23
Total materials and supplies	788 `	(44)	744	625	119
Machinery and equipment					
Testing and laboratory equipment	491	48	539	538	1
Total machinery and equipment	491	48	539	538	1
Monitoring and Research total	28,535	(58)	28,477	27,891	586
Procurement and Materials Management					
Personal Services					
Salaries of regular employees	5,286	-	5,286	5,205	81
Compensation plan adjustments	164	-	164	56	108
Tuition and training payments	6	-	6	4	2
Payments for professional services	25	-	25	-	25

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Procurement and Materials Management (continued):					
Personal services not otherwise classified	$ 18	$ -	$ 18	$ -	$ 18
Total personal services	5,499	-	5,499	5,265	234
Contractual services					
Travel	1	-	1	1	-
Meals and lodging	3	-	3	3	-
Postage, freight, and delivery charges	1	-	1	-	1
Compensation for personally owned autos	2	2	4	4	-
Motor vehicle operating services	-	1	1	-	1
Testing and inspection services	3	(3)	-	-	-
Subscriptions and membership dues	5	(2)	3	-	3
Advertising	167	(28)	139	67	72
Contractual services not otherwise classified	5	-	5	-	5
Repairs to buildings	3	-	3	1	2
Repairs to office furniture and equipment	5	-	5	2	3
Computer software maintenance	7	-	7	4	3
Communication equipment maintenance	2	-	2	-	2
Repairs to vehicle equipment	13	6	19	14	5
Total contractual services	217	(24)	193	96	97
Materials and supplies					
Metals	150	(10)	140	133	7
Electrical parts and supplies	400	(30)	370	296	74
Plumbing accessories and supplies	400	(90)	310	267	43
Hardware	84	-	84	63	21
Buildings, grounds, paving materials, and supplies	150	-	150	115	35
Fiber, paper and insulation materials	46	-	46	33	13
Paints, solvents, and related materials	47	10	57	39	18
Vehicle parts and supplies	10	-	10	6	4
Mechanical and repair parts	140	20	160	153	7
Office, printing, and photographic supplies	40	-	40	35	5
Laboratory testing supplies and small equipment	475	160	635	557	78
Cleaning supplies	250	30	280	250	30
Tools and supplies	30	90	120	105	15
Wearing apparel	160	-	160	150	10
Safety and medical supplies	50	(10)	40	28	12
Computer supplies	200	(30)	170	148	22
Fuel	500	(100)	400	331	69
Gas (in containers)	60	-	60	49	11
Communications supplies	1	19	20	11	9
Lubricants	279	-	279	241	38

(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, 2010

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Procurement and Materials Management (continued):					
Materials and supplies not otherwise classified	$ 82	$ (35)	$ 47	$ 45	$ 2
Total materials and supplies	3,554	24	3,578	3,055	523
Procurement and Materials Management total	9,270	-	9,270	8,416	854
Human Resources:					
Personal services					
Salaries of regular employees	4,974	10	4,984	4,982	2
Compensation plan adjustments	214	(18)	196	195	1
Social security and medicare contributions	2,400	(126)	2,274	2,273	1
Salaries of non-budgeted employees	10	(9)	1	1	-
Employee claims	100	12	112	112	-
Tuition and training payments	516	(85)	431	428	3
Payment for professional services	1,321	(444)	877	537	340
Health and life insurance premiums	45,216	660	45,876	37,912	7,964
Total personal services	54,751	-	54,751	46,440	8,311
Contractual services					
Travel	9	-	9	2	7
Meals and lodging	16	-	16	6	10
Postage, freight, and delivery charges	5	-	5	2	3
Compensation for personally owned autos	15	-	15	9	6
Court reporting services	48	-	48	13	35
Medical services	140	2	142	114	28
Rental charges	29	(2)	27	7	20
Contractual services not otherwise classified	56	-	56	17	39
Safety repairs services	365	-	365	192	173
Computer software maintenance	63	-	63	41	22
Communication equipment maintenance	2	-	2	-	2
Total contractual services	748	-	748	403	345
Materials and supplies					
Office, printing, and photographic supplies	16	-	16	6	10
Books, maps, and charts	14	-	14	9	5
Safety medical supplies	181	-	181	48	133
Computer software	3	-	3	1	2
Computer supplies	3	-	3	2	1
Materials and supplies not otherwise classified	15	-	15	6	9
Total materials and supplies	232	-	232	72	160
Human Resources total	55,731	-	55,731	46,915	8,816

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts: Original	Budget Amounts: Net Transfers	Budget Amounts: Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Information Technology:					
Personal services					
Salaries of regular employees	$ 7,247	$ 336	$ 7,583	$ 7,340	$ 243
Compensation plan adjustments	210	(12)	198	198	-
Tuition and training payments	90	(67)	23	10	13
Payment for professional services	3,085	(367)	2,718	1,981	737
Personal services not otherwise classified	15	(15)	-	-	-
Total personal services	10,647	(125)	10,522	9,529	993
Contractual services					
Travel	18	(9)	9	5	4
Meals and lodging	25	(11)	14	12	2
Compensation for personally owned autos	6	7	13	13	-
Motor vehicle operating services	1	-	1	-	1
Communication services	1,399	(180)	1,219	946	273
Subscription and membership dues	10	(2)	8	1	7
Contractual services not otherwise classified	29	-	29	21	8
Computer equipment maintenance	495	(52)	443	379	64
Computer software maintenance	2,384	(104)	2,280	2,180	100
Communication equipment maintenance	550	382	932	930	2
Repairs not otherwise classified	1	(1)	-	-	-
Total contractual services	4,918	30	4,948	4,487	461
Materials and supplies					
Office, printing, and photographic supplies	26	(15)	11	9	2
Books, maps, and charts	2	-	2	-	2
Computer software	396	(270)	126	111	15
Computer supplies	1,157	178	1,335	1,096	239
Communication supplies	120	(65)	55	33	22
Materials and supplies, not otherwise classified	1	-	1	-	1
Total materials and supplies	1,702	(172)	1,530	1,249	281
Machinery and equipment					
Computer equipment	445	305	760	348	412
Computer software	70	(70)	-	-	-
Communication equipment	120	90	210	208	2
Total machinery and equipment	645	325	970	556	414
Information Technology total	17,912	58	17,970	15,821	2,149
Law:					
Personal Services					
Salaries of regular employees	4,543	(70)	4,473	4,472	1
Compensation plan adjustments	198	142	340	328	12

(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, 2010

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Law (continued):					
Salaries of non-budgeted employees	$ 10	$ (10)	$ -	$ -	$ -
Tuition and training payments	32	-	32	7	25
Payment for professional services	1,958	910	2,868	2,574	294
Total personal services	6,741	972	7,713	7,381	332
Contractual services					
Travel	7	-	7	3	4
Meals and lodging	5	-	5	1	4
Postage, freight, and delivery charges	4	-	4	1	3
Compensation for personally owned autos	3	-	3	2	1
Reprographic services	39	-	39	10	29
Court reporting services	68	-	68	56	12
Insurance premiums	200	(90)	110	107	3
Contractual services not otherwise classified	104	(19)	85	66	19
Communication equipment maintenance	3	-	3	3	-
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	434	(109)	325	249	76
Materials and supplies					
Office, printing, and photographic supplies	10	-	10	2	8
Books, maps, and charts	37	(22)	15	9	6
Materials and supplies not otherwise classified	6	(1)	5	-	5
Total materials and supplies	53	(23)	30	11	19
Fixed and other charges					
Taxes on real estate	551	-	551	512	39
Total fixed and other charges	551	-	551	512	39
Law total	7,779	840	8,619	8,153	466
Finance:					
Personal services					
Salaries of regular employees	2,824	-	2,824	2,707	117
Compensation plan adjustments	65	-	65	50	15
Tuition and training payments	9	-	9	4	5
Payment for professional services	356	-	356	352	4
Personal services not otherwise classified	8	-	8	-	8
Total personal services	3,262	-	3,262	3,113	149
Contractual services					
Travel	2	-	2	-	2
Meals and lodging	3	-	3	-	3
Postage, freight, and delivery charges	3	-	3	2	1

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Finance (continued):					
Compensation for personally owned autos	$ 1	$ -	$ 1	$ 1	$ -
Reprographic services	2	-	2	2	-
Court reporting services	72	-	72	66	6
Contractual services not otherwise classified	2	-	2	1	1
Total contractual services	85	-	85	72	13
Materials and supplies					
Office, printing, and photographic supplies	20	-	20	16	4
Books, maps, and charts	1	-	1	-	1
Total materials and supplies	21	-	21	16	5
Finance total	3,368	-	3,368	3,201	167
Engineering:					
Personal services					
Salaries of regular employees	3,069	5	3,074	3,074	-
Compensation plan adjustments	371	-	371	225	146
Salaries of nonbudgeted employees	50	-	50	-	50
Tuition and training payments	8	-	8	4	4
Payments for professional services	889	(305)	584	60	524
Personal service expenditure - preliminary engineering reports and studies	195	100	295	28	267
Personal services expenditure - construction drawings, specifications, and cost estimates	300	-	300	9	291
Total personal services	4,882	(200)	4,682	3,400	1,282
Contractual services					
Travel	3	-	3	-	3
Meals and lodging	8	-	8	-	8
Compensation for personally owned autos	2	-	2	-	2
Motor vehicle operating services	-	1	1	-	1
Reprographic services	25	-	25	-	25
Testing and inspection services	91	-	91	5	86
Rental charges	-	18	18	18	-
Soil and rock mechanics investigation	122	-	122	-	122
Contractual services not otherwise classified	39	-	39	-	39
Repairs to collection facilities	135	-	135	-	135
Repairs to waterway facilities	1,176	(659)	517	403	114
Repairs to process facilities	1,587	-	1,587	1,021	566
Repairs to buildings	600	-	600	500	100
Communications equipment maintenance	2	-	2	-	2
Repairs to testing and laboratory equipment	1	-	1	-	1
Total contractual services	3,791	(640)	3,151	1,947	1,204

(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, 2010

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Engineering (continued):					
Materials and supplies					
Office, printing, and photographic supplies	$ 2	$ -	$ 2	$ 1	$ 1
Wearing apparel	6	-	6	2	4
Books, maps, and charts	1	-	1	-	1
Materials and supplies not otherwise classified	2	-	2	-	2
Total materials and supplies	11	-	11	3	8
Machinery and equipment					
Equipment for process facilities	54	-	54	39	15
Total machinery and equipment	54	-	54	39	15
Land	100	-	100	-	100
Engineering total	8,838	(840)	7,998	5,389	2,609
Maintenance and Operations:					
Personal services					
Salaries of regular employees	84,072	1,029	85,101	85,033	68
Compensation plan adjustments	4,487	292	4,779	4,293	486
Salaries of non-budgeted employees	140	61	201	170	31
Tuition and training payments	132	-	132	40	92
Payment for professional services	1,810	229	2,039	1,687	352
Total personal services	90,641	1,611	92,252	91,223	1,029
Contractual services					
Travel	31	1	32	11	21
Meals and lodging	70	3	73	52	21
Compensation for personally owned autos	264	-	264	203	61
Motor vehicle operating services	5	1	6	2	4
Electrical energy	45,615	1,659	47,274	46,818	456
Natural gas	2,754	(335)	2,419	1,583	836
Water and water services	792	145	937	909	28
Communications services	472	149	621	525	96
Testing and inspection services	217	(19)	198	121	77
Rental charges	417	(6)	411	276	135
Governmental service charges	3,007	(341)	2,666	2,634	32
Maintenance of grounds and pavements	2,035	(86)	1,949	1,459	490
Contractual services not otherwise classified	755	(9)	746	613	133
Waste material disposal charges	13,213	(239)	12,974	10,589	2,385
Farming services	20	-	20	20	-
Sludge disposal	4,600	(2,236)	2,364	1,960	404
Repairs to collection facilities	6,321	(1,212)	5,109	3,693	1,416

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Maintenance and Operations (continued):					
Repairs to waterway facilities	$ 214	$ -	$ 214	$ 35	$ 179
Repairs to process facilities	9,902	6	9,908	8,611	1,297
Repairs to railroads	563	166	729	666	63
Repairs to buildings	3.144	(699)	2,445	1,580	865
Repairs to material handling and farm equipment	642	10	652	585	67
Safety repairs and services	127	-	127	102	25
Repairs to marine equipment	80	-	80	60	20
Repairs to office furniture and equipment	1	-	1	-	1
Computer software maintenance	70	20	90	87	3
Communication equipment maintenance	77	-	77	51	26
Repairs to vehicle equipment	106	-	106	61	45
Repairs not otherwise classified	61	1	62	16	46
Total contractual services	95,575	(3,021)	92,554	83,322	9,232
Materials and supplies					
Metals	50	(4)	46	18	28
Electrical parts and supplies	1,388	216	1,604	1,312	292
Plumbing accessories and supplies	938	78	1,016	671	345
Hardware	47	-	47	28	19
Buildings, grounds, paving materials, and supplies	370	(70)	300	178	122
Fiber, paper and insulation materials	3	-	3	-	3
Paints, solvents, and related materials	5	-	5	5	-
Vehicle parts and supplies	249	(22)	227	137	90
Mechanical repair parts	4,619	173	4,792	4,137	655
Manhole materials	58	-	58	47	11
Office, printing, and photographic supplies	77	-	77	41	36
Farming supplies	5	-	5	4	1
Processing chemicals	6,452	876	7,328	6,854	474
Laboratory testing supplies and small equipment	22	-	22	20	2
Cleaning supplies	26	(1)	25	12	13
Tools and supplies	247	-	247	122	125
Wearing apparel	6	-	6	1	5
Books, maps, and charts	8	-	8	1	7
Safety and medical supplies	230	(25)	205	85	120
Computer software	5	-	5	3	2
Computer supplies	60	25	85	67	18
Fuel	486	(11)	475	309	166
Gas (in containers)	13	-	13	6	7
Communication supplies	46	14	60	50	10
Lubricants	27	-	27	10	17
Materials and supplies not otherwise classified	135	(3)	132	66	66
Total materials and supplies	15,572	1,246	16,818	14,184	2,634

(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, 2010

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Maintenance and Operations (continued):					
Machinery and equipment					
Equipment for collection facilities	$ 74	$ (4)	$ 70	$ 30	$ 40
Equipment for waterway facilities	24	-	24	14	10
Equipment for process facilities	467	168	635	575	60
Material handling and farming equipment	25	-	25	17	8
Vehicle equipment	60	-	60	-	60
Machinery and equipment not otherwise classified	15	-	15	11	4
Total machinery and equipment	665	164	829	647	182
Maintenance and Operations total	202,453	-	202,453	189,376	13,077
Corporate Division Total					
Total all departments:					
Personal services	216,842	2,303	219,145	206,056	13,089
Contractual services	111,913	(3,866)	108,047	95,655	12,392
Materials and supplies	22,333	1,026	23,359	19,405	3,954
Machinery and equipment	2,762	537	3,299	2,554	745
Land	100	-	100	-	100
Fixed and other charges	551	-	551	512	39
Total Corporate Division	354,501	-	354,501	324,182	30,319
Reserve Claim Division					
Employee claims	12,000	-	12,000	5,733	6,267
General claims and emergency repair and replacement cost over $10,000	51,000	-	51,000	995	50,005
Total Reserve Claim Division	63,000	-	63,000	6,728	50,005
Total General Corporate Fund	$ 417,501	$ -	$ 417,501	$ 330,910	$ 86,591

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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, 2010
(with comparative amounts for prior year)

(in thousands of dollars)

	2010	2009	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2010
Personal services:					
Salaries and wages	$ 156,542	$ 154,457	$ 2,085	1 %	47 %
Employee health and life insurance premiums	37,914	35,457	2,457	7	11
Payment for professional services	8,613	10,805	(2,192)	(20)	3
Social security and medicare contributions	2,274	2,282	(8)	(0)	1
Tuition and training payments	566	886	(320)	(36)	0
Other	148	250	(102)	(41)	0
Total personal services	206,057	204,137	1,920	1	62
Contractual services:					
Electrical energy	47,308	48,424	(1,116)	(2)	14
Natural gas	1,611	1,721	(110)	(6)	1
Postage, freight, and delivery charges	194	255	(61)	(24)	0
Waste material disposal charges	10,590	10,510	80	1	3
Administration building operation	1,388	1,552	(164)	(11)	0
Communication services	1,473	1,611	(138)	(9)	1
Farming services	20	20	-	-	0
Court reporting services	134	125	9	7	0
Water and water services	918	794	124	16	0
Motor vehicle operating services	135	148	(13)	(9)	0
Employee travel and transportation	476	672	(196)	(29)	0
Medical services	113	144	(31)	(22)	0
Rental charges	323	286	37	13	0
Maintenance of grounds and pavements	1,460	2,088	(628)	(30)	1
Governmental service charges	2,670	2,876	(206)	(7)	1
Repairs to process facilities	9,631	15,495	(5,864)	(38)	3
Other repairs	13,047	20,735	(7,688)	(37)	4
Other contractual services	4,154	6,299	(2,145)	(34)	1
Total contractual services	95,645	113,755	(18,110)	(16)	29
Materials and supplies:					
Processing chemicals	6,858	7,745	(887)	(11)	2
Laboratory testing supplies	1,001	1,062	(61)	(6)	0
Mechanical repair parts	4,543	3,672	871	24	1
Fuels and lubricants	976	938	38	4	0
Electrical parts and supplies	1,444	1,585	(141)	(9)	1
Plumbing accessories and supplies	701	1,254	(553)	(44)	0
Office, printing, and photographic supplies	294	429	(135)	(31)	0
Buildings, grounds, paving materials, and supplies	286	403	(117)	(29)	0
Cleaning supplies	260	312	(52)	(17)	0
Metals	151	195	(44)	(23)	0
Computer supplies	1,220	1,748	(528)	(30)	1
Other materials and supplies	2,147	3,333	(1,186)	(36)	1
Total materials and supplies	19,881	22,676	(2,795)	(12)	6

(Continued)

	(in thousands of dollars) 2010	2009	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2010
Machinery and equipment:					
Material handling and farming equipment	$ 17	$ 1,346	$ (1,329)	(99) %	0 %
Vehicle equipment	217	1,542	(1,325)	(86)	0
Office furniture and equipment	557	33	524	100	0
Testing and laboratory equipment	538	1,014	(476)	(47)	0
Equipment for waterway facilities	31	185	(154)	(83)	
Equipment for collection facilities	13	-	13	100	0
Equipment for process facilities	608	1,092	(484)	(44)	1
Computer equipment	348	670	(322)	(48)	0
Computer software	-	669	(669)	(100)	0
Communication equipment	208	155	53	34	0
Other machinery and equipment	11	17	(6)	(35)	0
Total machinery and equipment	2,548	6,723	(4,175)	(62)	1
Land:	-	-	-	-	0
Fixed other charges:					
Taxes on real estate	512	501	11	2	0
Total fixed other charges	512	501	11	2	0
Claims and judgments	6,728	9,464	(2,736)	(29)	2
Total expenditures	$ 331,371	$ 357,256	$ (25,885)	(7) %	100 %

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SPECIAL REVENUE FUND

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

Retirement Fund

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

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

Year ended December 31, 2010

(in thousands of dollars)

Retirement Fund	**Final Budget**	**Actual on Budgetary Basis**	**Actual Variance with Final Budget - Positive (Negative)**
Revenues:			
Property taxes	$ 25,942	$ 23,426	$ (2,516)
Personal property replacement tax	6,825	6,825	-
Total tax revenue	32,767	30,251	(2,516)
Operating expenditures:			
Pension costs	32,767	30,251	2,516
Total expenditures	32,767	30,251	2,516
Revenues over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	$ -	$ -	$ -

DEBT SERVICE FUND

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

Exhibit E-1

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Including Comparison of Budget and Actual on Budgetary Basis

Year ended December 31, 2010

	Final Budget	Actual on Budgetary Basis	Actual Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	$ 162,053	$ 146,822	$ (15,231)
Total tax revenue	162,053	146,822	(15,231)
Interest on investments	1,062	339	(723)
Miscellaneous	-	15	15
Total revenues	163,115	147,176	(15,939)
Expenditures:			
Debt service	162,937	162,509	428
Revenues over (under) expenditures	178	(15,333)	(15,511)
Other financing sources (uses):			
BAB Grant Revenue	-	15,181	15,181
Total other financing sources (uses)	-	15,181	15,181
Revenues and other financing sources (uses) over (under) expenditures	178	(152)	(330)
Fund balances at beginning of year	89,553	88,795	(758)
Fund balances at end of the year	$ 89,731	$ 88,643	$ (1,088)

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, 2010

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget -
	Original	Net Transfers	Final	Actual Amounts	Positive (Negative)
Construction Fund:					
Personal services					
Salaries of regular employees	$ 4,268	$ -	$ 4,268	$ 4,129	$ 139
Compensation plan adjustments	361	-	361	259	102
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	66	-	66	14	52
Payment for professional services	1,644	-	1,644	522	1,122
Health and life insurance	707	100	807	763	44
Preliminary engineering reports and studies	1,250	-	1,250	84	1,166
Construction drawings, specifications, and cost estimates	3,215	(100)	3,115	1,082	2,033
Post-award engineering for construction projects	2,473	-	2,473	236	2,237
Total personal services	14,004	-	14,004	7,089	6,915
Contractual services					
Travel	23	-	23	4	19
Meals and lodging	21	-	21	11	10
Postage and delivery charges	2	-	2	1	1
Compensation for personally owned autos	9	-	9	8	1
Motor vehicle operating services	2	-	2	-	2
Reprographic services	78	-	78	13	65
Water and water services	3	-	3	4	(1)
Communication services	1		1	-	1
Testing and inspection services	160	-	160	-	160
Court reporting services	24	-	24	-	24
Rental charges	1	-	1	-	1
Soil and rock mechanics investigation	66	-	66	-	66
Contractual services not otherwise classified	258	-	258	-	258
Repairs to collection facilities	273	-	273	240	33
Repairs to process facilities	191	-	191	156	35
Repairs to buildings	157	-	157	-	157
Computer software maintenance	62	-	62	62	-
Repairs to testing and laboratory equipment	4	-	4	3	1
Repairs not otherwise classified	47	-	47	38	9
Total contractual services	1,382	-	1,382	540	842
Materials and supplies					
Office, printing and photo supplies	76	-	76	30	46
Books, maps, and charts	9	-	9	3	6

(continued)

(in thousands of dollars)

	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Construction Fund (continued):					
Computer software	$ 7	$ -	$ 7	$ -	$ 7
Materials and supplies not otherwise classified	16	-	16	6	10
Total materials and supplies	108	-	108	39	69
Capital Projects					
Process facility structures	502	-	502	-	502
Buildings	114	-	114	-	114
Capital projects not otherwise classified	250	-	250	-	250
Preservation of collection facility structures	2,713	-	2,713	1,633	1,080
Preservation of waterway facility structures	1,843	-	1,843	376	1,467
Preservation of process facility structures	5,887	-	5,887	2,927	2,960
Preservation of buildings	276	-	276	204	72
Total capital projects	11,585	-	11,585	5,140	6,445
Construction Fund Summary:					
Personal services	14,004	-	14,004	7,089	6,915
Contractual services	1,382	-	1,382	540	842
Materials and supplies	108	-	108	39	69
Capital projects	11,585	-	11,585	5,140	6,445
Construction Fund total	27,079	-	27,079	12,808	14,271
Stormwater Management Fund:					
Personal services					
Salaries of regular employees	3,991	-	3,991	3,495	496
Compensation plan adjustments	123	-	123	95	28
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	40	-	40	6	34
Payment for professional services	32	135	167	103	64
Health and life insurance	471	80	551	509	42
Personal services not otherwise classified	35	-	35	3	32
Preliminary engineering reports and studies	6,100	-	6,100	4,289	1,811
Construction drawings, specifications, and cost estimates	11,000	(215)	10,785	1,362	9,423
Post-award engineering for construction projects	700	-	700	-	700
Total personal services	22,512	-	22,512	9,862	12,650
Contractual services					
Travel	7	-	7	2	5
Meals and lodging	13	-	13	5	8

(continued)

Exhibit F-1 (continued)
Capital Projects Fund
Schedule of Appropriations and Expenditures on Budgetary Basis
Year ended December 31, 2009

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget - Positive (Negative)
	Original	Net Transfers	Final	Actual Amounts	
Stormwater Management Fund (continued):					
Postage and delivery charges	$ 1	$ -	$ 1	$ -	$ 1
Compensation for personally owned autos	56	-	56	41	15
Motor vehicle operating services	2	-	2	-	2
Reprographic services	200	(9)	191	2	189
Court reporting services	16	-	16	9	7
Rental charges	1	-	1	-	1
Advertising	80	-	80	3	77
Soil and rock mechanics investigation	150	-	150	-	150
Contractual services not otherwise classified	470	-	470	214	256
Repairs to waterways facilities	2,500	-	2,500	1,968	532
Repairs to vehicle equipment	1	-	1	-	1
Repairs not otherwise classified	12	-	12	8	4
Total contractual services	3,509	(9)	3,500	2,252	1,248
Materials and supplies					
Office, printing, and photo supplies	7	9	16	12	4
Tools and supplies	11	-	11	4	7
Wearing apparel	9	-	9	3	6
Computer supplies	1	2	3	-	3
Communication supplies	1	-	1	-	1
Materials and supplies not otherwise classified	340	(2)	338	49	289
Total materials and supplies	369	9	378	68	310
Capital Projects					
Waterways facilities structure	8,539	(4,022)	4,517	-	4,517
Preservation of buildings	-	22	22	15	7
Total capital projects	8,539	(4,000)	4,539	15	4,524
Land	-	4,000	4,000	3,228	772
Fixed and other charges					
Payments for easements	5,000	-	5,000	1,000	4,000
Total fixed and other charges	5,000	-	5,000	1,000	4,000

(continued)

(in thousands of dollars)

	Budget Amounts				
	Original	**Net Transfers**	**Final**	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
Stormwater Management Fund Summary:					
Personal services	$ 22,512	$ -	$ 22,512	$ 9,862	$ 12,650
Contractual services	3,509	(9)	3,500	2,252	1,248
Material and supplies	369	9	378	68	310
Capital projects	8,539	(4,000)	4,539	15	4,524
Land	-	4,000	4,000	3,228	772
Fixed and other charges	5,000	-	5,000	1,000	4,000
Stormwater Management Fund total	39,929	-	39,929	16,425	23,504
Capital Improvements Bond Fund:					
Personal services	57,464	9,300	66,764	56,851	9,913
Contractual services	4,094	-	4,094	3,284	810
Machinery and equipment	-	479	479	479	-
Capital projects	909,511	(10,461)	899,050	562,573	336,477
Land	150	-	150	-	150
Fixed and other charges	3,979	682	4,661	687	3,974
Capital Improvements Bond Fund total *	975,198	-	975,198	623,874	351,324
Capital Projects Funds total	$ 1,042,206	$ -	$ 1,042,206	$ 653,107	$ 389,099

* 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, 2010
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2010	2009	2010	2009	2010	2009
Assets						
Cash	$ 197	$ 157	$ 1,183	$ -	$ 1,380	$ 157
Receivables						
Employer contributions-taxes (net of allowance for uncollectible $7,312 in 2010; $4,760 in 2009)	32,306	32,640	-	-	32,306	32,640
Securities sold	2,384	10,611	-	-	2,384	10,611
Accrued interest and dividends	898	873	21	-	919	873
Accounts receivable	63	54	-	-	63	54
Total receivables	35,651	44,178	21	-	35,672	44,178
Investments at fair value						
Pooled funds - fixed income	318,374	336,649	50,960	47,902	369,334	384,551
Pooled funds - equities	20,673	101,630	-	-	20,673	101,630
Common and preferred stocks	701,319	524,539	-	-	701,319	524,539
Short-term investments	20,526	19,445	-	-	20,526	19,445
Total investments	1,060,892	982,263	50,960	47,902	1,111,852	1,030,165
Securities lending capital	24,720	7,405	-	-	24,720	7,405
Total assets	1,121,460	1,034,003	52,164	47,902	1,173,624	1,081,905
Liabilities						
Accounts payable	1,587	1,285	11	11	1,598	1,296
Securities lending collateral	2,505	10,495	-	-	2,505	10,495
Securities purchased	24,720	7,404	-	-	24,720	7,404
Total liabilities	28,812	19,184	11	11	28,823	19,195
Net assets held in trust for pension and other post employment benefits	$ 1,092,648	$ 1,014,819	$ 52,153	$ 47,891	$ 1,144,801	$ 1,062,710

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

Year ended December 31, 2010
(with comparative amounts for prior year)

(in thousands of dollars)

	Retirement Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2010	2009	2010	2009	2010	2009
Additions:						
Contributions:						
Employer contributions	$ 29,918	$ 32,154	$ 15,517	$ 14,592	$ 45,435	$ 46,746
Employee contributions	15,872	15,690	-	-	15,872	15,690
Retiree contributions	-	-	4,597	4,210	4,597	4,210
Total contributions	45,790	47,844	20,114	18,802	65,904	66,646
Investment income:						
Net appreciation in fair value of investments	136,082	187,518	3,541	-	139,623	187,518
Interest on fixed income investments	-	1,209	-	-	-	1,209
Interest on short-term investments	25	78	797	158	822	236
Dividend income	10,162	7,840	-	-	10,162	7,840
Total investment income	146,269	196,645	4,388	158	150,607	196,803
Less investment expenses	(3,607)	(2,577)	(46)	(45)	(3,653)	(2,622)
Investment income net of expenses	142,662	194,068	4,292	113	146,954	194,181
Security lending activities:						
Security lending income	90	-	-	-	90	-
Borrower rebates	182	-	-	-	182	-
Bank fees	(53)	-	-	-	(53)	-
Net income from securities lending activities	219	-	-	-	219	-
Other	34	8	-	-	34	8
Total additions	188,705	241,920	24,406	18,915	213,111	260,835
Deductions:						
Annuities and benefits						
Employee annuitants	90,447	86,581	-	-	90,447	86,581
OPEB health care benefits	-	-	20,114	18,802	20,114	18,802
Surviving spouse annuitants	16,613	15,690	-	-	16,613	15,690
Child annuitants	103	120	-	-	103	120
Ordinary disability benefits	814	745	-	-	814	745
Duty disability benefits	242	268	-	-	242	268
Total annuities and benefits	108,219	103,404	20,114	18,802	128,333	122,206
Refunds of employee contributions	1,380	1,175	-	-	1,380	1,175
Administrative expenses	1,277	1,319	30	19	1,307	1,338
Total deductions	110,876	105,898	20,144	18,821	131,020	124,719
Net increase	77,829	136,022	4,262	94	82,091	136,116
Net assets held in trust for pension and OPEB benefits						
Beginning of year	1,014,819	878,797	47,891	47,797	1,062,710	926,594
End of year	$ 1,092,648	$ 1,014,819	$ 52,153	$ 47,891	$ 1,144,801	$ 1,062,710

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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 2010-2005

(in thousands of dollars)

	Cumulative as of December 31, 2010		2010		2009	
Gross property tax levy	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
General Corporate Fund:						
Corporate	$ 1,371,812	53.4	$ 240,207	52.0	$ 237,116	52.1
Reserve Claim	30,206	1.2	1,951	0.4	3,182	0.7
Total General Corporate Funds	1,402,018	54.6	242,158	52.4	240,298	52.8
Other Governmental Fund:						
Storm Water Management	77,991	3.0	24,029	5.2	8,849	1.9
Retirement Fund	152,407	5.9	26,478	5.7	26,752	5.9
Debt Service Fund	877,066	34.2	160,782	34.8	169,051	37.1
Construction Fund	60,047	2.3	8,749	1.9	10,411	2.3
Total Other Governmental Funds	1,167,511	45.4	220,038	47.6	215,063	47.2
Total Gross Levy - All Funds	2,569,529	100.0	462,196	100.0	455,361	100.0
Less allowance for uncollectible taxes at December 31, 2010	124,547	4.8	16,177	3.5	71,749	15.8
Estimated property taxes to be collected	2,444,982	95.2	446,019	96.5	383,612	84.2
Collections by year (percent shown is percent of estimated property taxes to be collected):						
First year	1,926,009	78.8	-	-	383,612	100.0
Second year	89,812	3.7	-	-	-	-
Third year	(8,719)	(0.4)	-	-	-	-
Fourth year	(5,162)	(0.2)	-	-	-	-
Fifth year	(2,977)	(0.1)	-	-	-	-
Total collections through December 31, 2010	1,998,963	81.8	-	-	383,612	100.0
Property taxes receivable, net	$ 446,019	18.2	$ 446,019	100.0	$ -	-
Property taxes receivable, net - by fund						
General Corporate Fund:						
Corporate	231,800		231,800			
Reserve Claim	1,883		1,883			
Total General Corporate Fund	233,683		233,683			
Other Governmental Funds:						
Storm Water Management	23,188		23,188			
Retirement Fund	25,551		25,551			
Debt Service Fund	155,155		155,155			
Construction Fund	8,442		8,442			
Property taxes receivable, net	$ 446,019		$ 446,019			

Levy Years							
2008		2007		2006		2005	
Amount	%	Amount	%	Amount	%	Amount	%
$ 240,082	56.0	$ 233,982	57.0	$ 213,860	53.2	$ 206,565	50.2
7,073	1.7	6,530	1.6	5,957	1.5	5,513	1.3
247,155	57.7	240,512	58.6	219,817	54.7	212,078	51.5
15,212	3.5	3,942	1.0	15,508	3.9	10,451	2.5
25,664	6.0	24,843	6.1	25,072	6.2	23,598	5.7
140,614	32.8	135,730	33.0	123,608	30.8	147,281	35.8
-	-	5,181	1.3	17,766	4.4	17,940	4.4
181,490	42.3	169,696	41.4	181,954	45.3	199,270	48.4
428,645	100.0	410,208	100.0	401,771	100.0	411,348	100.0
5,506	1.3	7,845	1.9	10,711	2.7	12,559	3.1
423,139	98.7	402,363	98.1	391,060	97.3	398,789	96.9
400,048	94.5	390,440	97.0	353,566	90.4	398,343	99.9
23,091	5.5	14,689	3.7	43,145	11.0	8,887	2.2
-	-	(2,766)	(0.7)	(3,096)	(0.8)	(2,857)	(0.7)
-	-	-	-	(2,555)	(0.7)	(2,607)	(0.7)
-	-	-	-	-	-	(2,977)	-
423,139	100.0	402,363	100.0	391,060	100.0	398,789	100.7
$ -	-	$ -	-	$ -	-	$ -	(0.7)

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III.
STATISTICAL AND DEMOGRAPHICS SECTION

Debris Boat 1 (DB1) with hydraulic crane in action removing debris from the North Branch of the Chicago River.

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

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

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

Exhibit I-1
Net Assets by Component

Last Ten Fiscal Years

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

	2010	2009	2008	2007
Invested in capital assets, net of related debt (1)	$ 4,492,811	$ 4,559,884	$ 4,575,974	$ 4,580,604
Restricted				
Restricted for corporate working cash	277,249	275,459	272,120	267,848
Restricted for reserve claim	22,521	25,073	35,817	31,295
Restricted for debt service	227,320	232,815	212,353	203,656
Restricted for capital projects	38,018	-	13,412	18,656
Restricted for construction working cash	27,377	27,286	27,005	26,313
Restricted for stormwater working cash	39,554	38,953	37,902	35,275
Restricted for pension	-	-	-	-
Unrestricted (Deficit)	(96,934)	(49,191)	47,316	70,431
Total net assets	$ 5,027,916	$ 5,110,279	$ 5,221,899	$ 5,234,078

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

2006	2005	2004	2003	2002	2001
$ 4,541,778	$ 3,728,581	$ 1,921,730	$ 1,373,683	$ 1,260,463	$ 998,609
263,229	244,319	236,294	236,068	196,110	191,639
26,844	-	-	-	-	-
220,306	278,218	297,800	290,794	283,288	249,368
1,044	12,287	16,268	53,931	56,835	30,444
25,750	25,642	50,132	49,880	84,501	84,184
32,064	25,227	-	-	-	-
-	28,602	44,590	-	-	-
117,063	56,196	53,452	27,441	34,027	62,257
$ 5,228,078	$ 4,399,072	$ 2,620,266	$ 2,031,797	$ 1,915,224	$ 1,616,501

Exhibit I-2
Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

	2010	2009	2008	2007
Revenues				
General Revenues:				
Property taxes	$ 409,550	$ 429,968	$ 432,412	$ 370,777
Personal property replacement tax	39,352	37,477	42,527	45,935
Interest on investments	9,119	7,632	27,112	48,750
Tax increment financing distributions	6,818	1,359	797	644
Claims and damage settlements	285	695	606	64
Miscellaneous	5,181	6,642	5,450	3,434
Gain on sale of capital assets	2,736	-	-	21
Adjustments for non-financial assets (1)	-	-	-	-
Total general revenues	473,041	483,773	508,904	469,625
Program Revenues:				
Charges for services				
User charges	49,433	47,886	49,439	54,612
Land rentals	10,040	9,660	9,572	9,243
Fees, forfeits and penalties	2,731	4,305	4,357	3,383
Capital grants and contributions				
Federal grants	17,156	5,518	896	253
Total program revenues	79,360	67,369	64,264	67,491
Total revenues	552,401	551,142	573,168	537,116
Expenses				
Board of Commissioners	3,627	3,680	3,748	3,513
General Administration	15,767	19,046	18,438	16,875
Monitoring and Research	28,450	29,252	27,612	26,178
Procurement and Materials Management	6,447	6,196	5,398	6,631
Human Resources	46,882	43,670	61,465	61,878
Information Technology	16,127	20,611	20,767	16,475
Law	8,132	7,491	7,274	6,147
Finance	3,189	3,233	3,238	3,109
Engineering	6,245	9,284	8,144	4,483
Maintenance and Operations	191,090	209,488	196,612	179,938
Pension costs	62,996	54,804	45,343	49,891
OPEB Trust Fund costs	24,540	25,464	8,920	7,405
Claims and judgments (2)	9,134	17,536	9,174	17,606
Construction costs	104,947	131,095	93,421	56,914
Loss on sale of capital assets	381	436	750	273
Depreciation (unallocated)	11,428	9,227	9,224	9,216
Interest on bonds	95,382	72,249	65,819	64,584
Refunding transaction costs	-	-	-	-
Total expenses	634,764	662,762	585,347	531,116
Change in Net Assets	$ (82,363)	$ (111,620)	$ (12,179)	$ 6,000

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

2006	2005	2004	2003	2002	2001
$ 392,775	$ 405,423	$ 395,108	$ 373,811	$ 365,894	$ 353,709
37,743	36,031	25,961	23,461	15,336	27,349
43,659	19,693	9,943	13,163	15,693	26,770
1,167	1,634	604	1,097	656	1,077
614	77	450	113	131	10,441
2,584	2,300	1,716	777	1,892	1,856
-	93	2,677	233	3,419	228
-	-	35,865	-	-	-
478,542	465,251	472,324	412,655	403,021	421,430
53,986	46,576	46,981	48,038	48,500	48,081
7,972	6,310	6,166	5,023	5,115	4,479
4,693	4,748	3,800	3,892	2,892	2,829
-	867	774	4,460	866	3,754
66,651	58,501	57,721	61,413	57,373	59,143
545,193	523,752	530,045	474,068	460,394	480,573
3,422	3,341	3,578	3,333	3,162	2,970
17,293	17,807	15,969	15,183	14,543	14,150
25,317	25,230	24,599	24,669	24,377	24,256
5,480	5,170	6,095	4,659	7,187	4,953
35,216	32,941	35,931	30,947	27,640	26,167
11,312	11,111	10,885	11,626	11,334	11,079
5,748	6,199	5,064	4,667	4,942	4,744
3,218	3,124	3,065	3,047	5,508	4,003
4,519	10,160	6,169	2,986	5,812	8,818
156,984	158,802	161,903	160,309	158,838	165,346
42,320	47,549	35,354	29,511	27,044	24,958
-	-	-	-	-	-
876	4,466	12,175	(1,340)	10,644	5,994
70,594	51,145	38,057	34,794	28,366	47,932
4,430	676	172	440	448	1,320
9,216	7,596	7,596	7,596	7,597	7,596
81,876	61,872	65,398	67,958	55,996	58,307
-	-	-	-	1,653	-
477,821	447,189	432,010	400,385	395,091	412,593
$ 67,372	$ 76,563	$ 98,035	$ 73,683	$ 65,303	$ 67,980

Exhibit I-3
Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2010	2009	2008	2007	2006
General Corporate Fund					
Nonspendable	$ 38,924	$ 38,761	$ 38.067	$ 35,787	$ 36,326
Restricted	341,381	338,602	333,650	323,238	306,705
Unassigned (Deficit)	(175,521)	(166,687)	(142,300)	(124,515)	(98,053)
Total General Corporate Fund	204,784	210,676	229,417	234,510	244,978
All Other Governmental Funds					
Restricted	519,456	773,035	464,633	631,736	750,189
Total governmental funds	$ 724,240	$ 983,711	$ 694,050	$ 866,246	$ 995,167

2005	2004	2003	2002	2001
$ 35,907	$ 34,914	$ 35,728	$ 36,737	$ 35,811
283,767	272,096	266,414	260,597	207,140
(120,465)	(138,999)	(115,226)	(146,269)	(103,838)
199,209	168,011	186,916	151,065	139,113
517,320	599,658	652,058	579,045	477,809
$ 716,529	$ 767,669	$ 838,974	$ 730,110	$ 616,922

Exhibit I-4
Changes in Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2010	2009	2008	2007	2006
Revenues					
General Revenues:					
Property taxes	$ 410,663	$ 418,077	$ 399,917	$ 376,757	$ 380,675
Personal property replacement tax	39,352	37,477	42,527	45,935	37,743
Interest on investments	9,119	7,632	27,112	48,750	43,659
Land sales	3,045	6	6	28	516
Tax increment financing distributions	6,818	1,359	797	644	1,167
Claims and damage settlements	285	695	606	64	614
Miscellaneous	5,181	6,642	5,450	3,495	2,729
Program Revenues:					
Charges for services					
User charges	49,433	47,886	49,439	54,117	52,504
Land rentals	10,040	9,660	9,572	9,243	7,972
Fees, forfeits and penalties	2,731	4,305	4,357	3,383	4,693
Capital grants and contributions					
Federal grants	20,233	1,440	896	253	-
Total revenues	556,900	535,179	540,679	542,669	532,272
Expenditures					
Operations:					
Board of Commissioners	3,628	3,659	3,721	3,496	3,401
General Administration	15,411	18,555	17,958	16,491	16,974
Monitoring and Research	28,445	28,891	27,146	25,892	24,985
Procurement and Materials Management	6,493	6,156	5,341	6,556	5,352
Human Resources	46,944	43,603	61,385	61,841	35,162
Information Technology	15,823	20,200	19,328	16,125	11,034
Law	8,164	7,446	7,211	6,121	5,709
Finance	3,203	3,208	3,205	3,093	3,197
Engineering	5,367	7,951	6,703	4,331	4,318
Maintenance and Operations	191,165	208,123	194,916	179,012	155,899
Pension costs	30,099	31,744	28,937	31,115	30,071
Claims and judgments	6,728	9,464	7,626	9,353	4,954
Construction costs	496,885	397,265	191,415	194,151	164,157
Debt service:					
Redemption of bonds	60,602	73,105	112,577	90,466	83,692
Interest on bonds	104,414	67,148	66,591	68,148	88,177
Refunding transaction costs	-	-	-	-	-
Total expenditures	1,023,371	926,518	754,060	716,191	637,082
Revenues over (under) expenditures	(466,471)	(391,339)	(213,381)	(173,522)	(104,810)
Other Financing Sources (Uses)					
Payment to escrow agent	-	-	-	(437,621)	(416,000)
State revolving fund loan proceeds	152,465	81,000	41,185	47,104	27,464
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
Proceeds from capital lease	54,535	-	-	-	-
Total other financing sources (uses)	207,000	681,000	41,185	44,601	383,448
Net change in fund balance	$ (259,471)	$ 289,661	$ (172,196)	$ (128,921)	$ 278,638
Debt service as a percentage of non-capital expenditures	24.1%	22.8%	28.2%	27.4%	33.4%

2005	2004	2003	2002	2001
$ 423,941	$ 360,326	$ 397,751	$ 362,036	$ 337,654
36,031	25,961	24,048	22,285	27,946
19,693	9,943	13,163	15,693	26,770
100	3,608	239	3,395	229
1,634	604	1,097	656	1,077
77	450	113	131	10,441
2,573	1,872	1,003	2,080	16,062
45,983	47,757	50,222	48,890	49,194
6,310	6,160	5,023	5,115	4,479
4,748	3,800	3,892	2,892	-
867	1	4,836	490	3,754
541,957	460,482	501,387	463,663	477,606
3,323	3,552	3,315	3,131	2,930
17,259	15,538	14,987	14,318	14,009
24,787	24,030	24,172	23,838	23,781
5,023	5,932	4,510	7,037	4,872
32,900	35,877	30,916	27,610	26,155
10,811	10,574	11,417	11,204	10,961
6,168	5,018	4,646	4,923	4,736
3,102	3,033	3,025	5,483	3,987
9,538	6,273	4,095	7,757	10,914
157,612	160,299	159,079	160,326	165,831
31,561	27,372	29,511	27,044	24,958
4,368	3,829	2,972	2,859	3,355
133,599	127,155	164,865	157,076	159,841
107,767	92,560	91,198	89,572	80,464
61,252	63,465	67,428	56,259	57,358
-	-	-	1,653	-
609,070	584,507	616,136	600,090	594,152
(67,113)	(124,025)	(114,749)	(136,427)	(116,546)
-	-	-	(398,620)	-
15,973	52,720	77,613	26,667	17,811
-	-	-	416,000	-
-	-	146,000	164,000	175,000
-	-	-	14,575	8,614
-	-	-	-	-
15,973	52,720	223,613	222,622	201,425
$ (51,140)	$ (71,305)	$ 108,864	$ 86,195	$ 84,879
32.2%	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
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	616,163,594	27.6
2009	84,586,808	89,880,835	174,467,643	0.261	616,163,594 (2)	28.3

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

(1) Tax rates per $100 equalized assessed valuation

(2) Current data not available from Civic Federation

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

Last Ten Fiscal Years

(rates per $100 of assessed value)

	2010 (1)	2009	2008	2007	2006	2005	2004	2003	2002	2001
District direct rates										
Corporate	$ 0.138	$ 0.135	$ 0.141	$ 0.150	$ 0.151	$ 0.158	$ 0.167	$ 0.163	$ 0.164	$ 0.171
Corporate Working Cash	-	-	-	-	-	-	-	0.004	0.004	0.004
Reserve Claim	0.001	0.002	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Retirement	0.015	0.016	0.015	0.016	0.018	0.018	0.024	0.024	0.024	0.027
Debt Service	0.092	0.097	0.083	0.087	0.087	0.113	0.139	0.143	0.145	0.158
Construction	0.005	0.006	-	0.003	0.013	0.014	0.013	0.023	0.030	0.037
Stormwater Management (2)	0.014	0.005	0.009	0.003	0.011	0.008	-	-	-	-
Total direct rate	$ 0.265	$ 0.261	$ 0.252	$ 0.263	$ 0.284	$ 0.315	$ 0.347	$ 0.361	$ 0.371	$ 0.401
Major local governments' tax rates (3)										
City of Chicago	-	$ 0.887	$ 0.928	$ 1.004	$ 1.012	$ 1.153	$ 1.188	$ 1.262	$ 1.452	$ 1.478
Chicago Board of Education	-	2.366	2.472	2.583	2.697	3.026	3.104	3.142	3.562	3.744
Chicago Park District	-	0.309	0.323	0.355	0.379	0.443	0.431	0.439	0.515	0.546
Cook County	-	0.394	0.415	0.446	0.500	0.533	0.593	0.630	0.690	0.746
Cook County Forest Preserve Dist.	-	0.049	0.051	0.053	0.057	0.060	0.060	0.059	0.061	0.067
Community College Dist. #508 (4)	-	0.150	0.156	0.159	0.205	0.234	0.242	0.246	0.280	0.307
Chicago School Finance Authority	-	-	-	0.091	0.118	0.127	0.177	0.151	0.177	0.223
City of Chicago Library Fund	-	0.099	0.102	0.040	0.050	0.090	0.114	0.118	0.139	0.159
City of Chgo School Bldg/Imprvmt	-	0.112	0.117	-	-	-	-	-	-	-
District's tax levies by fund *(in thousands)*										
Corporate	$240,207	$236,027	$240,082	$233,982	$213,860	$206,565	$198,676	$180,310	$168,279	$158,870
Stormwater Management (2)	24,029	8,849	15,212	3,942	15,508	10,451	-	-	-	-
Corporate Working Cash	-	-	-	-	-	-	-	4,645	4,276	4,044
Reserve Claim	1,951	3,182	7,073	6,530	5,957	5,513	5,142	4,645	4,276	4,044
Retirement	26,478	26,751	25,665	24,843	25,072	23,598	28,247	25,958	24,825	24,661
Debt Service	160,782	167,720	140,614	135,730	123,608	147,281	166,152	157,334	149,169	146,605
Construction	8,749	9,090	-	5,181	17,766	17,940	14,847	25,170	30,702	34,325
Total tax levies	$462,196	$451,619	$428,646	$410,208	$401,771	$411,348	$413,064	$398,062	$381,527	$372,549

Source: Cook County Clerk

(1) District's tax rates are estimated based on 2009 equalized assessed valuation of $174.5 billion.

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

(3) Major local governments' rates for 2010 are not yet available.

(4) Formerly Chicago City Colleges.

Exhibit I-7
Principal Property Taxpayers

2009 and Nine Years Ago

(in thousands of dollars)

		2009 (1)			2000		
Taxpayer	**Type of Business**	**Equalized Assessed Value (7)**	**Rank**	**Percentage of Total Equalized Assessed Value**	**Equalized Assessed Value**	**Rank**	**Percentage of Total Equalized Assessed Value**
Willis Tower (2)	Retail & Office	$ 505,515	1	0.29%	$ 395,636	1	0.46%
Aon Center (3)	Insurance	375,441	2	0.22	255,703	2	0.30
Equity Office (4)	Property Management	320,899	3	0.18	234,430	3	0.27
One Prudential Plaza	Financial Services	318,635	4	0.18	-	-	-
AT & T Corporate Center	Communications	256,590	5	0.15	202,096	5	0.24
Water Tower Place	Retail & Office	235,907	6	0.14	131,187	8	0.15
Chase Tower (5)	Banking	231,694	7	0.13	207,991	4	0.24
Three First National Plaza	Retail & Office	231,027	8	0.13	-	-	-
Citadel Center	Retail & Office	212,724	9	0.12	-	-	-
One North Wacker Dr. (6)	Office	211,528	10	0.12	-	-	-
Citicorp Center	Banking	-	-	-	140,310	6	0.16
Leo Burnett Building	Advertising	-	-	-	133,506	7	0.16
City Front Hotel Assoc.	Hotel Management	-	-	-	110,644	9	0.13
Health Care Service	Health Care	-	-	-	104,522	10	0.12
		$ 2,899,960		1.66%	$ 1,916,025		1.83%

Source: Cook County Treasurer's Office and Cook County Clerk's Office
(1) 2010 information is unavailable.
(2) Formerly known as the Sears Tower.
(3) Formerly known as the Amoco Oil Building.
(4) Equity Office owns and manages two adjoining tower office buildings.
(5) Formerly known as Bank One Plaza.
(6) Formerly known as the UBS Building.
(7) The Equalized Assessed Valuation for 2009 is $174,467,642,684

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
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	446	398,789	96.9
2006	401,771	353,566	88.0	12/03/07	37,494	391,060	97.3
2007	410,208	390,440	95.2	11/03/08	11,923	402,363	98.1
2008	428,645	400,048	93.3	12/01/09	23,091	423,139	98.7
2009	455,361	383,612	84.2	12/13/10	-	383,612	84.2
2010	462,196	-	-	09/01/11	-	-	-

Exhibit I-9
User Charge Rates

Last Ten Fiscal Years

	2010 (1)	2009	2008	2007	2006
Large Commercial/Industrial User Rates (2)					
Flow per million gallons	$ 262.44	$ 229.37	$ 223.72	$ 224.87	$ 225.80
5-day BOD per 1,000 lbs. (5)	270.68	231.90	229.23	228.39	239.79
SS per 1,000 lbs. (6)	200.33	174.25	178.11	173.01	183.41
Tax-Exempt User Rates (3)					
Flow per million gallons	$ 269.25	$ 235.96	$ 230.29	$ 231.07	$ 235.40
5-day BOD per 1,000 lbs. (5)	277.70	238.56	235.98	234.69	249.99
SS per 1,000 lbs. (6)	205.53	179.25	183.35	177.77	191.20
OM&R Rate (4)	0.5570	0.5040	0.4990	0.5040	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 2010 compared to 2009 is attributable to the increased District OM&R cost. 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 non-governmental, non-residential users engaged in significant commercial or industrial activities.

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

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

(5) BOD = Biological Oxygen Demand

(6) SS = Suspended Solids

2005	2004	2003	2002	2001
$ 210.91	$ 202.39	$ 217.74	$ 185.09	$ 200.21
226.64	215.86	227.39	197.10	216.96
174.33	168.16	182.75	151.53	158.11
$ 219.30	$ 209.31	$ 223.29	$ 190.74	$ 201.98
235.65	223.25	233.19	203.22	218.89
181.26	173.92	187.41	156.16	159.51
0.5680	0.5690	0.6240	0.5580	0.5950

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)
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
2010	1,961,974	196,225	2,158,199	111,055	2,047,144	1.40	411.87	0.33	390.68

(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, 2010

(In thousands of dollars)

Direct debt			
General obligation bonds			$ 1,961,974

Overlapping bonded debt of major local governments (1)	Net Debt (2)	% Applicable (3)	Applicable Amount	
City of Chicago	$ 7,152,398	100.00%	$ 7,152,398	
Chicago Board of Education	5,596,922 (4)(5)	100.00	5,596,922 (4)	
Chicago Park District	944,565 (4)	100.00	944,565 (4)	
Cook County	3,499,615	97.96	3,428,188	
Cook County Forest Preserve District	101,935	97.96	99,855	
Total overlapping debt (6)				17,221,928
Total direct and overlapping debt				$ 19,183,902

(1) Excludes outstanding tax anticipation notes and warrants.

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

(3) Based on 2009 EVAs; the most recent available. For 2009, the EVA from the portion of the District within the City of Chicago was $461,195,000.

(4) Includes approximately $5 billion and $461 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 ($358 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)

	2010 (1)	2009	2008	2007	2006
Equalized assessed valuation	$ 174,467,643	$ 174,467,643	$ 170,097,382	$ 155,972,794	$ 141,468,642
Statutory debt limit (5.75% of equalized assessed valuation)	10,031,889	10,031,889	9,780,599	8,968,436	8,134,447
Total debt applicable to debt limit:					
General obligation bonds outstanding	1,961,974	1,979,203	1,392,699	1,465,854	1,579,401
Bond anticipation notes outstanding	196,225	86,286	64,894	63,131	25,261
Capital lease outstanding	53,688	-	-	-	-
Liabilities of tax financed funds:					
Corporate	45,381	45,260	42,374	38,699	27,233
Stormwater	2,496	1,101	1,470	1,179	340
Debt service	-	-	-	-	56
Reserve claim	410	327	1,036	1,243	1,495
Construction	1,732	4,236	2,855	2,662	2,810
Total applicable debt	2,261,906	2,116,413	1,505,328	1,572,768	1,636,596
Less applicable assets:					
Debt service funds unrestricted cash and investments	88,710	88,849	89,397	77,599	108,814
Interest payable in the next twelve months	(92,619)	(59,873)	(73,103)	(68,877)	(69,111)
Total applicable assets	(3,909)	28,976	16,294	8,722	39,703
Total net debt applicable to debt limit	2,265,815	2,087,437	1,489,034	1,564,046	1,596,893
Statutory debt margin	$ 7,766,074	$ 7,944,452	$ 8,291,565	$ 7,404,390	$ 6,537,554
Total applicable net debt as a percentage of statutory debt limit	22.6%	20.8%	15.2%	17.4%	19.6%

(1) Debt limit calculation based on 2009 equalized assessed valuation since 2010 value is not yet available.

2005	2004	2003	2002	2001
$ 130,586,921	$ 119,038,560	$ 110,266,628	$ 102,837,365	$ 92,905,090
7,508,748	6,844,717	6,340,331	5,913,148	5,342,043
1,280,569	1,329,123	1,363,739	1,298,375	1,134,632
48,238	90,473	94,245	26,162	46,702
-	-	-	-	-
25,394	29,112	29,661	29,321	37,658
72	-	-	-	-
154	212	212	486	-
124	276	472	149	1,951
3,949	6,333	4,953	4,161	5,691
1,358,500	1,455,529	1,493,282	1,358,654	1,226,634
127,860	125,441	129,600	128,508	114,179
(55,119)	(60,902)	(63,488)	(62,325)	(58,199)
72,141	64,539	66,112	66,183	55,980
1,285,759	1,390,990	1,427,170	1,292,471	1,170,654
$ 6,222,989	$ 5,453,727	$ 4,913,161	$ 4,620,677	$ 4,171,389
17.1%	20.3%	22.5%	21.9%	21.9%

Exhibit I-13
Demographic and Economic Statistics

Last Ten Fiscal Years

(population and dollars in thousands)

Year	Population	Personal Income	Per Capita Personal Income	Median Household Income	Unemployment Rate
2010	5,240	$ 153,959,010	$ 29,381	$ 59,201	10.2%
2009	5,269	141,675,329	26,888	53,709	10.0
2008	5,262	139,190,968	26,452	52,664	6.2
2007	5,278	138,936,974	26,324	52,477	4.9
2006	5,307	139,547,983	26,295	52,408	4.5
2005	5,337	139,159,977	26,075	51,635	5.9
2004	5,364	137,820,341	25,694	50,093	6.2
2003	5,425	140,930,862	25,978	51,585	6.7
2002	5,383	189,054,081	35,121	57,214	6.5
2001	5,398	187,091,937	34,659	54,490	5.5

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

Exhibit I-14
Principal Employers

2010 and Nine Years Ago

Employer	2010 Employees	2010 Rank	2010 Percentage of Total Employment	2001 Employees	2001 Rank	2001 Percentage of Total Employment
U.S. Government	49,573	1	0.95%	78,000	1	1.44%
Chicago Public Schools	40,883	2	0.78	45,798	2	0.85
City of Chicago	35,237	3	0.67	42,825	3	0.79
State of Illinois	25,700	4	0.49	25,600	6	0.47
Cook County	23,083	5	0.44	27,139	4	0.50
Wal-Mart Stores Inc.	21,329	6	0.41	-	-	-
Advocate Health Care	14,873	7	0.28	-	-	-
J.P. Morgan Chase & Co. (1)	13,639	8	0.26	13,450	10	0.25
Walgreen Co.	13,122	9	0.25	-	-	-
Abbott Laboratories	13,000	10	0.25	-	-	-
AT&T Inc. (2)	-	-	-	25,900	5	0.48
University of Illinois at Chicago	-	-	-	16,453	7	0.30
Archdiocese of Chicago	-	-	-	14,220	8	0.26
Exelon Corp.	-	-	-	14,000	9	0.26
Total	250,439		4.78%	303,385		5.62%

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

Source: Reprinted with permission, *Crain's Chicago Business* [January 17, 2011] © Crain Communications, Inc.

Exhibit I-15
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

	Budgeted Positions									
Fund/Department	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
General Corporate Fund										
Board of Commissioners	45	45	45	45	45	46	46	45	45	45
General Administration	124	146	138	144	145	146	147	140	131	128
Monitoring and Research	308	308	309	311	317	321	326	337	347	352
Procurement and Materials Management	70	70	70	70	70	71	75	71	77	82
Human Resources	60	54	54	53	53	56	56	52	51	46
Information Technology	71	72	72	66	63	64	64	64	75	75
Law	40	40	40	40	41	41	41	40	41	41
Finance	31	31	33	34	35	35	37	37	38	40
Engineering (Corporate Fund)	34	34	34	33	33	33	32	32	32	32
Maintenance & Operations	1,047	1,046	1,045	1,044	1,071	1,124	1,137	1,163	1,191	1,202
Total General Corporate Fund	1,830	1,846	1,840	1,840	1,873	1,937	1,961	1,981	2,028	2,043
Engineering (Construction Fund)	45	45	45	49	63	63	117	120	130	231
Engineering (Stormwater Management)	50	49	47	48	38	9	-	-	-	-
Engineering (Capital Improvements Bond Fund) (1)	191	191	177	157	133	134	83	85	91	-
Grand Total	2,116	2,131	2,109	2,094	2,107	2,143	2,161	2,186	2,249	2,274

(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)
2010	884	129	5,239,879	4,500,000	10,000	4,000,000	1,245,200	2,000,000
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

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

Last Ten Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Miles of intercepting sewers and force mains operated	559	559	559	559	559	559	559	559	559	559
Miles of waterway water levels controlled	76	76	76	76	76	76	76	76	76	76
Acres of strip-mined land utilized for solids processing	13,796+	13,796+	13,796+	13,000+	13,000+	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	22	23	23	23	23	23	24	25
Miles of TARP tunnels constructed for pollution and flood control	109.4	109.4	109.4	109.4	109.4	101.5	101.5	101.5	93.4	93.4
Miles of TARP tunnels under construction	0.0	0.0	0.0	0.0	0.0	7.9	7.9	7.9	16.0	16.0
Number of TARP reservoirs constructed	1	1	1	1	1	1	1	1	1	1
Number of TARP reservoirs under construction	2	2	2	2	2	2	2	2	1	1
Number of flood control reservoirs	31	31	32	32	32	32	32	32	31	31
Instream aeration stations	2	2	2	2	2	2	2	2	2	2
Sidestream elevated pool aeration stations	5	5	5	5	5	5	5	5	5	5

Source: District's Engineering Department

IV.
SINGLE AUDIT SECTION

Commissioner Gloria Alitto Majewski's retirement resolution and reservoir dedication, at the Gloria Alitto Majewski Reservoir (formerly O'Hare CUP Reservoir), November 19, 2010. Pictured, from left to right, Richard Lanyon and Commissioners Kathleen Therese Meany, Cynthia M. Santos, Mariyana T. Spyropoulos, Gloria Alitto Majewski, Patricia Horton, Frank Avila, Barbara J. McGowan, Debra Shore, and President Terrence J. O'Brien.

BAKER TILLY

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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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 25, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the District's Pension Trust Fund, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting, or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated April 25, 2011.

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

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
April 25, 2011

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

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

Compliance

We have audited the Metropolitan Water Reclamation District of Greater Chicago's (District), compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended December 31, 2010. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

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

Internal Control Over Compliance

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

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

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

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

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
April 25, 2011

Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

Federal CFDA Number(A)	Grant/ Identifying Number(B)	Award Date(C)	Project Description(D)	Total 2010 Federal Expenditures (E)
Major Programs:				
Federal Grantor: U.S. Environmental Protection Agency				
Capitalization Grants for Clean Water State Revolving Funds - American Recovery and Reinvestment Act Grants (passed through Illinois Environmental Protection Agency)				
66.458	L172496	September, 2009	Evanston Intercepting Sewer Orrington Ave Rehabilitation	$ 2,823,756
66.458	L173800	November, 2009	Upper Des Plaines Intercepting Sewers 12 & 13B Rehabilitation, NSA	529,830
66.458	L173064	October, 2009	Harms Road #2 Sewer Rehabilitation	5,190,942
66.458	L173063	January, 2010	Upper Des Plaines Intercepting Sewer 14A Rehabiliation	1,455,472
		Total U.S. Environmental Protection Agency Funding of Capitalization Grants for Clean Water State Revolving Funds		$ 10,000,000
Non-Major Programs:				
Federal Grantor: U. S. Department of Homeland Security (passed through Illinois Emergency Management Agency)				
Buffer Zone Protection Program				
97.078	2008 BZPP	October, 2010	Buffer Zone Protection Program	30,775
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
97.036	MPWD02B	January, 2009	Debris Cleanup	20,000
		Total Federal Expenditures under Non-Major Programs		$ 50,775
			Total Federal Expenditures	**$ 10,050,775**

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

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 Explanations

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

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

(C) Date of original award.

(D) Description of project receiving federal funds.

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

Note 3 – Program Descriptions

Descriptions of federal programs, funded wholly or partially by federal sources, from which the District expended funds during the year ended December 31, 2010.

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

The Capitalization Grants for Clean Water State Revolving Funds creates State Revolving Funds (SRFs) through a program of capitalization grants to states, which will provide a long-term source of state financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

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

The FY 2010 Buffer Zone Protection Program (BZPP) provides funds to increase the preparedness capabilities of jurisdictions responsible for the safety and security of communities surrounding high-priority Critical Infrastructure and Key Resource (CIKR) assets through planning and equipment acquisition.

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

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

Note 4 – Grant Project Descriptions

Capitalization Grants for Clean Water State Revolving Funds - ARRA (American Recovery and Reinvestment Act of 2009)

Loan #L172496 was awarded to the District, on September 3, 2009, under the Procedures For Providing Financial Assistance From The Water Pollution Control Loan Program Under The American Recovery and Reinvestment Act of 2009. The loan provides funding for the Evanston Intercepting Sewer, Orrington Avenue, Rehabilitation, Project 02-010-3S. The maximum ARRA loan amount is $5,647,514. Pass through federal funding is $2,823,756. One-half of the ARRA funds, $1,441,878 will be required to be repaid. The loan balance of $4,205,636 will be repaid over a period of twenty-nine years.

Loan #L173800 was awarded to the District, on November 3, 2009, under the Procedures For Providing Financial Assistance From The Water Pollution Control Loan Program Under The American Recovery and Reinvestment Act of 2009. The loan provides funding for the Upper Des Plaines Intercepting Sewers 12 and 13B Rehabilitation, Project 03-122-3S. The maximum ARRA loan amount is $1,059,659. Pass through federal funding is $529,830. One-half of the ARRA funds, $264,915, will be required to be repaid. The loan balance of $794,744 will be repaid over a period of twenty-nine years.

Loan #L173064 was awarded to the District, on October 27, 2009, under the Procedures For Providing Financial Assistance From The Water Pollution Control Loan Program Under The American Recovery and Reinvestment Act of 2009. The loan provides funding for the Harms Road #2 Sewer Rehabilitation, Project 07-028-3S. The maximum ARRA loan amount is $10,381,885. Pass through federal funding is $5,190,942. One-half of the ARRA funds, $2,595,471, will be required to be repaid. The loan balance of $7,786,413 will be repaid over a period of twenty-nine years.

Loan #L173063 was awarded to the District, on July 8, 2010, under the Procedures For Providing Financial Assistance From The Water Pollution Control Loan Program Under The American Recovery and Reinvestment Act of 2009. The loan provides funding for the Upper Des Plaines Intercepting Sewer 14A Rehabilitation, Project 06-359-3S. The maximum ARRA loan amount is $11,144,129. Pass through federal funding is $1,455,472. One-half of the ARRA funds, $727,735, will be required to be repaid. The loan balance of $9,688,658 will be repaid over a period of twenty-nine years.

Buffer Zone Protection Program (BZPP)

Grant BZPP was awarded to the District from the Department of Homeland Security, Fiscal Year 2008 Homeland Security Grant Program, Buffer Zone Protection Program (BZPP), CFDA #97.078. The maximum pass through federal funding amount awarded is $30,775. For fiscal year 2010, MWRD received and spent $30,775 in federal funding.

Pilot Project

Project Number MPWD02B was awarded to the District from the Illinois Emergency Management Agency on January 22, 2009. The maximum eligible grant amount is $1,528,999, and the maximum pass through federal funding amount awarded was $1,146,749 in 2009 and $20,000 in 2010. For fiscal year 2010, MWRD received and spent $20,000 in federal funding.

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? _____Yes __X__No

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

Noncompliance material to financial statements noted?
_____Yes __X__No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____Yes __X__No

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

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

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

Identification of major programs:

U.S. Environmental Protection Agency

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

Dollar threshold used to distinguish between Type A and Type B programs: $ 301,523

Auditee qualified as low-risk auditee? __X__Yes _____No

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

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

Richard Lanyon, P.E.
Executive Director of the Metropolitan Water Reclamation District of Greater Chicago

Mr. Lanyon joined the District in 1963 as an engineer and excelled as one of only a few District employees with continued success working in three major departments. Mr. Lanyon found his longest residency in the Department of Monitoring and Research for approximately 33 years, serving various positions, including Assistant Director and Director. In 2006 he became the General Superintendent of the District (now titled the Executive Director).

Mr. Lanyon attended Chicago Public Schools and was accepted into the University of Illinois at Urbana School of Engineering, where he received a Bachelor of Science Degree in Civil Engineering (1960) and a Master of Science Degree in Civil Engineering (1961). He is an active member of several professional associations and community groups.

Mr. Lanyon has been a tremendous asset to this organization; his experience, dedication and ability to manage major District initiatives, political issues, the community and District staff will be truly missed. On behalf of the Board of Commissioners and staff, we express our respect and appreciation to Mr. Lanyon for the 47 years of outstanding service that he has rendered to the District and its taxpayers, and extend our best wishes for a long and pleasurable retirement. We also wish to extend our sincere gratitude to Mr. Lanyon's family, including his lovely wife Marsha Richman, children Emily, Michael, Mark, and daughter-in-law, Nancy, the late Steve, three grandchildren Colter, Nick and Nancy, and two great-granddaughters Olivia and Paige.

METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO